

قانون رقم (٢) لسنة ٢٠٠٨
بالموافقة على اتفاقيتي الاستكشاف والمشاركة في الانتاج
بين حكومة مملكة البحرين
وكل من شركة أوكسيدنتال الأمريكية وشركة PTTEP التايلندية

نحن سلمان بن حمد آل خليفة

ملك مملكة البحرين بالنيابة .

بعد الإطلاع على الدستور،

وعلى القانون رقم (١٠) لسنة ٢٠٠٦ بشأن مهام واختصاصات الهيئة الوطنية
للنفط والغاز وتعديل بعض أحكام المرسوم بقانون رقم (٤٢) لسنة ١٩٩٩ بإنشاء
شركة نفط البحرين،

وعلى المرسوم رقم (٦٣) لسنة ٢٠٠٥ بإنشاء الهيئة الوطنية للنفط والغاز،

وعلى المرسوم رقم (٧٨) لسنة ٢٠٠٥ بتشكيل مجلس إدارة الهيئة الوطنية للنفط
والغاز وتحديد أغراضها واختصاصاتها والمعدل بالمرسوم رقم (٨٤) لسنة ٢٠٠٦،
وعلى المرسوم رقم (٧٧) لسنة ٢٠٠٧ بتأسيس الشركة القابضة للنفط والغاز،
وعلى اتفاقية الاستكشاف والمشاركة في الانتاج (EPSA) في القطاعين رقمي
(٣) و (٤) من المياه المغمورة بين حكومة مملكة البحرين وشركة أوكسيدنتال
الأمريكية،

وعلى اتفاقية الاستكشاف والمشاركة في الانتاج (EPSA) في القطاع رقم (٢)
من المياه المغمورة بين حكومة مملكة البحرين وشركة PTTEP التايلندية،
أقر مجلس الشورى ومجلس النواب القانون الآتي نصه، وقد صدقنا عليه
وأصدرناه :

المادة الأولى

ووفق على اتفاقية الاستكشاف والمشاركة في الإنتاج (EPSA) في القطاعين
رقمي (٣) و (٤) من المياه المغمورة بين حكومة مملكة البحرين وشركة أوكسيدنتال
الأمريكية ، وعلى اتفاقية الاستكشاف والمشاركة في الإنتاج (EPSA) في القطاع
رقم (٢) من المياه المغمورة بين حكومة مملكة البحرين وشركة PTTEP التايلندية
، والمرافقتين لهذا القانون .

المادة الثانية

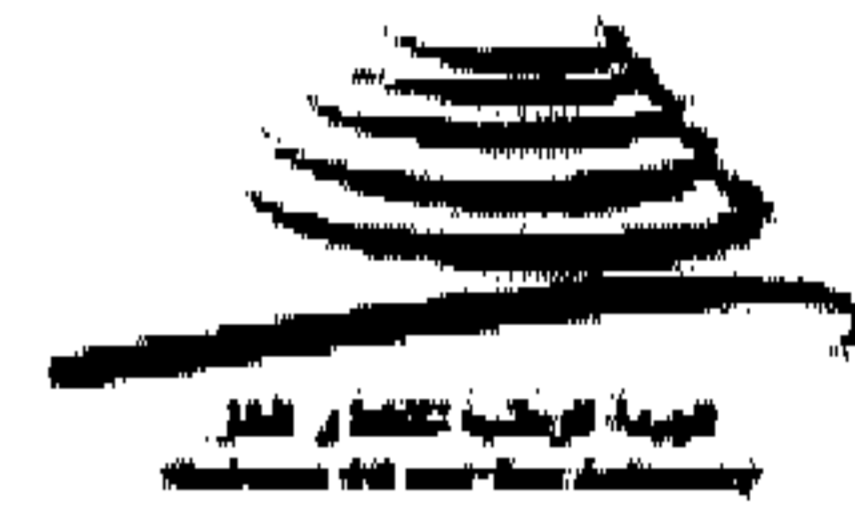
على رئيس مجلس الوزراء والوزراء - كل فيما يخصه - تنفيذ هذا القانون ،
ويُعمل به من اليوم التالي لتاريخ نشره في الجريدة الرسمية .

ملك مملكة البحرين بالنيابة
سلمان بن حمد آل خليفة

صدر في قصر الرفاع:

بتاريخ : ٢٩ محرم ١٤٢٩ هـ

الموافق : ٧ فبراير ٢٠٠٨ م



Kingdom of Bahrain

Exploration and Production Sharing Agreement

Between

THE NATIONAL OIL & GAS AUTHORITY

and

PTTEP BAHRAIN COMPANY LIMITED

IN RESPECT OF OFFSHORE BAHRAIN

Block 2

Kingdom of Bahrain

Exploration and Production Sharing Agreement

Between

THE NATIONAL OIL AND GAS AUTHORITY

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In respect of

Offshore Bahrain

Block 2

TABLE OF CONTENTS

ARTICLE 1 DEFINITIONS AND INTERPRETATION.....	
1.1	DEFINITIONS
1.2	INTERPRETATION.....
1.3	CURRENCIES
ARTICLE 2 SCOPE OF AGREEMENT	
ARTICLE 3 TERM.....	
3.1	EXPLORATION PERIOD
3.2	RETAINED EXPLORATION AREA
3.3	DISCOVERY WITHIN 180 DAYS OF END OF EXPLORATION PERIOD
3.4	TERM OF DEVELOPMENT AREAS
3.5	NOGA DISCRETION TO EXTEND FIRST EXPLORATION PHASE.....
ARTICLE 4 RELINQUISHMENT	
4.1	RELINQUISHMENT PRIOR TO SECOND EXPLORATION PHASE
4.2	RELINQUISHMENT AT END OF EXPLORATION PERIOD
4.3	RELINQUISHMENT OF DEVELOPMENT AREAS
4.4	VOLUNTARY RELINQUISHMENT
4.5	RELINQUISHMENT UPON TERMINATION
4.6	OBLIGATION TO OPERATE DEVELOPMENT AREA SUBSEQUENT TO RELINQUISHMENT
4.7	RELINQUISHMENT NOTICE AND APPROVAL.....
4.8	CONTRACTOR'S OBLIGATIONS UPON RELINQUISHMENT.....
ARTICLE 5 EXPLORATION WORK PROGRAMME COMMITMENTS.....	
5.1	OBLIGATION TO COMMENCE OPERATIONS.....
5.2	FIRST EXPLORATION PHASE WORK PROGRAMME COMMITMENTS
5.3	CARRY FORWARD OF EXCESS EXPLORATION WORK.....

5.4	SECOND EXPLORATION PHASE EXPLORATION WORK PROGRAMME COMMITMENTS
ARTICLE 6	
GUARANTEES	
6.1	GUARANTEE FOR EXPLORATION WORK PROGRAMME COMMITMENTS
6.2	GUARANTEE FOR GENERAL OBLIGATIONS UNDER THIS AGREEMENT
ARTICLE 7 MANAGEMENT COMMITTEE	
7.1	MANAGEMENT COMMITTEE AUTHORITY
7.2	MANAGEMENT COMMITTEE REPRESENTATIVES
7.3	MANAGEMENT COMMITTEE CHAIRMAN AND SECRETARY
7.4	MANAGEMENT COMMITTEE MEETINGS AND VOTING
ARTICLE 8 DISCOVERY AND APPRAISAL	
8.1	DISCOVERIES AND DISCOVERY AREAS
8.2	APPRAISAL PLANS
ARTICLE 9 DEVELOPMENT	
9.1	DEVELOPMENT
9.2	NOGA DECLARATION OF COMMERCIAL DISCOVERY
ARTICLE 10 ANNUAL WORK PROGRAMMES AND BUDGETS	
10.1	ANNUAL WORK PROGRAMME AND BUDGETS
ARTICLE 11 UNITIZATION	
11.1	UNITIZATION
ARTICLE 12 GENERAL RIGHTS AND OBLIGATIONS OF THE PARTIES	
12.1	CONTRACTOR'S GENERAL RIGHTS
12.2	CONTRACTOR'S GENERAL OBLIGATION

12.3	NOGA'S GENERAL RIGHTS
12.4	NOGA'S GENERAL OBLIGATIONS
12.5	LIMITATION OF RIGHTS
12.6	DELAYS
12.7	LIFTING
12.8	REASONABLE AND PRUDENT OPERATOR STANDARD
ARTICLE 13 COST RECOVERY AND PRODUCTION SHARING.....	
13.1	CLASSIFICATION OF COSTS
13.2	ALLOCATION OF PRODUCTION.....
13.3	R FACTOR
13.4	RECOVERY OF PETROLEUM COSTS
13.5	ALLOCATION OF PROFIT CRUDE OIL AND PROFIT ASSOCIATED GAS
13.6	ALLOCATION OF PROFIT NON-ASSOCIATED GAS
ARTICLE 14 BONUSES.....	
14.1	BONUSES.....
ARTICLE 15 VALUATION OF PETROLEUM.....	
15.1	VALUATION OF CRUDE OIL.....
15.2	VALUATION OF NATURAL GAS.....
15.3	REPORTING OF ARMS-LENGTH SALES.....
15.4	DETERMINATION OF MARKET PRICE
ARTICLE 16 MEASUREMENT OF PETROLEUM.....	
16.1	MEASUREMENT OF PETROLEUM
ARTICLE 17 TAXES AND STABILITY	
17.1	BAHRAIN INCOME TAX
17.2	EXPORT TAXES

17.3	TAXES ON ABANDONMENT FUND.....
17.4	STABILIZATION – ECONOMIC BALANCING.....
ARTICLE 18 IMPORT CUSTOMS AND DUTIES.....	
18.1	IMPORT CUSTOMS AND DUTIES.....
ARTICLE 19 CURRENCY, BANKING, AND EXCHANGE CONTROL.....	
19.1	CURRENCY OF PAYMENTS.....
19.2	CONTRACTOR'S RIGHTS.....
ARTICLE 20 NATURAL GAS.....	
20.1	ASSOCIATED GAS.....
20.2	NON-ASSOCIATED GAS.....
20.3	CONTRACTOR MARKETING OF NATURAL GAS ON BEHALF OF NOGA.....
ARTICLE 21 HEALTH, SAFETY AND ENVIRONMENTAL COMPLIANCE.....	
21.1	CONTRACTOR'S HEALTH, SAFETY AND ENVIRONMENTAL OBLIGATIONS.....
ARTICLE 22 USE, OWNERSHIP, AND ABANDONMENT OF ASSETS.....	
22.1	USE OF EXISTING INFRASTRUCTURE.....
22.2	NOGA RIGHTS TO CONTRACTOR ASSETS.....
22.3	THIRD PARTY ACCESS TO ASSETS.....
22.4	SALE OF SURPLUS ASSETS.....
22.5	ABANDONMENT.....
22.6	ABANDONMENT FUND.....
ARTICLE 23 PREFERENCE FOR LOCAL SERVICES, GOODS, AND EMPLOYEES...	
23.1	PREFERENCE FOR LOCAL SERVICES AND FACILITIES.....
23.2	PREFERENCE FOR LOCAL GOODS.....
23.3	PREFERENCE FOR LOCAL EMPLOYEES.....

ARTICLE 24 TRAINING AND TRANSFER OF TECHNOLOGY.....

- 24.1 TRAINING.....
- 24.2 TRANSFER OF TECHNOLOGY.....

ARTICLE 25 LIABILITIES, INDEMNIFICATION AND INSURANCE

- 25.1 LIABILITIES AND INDEMNIFICATION
- 25.2 CONSEQUENTIAL LOSSES
- 25.3 CONTRACTOR'S INSURANCE.....
- 25.4 SUB-CONTRACTOR INSURANCE.....

ARTICLE 26 DATA, INFORMATION AND CONFIDENTIALITY

- 26.1 DATA AND INFORMATION
- 26.2 CONFIDENTIALITY.....

ARTICLE 27 RECORDS, REPORTS, ACCOUNTS AND AUDIT.....

- 27.1 RECORDS, ACCOUNTS AND REPORTS
- 27.2 PROFIT AND LOSS STATEMENT, BALANCE SHEET, AND CASH FLOW STATEMENT.....
- 27.3 OPERATIONS AND FINANCIAL REPORTING.....
- 27.4 STATEMENT OF PETROLEUM COSTS
- 27.5 OTHER STATEMENTS.....
- 27.6 NOGA'S AUDIT RIGHTS

ARTICLE 28 ASSIGNMENT.....

- 28.1 ASSIGNMENT

ARTICLE 29 TERMINATION.....

- 29.1 TERMINATION BY NOGA
- 29.2 CONTRACTOR'S OBLIGATIONS AND RIGHTS UPON TERMINATION BY NOGA.....
- 29.3 NOGA'S OBLIGATIONS AND RIGHTS UPON TERMINATION BY NOGA
- 29.4 TERMINATION BY CONTRACTOR.....

29.5	CONTRACTOR'S OBLIGATIONS AND RIGHTS UPON TERMINATION BY CONTRACTOR
	94
29.6	NOGA'S OBLIGATIONS AND RIGHTS UPON TERMINATION BY CONTRACTOR.....
29.7	RIGHT TO CURE AND NOTICE OF TERMINATION
29.8	OPTION TO TERMINATE SUBJECT TO CONFIRMATION BY ARBITRATION
29.9	TERMINATION AS RESULT OF RELINQUISHMENT
29.10	TERMINATION IN THE CASE OF EXTENDED FORCE MAJEURE
29.11	TERMINATION BY AGREEMENT OF THE PARTIES
ARTICLE 30 FORCE MAJEURE.....	
30.1	DEFINITION OF "FORCE MAJEURE"
30.2	NOTICE REQUIREMENTS AND DUTY TO MITIGATE
30.3	CONSEQUENCE OF FORCE MAJEURE - SUSPENSION OF OBLIGATIONS
30.4	CONSEQUENCES OF FORCE MAJEURE – TOLLING OF TERM OF AGREEMENT
30.5	BURDEN OF PROOF ON PARTY CLAIMING FORCE MAJEURE.....
ARTICLE 31 GOVERNING LAW.....	
31.1	GOVERNING LAW
ARTICLE 32 DISPUTE RESOLUTION.....	
32.1	EXPERT DETERMINATION
32.2	INTERNATIONAL ARBITRATION
ARTICLE 33 OFFICE IN BAHRAIN.....	
ARTICLE 34 NOTICES	
34.1	NOTICES.....
ARTICLE 35 MISCELLANEOUS	
35.1	ENTIRE AGREEMENT
35.2	AMENDMENT.....

35.3	WAIVER
35.4	REFERENCE TO LAWS AND REGULATIONS
35.5	LANGUAGE OF DOCUMENTS
35.6	MEASUREMENT OF TIME
35.7	CONFLICT OF INTEREST
35.8	JOINT OPERATING AGREEMENT AND OPERATOR
35.9	CONFLICT BETWEEN BODY OF AGREEMENT AND APPENDICES
35.10	WARRANTY OF VALIDITY

APPENDIX A	MAP OF THE CONTRACT AREA
APPENDIX B	CONTRACT AREA DESCRIPTION AND COORDINATES
APPENDIX C	ACCOUNTING PROCEDURE
APPENDIX D	PROCEDURE FOR EXPERT DETERMINATION
APPENDIX E	FORMAT FOR ANNUAL BUDGET AND ANNUAL PETROLEUM COST STATEMENT
APPENDIX F	FORM OF PARENT COMPANY PERFORMANCE GUARANTEE
APPENDIX G	ENVIRONMENTAL STANDARDS AND PRACTICES AND SAFETY GUIDELINES
APPENDIX H	MINIMUM EXPLORATION WORK PROGRAMME COMMITMENTS
APPENDIX I	FORM OF ASSIGNMENT NOTICE

PREAMBLE

THIS EXPLORATION AND PRODUCTION SHARING AGREEMENT is made this _____ day of _____ by and between:

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 "**NOGA**"), of the first part; and **PTTEP Bahrain Company Limited** or its Affiliate, a company incorporated in the Cayman Islands and having its registered office in the Cayman Islands, as well as its permitted assigns, individually and collectively (hereinafter called the "**CONTRACTOR**") of the second part.

WHEREAS:

- (A) All Petroleum 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) NOGA, an entity existing under the laws of the Kingdom of Bahrain, formed pursuant to 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) The CONTRACTOR has provided to NOGA, prior to the execution 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) The CONTRACTOR has also, contemporaneously with the signing of this Agreement, delivered to NOGA a legal opinion from its legal advisors, in a form satisfactory to NOGA, 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.

- (F) AND WHEREAS the CONTRACTOR represents and confirms that it 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.
- (G) BAPCO, a company existing under the laws of Bahrain, formed pursuant to Legislative Decree No. 42 for 1999 is the state oil company entrusted with prospecting for, exploring, producing, processing, refining and marketing oil, gas and petroleum products.
- (H) Oil and Gas Holding Company, a Company existing under the laws of the Kingdom of Bahrain, formed pursuant to Decree No. 77 for the year 2007

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 require:

- (A) "**Abandonment**" means the decommissioning, removal, abandonment and making safe of all offshore and onshore installations and structures acquired and/or constructed by or on behalf of the CONTRACTOR for use in Petroleum Operations and the reclamation, remediation, reinstatement and making good of the Contract Area in an environmentally sound manner, all in accordance with the best available international petroleum industry practices, and all applicable

laws at the time of such Abandonment (and the phrases "Abandon" and "Abandoned" shall be construed accordingly);

(B) "**Abandonment Fund**" shall have the meaning assigned to it in Article 22.6;

(C) "**Accounting Procedure**" means the Accounting Procedure attached hereto as Appendix C;

(D) "**Affiliate**" means:

(١) in relation to the CONTRACTOR (a) any company in which the CONTRACTOR or any company owned or controlled by the CONTRACTOR now or hereafter owns or controls, directly or indirectly, more than 50% of the shareholding entitled to vote in the election of directors, or if there is no such shareholding, 50% or more of the equity share capital of such company, or (b) the ultimate parent corporation of the CONTRACTOR and any company in which such parent corporation now or hereafter owns or controls, directly or indirectly, more than 50% of the shareholding entitled to vote in the election of directors or, if there is no such shareholding, 50% or more of the equity share capital of such company; and

(٢) in relation to NOGA (a) any company in which NOGA now or hereafter owns or controls, directly or indirectly or on behalf of the Kingdom of Bahrain 50% or more of the shareholding entitled to vote in the election of directors, or if there is no such shareholding, 50% or more of the equity share capital of such company or (b) the Kingdom of Bahrain or any company owned or controlled by the Kingdom of Bahrain, control being defined as controlling, directly or indirectly 50% or more of the shareholding entitled to vote in the election of Directors or if there is no such shareholding, 50% or more of the equity share capital of such company;

(E) "**Agreement**" means this "Exploration and Production Sharing Agreement" for the Contract Area in the Kingdom of Bahrain, which is composed of 35 Articles and the following Appendices:

- (١) APPENDIX A - Map of the Contract Area
 - (٢) APPENDIX B - Contract Area Description and Coordinates
 - (٣) APPENDIX C - Accounting Procedure
 - (٤) APPENDIX D - Procedure for Expert Determination
 - (٥) APPENDIX E - Format for submission of Annual Budget and Annual Petroleum Cost Statement.
 - (٦) APPENDIX F - Form of Parent Company Performance Guarantee
 - (٧) APPENDIX G - Environmental Standards and Practices and Safety Guidelines
 - (٨) APPENDIX H - Minimum Exploration Work Programme Commitments
 - (٩) APPENDIX I - Form of Assignment Notice
- (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 Calendar Year (or part thereof) and the estimated expenditure for such Petroleum Operations as prepared and approved pursuant to Article 10;
- (G) "**Appraisal Area**" means the area in which the Appraisal Plan is to be pursued, as determined pursuant to Article 8.2;
- (H) "**Appraisal Plan**" shall have the meaning assigned to it in Article 8.2;
- (I) "**Appraisal Well**" means a well drilled for the main purpose of defining the extent and evaluating the commerciality of an already discovered Petroleum accumulation;
- (J) "**Arms-Length Sales**" means a sale of Petroleum which:
- (١) is to a person who is not an Affiliate of the seller of the Petroleum;
 - (٢) is for cash consideration; and

- (٣) provides no direct or indirect collateral benefit to Seller, other than the cash consideration.
- (K) "**Associated Gas**" shall mean Natural Gas produced in association with oil, or from a gas cap overlying and in contact with the Crude Oil in the reservoir, including, not by way of limitation, casing head gas, and gas lift gas; 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 natural gas liquids;
- (L) "**Bahrain Income Tax Law**" means Bahrain Income Tax Legislative Decree No. 22 for 1979 as amended from time to time;
- (M) "**NOGA Group**" shall have the meaning assigned to it in Article 25.1;
- (N) "**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;
- (O) "**Business Day**" means any day which is neither a Friday, a Saturday nor a public holiday in the Kingdom of Bahrain;
- (P) "**Calendar Month**" means any of the twelve periods of one month within a Calendar Year;
- (Q) "**Calendar Quarter**" means any of the four periods of three (3) Calendar Months each within a Calendar Year, commencing on January 1st, April 1st, July 1st, and October 1st;
- (R) "**Calendar Year**" means a period commencing on January 1st and ending on December 31st of the same year;
- (S) "**Chairman**" shall have the meaning assigned to it in Article 7.3;
- (T) "**Commercial Discovery**" means an occurrence within the Contract Area wherein a well or wells has or have been completed and tested in accordance with good international petroleum industry practices and have been found

capable of producing Petroleum 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;

- (U) "**Contract Area**" means the area known as Block 2 subject to this Agreement as generally 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 completely seawards from the high water mark along the coast of the Kingdom of Bahrain and within the territorial waters of the Kingdom of Bahrain and shall not include any part of the main island of Bahrain or any part or extension of the Permo-Triassic Khuff gas accumulation known as the Bahrain (or Awali) field;
- (V) "**Cost Recovery Petroleum**" shall have the meaning assigned to it in Article 13.4(A);
- (W) "**Cost Recovery Limit**" shall have the meaning assigned to it in Article 13.4(B);
- (X) "**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
- (Y) "**Development Area**" means the area in which the Development Plan is to be pursued, as determined pursuant to Article 9.1;
- (Z) "**Development Costs**" shall have the meaning assigned to it in Article 13.1(B);
- (AA) "**Development Plan**" shall have the meaning assigned to it in Article 9.1(B);
- (BB) "**Discovery**" means the finding, during Petroleum Operations, of a deposit of Petroleum not previously known to have existed;
- (CC) "**Discovery Area**" means the area corresponding to a Discovery, as determined pursuant to Article 8.1(C);

- (DD) "**Effective Date**" shall mean the date upon which NOGA has provided notice to CONTRACTOR that all necessary approvals, authorizations and ratifications necessary from the Kingdom of Bahrain and its associated entities in connection with this Agreement has been provided in accordance with Article 35.10;
- (EE) "**Expert**" means the expert or experts appointed in accordance with Article 32.1 and Appendix D of this Agreement;
- (FF) "**Exploration Costs**" shall have the meaning assigned to it in Article 13.1(A);
- (GG) "**Exploration Operations**" means Petroleum Operations, including geophysical and geological studies and the drilling of Exploration Wells, conducted for the purpose of detecting the existence of Petroleum accumulation(s) at a place, position or depth where such accumulation(s) have not been previously known to exist;
- (HH) "**Exploration Period**" means the initial six (6) 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;
- (II) "**Exploration Phase**" means the First Exploration Phase or the Second Exploration Phase, as applicable;
- (JJ) "**Exploration Work Programme Commitments**" shall mean the First Exploration Phase Work Programme Commitments and the Second Exploration Phase Work Programme Commitments, as applicable;
- (KK) "**Exploration Well**" means a well drilled for the purpose of detecting the existence of Petroleum accumulation(s) at a place, position or depth where such accumulation(s) have not been previously known to exist;
- (LL) "**First Exploration Phase**" shall have the meaning assigned to it in Article 3.1(A)(1);
- (MM) "**First Exploration Phase Work Programme Commitments**" shall be the Petroleum Operations to be conducted pursuant to Article 5.2;

- (NN) "**Force Majeure**" shall have the meaning assigned to it in Article 30.1;
- (OO) "**Government**" means the Government of the Kingdom of Bahrain;
- (PP) "**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;
- (QQ) "**Management Committee**" shall have the meaning assigned to it in Article 7.1;
- (RR) "**Natural Gas**" means all hydrocarbons that are in gaseous phase at standard temperature and pressure; including but not limited to 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 natural gas liquids;
- (SS) "**Net Petroleum Production**" shall mean all Petroleum produced and saved from the Contract Area (other than Petroleum lost or used in and for the Petroleum Operations), as measured at the Point of Delivery;
- (TT) "**Non-Associated Gas**" shall mean free 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 natural gas liquids;
- (UU) "**Non-Associated Gas Retention Area**" means the Discover Area or Appraisal Area, as applicable, associated with a Discovery of Non-Associated Gas;
- (VV) "**Non-Associated Natural Gas Discovery**" means a Discovery of Non-Associated Gas from an Exploration Well in the Contract Area which has tested significant flow rates of Natural Gas from one or more reservoirs, and which is estimated to be capable of continuous production from the said reservoir(s) over a reasonable period and which in the opinion of the CONTRACTOR could be declared a Commercial Discovery in the future.

- (WW) "**Operating Costs**" shall have the meaning assigned to it in Article 13.1(C);
- (XX) "**Parties**" means NOGA and the CONTRACTOR and "**Party**" means either NOGA or the CONTRACTOR, as the context may require;
- (YY) "**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.
- (ZZ) "**Petroleum Costs**" means all expenditures made and all costs incurred by the 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 Procedure and designated as Exploration Costs, Development Costs and Operating Costs, as appropriate, in relation to the exploration, development and production operations in respect of which such costs are incurred. Petroleum Costs shall not include the following items of costs and expenditures:
- (١) foreign taxes paid on income derived from sources within the Kingdom of Bahrain;
 - (٢) finance costs (including bank charges and interest) incurred by CONTRACTOR in financing Petroleum Operations;
 - (٣) bonus payments specified in Article 14.1.
- (AAA) "**Petroleum Operations**" means any and all operations carried out by the CONTRACTOR under this Agreement for the purpose of:
- (١) exploring, appraising, developing, producing, storing, marketing, transporting Petroleum in and from the Contract Area;
 - (٢) the plugging and Abandonment of any wells and the Abandonment of installations and facilities;
- (BBB) "**Point of Delivery**" shall have the meaning assigned to it in Articles 16.1(C) and 16.1(D);

- (CCC) "**Production Commencement Date**" means the date the CONTRACTOR first delivers Petroleum to the Point of Delivery;
- (DDD) "**Profit Associated Gas**" shall have the meaning assigned to it in Article 13.5;
- (EEE) "**Profit Crude Oil**" shall have the meaning assigned to it in Article 13.5;
- (FFF) "**Profit Non-Associated Gas**" shall have the meaning assigned to it in Article 13.6;
- (GGG) "**Profit Petroleum**" shall have the meaning assigned to it in Article 13.2;
- (HHH) "**Reasonable and Prudent Operator**" means a person (operator) seeking, in good faith, to perform its contractual obligation and, in so doing and in the general conduct of its 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;
- (III) "**R Factor**" shall have the meaning assigned to it in Article 13.3;
- (JJJ) "**Retained Exploration Area**" means that portion of the Contract Area retained for Exploration Operations in accordance with Article 3.2;
- (KKK) "**Retained Exploration Area Programme Commitments**" shall have the meaning assigned to it in Article 3.2(A);
- (LLL) "**Second Exploration Phase**" shall have the meaning assigned to it in Article 3.1(A)(2);
- (MMM) "**Second Exploration Phase Work Programme Commitments**" means the Petroleum Operations to be conducted pursuant to Article 5.4;
- (NNN) "**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 and respective Affiliates;

(OOO) "UNCITRAL" means the United Nations Commission on International Trade Law;

(PPP) "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 judgment 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.

(QQQ) "I.C.C." means International Chamber of Commerce.

١,٢ 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, novated, restated or replaced from time to time; and
- (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.

١,٣ CURRENCIES

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

**ARTICLE ٢
SCOPE OF AGREEMENT**

The scope of this Agreement shall include the exploration, appraisal, development, production, and transportation of Petroleum within the Contract Area, and the transportation of Petroleum produced from within the Contract Area to the Point(s) of Delivery outside of the Contract Area.

The CONTRACTOR shall conduct and finance such Petroleum Operations and all Petroleum produced from within the Contract Area shall be shared between NOGA and the CONTRACTOR in accordance with the terms of this Agreement.

**ARTICLE ٣
TERM****٣,١ Exploration Period**

(A) The Exploration Period is comprised of:

- (١) a "First Exploration Phase" of three (3) years commencing on the Effective Date. Contractor will have to submit guarantee as stipulated in Article 6.1.

- (٢) if applicable, an optional "Second Exploration Phase" of three (3) years commencing on the expiry of the First Exploration Phase. CONTRACTOR's option to enter the Second Exploration Phase is subject to it having provided to NOGA notice of its intention to enter the Second Exploration Phase at least ninety (90) days prior to the expiry of the First Exploration Phase, and to its having, prior to the expiry of the First Exploration Phase:
- I) performed the First Exploration Phase Work Programme Commitments;
 - II) performed the relinquishment obligations set forth in Article 4.1; and
 - III) provided to NOGA the guarantee in respect of the Second Exploration Phase as contemplated in Article 6.1.

٣,٢ Retained Exploration Area

- (A) CONTRACTOR may propose to NOGA at least ninety (90) days prior to the end of the Second Exploration Phase, and subject to CONTRACTOR having performed the Second Exploration Phase Work Programme Commitments prior to the end of the Second Exploration Phase, a Retained Exploration Area of up to twenty percent (20%) of the original Contract Area in return for conducting an agreed-upon programme of Exploration Operations (the "Retained Exploration Area Programme Commitments"). Such notice to NOGA:
- (١) shall specify the coordinates of the proposed Retained Exploration Area, which shall be comprised of no more than two (2) simple geometric shapes that reasonably permit petroleum activities in regard to relinquished areas; and
 - (٢) shall describe CONTRACTOR's proposed Retained Exploration Area Programme Commitments for the balance of the current Calendar Year and the next Calendar Year, along with: (i) the associated amount due in the event of breach for non-performance; and (ii) the proposed

guarantee to be associated with such Retained Exploration Area Programme Commitments.

- (B) NOGA shall have the discretion whether to approve any such proposal. In the event that NOGA approves CONTRACTOR's proposal, CONTRACTOR will then undertake the Retained Exploration Area Programme Commitments (failing which the associated 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 NOGA can agree, on the same basis, upon CONTRACTOR's Retained Exploration Area Programme Commitments for each succeeding two (2) Calendar Year period.

٣,٣ **Discovery within 180 Days of End of Exploration Period**

In the event that CONTRACTOR makes a Discovery within one hundred and eighty (180) days prior to the expiry of the Exploration Period, the term of this Agreement 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 within the time provided for in Articles 8 and 9 to attempt to obtain applicable Appraisal Plan or Development Plan approval.

٣,٤ **Term of Development Areas**

- (A) In the event of approval of a Development Plan the term of this Agreement shall, subject to Article 4.3, be extended in regard to the associated Development Area until the twenty fourth (24th) anniversary of the Discovery date.
- (B) The CONTRACTOR may request, at least one (1) year prior to the expiry of the term of a Development Area, an extension of such term. NOGA shall have the discretion whether or not to grant any such extension. If granted, such extension shall be on such terms and conditions as the Parties may negotiate at the time. The duration of the extension, and the other terms and conditions agreed for the same, shall only be effective upon ratification by the Kingdom of Bahrain.

٣,٥ NOGA Discretion to Extend First Exploration Phase

- (A) If, at the end of the First Exploration Phase, the First Exploration Phase Work Programme Commitments are not completed, then NOGA may, in its discretion, extend the term of such First Exploration Phase for a period necessary to enable CONTRACTOR to complete such commitments, such extension not to exceed six (6) months, provided, however, that CONTRACTOR must: (i) give notice of its request for such extension to NOGA at least ninety (90) days prior to the expiry of such First Exploration Phase; and (ii) show technical or other good reasons for non-performance of the First Exploration Phase Work Programme Commitments. In the event of any such extension of the First Exploration Phase NOGA may in its discretion subtract the period of such extension from the term 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 NOGA may, in its discretion, extend the term of the such First Exploration Phase in order to extend the deadline for CONTRACTOR's election to proceed into the Second Exploration Phase, such extension not to exceed six (6) months, provided, however, that CONTRACTOR must give notice of its request for such an extension to NOGA 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 NOGA may in its discretion subtract the period of such extension from the term of the Second Exploration Phase, if any.

**ARTICLE ٤
RELINQUISHMENT****٤,١ Relinquishment Prior to Second Exploration Phase**

If CONTRACTOR elects to enter the Second Exploration Phase, CONTRACTOR shall, prior to the end of the First Exploration Phase, relinquish an area equivalent to at least forty percent (40%) of the original Contract Area, provided that for this purpose "original Contract Area" shall be deemed to be reduced by the area of any Appraisal Areas and Development Areas that exist at the expiry of the First Exploration Phase. No less than

ninety (90) days prior to the end of the First Exploration Phase, CONTRACTOR shall submit to NOGA for its approval a written notice indicating the area(s) in the 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(s) shall consist of not more than two (2) parts, and shall so far as reasonably possible be of sufficient size and convenient shape, taking into account contiguous areas already relinquished and not the subject of a further contract, to enable Petroleum Operations to be carried out thereon and, upon relinquishment, such relinquished areas shall cease to be part of the Contract Area for all purposes. Any dispute over the size or shape of such relinquishment shall be resolved via Expert determination in accordance with Article 32.1

٤,٢ **Relinquishment at End of Exploration Period**

- (A) CONTRACTOR may opt not to enter First Exploration Phase. In such case CONTRACTOR shall relinquish all of the Contract Area.
- (B) At the end of the Exploration Period (at the end of the First Exploration Phase, or at the end of the Second Exploration Phase, as applicable) CONTRACTOR shall relinquish all of the Contract Area excepting any:
 - (١) Development Area;
 - (٢) Appraisal Area;
 - (٣) Discovery Area for which CONTRACTOR has proposed an Appraisal Plan, provided that CONTRACTOR is duly implementing the applicable procedures to convert such Discovery Area into an Appraisal Area within the time provided for in Article 8;
 - (٤) Discovery Area for which CONTRACTOR has not proposed an Appraisal Plan, provided that the associated Discovery was made within one hundred and eighty (180) days prior to the end of the Exploration Period, and provided that CONTRACTOR is duly implementing the applicable procedures to convert such Discovery Area into an Appraisal Area within the time provided for in Article 8;

- (٥) Retained Exploration Area;
 - (٦) Non-Associated Gas Retention Area, for the period permitted by Article 20.2(B); or
 - (٧) if there is a well still drilling at the end of the Exploration Period, at the discretion of NOGA, the prospective Discovery Area as may be determined by NOGA 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.
- (C) CONTRACTOR shall, in regard to any area(s) retained after the expiry of the Exploration Period, relinquish any:
- (١) Development Area that CONTRACTOR does not timely develop in accordance with Article 9;
 - (٢) Appraisal Area that does not become the subject of a Development Area within the time provided for in Article 9;
 - (٣) 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;
 - (٤) Non-Associated Gas Retention Area that does not become the subject of an Appraisal Area within the time provided for in Article 20.2, and, subsequently, a Development Area within the time provided for in Article 20; and/or
 - (٥) A prospective Discovery Area arising pursuant to Article 4.2(B)(7) 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.

٤,٣ Relinquishment of Development Areas

(A) CONTRACTOR shall relinquish each Development Area:

- (١) in the case where there is no current production, immediately upon CONTRACTOR's notice to NOGA that such Development Area is no longer considered economic by CONTRACTOR and is being voluntarily relinquished;
- (٢) in the case where there is current production, on the date one hundred and eighty (180) days after CONTRACTOR's notice that such Development Area is no longer considered economic by CONTRACTOR and is being voluntarily relinquished, and in accordance with a reasonable transitional programme in the event that NOGA elects to continue such operations;
- (٣) on the date the CONTRACTOR has discontinued production, without the consent of NOGA, for more than one hundred and eighty (180) days;
- (٤) 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 9.1(C)(5); or
- (٥) on the thirtieth (30th) anniversary of the Effective Date;

whichever comes first, subject to an extension having been granted under Article 3.4(B).

٤,٤ Voluntary Relinquishment

CONTRACTOR may relinquish any portion, or all, of the Contract Area at any time during First and Second Exploration Phases. Any relinquishment by the CONTRACTOR of the entire 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 29.2(A).

٤,٥ Relinquishment upon Termination

Upon termination of this Agreement under Article 29 CONTRACTOR shall relinquish all of the Contract Area, including but not limited to any Discovery Areas, Appraisal Areas, and/or Development Areas, without NOGA having any further obligations or liability to the CONTRACTOR whatsoever, except as may be applicable in the case of an arbitral award under Article 32 and in respect of any obligation or liability arising prior to such termination.

٤,٦ Obligation to Operate Development Area Subsequent to Relinquishment

In the event of CONTRACTOR relinquishment of a Development Area, for any reason, NOGA may require CONTRACTOR, for a period not exceeding one hundred and eighty (180) days from the date of such relinquishment, to continue production activities, for the account and at the cost of NOGA, until the right to continue such production has been transferred to another entity.

٤,٧ Relinquishment Notice and Approval

In respect of any relinquishment undertaken pursuant to this Article 4, CONTRACTOR shall submit to NOGA for its approval a written notice indicating the area(s) in the 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(s) shall consist of not more than two (2) simple geometric shapes of a size and shape so as to reasonably allow petroleum activities to be carried out in such relinquished area(s). Any dispute over the size or shape of such relinquishment shall be resolved via Expert determination in accordance with Article 32.1

٤,٨ Contractor's Obligations upon Relinquishment

Upon any relinquishment CONTRACTOR shall have the obligations described in Article 22.5.

ARTICLE °
EXPLORATION WORK PROGRAMME COMMITMENTS

٥.١ Obligation to Commence Operations

CONTRACTOR shall commence Exploration Operations no later than three (3) months after the Effective Date.

٥.٢ First Exploration Phase Work Programme Commitments

CONTRACTOR shall perform the following Petroleum Operations during the First Exploration Phase (the "First Exploration Phase Work Programme Commitments"):

(A) a seismic programme consisting of:

Reprocessing and Interpretation of 900 kilometers 2D seismic data related to the Contract Area, as described in Appendix H with an associated amount due in the event of breach for non-performance of Three Hundred Thousand Dollars (\$300,000); and

(B) Acquisition, processing and interpretation of 500 kilometers of 2D, or 200 sq. kilometers of 3D seismic data (as described in Appendix H or some combination of the two which, in total, has at least comparable scope, as approved by the Management Committee), related to the Contract Area, with an associated amount due in the event of breach for non-performance of Three Million Dollars (\$3,000,000); and

(C) Exploration Well (s) as described in Appendix H, drilled to the depth necessary to explore all potential petroleum bearing formations down to and including all of the potential reservoirs of the **Khuff** Formation along with full production testing, if required by good international petroleum industry practices, to evaluate the hydrocarbon potential of each such formation with an associated amount due in the event of breach for non-performance of Ten Million Dollars (\$10,000,000); and

If the required depth of an Exploration Well is not obtained for any reason the CONTRACTOR shall be obligated to drill a substitute Exploration Well to the same depth within the applicable Exploration Phase, with an associated amount due in the event of breach for non-performance of Ten Million Dollars (\$10,000,000). NOGA may, in its discretion, agree to extend the duration of the First Exploration Phase for this purpose.

٥,٣ **Carry Forward of Excess Exploration Work**

In the event that the CONTRACTOR has performed, during the First Exploration Phase, seismic and/or Exploration Wells in excess of the Work Programme Commitments, then such excess Exploration Operations shall be deemed to count against the equivalent Work Programme Commitments of the Second Exploration Phase.

٥,٤ **Second Exploration Phase Exploration Work Programme Commitments**

In the event that the CONTRACTOR elects to enter the Second Exploration Phase the CONTRACTOR shall perform the following Petroleum operations (Second Exploration Phase Work Programme Commitments):

- (A) a seismic programme consisting of the acquisition, processing and interpretation of 500 line kilometers of 2D or 200 sq. kilometers of 3D seismic data (as described in Appendix H or some combination of the two which, in total, has at least comparable scope, as approved by the Management Committee), with an associated amount due in the event of breach for non-performance of Three Million Dollars (\$3,000,000);
- (B) Exploration Well (s) as described in Appendix H, drilled to the depth necessary to explore all potential petroleum bearing formations down to and including all of the potential reservoirs of **Khuff** Formation along with full production testing, if required by good international petroleum industry practices, to evaluate the hydrocarbon potential of each such formation with an associated amount due in the event of breach for non-performance of Ten Million Dollars (\$10,000,000).

If the required depth of the above Exploration Well is not obtained for any reason the CONTRACTOR shall be obligated to drill a substitute Exploration Well to the same depth within the applicable Exploration Phase, with an associated amount due in the event of breach for non-performance of Ten

Million Dollars (\$10,000,000). NOGA may, in its discretion, agree to extend the duration of the Second Exploration Phase for this purpose;

Neither Appraisal Wells, seismic surveys, nor any other Petroleum Operations carried out as part of an Appraisal Plan shall count against the CONTRACTOR's Exploration Work Programme Commitments; and

In the event that CONTRACTOR fails to perform any of its Exploration Work Programme Commitments for either the First Exploration Phase or for the Second Exploration Phase, as provided above (inclusive of the specified timings of the spudding of a well in each such exploration phase), then CONTRACTOR shall be in material breach of this Agreement.

ARTICLE ٦ GUARANTEES

٦.١ Guarantee for Exploration Work Programme Commitments

- (A) CONTRACTOR shall have the obligation: (i) within thirty (30) days from the Effective Date; (ii) thirty (30) days prior to commencement of the First and Second Exploration Phase, if applicable; and (iii) thirty (30) days prior to the biannual term of any Retained Exploration Area; to provide NOGA with an irrevocable bank letter of credit, in favour of NOGA, from an international bank of repute, acceptable to NOGA; or, to provide an irrevocable parent guarantee, in favour of NOGA, from the ultimate parent of such CONTRACTOR or from a parent acceptable to NOGA, 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 Exploration Work Programme Commitments and Retained Exploration Area Programme Commitments. Any such bank letter of credit shall be from an internationally reputable financial institution, and in form and substance, acceptable to NOGA, and any such parent guarantee, shall be in the form described in Appendix F, or, in either case, as NOGA may otherwise approve by

notice to CONTRACTOR as being: (i) in compliance with Article 6.1(C); or (ii) not in compliance with Article 6.1(C) but nevertheless acceptable to NOGA. Any such bank letter of credit or parent 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 biannual term of any Retained Exploration Area, as applicable, plus an additional sixty (60) days thereafter. CONTRACTOR shall also, within thirty (30) days of the Effective Date, and on or prior to the date upon which any subsequent bank letter of credit or parent guarantee is to be provided, deliver to NOGA a legal opinion from its legal advisors, in a form satisfactory to NOGA, to the effect that such bank letter or credit, or parent 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. NOGA may terminate this Agreement upon CONTRACTOR's failure to provide or maintain such bank letter(s) of credit, or such guarantee(s), as applicable, and/or such legal opinion(s), within and for the prescribed period.

(B) The respective aggregate amount of the bank letter(s) of credit, or guarantee(s), as applicable, referred to in Article 6.1(A), shall be:

- (١) For the First Exploration Phase Thirteen Million and Three Hundred Thousand Dollars (\$13,300,000);
- (٢) for the Second Exploration Phase- Thirteen Million Dollars (\$13,000,000); or
- (٣) for any Retained Exploration Area, the amount agreed upon under Article 3.2 as associated with the Retained Exploration Area Programme Commitments.

(C) Any such bank letter of credit(s), or parent guarantee(s), other than in accordance with the form described in Appendix F, shall provide that:

- (١) upon delivery to the issuing bank or guarantor of a certificate from the CONTRACTOR, countersigned by NOGA, 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 NOGA, the subject bank letter of credit or parent guarantee shall be reduced by the

applicable amount (pro-rata as may be applicable) described in Article 5; and

- (٢) if, at the end of the First Exploration Phase, the Second Exploration Phase, or at the end of a biannual term of a Retained Exploration Area, NOGA gives notice to CONTRACTOR that CONTRACTOR has failed to perform any applicable work programme commitments, then each company comprising CONTRACTOR or its bank and/or guarantor, as applicable, shall, on demand from NOGA, whether or not the CONTRACTOR or such guarantor (as may be applicable) contests such failure, immediately pay to NOGA the entire remaining amount of such outstanding bank letter of credit or parent guarantee.
- (D) Without limiting the general nature of the bank letter of credit(s), or parent guarantee(s) required to be provided under Article 6.1 and 6.2, NOGA shall be entitled to draw on such banks letter of credit(s) or parent guarantee where CONTRACTOR has failed to pay the associated amounts in respect of a breach for non-performance as set forth in Articles 5.2 and 5.4.

٦.٢ Guarantee for General Obligations Under this Agreement

- (A) Each party comprising CONTRACTOR shall, within thirty (30) days of the Effective Date, deliver to NOGA an irrevocable parent guarantee, in favour of NOGA, from the ultimate parent of such Party or from a parent acceptable to NOGA, providing that such parent shall provide all (not only its pro-rata share) technical and financial resources that CONTRACTOR 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 21, in the form described in Appendix F, or as NOGA may otherwise approve by notice to CONTRACTOR. Each party comprising CONTRACTOR shall also, within thirty (30) days of the Effective Date, deliver to NOGA a legal opinion from its legal advisors, in a form satisfactory to NOGA, to the effect that such parent 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. NOGA may terminate this Agreement upon CONTRACTOR's failure to provide such parent guarantee(s) and/or such legal opinion(s) within the prescribed period

ARTICLE V MANAGEMENT COMMITTEE

V.1 Management Committee Authority

- (A) NOGA 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 the CONTRACTOR in the performance of Petroleum Operations under this Agreement, and to provide a forum for a continuous dialogue and flow of information between the CONTRACTOR and NOGA regarding CONTRACTOR's planned Petroleum Operations.
- (B) The Management Committee shall have authority over all operational matters, including but not limited to the review, and approval, if applicable, of CONTRACTOR's:
- (١) proposed Annual Work Programme and Budget, and CONTRACTOR's proposed revisions thereof;
 - (٢) proposed Appraisal Plans;
 - (٣) proposed Development Plans, and NOGA's proposed revisions thereof, as a condition of approval;
 - (٤) proposed method and device for measurement of volume and assessment of quality of Crude Oil and Natural Gas.
 - (٥) proposed lifting procedures;
 - (٦) proposed Abandonment plan and the budget for Abandonment operations;
 - (٧) proposed area(s) of any partial relinquishment;
 - (٨) proposed area of any Non-Associated Gas Retention Area; and
 - (٩) proposals to make an expenditure in regard to Petroleum Operations in excess of two million dollars (\$2,000,000.00).

٧,٢ Management Committee Representatives

- (A) The Management Committee shall consist of six (6) members with one (1) vote each, three (3) of them being representatives appointed by NOGA and three (3) of them being representatives appointed by the 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.
- (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) Normal and customary travel costs sustained by representatives traveling to and attending Management Committee meetings shall be borne by the CONTRACTOR and shall be cost recoverable under this Agreement.

٧,٣ Management Committee Chairman and Secretary

NOGA shall appoint one (1) of its representatives to act as the chairman of the Management Committee (hereinafter the "Chairman"), who shall preside over all meetings thereof. In the event of the Chairman's absence from any such meeting, NOGA may designate one (1) of its representatives present at such meeting to act as Chairman of the meeting. The CONTRACTOR shall appoint one (1) of its representatives to act as the

Secretary of the Management Committee (hereinafter the "Secretary"), who shall be responsible for:

- (A) the production and circulation of minutes for signature by each representative in attendance at a meeting before the conclusion of each such meeting, which minutes shall include the results of any votes taken by the Management Committee and other pertinent matters;
- (B) notification of the minutes of each Management Committee meeting being sent to each Party; and
- (C) other duties of a similar nature that the Management Committee may delegate to the Secretary from time to time.

٧, ٤ **Management Committee Meetings and Voting**

- (A) The Management Committee shall meet at least four (4) times a year, in Bahrain, or any other place agreed upon by NOGA 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, NOGA 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 and necessary information and/or documents. 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 and necessary information and/or documents are given at least ten (10) days before the date of the meeting, such matters shall, subject to Article 7.4(D), be included in the agenda and considered at such meeting.
- (B) Subject to Article 7.4(C), the Management Committee can validly deliberate and take decisions at a meeting only if at least two (2) representatives, 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 with at least one affirmative vote of representatives of each Party of the applicable representatives shall be required for any Management Committee decision, or any Management Committee approval as may expressly be required by this Agreement. Subject to Article 9.1(F), NOGA, by way of its representatives on the Management Committee, shall be obliged to approve any CONTRACTOR proposal, as may be expressly required under this Agreement, that is in accordance with good international petroleum practices and which otherwise meets the pertinent criteria as may be expressly provided for under this Agreement.
- (E) 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. In the event that the Management Committee is still unable to obtain majority agreement on the matter, then the CONTRACTOR shall have the right to submit to the pertinent issues to binding Expert determination in accordance with Article 32.1 and the procedures described in Appendix D. Subject to Article 9.1(F), in the event that such Expert determines that the pertinent CONTRACTOR proposal was is in accordance with good international petroleum practices and such other pertinent criteria as may expressly be provided for in this Agreement, then such CONTRACTOR proposal shall be deemed approved. Subject to Article 8.2(E), in the event that such Expert determines that the pertinent CONTRACTOR proposal 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 CONTRACTOR's proposal that such Expert feels would be required in order to bring CONTRACTOR's 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 such CONTRACTOR proposal.
- (F) 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.

- (G) Any notice to a Party made in compliance with Article 34 shall be considered as a notice to such Party's Management Committee representatives.

ARTICLE 31 DISCOVERY AND APPRAISAL

31.1 Discoveries and Discovery Areas

- (A) If a Discovery is made CONTRACTOR shall immediately inform NOGA of the Discovery; and promptly, but in no event later than the date thirty (30) days from the date of such Discovery, provide NOGA with all available information regarding such Discovery, including a preliminary classification of the Discovery as a Crude Oil Discovery or a Non-Associated Natural Gas Discovery.
- (B) If the CONTRACTOR decides to conduct a drill stem or production test of any well, in open hole or through perforated casing, it shall notify NOGA of the time of such test at least forty-eight (48) hours prior to the proposed test, and NOGA shall have the right to have a representative present during any such test.
- (C) Not later than ninety (90) days prior to the end of the applicable Exploration Phase, the Management Committee shall recommend to NOGA the area corresponding with the perceived extent of the reservoir subject of the Discovery. Having regard for such recommendation, NOGA shall then determine the Discovery Area, provided that if the CONTRACTOR does not agree with NOGA's determination of the Discovery Area the matter shall be determined by the Expert in accordance with Article 32.1.
- (D) If the CONTRACTOR determines that the Discovery does not merit immediate appraisal the CONTRACTOR may retain the associated Discovery Area during the Exploration Period so that in the event that an additional Discovery, or Discoveries, is/are made then such Discovery may then merit appraisal, either individually or in conjunction with such additional Discovery or Discoveries.

٨,٢ Appraisal Plans

- (A) In order to avoid the relinquishment, at the end of the Exploration Period, of any Discovery Area as may be granted to CONTRACTOR by NOGA under Article 3.3, CONTRACTOR must have proposed to the Management Committee an associated appraisal plan (the "Appraisal Plan"), which shall be delivered to the Management Committee 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) and then have continued to have implemented the procedures associated with approval of the Appraisal Plan, and provided CONTRACTOR has declared there to be a Commercial Discovery, submits a Development Plan, and receives approval of a Development Plan within the deadlines as are provided in this Article 8 and in Article 9, provided, however, that where CONTRACTOR makes a Discovery within one hundred and twenty (120) days of the end of the Exploration Period the CONTRACTOR may retain any associated Discovery Area granted by NOGA past the end of the Exploration Period provided that it submits to the Management Committee a proposed Appraisal Plan not later than a maximum of one hundred and twenty (120) days after the date of such Discovery (even if such submission occurs after the end of the Exploration Period), and then continues to implement the procedures associated with approval of the Appraisal Plan, and provided CONTRACTOR has declared there to be a Commercial Discovery, submits a Development Plan, and receives approval of a Development Plan within the deadlines as provided in this Article 8 and in Article 9.
- (B) Any CONTRACTOR proposed Appraisal Plan shall:
- (١) include a proposed Appraisal Area corresponding with the perceived extent of the reservoir (or reservoirs in the event that multiple Discoveries are being appraised together);
 - (٢) include the proposed appraisal work;
 - (٣) include a proposed budget;

- (٤) be designed to determine whether such Discovery is a Commercial Discovery, and, with reasonable precision, the boundaries of the associated reservoir or reservoirs;
- (٥) include a proposed environmental strategy;
- (٦) include proposed revisions to the Annual Work Programme and Budget associated with the proposed Appraisal Plan; and
- (٧) otherwise be in accordance with good international petroleum industry practices.

If the Chairman of the Management Committee 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 such CONTRACTOR proposed Appraisal Plan.

- (C) The 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 not later than a maximum of two (2) years following such approval, or, in the case of a Non-Associated Natural Gas Discovery, within five (5) years of the date of such Discovery.
- (D) CONTRACTOR may, if there is no majority agreement among the Management Committee representatives regarding CONTRACTOR's proposed Appraisal Plan, initiate Expert determination in accordance with Article 7.4(E), by giving NOGA notice.
- (E) If, however, the Expert revises CONTRACTOR's proposed Appraisal Plan, but CONTRACTOR does not agree with such revisions, then CONTRACTOR shall elect, by notice to NOGA within thirty (30) days of such Expert determination, to either: (i) implement revisions made by the Expert; or (ii) immediately relinquish the associated Discovery Area.

ARTICLE 9 DEVELOPMENT

9.1 Development

- (A) The CONTRACTOR has the right to determine the commerciality of any Discovery that it makes, and, subject to Article 8.2, has the right to retain a Discovery during the Exploration Period that it chooses not immediately to 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.
- (B) In order to avoid the relinquishment of an Appraisal Area at the end of the Exploration Period, however, the CONTRACTOR must declare there to be a Commercial Discovery and have proposed to the Management Committee an associated 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 then have continued to have implemented the procedures associated with approval of the Development Plan within the deadlines as provided in this Article 9, provided, however, that where CONTRACTOR completes, in accordance with Article 8, an Appraisal Plan within one hundred and twenty (120) days of the end of the Exploration Period the CONTRACTOR may retain the associated 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 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 as provided in this Article 9.
- (C) Any CONTRACTOR-proposed Development Plan shall include:
- (1) a proposed Development Area corresponding with the extent of the reservoir (or reservoirs in the event that multiple Discoveries are being developed together);

- (٢) the proposed development work;
- (٣) a proposed budget;
- (٤) reserve estimates;
- (٥) a proposed development schedule and an estimated date for the commencement of production;
- (٦) an anticipated production profile (of all produced fluids, including water);
- (٧) an economic analysis;
- (٨) a proposed environmental strategy; and
- (٩) proposed revisions to the Annual Work Programme and Budget associated with the proposed Appraisal Plan;

and shall otherwise be in accordance with good international petroleum industry practices.

(D) If the Chairman of the Management Committee does not, within ninety (90) days from the date of receiving a proposed development plan from the CONTRACTOR, either:

- (١) notify the CONTRACTOR that the Management Committee approves the CONTRACTOR proposed development plan; or
- (٢) notify the CONTRACTOR of any changes to CONTRACTOR's proposed development plan that NOGA considers to be: (i) reasonable in the context of the proper overall management of development of the Kingdom of Bahrain's petroleum resources; (ii) in accordance with good international petroleum industry practices; and (iii) otherwise in accordance with Article 9.1(C);

the Management Committee shall be deemed to have approved such CONTRACTOR proposed Development Plan.

- (E) 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.
- (F) In accordance with 7.4(e), CONTRACTOR may, if there is no majority agreement among the Management Committee representatives regarding NOGA's proposed revisions to CONTRACTOR's proposed development plan, initiate Expert determination by giving NOGA notice. In the event that the Expert determines that NOGA's required revisions are: (i) reasonable in the context of the proper overall management of development of Bahrain's petroleum resources; (ii) in accordance with good international petroleum industry practices; and (iii) otherwise in accordance with Article 9.1(C) then such NOGA revisions shall become part of the approved Development Plan. If such Expert determines that NOGA's required revisions are not: (i) reasonable in the context of the proper overall management of development of Bahrain's petroleum resources; (ii) in accordance with good international petroleum industry practices; and (iii) otherwise in accordance with Article 9.1(C), then such Expert shall have the authority to determine what revisions to the CONTRACTOR's proposed Development Plan, if any (in the event that CONTRACTOR's proposed Development Plan was itself not in compliance with Article 9.1(C), would be required in order to bring it into compliance with Article 9.1(C).
- (G) If, however, CONTRACTOR does not agree with any applicable NOGA required revisions, or Expert required revisions, to the CONTRACTOR's proposed Development Plan then CONTRACTOR shall elect, by notice to NOGA within thirty (30) days of such Expert determination, to either: (i) implement such revisions; or (ii) immediately relinquish the associated Appraisal Area.

٩,٢ NOGA 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 relative to any such Discovery, NOGA may, at its sole option and by written notice to the CONTRACTOR, declare such Discovery to be a Commercial Discovery and instruct the CONTRACTOR to develop the

discovery according to a Development Plan proposed by NOGA. After receipt of said notice, the CONTRACTOR shall have three (3) months to confirm by written notice to NOGA whether the CONTRACTOR intends to develop such discovery.

(B) If the CONTRACTOR:

- (١) fails to respond within the said three (3) month period; or
- (٢) elects not to develop such discovery; or
- (٣) fails to agree the Development Plan proposed by NOGA for such discovery;

then any such Discovery shall become wholly owned by NOGA 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 Petroleum produced from such discovery), and the related Discovery Area.

ARTICLE ١٠ ANNUAL WORK PROGRAMMES AND BUDGETS

١٠.١ Annual Work Programme and Budgets

- (A) Within sixty (60) days from the Effective Date, CONTRACTOR shall submit to the Management Committee for approval an Annual Work Programme and Budget for the remainder of the first Calendar Year.
- (B) Not later than ninety (90) days before the beginning of each following Calendar Year, CONTRACTOR shall submit to the Management Committee for approval an Annual Work Programme and Budget to be carried out during the subsequent Calendar Year. The budget portion of each such element shall include the items listed in Appendix E, as applicable.
- (C) CONTRACTOR submitted Annual Work Programmes and Budgets, and any CONTRACTOR proposed revisions to an Annual Work Programme and Budget, shall:

- (١) include sufficient work in order to meet the applicable Exploration Work Programme Commitments with respect to the First Exploration Phase, the Second Exploration Phase, and/or in regard to any Retained Exploration Area, as applicable – along with any additional Exploration Operations that CONTRACTOR may wish to implement;
 - (٢) include sufficient work in order to meet the relevant work programme commitments according to the applicable timings associated with Appraisal Plans and Development Plans under Articles 8 and 9, respectively; and
 - (٣) be in accordance with Article 12.2 and otherwise in accordance with good international petroleum industry practices.
- (D) If the Chairman of the Management Committee does not, within thirty (30) days from the date of receiving a proposed Annual Work Programme and Budget, or revision thereof, notify the CONTRACTOR that the Management Committee rejects the CONTRACTOR proposed Annual Work Programme and Budget, or revision thereof, then the Management Committee shall be deemed to have approved such CONTRACTOR proposed Annual Work Programme and Budget, or revision thereof.
- (E) In accordance with Article 7.4(E), the CONTRACTOR may, if there is no majority agreement among the Management Committee representatives regarding a CONTRACTOR proposed Annual Work Programme and Budget, or revision thereof, initiate Expert determination.
- (F) In the event that CONTRACTOR does not agree with the result of such an Expert determination then CONTRACTOR shall elect, by notice to NOGA within thirty (30) days of such Expert determination, to either: (i) implement the Expert's revisions; or (ii) terminate this Agreement.
- (G) Notwithstanding the foregoing, in the event that CONTRACTOR fails to submit an Annual Work Programme and Budget for approval that: (i) includes sufficient work in order to meet the relevant Exploration Work Programme Commitments with respect to the First Exploration Phase, the Second Exploration Phase, and/or in regard to any Retained Exploration Area, as applicable; and (ii) is in

accordance with good international petroleum industry practices; then such failure shall be deemed a material breach and NOGA 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 Calendar 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 10; or
- (2) notwithstanding 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 the CONTRACTOR shall be deemed

included in the current approved Annual Work Programme and Budget for Petroleum Operations and recoverable as Petroleum Costs.

ARTICLE 11 UNITIZATION

11.1 Unitization

- (A) If a reservoir is partly within the Contract Area and partly outside of the Contract Area, with the portion outside the Contract Area either within the Kingdom of Bahrain and its territorial waters or outside of the Kingdom of Bahrain and its territorial waters, NOGA may require by notice to the CONTRACTOR that the development of the reservoir and the production of the associated Petroleum 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 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 NOGA for the common development of the reservoir. Such a proposal, if approved by NOGA, 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 NOGA's notice, or if such proposal is made but is not approved by NOGA, then NOGA may prepare a development plan with prior approval of the Expert for such common development. Such a NOGA-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 it disagrees with such Development Plan, elect to relinquish such reservoir, subject CONTRACTOR being deemed to have the obligations described in Article 29.9, as applicable.

ARTICLE ١٢
GENERAL RIGHTS AND OBLIGATIONS OF THE PARTIES

١٢.١ CONTRACTOR's General Rights

Subject to the provisions of this Agreement, and to the applicable laws in force from time to time, the CONTRACTOR shall have the following rights:

- (A) the exclusive right to explore for, appraise, develop, produce, transport, and export Petroleum located within the Contract Area; and the non-exclusive right to construct pipelines, storage and other facilities, both inside and outside the Contract Area, up to the Point(s) of Delivery, for purposes associated with Petroleum produced within the Contract Area and, on an ancillary basis, for purposes associated with Petroleum produced from outside of the Contract Area. The CONTRACTOR shall have no right to use or occupy any sites that are selected by the Kingdom of Bahrain for defense purposes, for airfield or for satellite, mobile, cable or terrestrial telephone and/or other electronic or computer communication purposes, or for other industrial, public or religious purposes. CONTRACTOR's rights are also subject to the existing rights of Third Parties, and as provided in Article 12.5 below, provided also that CONTRACTOR shall have no rights to extract, or take away, natural resources other than Petroleum, and nothing in this Agreement shall be deemed to confer any rights on the CONTRACTOR other than those rights expressly described hereunder;
- (B) the right to produce Petroleum from the Contract Area at the optimum efficient rate consistent with good international petroleum practices (and the Government Petroleum policy);
- (C) the right to take at the Point(s) of Delivery, or at any other the points agreed upon under Article 16.1(B)(2) below, its share of Petroleum production and the legal title thereto and sell or dispose of its share of Petroleum.
- (D) 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;

- (E) the right to use, free of cost and on a first priority basis, quantities of Petroleum produced by the CONTRACTOR from the Contract Area as may be necessary in accordance with good international petroleum industry practices for preparing and treating Petroleum produced by CONTRACTOR, for lifting purposes, and generally for the proper performance of any of the Petroleum Operations hereunder; and
- (F) the right, subject to any applicable confidentiality restrictions upon NOGA, to access and use all technical data available to NOGA pertinent to the Contract Area, including seismic, well information, samples, interpretations, maps, etc. free of charge, subject to the cost of copying.
- (G) The right to include a new partner to this Agreement subject to having obtained the prior approval in writing of NOGA and subject to NOGA's right of priority over all others to be included as a Partner with the CONTRACTOR.

١٢,٢ 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 but not limited to applicable conservation and environmental laws, as well as the customs governing navigation on the high seas and the safety of shipping, aircraft, fishing and pearling operations in and on waters covering the Contract Area;
- (C) to ensure that all equipment, materials, supplies, plant and installations used by the 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 NOGA or Third Parties;

- (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 Petroleum produced shall be allocated in accordance with this Agreement, and the CONTRACTOR may not look to NOGA in the event that the CONTRACTOR does not recover its costs as provided in this Agreement;
- (G) to ensure provision of all information, data, samples etc. to NOGA that may be required to be furnished to NOGA under the applicable laws or under this Contract;
- (H) subject to Article 23, to use its best endeavours to ensure that goods, services or facilities offered, supplied or otherwise made available to or put at the disposal of the CONTRACTOR in respect of Petroleum Operations, whether by sale, exchange, lease or other means (including those goods, services or facilities provided by CONTRACTOR or its 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 commencement of the first Contract Year, a technically competent and sufficiently experienced representative(s) 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 and whose name(s) shall, on appointment, be made known to the Government; and

- (K) if there is more than one entity comprising CONTRACTOR, then each such entity shall be jointly and severally responsible for all of the obligations of the CONTRACTOR hereunder.

١٢,٣ NOGA's General Rights

NOGA 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 adversely affect the conduct of the Petroleum Operations by the CONTRACTOR;
- (C) for its representatives to be provided, at the CONTRACTOR's operation sites within and outside of the 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(s) of Delivery, or at the points agreed upon under Article 16(B)(2), its share of Petroleum production and the legal title thereto; and
- (E) which it may grant to Third Parties, to explore for, appraise, develop, produce, transport, and export petroleum located in areas outside of the 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 Contract Area, for purposes associated with Petroleum produced outside of the Contract Area, and, on an ancillary basis, for purposes associated with Petroleum produced from within the Contract Area; along with the right, which it may grant to Third Parties, to prospect for and mine minerals or substances other than Petroleum both within, and outside of, the Contract Area. The CONTRACTOR shall use its best efforts to avoid interference with any such other activities by the NOGA, the Government, or any such Third Parties either within, or outside of, the

Contract Area. NOGA shall use its best 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 Contract Area.

١٢,٤ NOGA's General Obligations

NOGA shall have the following obligations:

- (A) To use best 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 Contract Area as may reasonably be necessary to carry out Petroleum Operations including, but not limited to, the construction, laying, operating and maintaining of offshore and onshore pipelines, facilities, cables and equipment, provided that if such use by the CONTRACTOR results in expense for the NOGA then the CONTRACTOR shall reimburse NOGA for such expense, without creating any profit directly or indirectly for the NOGA;
- (B) as soon as reasonably possible after the Effective Date, to provide to the CONTRACTOR, subject to any applicable confidentiality restrictions upon NOGA, access and use all technical data available to NOGA pertinent to the Contract Area, including seismic, well information, samples, interpretations, maps, etc. free of charge, subject to the cost of copying;
- (C) to use best efforts, within the limits of its authority, to provide to the CONTRACTOR the necessary access to both onshore and offshore telephone and radio lines and frequencies as reasonably needed for the conduct of Petroleum Operations;
- (D) to use best efforts, within the limits of its authority, in securing the help of the appropriate agencies or authorities of the Government to prohibit anchorage by Third Parties near CONTRACTOR's installations (including but not limited to drilling barges, drilling platforms, production platforms and submerged pipelines) or near any of the CONTRACTOR's plants, workshops or stores; and
- (E) to use best efforts, within the limits of its authority, to assist the CONTRACTOR in its dealings with the Kingdom of Bahrain and other Kingdom of Bahrain entities in connection with the Petroleum Operations.

١٢,٥ Limitation of Rights

- (A) Subject to Article 12.5(A), it is understood that the rights reserved by NOGA in Article 12 above shall be exercised in such a manner so as not to unreasonably prejudice, hinder or otherwise interfere with Petroleum Operations hereunder.
- (B) The rights conferred on the CONTRACTOR by this Agreement shall be exercised with due regard to the existing rights of NOGA, the Government (including its agencies, authorized representatives and contractors) and Third Parties and so as not to damage, or unreasonably impede or interfere with the property, operations, facilities and interest of such parties.

١٢,٦ 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 CONTRACTOR to modify and change any work obligations contained in any Work Programme and Budget or excuse CONTRACTOR from meeting any deadline set forth in Articles 8 and 9.

١٢,٧ Lifting

Unless otherwise agreed between the Parties, NOGA and CONTRACTOR shall each take in kind and separately export or otherwise dispose of their respective shares of Net Petroleum Production. On or before each Production Commencement Date, the Parties shall establish a detailed procedure for lifting, which shall include, where applicable, sampling and assessment of Petroleum quality, and procedures to adjust any underlifting or overlifting of the Parties entitlement shares to Net Petroleum Production.

١٢,٨ Reasonable and Prudent Operator Standard

Without prejudice to the generality of Article 12.2, 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) 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 and technical results and to produce Petroleum at the optimum rate set out by CONTRACTOR in strict consultation with NOGA, and determined by the technology and processes employed in the Petroleum Operations;
- (C) plan, prepare and submit Annual Work Programmes and Budgets and related modifications, if any, to the Management Committee for its approval in accordance with this Agreement;
- (D) award and execute contracts for the performance of Petroleum Operations pursuant to the approved Annual Work Programmes and Budgets;
- (E) 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;
- (F) prepare monthly financial statements and reports, and develop accounting policies and procedures to be implemented under the Accounting Procedure;
- (G) 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 financial controls, cash management, and authorized expenditure approval levels, all in a manner consistent with this Agreement and the Accounting Procedure and approved by NOGA; and
- (H) 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 ١٣ COST RECOVERY AND PRODUCTION SHARING

١٣,١ Classification of Costs

- (A) "Exploration 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 exploration or appraisal operations (whether successful or not) including but not limited to: geological, and other surveys; the drilling of shot holes, core holes, stratigraphic tests, Exploratory 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.
- (B) "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 but not limited to: 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, transportation of production to the Point(s) of Delivery, and for the performance of re-pressuring, recycling and other recovery projects.
- (C) "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(s) of Delivery; as well as contributions to the Abandonment Fund.

١٣,٢ Allocation of Production

Net Petroleum Production will be allocated as either Cost Recovery Petroleum or Profit Petroleum. CONTRACTOR will be allowed to recover Petroleum Costs out of production from each Commercial Discovery up to the Cost Recovery Limit as provided below in Article 13.4(B). Profit Petroleum is the Petroleum remaining after deducting from Net Petroleum Production the applicable Cost Recovery Petroleum.

١٣,٣ R Factor

The "R Factor" is the ratio of Contract Area-wide cumulative revenue received by the CONTRACTOR from the effective date of the EPSA until the end of the last preceding Calendar Quarter, to Contract Area-wide cumulative Petroleum Costs by CONTRACTOR over the same period. Cumulative revenue is calculated on the basis of the value of CONTRACTOR's cumulative share of production, received as Cost Recovery Petroleum and Profit Petroleum. CONTRACTOR's cumulative expenditure is equal to cumulative Petroleum Costs. The "R Factor" is to be rounded up to the nearest two decimal places. The "R Factor" determines both the Cost Recovery Limit for each Development Area and also the allocation of Profit Petroleum from each Development Area.

١٣,٤ Recovery of Petroleum Costs

- (A) All of the Petroleum Costs incurred by CONTRACTOR in accordance with an approved Annual Work Programme and Budget shall be classified as Exploration Costs, Development Costs, or Operating Costs in accordance with Article 13.1. Commencing on the Calendar Quarter in which the first Production Commencement Date occurs, the CONTRACTOR shall be entitled to recover Petroleum Costs by taking title at the Point of Delivery, or other points agreed upon under Article 16.1(B)(2) below, to quantities of cost recovery Petroleum of a value, as determined in Article 15, equivalent to the value of the Petroleum Costs being recovered, and as is further provided for below in this Article 13.4 ("Cost Recovery Petroleum").
- (B) The maximum percentage of Net Petroleum Production that will be available as Cost Recovery Petroleum, 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 Crude Oil, Associated Gas and Non-Associated Gas for each Development Area.

"R Factor"	Cost Recovery Limit
< 1.0	60%
≥ 1.0	60%

- (C) There shall be a "ring-fence" limit ascribed to each Development Area for cost recovery purposes in regard to Development and Operating Costs, but there shall be no such limit with regard to Exploration Costs. In this way, CONTRACTOR shall be able to recover Development Costs and Operating Costs in respect of a particular Commercial Discovery only from available Cost Recovery Petroleum from such Commercial Discovery, but the CONTRACTOR shall be able to recover Exploration Costs from available Cost Recovery Petroleum from all Commercial Discoveries.
- (D) All Exploration Costs incurred across a Contract Area 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 Petroleum Production Commencement Date and shall thereafter be recoverable, without incurring any further interest, on a first priority basis out of Cost Recovery Petroleum from existing Commercial Discoveries at the rate of six point two five percent (6.25%) per Calendar Quarter; i.e. depreciated on a straight-line basis over four (4) years.
- (E) All other Exploration Costs shall be consolidated at the end of each Calendar Quarter and shall be recoverable, on a second priority basis, out of available Cost Recovery Petroleum from existing Commercial Discoveries at the rate of six point two five percent (6.25%) per Calendar Quarter; i.e. depreciated on a straight-line basis over four (4) years.
- (F) Development Costs incurred in regard to a Commercial Discovery shall be consolidated at the end of each Calendar Quarter and shall be recoverable, on a

third priority basis, out of available Cost Recovery Petroleum from such Commercial Discovery at the rate of six point two five percent (6.25%) per Calendar Quarter; i.e. depreciated on a straight-line basis over four (4) years.

- (G) Operating Costs shall be recoverable in the same Calendar Quarter in which they have been incurred, on a fourth priority basis, out of available Cost Recovery Petroleum from existing Commercial Discoveries.
- (H) To the extent that Cost Recovery Petroleum is insufficient in a Calendar Quarter to permit recovery of all Petroleum Costs 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 available Cost Recovery Petroleum.
- (I) To the extent that available Cost Recovery Petroleum in any Calendar Quarter exceeds the total of all Petroleum Costs to be recovered during such Calendar Quarter, then the portion of such Cost Recovery Petroleum in excess of such recoverable Petroleum Costs shall be shared between NOGA and the CONTRACTOR according to the sharing principles for Profit Petroleum described in Articles 13.5 and Article 13.6 below.

١٣,٥ Allocation of Profit Crude Oil and Profit Associated Gas

Profit Crude Oil is the Crude Oil production remaining from a Crude Oil Discovery after deducting from Net Crude Oil the applicable Cost Recovery Petroleum. Profit Associated Gas is the Associated Gas production remaining from a Crude Oil Discovery after deducting from Net Associated Gas the applicable Cost Recovery Petroleum. The CONTRACTOR's share of Profit Crude Oil, and Profit Associated Gas, as applicable, from a Crude Oil Discovery shall be in accordance with the following table. NOGA's share of Profit Crude Oil, and Profit Associated Gas, as applicable, from a Crude Oil Discovery shall be the amount of Profit Crude Oil and Profit Associated Gas, as applicable, production remaining after the subtraction of the CONTRACTOR's share of Profit Crude Oil and Profit Associated Gas, respectively.

Contractor's Share of Profit Crude Oil and Profit Associated Gas		
"R Factor"	NOGA	Contractor
< 1.0	55 %	45%
1-1.5	60%	40 %
1.51-1.75	65 %	35 %
1.76-2.00	70%	30 %
>2.00	75 %	25%

١٣,٦ Allocation of Profit Non-Associated Gas

Profit Non-Associated Gas is the Non-Associated Gas production remaining from a Non-Associated Gas Discovery (other that lost or used in and for the Petroleum Operations) after deducting the Non-Associated Gas applied to cost recovery pursuant to Article 13.4. CONTRACTOR's share of Profit Non-Associated Gas from a Non-Associated Gas Discovery shall be in accordance with the following table. NOGA's share of Profit Non-Associated Gas from a Non-Associated Gas Discovery shall be the amount of Profit Non-Associated Gas production remaining after the subtraction of the CONTRACTOR's share of Profit Non-Associated Gas.

Contractor's Share of Profit Non-Associated Gas		
"R Factor"	NOGA	Contractor
< 1.0	40 %	60%
1-1.5	45%	55%
1.51-1.75	50 %	50%
1.76-2.00	55%	45%

>2.00	60 %	40%
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ARTICLE ١٤
BONUSES

١٤,١ Bonuses

CONTRACTOR shall pay bonus payments to NOGA in the amounts and at the times set out below. No such bonus payments shall be applicable to Natural Gas. CONTRACTOR shall make bonus payments by means of bank draft, issued in favour of NOGA, or by electronic transfer of funds to a bank account designated by NOGA.

- (A) Upon the approval of each Development Plan for a Crude Oil Discovery, **Five hundred thousand US Dollars only (\$ 500,000)**.
- (B) Upon the commencement of production from the first Crude Oil Discovery in the Contract Area (applicable one time only) **Five hundred thousand US Dollars only (\$ 500,000)**.
- (C) Upon reaching each of the following Barrel per day production levels of Crude Oil (in aggregate, Contract Area-wide), for a continuous period of thirty (30) days:

15,000 (BOPD) – \$ 1,500,000

30,000 (BOPD) – \$ 3,000,000

45,000 (BOPD) – \$ 3,000,000

60,000 (BOPD) – \$ 3,000,000

75,000 (BOPD) – \$ 6,000,000

No additional bonus payments are applicable for production levels reached in excess of 75,000 Barrels of Crude Oil per day. Once a particular production level bonus is paid, it is not again payable in the event that production was to drop below, and then go back up to, such a production level.

ARTICLE ١٥
VALUATION OF PETROLEUM

١٥,١ Valuation of Crude Oil

Except as provided in Article 15.4, the prices for all Crude Oil, for purposes of cost recovery, allocation of Profit Petroleum, and all other purposes under this Agreement, shall be calculated for each Calendar Quarter and shall be a single FOB Bahrain price per Barrel of Crude Oil (with "FOB" being defined under the International Chamber of Commerce Incoterms 2000) at the respective Point(s) of Delivery, as applicable, expressed in U.S. Dollars. Such price shall be the FOB U.S. Dollar price per Barrel of Crude Oil actually received by the CONTRACTOR (directly or through any of its Affiliates), from Arms-Length Sales during such Calendar Quarter of Crude Oil produced from the Contract Area and delivered at the respective Point(s) of Delivery, as applicable. In the event of Arms-Length Sales of such Crude Oil during such Calendar on terms other than an FOB U.S. Dollar basis, the necessary adjustments shall be made in order to determine what the equivalent sale price would have been on an FOB U.S. Dollar basis. In the event that within a Calendar Quarter Arms-Length Sales of more than one type of Crude Oil 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 U.S. Dollar price per Barrel of Crude Oil, representing the weighted average of the prices determined for each type of such Crude Oil, in accordance with the respective volumes of each type of such Crude Oil sold during such Calendar Quarter and delivered at such Point of Delivery. If no Arms-Length Sales of Crude Oil 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: (i) the price actually received by the CONTRACTOR (adjusted to an equivalent FOB U.S. Dollar price as applicable) at such Point of Delivery; and (ii) the international market price for Crude Oil of the same quality delivered on an FOB U.S. Dollar basis at such Point of Delivery.

١٥,٢ Valuation of Natural Gas

Except as provided in Article 15.4 below, the price for all Natural Gas, and all liquid hydrocarbons within Non-Associated Gas or obtained from Non-Associated Natural Gas by condensation or extraction prior to or at the Point of Delivery, including natural gas liquids, for purposes of cost recovery, allocation of Profit Petroleum, and all other purposes under this Agreement, shall be calculated for each Calendar Quarter and shall be a single price per MMBTU for Natural Gas in gaseous form and per Barrel for Natural Gas in liquid form at the applicable Point(s) of Delivery, expressed in U.S. Dollars. Such price shall be the U.S. Dollar

price per MMBTU for Natural Gas in gaseous form and per Barrel for Natural Gas in liquid form actually received by the CONTRACTOR (directly or through any of its Affiliates) from Arms-Length Sales during such Calendar Quarter of such Natural Gas produced from the Contract Area and delivered at the applicable Point(s) of Delivery. In the event of Arms-Length Sales of such Natural Gas during the Calendar Quarter on terms other than an MMBTU U.S. Dollar basis for all Natural Gas in gaseous form or a Barrel U.S. Dollar basis for all Natural Gas in liquid form at the applicable Point(s) of Delivery, the necessary adjustments shall be made in order to determine what the equivalent sale price would have been on an MMBTU U.S. Dollar basis for all Natural Gas in gaseous form and on a Barrel U.S. Dollar basis for all Natural Gas in liquid form at the applicable Point(s) of Delivery. In the event that within a Calendar Quarter Arms-Length Sales of more than one type of such Natural Gas 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 U.S. Dollar price per MMBTU for all Natural Gas in gaseous form and per Barrel for all Natural Gas in liquid form, representing the weighted average of the prices determined for each type of such Natural Gas, in accordance with the respective volumes of each type of such Natural Gas sold during such Calendar Quarter and delivered at such Point of Delivery. If no Arms-Length Sales of Natural Gas are made during such Calendar Quarter at such Point of Delivery then the price shall be deemed to be the higher of: (i) the price actually received by the CONTRACTOR (adjusted, as may be applicable, to an equivalent MMBTU U.S. Dollar price for all Natural Gas in gaseous form or a Barrel U.S. Dollar price for all Natural Gas in liquid form at such Point of Delivery); and (ii) the international market price for Natural Gas of the same quality delivered on MMBTU U.S. Dollar basis for all Natural Gas in gaseous form and Barrel U.S. Dollar basis for all Natural Gas in liquid form at such Point of Delivery.

١٥,٣ Reporting of Arms-Length Sales

CONTRACTOR shall, within ten (10) Business Days from the expiry of each Calendar Quarter, furnish to NOGA a statement certifying the: (i) applicable volume weighted average FOB U.S. Dollar Crude Oil prices per Barrel received by CONTRACTOR at the respective Points of Delivery, as applicable; (ii) applicable volume weighted average U.S. Dollar per MMBTU Natural Gas in gaseous form prices and (iii) applicable volume weighted average U.S. Dollar per Barrel Natural Gas in liquid form prices received by CONTRACTOR at the respective Points of Delivery, as applicable – obtained by the CONTRACTOR (directly or through any of its Affiliates) as result of applicable Arms-Length Sales of Crude Oil or Natural Gas 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. The CONTRACTOR shall allow the audit of the associated sales contracts by an independent internationally recognized accounting firm retained by and at the cost of NOGA and the CONTRACTOR shall give the representatives of such accounting firm access to all relevant books and records necessary to perform such audit.

١٥,٤ Determination of Market Price

- (A) If in respect of any Calendar Quarter in which CONTRACTOR has sales of Crude Oil and/or Natural Gas:
- (١) there are no Arms-Length Sales of Crude Oil, and/or Natural Gas, as applicable, from applicable Point(s) of Delivery, claimed by the CONTRACTOR (directly or through any of its Affiliates); or
 - (٢) NOGA disputes the CONTRACTOR's contention that it has made applicable Arms-Length Sales;

then NOGA 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 Crude Oil, shall be the per Barrel price, as reported by Platt's Crude Oil Market Wire daily publication ("Platt's"), for one or more Crude Oils of similar grade and quality that, at the time of such determination, are being freely and actively sold on the international market. Such market price shall be the arithmetic average price per Barrel determined by calculating the average for such Calendar Quarter of the mean high and low FOB spot prices for each day of the Crude Oils selected for comparison, adjusted for differences such Crude Oil and the Crude Oils being compared for quality, transportation costs, delivery time, quantity, payment terms and other contract terms as may be relevant. In the event that Platt's ceases to be published then the Parties shall attempt to agree upon an alternative daily publication. The basis for such market price, in regard to Natural Gas production, shall be the market price per MMBTU for Natural Gas in gaseous form and per Barrel for Natural Gas in liquid form, 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 notice, to have such market price determined by an Expert, in accordance with Article 32.1 and the procedure set forth in Appendix D, according to the basis described in Article 15.4(A).
- (C) Pending any Expert determination under Article 15.4(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 15. 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 15.4(B) above.

ARTICLE ١٦ MEASUREMENT OF PETROLEUM

١٦,١ Measurement of Petroleum

- (A) Petroleum 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 Contract Area, the Management Committee shall agree on:
- (١) the methods to be employed for measurement of volumes of Petroleum production;
 - (٢) the point or points, if any (such as in the case of testing a Discovery), in addition to the Point(s) of Delivery described in an Appraisal Plan or a Development Plan, at which Petroleum shall be measured and the respective shares allocated to the Parties in accordance with the terms of this Agreement;
 - (٣) the frequency of inspections and testing of measurement equipment and relevant procedures; and

- (٤) the consequences of a determination of an error in measurement.
- (C) An applicable Point of Delivery for Crude Oil production under an Appraisal Plan or a Development Plan shall be, if the such Crude Oil is pumped to a storage vessel or tank, the point at which it passes the outlet flange of such storage vessel or tank. If, however, the Crude Oil is pumped directly to an export shuttle tanker, then the Point of Delivery shall be point at which the flange coupling of the loading line joins the flange coupling of the loading manifold on board the tanker (in any such case, however, such Crude Oil production shall be measured both prior to and again upon loading of the export shuttle tanker).
- (D) An applicable Point of Delivery for Natural Gas shall be onshore Bahrain at the point set forth in the applicable Development Plan approved by the Management Committee in respect of the Natural Gas Discovery.
- (E) NOGA may, at all reasonable times, inspect and test the equipment used for measuring the volume and determining the quality of Petroleum, provided that any such inspection or testing shall be carried out in such a manner so as not unduly to interfere with Petroleum Operations.
- (F) The CONTRACTOR shall give NOGA timely notice of its intention to implement any such agreed alteration, or to conduct a test of measuring operations, and NOGA 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 NOGA monthly reports showing the quantity of Petroleum 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. NOGA may, at any reasonable time, inspect such records.

- (J) If any dispute arises between the Parties regarding measurement, or measurement and/or analysis records under this Article 16 which cannot be resolved amicably, either Party shall have the right, by giving notice to the other Party, to have such dispute resolved by Expert determination, on the basis described in this Article 16, and in accordance with the procedure set forth in Appendix D.

ARTICLE 17 TAXES AND STABILITY

17.1 Bahrain Income Tax

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 Bahrain Income Tax Law and shall, simultaneously with such filing, forward a copy of such tax declarations to NOGA.

17.2 Export Taxes

NOGA shall indemnify and hold CONTRACTOR harmless from any duties, sales tax, or other taxes (except Bahrain Income Taxes) or other charges that might be imposed upon CONTRACTOR by the Kingdom of Bahrain as result of CONTRACTOR exercising its right under Article 12.1(A) to export its share of Petroleum production under this Agreement. Such indemnity shall not, however, extend to cover refined products.

١٧,٣ Taxes on Abandonment Fund

NOGA shall pay, from and to the extent of the revenue that it receives from its share of Petroleum production under this Agreement, on behalf of CONTRACTOR taxes or other levies imposed by the Kingdom of Bahrain on any amounts paid into, or earned by, any Abandonment Fund under Article 22.6.

١٧,٤ Stabilization – Economic Balancing

In the event that any changes to the laws, decrees, rules or regulations of the Kingdom of Bahrain (including but not limited to the Bahrain Income Tax Laws); excluding any such changes that involve health, safety, environmental or employer payroll obligations by way of social security or other employment benefits; 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 ١٨
IMPORT CUSTOMS AND DUTIES****١٨,١ Import Customs and Duties**

- (A) CONTRACTOR shall be solely responsible for the import and clearance of equipment, materials, goods and supplies as may 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 law 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. CONTRACTOR shall file and NOGA shall arrange, however, for 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 CONTRACTOR's subcontractors) under any applicable NOGA exemption from local customs

duties or other charges on imports and on exports. NOGA shall assist the CONTRACTOR in its applications for such exemptions and 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 such NOGA exemption. If permits for importation of equipment, materials, goods and supplies under this Article 18.1(A) include the obligation to re-export, CONTRACTOR shall timely comply with such obligation. To the extent CONTRACTOR is unable to obtain the said NOGA exemption from local customs duties or other charges on imports and on exports as described herein, then CONTRACTOR shall be entitled to recover any such charges, duties or fees from the Cost Recovery Petroleum. Such NOGA exemptions shall not be available to CONTRACTOR in regard to:

- (١) equipment, goods, materials and supplies for the personal use or consumption by the CONTRACTOR's, or its subcontractors' employees, consultants, or their families;
- (٢) sedan cars, buses and trucks of less than three (3) tons capacity including all vehicles used for employee transport;
- (٣) duties payable on equipment, goods, materials and supplies purchased within the Kingdom of Bahrain; or
- (٤) goods and materials in respect of which customs duties have already been paid by the local importer or agent;

all to the extent such goods and materials are utilized solely and permanently for use in Petroleum Operations.

- (B) In order to obtain the benefit of applicable NOGA exemptions as described in Article 18.1(A) 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 CONTRACTOR under the exemption described in Article 18.1(A) shall be reported within thirty (30) days of such sale or transfer to the Ministry of Finance and to NOGA. 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 NOGA exemption shall not be applicable.

ARTICLE 19

CURRENCY, BANKING, AND EXCHANGE CONTROL

19.1 Currency of Payments

Any payments to be made under this Agreement by CONTRACTOR to NOGA, or by NOGA to CONTRACTOR, shall be made in U.S. 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.

19.2 CONTRACTOR's Rights

Subject to the Kingdom of Bahrain's laws of general application, NOGA shall use best efforts to procure that the CONTRACTOR, its 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 of other 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 Petroleum 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 of sales made within the Kingdom of Bahrain, or repatriate sums imported pursuant to Article 19.2(B) above, 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 ٢٠
NATURAL GAS

٢٠.١ Associated Gas

- (A) In conducting Petroleum Operations, the CONTRACTOR shall conserve Associated Gas to the maximum extent reasonably possible in the circumstances. NOGA shall have the right to build necessary pipelines and to take offshore one hundred percent (100%) of any Associated Gas that CONTRACTOR proposes to flare under any associated Development Plan. CONTRACTOR may flare Associated Gas only to the extent that:
- (١) such flaring is required if NOGA does not exercise its right to take offshore delivery of such Associated Gas;
 - (٢) such flaring is consistent with Good International Petroleum Practices; or
 - (٣) NOGA's prior written approval has been obtained by the CONTRACTOR.
- B) In the event that CONTRACTOR determines Associated Gas associated with a Crude Oil Discovery might warrant development, then CONTRACTOR may give NOGA notice requesting full details of the Bahraini Natural Gas market and prices and any other then existing marketing services and costs information. NOGA shall provide CONTRACTOR, to the extent that NOGA is not prohibited from doing so by applicable law or by any applicable confidentiality obligations that NOGA may have, with such information within thirty (30 days) of CONTRACTOR's request. For CONTRACTOR's share of Associated Gas the Parties shall, at the election of CONTRACTOR, enter into an applicable gas sales contract with terms in accordance with international petroleum practices , that shall provide for NOGA to pay CONTRACTOR \$1.5/MMBTU for CONTRACTOR's share of such Associated Gas delivered, pursuant to an applicable Development Plan, at the Point of Delivery. Such \$1.5/MMBTU price shall be indexed in accordance with the U.S. Consumer Price Index in order to adjust for the effects of inflation. In all cases CONTRACTOR shall be obligated to: (i) submit a Development Plan for such Crude Oil Discovery

within the timings described in Article 9; and (ii) timely to implement any associated Development Plan in accordance with Article 9.

٢٠,٢ Non-Associated Gas

- (A) In the event that CONTRACTOR determines that a Non-Associated Natural Gas Discovery might warrant development, then CONTRACTOR may give NOGA notice requesting full details of the Bahraini Natural Gas market and prices and any other then existing marketing services and costs information. NOGA shall provide CONTRACTOR, to the extent that NOGA is not prohibited from doing so by applicable law or by any applicable confidentiality obligations that NOGA may have, with such information within thirty (30) days of CONTRACTOR's request. For CONTRACTOR's share of Non-associated Gas the Parties shall, at the election of CONTRACTOR, enter into an applicable gas sales contract with terms in accordance with international petroleum practices , provided that NOGA shall pay CONTRACTOR \$1.5/MMBTU for CONTRACTOR's share of such Non-Associated Gas delivered, pursuant to an applicable Development Plan, at a Point of Delivery. Such U.S.\$1.5 /MMBTU price shall be indexed in accordance with the U.S. Consumer Price Index in order to adjust for the effects of inflation from the date of the approval of the associated Development Plan.
- (B) CONTRACTOR shall have the right to retain a Non-Associated Gas Retention Area for a period of five (5) years from the date of a Discovery of Non-Associated Natural Gas, even if the period of such retention extends beyond the end of the Exploration Period. However, in order to establish such a Non-Associated Gas Retention Area, and to avoid the relinquishment of the Non-Associated Gas Retention Area at the end of the Exploration Period, the CONTRACTOR must, 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) have either:
- (1) submitted to the Management Committee information obtained from testing, in accordance with Article 8.1(B), of the well that resulted in such Discovery that reasonably indicates, in accordance with good international petroleum industry practices, that such Discovery is a Non-Associated Natural Gas Discovery; or

- (٢) submitted to the Management Committee information obtained from partial, or complete, implementation of an Appraisal Plan that reasonably indicates, in accordance with good international petroleum industry practices, that such Discovery is a Non-Associated Natural Gas Discovery, and submitted such results to the Management Committee.

provided, however, that where CONTRACTOR makes a Discovery within one hundred and eighty (180) days of the end of the Exploration Period CONTRACTOR may retain any associated Discovery Area, which NOGA in its discretion may chose to grant CONTRACTOR, past the end of the Exploration Period provided that one of the events described in Articles 20.2(B)(1) or 20.2(B)(2) occur, and CONTRACTOR has proposed an applicable Non-Associated Gas Retention Area, within ninety (90) days of the date of such Discovery.

- (C) CONTRACTOR may propose, at any time prior to the end of the five (5) year term of a Non-Associated Gas Retention Area, a proposed Appraisal Plan to the Management Committee.
- D) CONTRACTOR may opt, during the CONTRACTOR's five (5) year Non-Associated Gas Retention Period, to attempt to negotiate a higher price with either a domestic or an export buyer. In such eventuality, NOGA reserves the first choice of matching any offer firmly received by the CONTRACTOR from non related entity Customers, which NOGA shall exercise by written notice to CONTRACTOR prior to the expiry of such offer.

٢٠,٣ CONTRACTOR Marketing of Natural Gas on Behalf of NOGA

At the option of NOGA, CONTRACTOR shall market and sell, at the highest possible Arm's Length Sales price (which shall not be less than what Contractor receives for its own share of Natural Gas) NOGA's share of Natural Gas (either Associated Gas or Non-Associated Gas) production delivered to the Parties at any applicable Point of Delivery. CONTRACTOR shall obtain NOGA's approval prior to committing such Natural Gas to any gas sales contract. NOGA's share of costs associated with such marketing and sales shall be for the account of NOGA. NOGA shall have the right to audit any such costs. Except to the extent of any quantity of NOGA's share of Natural Gas production which is committed for

sale under the terms of an applicable gas sales contract NOGA may, upon ninety (90) days notice to CONTRACTOR, elect to take delivery of such Natural Gas at the applicable Point of Delivery.

ARTICLE ٢١

HEALTH, SAFETY AND ENVIRONMENTAL COMPLIANCE

٢١,١ CONTRACTOR's Health, Safety and Environmental Obligations

- (A) CONTRACTOR shall take all actions necessary, including implementation of the most advanced international petroleum industry techniques, practices and methods for the prevention of environmental damage in conducting its Petroleum Operations, in order to prevent any harm to public health and safety and any damage to the environment, including without limitation the surface, subsurface, air, sea, lakes, rivers, springs, animal life, plant life, crops and other natural resources and property. In the furtherance of this obligation the CONTRACTOR shall:
- (١) within ninety (90) days of the Effective Date propose to the Management Committee for approval an Integrated Management Plan covering all health, safety and environmental aspects of the Petroleum Operations to be carried out; such Integrated Management Plan shall be inclusive of an Oil Spill and Accident Contingency Plan for dealing with spills, fires, accidents and emergencies, designed to achieve rapid and effective emergency response, which shall be subject to the overall control of the Management Committee with input from the environmental sub-committee to be formed by the Management Committee;
 - (٢) take all necessary precautions against fire and any spillage or release of Crude Oil, or Natural Gas and take all necessary remedial action to clean-up and otherwise remedy any damage to the environment resulting from Petroleum Operations, whether or not such damage is due to the fault of the CONTRACTOR;
 - (٣) provide appropriate compensation for injury to persons or damage to property caused as a result of implementation of Petroleum Operations.

- (B) CONTRACTOR shall, using the most advanced international petroleum industry techniques, practices and methods, conduct a baseline environmental survey of the Contract Area immediately after the Effective Date, and conduct such a survey on a timely basis after the performance of Petroleum Operations such as seismic surveys, drilling, construction of facilities, the initiation of new production, and Abandonment of facilities and equipment. CONTRACTOR shall provide all such information to NOGA on a timely basis.
- (C) CONTRACTOR shall, using the most advanced international petroleum industry techniques, practices and methods, conduct environmental impact studies prior to conducting Petroleum Operations such as seismic acquisition, drilling, and development operations 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 Contract Area and in the adjoining or neighbouring areas as a consequence of such Petroleum Operations. CONTRACTOR shall provide any such environmental impact study to NOGA along with the associated environmental plan as described in Article 21.1(D).
- (D) CONTRACTOR shall also, prior to performing any Petroleum Operation such as seismic acquisition, drilling or development submit an environmental plan to the Management Committee for approval respecting the prevention of environmental damage and for carrying out site restoration activities. In the case of development operations, such environmental plan shall be part of CONTRACTOR's proposed Development Plan. All such environmental plans shall contain proposed environmental guidelines to be followed in order to minimize environmental damage and shall include, but not be limited to, the following, to the extent appropriate to the respective study taking into account the type of operations to which such environmental plan relates:
- (١) proposed access cutting;
 - (٢) clearing and timber salvage;
 - (٣) wildlife and habitat protection;
 - (٤) fuel storage and handling;
 - (٥) use of explosives;

- (٦) camps and staging;
 - (٧) liquid and solid waste disposal;
 - (٨) cultural and archaeological sites;
 - (٩) selection of drilling sites;
 - (١٠) terrain stabilization;
 - (١١) protection of freshwater horizons;
 - (١٢) blow out prevention plan;
 - (١٣) flaring during completion and testing of wells;
 - (١٤) Abandonment of wells, facilities and the Contract Area and adjacent areas affected by Petroleum Operations;
 - (١٥) rig dismantling and site completion;
 - (١٦) noise control;
 - (١٧) debris disposal; and
 - (١٨) protection of natural drainage and water flow.
- (E) Any such environmental plan in regard to drilling or development operations shall include a specific plan for implementation of a contract area oil spill plan and an accident contingency plan.
- (F) The Management Committee shall advise the CONTRACTOR of its approval or disapproval of any such proposed environmental plan within ninety (90) days from the receipt of such proposal. The provisions associated with Management Committee approval of CONTRACTOR proposed Development Plans under Article 9 above shall apply *mutatis mutandis* to any such proposed environmental plan.
- (G) CONTRACTOR shall ensure that:

- (١) the pertinent environmental impact studies and environmental plans are provided to its employees and to its subcontractors in order to develop awareness of the measures and methods of environmental protection required to be used in carrying out the Petroleum Operations; and
 - (٢) the contracts entered into between the CONTRACTOR and its subcontractors relating to Petroleum Operations shall include the provisions describing the requirements for CONTRACTOR's implementation of pertinent environmental plans.
- (H) While conducting Petroleum Operations the CONTRACTOR shall:
- (١) ensure that the disposal and/or discharge of all substances associated with Petroleum Operations shall be handled in an environmentally sound manner in accordance with the guidelines contained in Appendix G; and
 - (٢) take all measures 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. CONTRACTOR shall also carefully preserve any fresh water sources discovered in the course of such operations and shall provide NOGA with a description of the locations of such sources along with all pertinent data.
- (I) If NOGA is reasonably of the opinion that any facilities or other installations of 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, NOGA may require the CONTRACTOR to take remedial measures according to a schedule proposed by NOGA that is reasonable in accordance with the circumstances. NOGA may also require the CONTRACTOR to discontinue Petroleum Operations in whole or in part until the CONTRACTOR has taken such remedial measures. In the event that the CONTRACTOR fails to perform such remedial measures then NOGA, after giving the CONTRACTOR reasonable notice, may take any action which may be necessary in the circumstances and CONTRACTOR shall then be responsible to reimburse NOGA, within thirty (30)

days after having received from NOGA an accounting of any such expenditures, for the full cost incurred by NOGA together with such interest as may be determined in Appendix C of this Agreement.

- (J) In the event of an oil spill, fire, accident, or other emergency arising from Petroleum Operations the CONTRACTOR shall immediately notify NOGA, shall promptly implement the Oil Spill and Accident Contingency Plan, and shall clean-up or otherwise remedy the damage. The order of priority for actions shall be the protection of: (i) life; (ii) the environment; and (iii) property. In the event that the CONTRACTOR fails to perform these obligations then NOGA, after giving the CONTRACTOR reasonable notice in the circumstances, may take any action which may be necessary and CONTRACTOR shall then be responsible to reimburse NOGA, within thirty (30) days after having received from NOGA an accounting of any such expenditures, for the full cost incurred by NOGA together with such interest as may be determined in Appendix C of this Agreement.
- (K) The CONTRACTOR shall be responsible for and shall fully indemnify NOGA 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 CONTRACTOR, its agents, subcontractors or other representatives. Further 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 generally accepted international petroleum industry practices.
- (L) The obligations and liability of CONTRACTOR for the environment hereunder shall be limited to damage to the environment which:
- (١) occurs after the Effective Date; and
 - (٢) results from any act or omission of the CONTRACTOR.

In no event shall CONTRACTOR be liable for indirect or consequential damages or losses.

ARTICLE ٢٢
USE, OWNERSHIP, AND ABANDONMENT OF ASSETS

٢٢,١ Use of Existing Infrastructure

- (A) NOGA shall use best efforts to obtain for the CONTRACTOR, in connection with CONTRACTOR's share of Petroleum production, access to all existing transportation, treatment and export facilities and other infrastructure up to the Point of Delivery in the Kingdom of Bahrain 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.
- (B) CONTRACTOR shall use best 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.

٢٢,٢ NOGA Rights to CONTRACTOR Assets

All CONTRACTOR rights, title, and interest to: (i) assets brought into the Kingdom of Bahrain, by CONTRACTOR for Petroleum Operations, other than such assets brought into the Kingdom of Bahrain on a temporary entry basis; or (ii) assets acquired by CONTRACTOR within the Kingdom of Bahrain, shall be subject to the following:

- (A) on the date that the acquisition of any land acquired by CONTRACTOR for Petroleum Operations becomes effective, NOGA shall have the right to require CONTRACTOR to transfer, free of any charges or encumbrances, all rights, title, and interest to such land; and
- (B) upon the expiry or earlier termination of this Agreement, NOGA shall have the right to require CONTRACTOR to transfer, free of any charges or encumbrances, all rights, title, and interest to any asset(s) other than land, whether fixed or moveable, acquired and owned by the CONTRACTOR for use in Petroleum Operations either inside or outside the Contract Area.

٢٢,٣ Third Party Access to Assets

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 NOGA 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 NOGA), 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.

٢٢,٤ 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 NOGA describing such assets. NOGA may, by giving CONTRACTOR notice within thirty (30) days of CONTRACTOR's notice, buy such assets by paying CONTRACTOR the amount of CONTRACTOR's purchase price less the amount of any costs already recovered by the CONTRACTOR. In such an event NOGA shall be responsible for Abandoning such asset and the CONTRACTOR shall have no further liability in regard to such Abandonment. If NOGA does not so respond to CONTRACTOR within such thirty (30) day period then CONTRACTOR shall be free to sell such assets to a Third Party at a negotiated price. In either event the proceeds received by CONTRACTOR shall be credited against the Operating Account. Provided that, however, any such sale shall be subject to:

- (A) the Third Party buyer(s) paying any applicable customs duties not previously paid by CONTRACTOR;
- (B) the Third Party buyer(s) agreeing to be bound, to the benefit of NOGA, by CONTRACTOR's Abandonment obligations as described in this Agreement, and with NOGA being provided with a copy of such agreement; and
- (C) agreement by NOGA, which shall not be unreasonably withheld, that such buyer's Abandonment obligations are subject to adequate security.

٢٢,٥ Abandonment

Upon: (1) CONTRACTOR's voluntary decommissioning of an asset; (2) CONTRACTOR's partial relinquishment of the Contract Area; (3) early termination of this Agreement; or (4) expiry of this Agreement, the CONTRACTOR shall:

- (A) remove all subject equipment and installations in a manner consistent with good international petroleum industry practices and according to an Abandonment plan approved by the Management Committee, which approval shall not be unreasonably withheld, and pursuant to, in the case of fixed assets, such decommissioning plan; and
- (B) perform all necessary site restoration in accordance with the most advanced international petroleum industry practices and in a manner approved by the Management Committee, 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.

٢٢,٦ Abandonment Fund

- (A) In order to finance the decommissioning of all fixed assets such as platforms, 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 monies shall be agreed to by the Management Committee. All monies 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 a 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 Calendar Quarter

when seventy percent (70%) of Petroleum reserves identified in the associated Development Plan have been recovered. In the event that subsequently a separate Commercial Discovery is made, then the Management Committee may agree to postpone such payments until an aggregate seventy percent (70%) of the overall combined Petroleum reserves have been recovered, or until some other event that the Management Committee may deem appropriate.

- (C) The CONTRACTOR shall transfer funds on a Calendar Quarterly basis to the Abandonment Fund according to the following formula:

$$QAT = ((COA/ARES) \times PARES) - CAF$$

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);

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;

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; and

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 CONTRACTOR shall give timely notice to NOGA prior to such Abandonment. NOGA may elect, within thirty (30) days of such notice, to take ownership of such asset by paying CONTRACTOR the amount of CONTRACTOR's purchase price less the amount of any costs already recovered by the CONTRACTOR. If NOGA fails so to notify the CONTRACTOR within

such thirty (30) day period, then NOGA shall be deemed to have elected not to take ownership of such asset. In the event of such an election by NOGA the appropriate portion of the associated Abandonment Fund shall be transferred to the NOGA at the time NOGA commences decommissioning of such fixed asset or termination of this Agreement, whichever comes first. Any continued use of such asset by NOGA, or any decommissioning of such asset by NOGA, shall be in accordance with good international petroleum industry practices and in such a manner that does not interfere with Petroleum Operations.

- (E) Upon the expiry or early termination of this Agreement, the CONTRACTOR shall notify NOGA of all fixed assets. NOGA shall, within thirty (30) days of receipt of the CONTRACTOR's notice, notify the CONTRACTOR of any such fixed assets that NOGA elects to take ownership of pursuant to Article 22.2(B), as well as whether the NOGA elects to Abandon any of such fixed assets. If NOGA does not, within thirty (30) days of receipt of the CONTRACTOR's notice, notify CONTRACTOR accordingly, then NOGA shall be deemed not to have elected to take ownership of any such fixed assets and shall also be deemed not to have elected to Abandon any such fixed assets. 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 NOGA, as the case may be, whichever is responsible for Abandoning such fixed assets. If NOGA elects to continue to use or to Abandon any fixed assets, then NOGA may Abandon such fixed assets as and when it decides. Abandoning of any fixed assets, whether by the NOGA or the CONTRACTOR, shall be 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 indemnify NOGA from and against any loss, damage or liability of any nature whatsoever connected with such fixed assets, until the CONTRACTOR has completed such Abandonment in accordance with this Agreement.

- (G) If NOGA elects to take ownership of any fixed assets pursuant to Articles 22.2(B) or 22.6(D), or to Abandon any fixed assets pursuant to Article 22.6(E) for which it does not elect to take ownership, then 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. NOGA shall indemnify the CONTRACTOR from and against any loss, damage or liability of any nature whatsoever connected with such fixed assets.
- (H) Not later than one (1) year prior to the Calendar Year in which seventy percent (70%) of the Petroleum reserves identified in a Commercial Discovery are expected to be recovered, the 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 Commercial Discovery, then such excess shall be distributed between NOGA and the CONTRACTOR in proportion to the ratio of Profit Crude Oil, Profit Associated Gas and Profit Non-Associated Gas received by them from the associated Commercial Discovery during the preceding ten (10) years.

ARTICLE ٢٣

PREFERENCE FOR LOCAL SERVICES, GOODS, AND EMPLOYEES

٢٣,١ Preference for Local Services and Facilities

- (A) CONTRACTOR shall use NOGA services and facilities for Petroleum Operations to the extent that they are acceptable for the intended purposes and are available from NOGA according to terms that are no less favourable to CONTRACTOR than those otherwise available in the Kingdom of Bahrain. CONTRACTOR has the right, in the context of any such services and facilities available from NOGA, to terms no less favourable to the CONTRACTOR than

those agreed with any other non-Affiliate of NOGA user of such services and/or facilities.

(B) Subject to Article 23.1(A), 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:

- (١) such companies can demonstrate that they have the capability to deliver such services according to the necessary standard on a timely basis;
- (٢) the cost of such services from such a company does not substantially exceed the cost of such services available from other companies; and
- (٣) the terms and conditions, other than price, applicable to such services are substantially competitive with those available from other companies.

(C) Subject to Article 23.1(B), CONTRACTOR shall have the right to engage the services of its Affiliates, and other persons of its own choosing, as subcontractors for the carrying out of Petroleum Operations.

٢٣,٢ 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:

- (١) such companies can demonstrate that they have the capability to deliver such goods according to the necessary standard on a timely basis;
- (٢) the cost of such services from such a company does not substantially exceed the cost of such goods available from other companies; and
- (٣) the terms and conditions, other than price, applicable to such goods are substantially competitive with those available from other companies.

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.

The application of Paragraphs 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.

٢٣,٣ Preference for Local Employees

- (A) The CONTRACTOR shall employ nationals of the Kingdom of Bahrain for the implementation of Petroleum Operations provided that:
- (١) such persons have the required qualifications;
 - (٢) the cost associated with the employment of such persons does not substantially exceed the cost of employment of qualified persons from other countries; and
 - (٣) 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.

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 23.3.

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 ٢٤
TRAINING AND TRANSFER OF TECHNOLOGY

٢٤,١ Training

CONTRACTOR shall provide training for nationals of the Kingdom of Bahrain, including both nationals of the Kingdom of Bahrain employed by CONTRACTOR as well as employees of NOGA. CONTRACTOR shall make annual expenditures for this purpose of no less than One Hundred Thousand US Dollars (US \$100,000) prior to CONTRACTOR's submission of the first Development Plan to the Management Committee for approval, and no less than One Hundred Thousand US Dollars (US \$100,000) subsequent to the such submission. Such annual expenditures shall be in accordance with a training plan that shall be included as part of relevant Annual Work Programme and Budget and approved by the Management Committee. Such expenditures shall be classified as:

- (A) Exploration Costs if they are made prior to CONTRACTOR's submission of the first Development Plan to the Management Committee for approval;
- (B) Development Costs if they are made after CONTRACTOR's submission of the first Development Plan to the Management Committee for approval; and
- (C) Operating Costs if they are made after the first Petroleum Production Commencement Date.

٢٤,٢ Transfer of Technology

CONTRACTOR shall apply in the Petroleum Operations the most advanced technology and managerial experience available to itself and to its Affiliates, including: exploration technology; development technology, including technology that can improve the economic yield or performance of Petroleum Reservoirs; and associated proprietary and/or patented technology. The CONTRACTOR shall transfer such technology by way of an element of the respective training programmes pursuant to Article 24.1. Provided, however, that if any such proprietary or patented technology is restricted by a Third Party then 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 its Affiliates or a Third Party; as applicable, and shall be subject to the confidentiality restrictions described in Article 26.2.

ARTICLE ٢٥
LIABILITIES, INDEMNIFICATION AND INSURANCE

٢٥,١ Liabilities and Indemnification

NOGA, the Government, their Affiliates, its Affiliates, sub-contractors, and their respective management and personnel (the "NOGA Group") shall not be liable for and CONTRACTOR shall indemnify and hold the NOGA Group harmless from and against any and all injury, sickness, death, loss, action, claim, damage, cost 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 CONTRACTOR, even if accidental, save and to the extent that such injury, sickness, death, loss, action, claim, damage, cost or expense has been caused by the negligence or wrongful act of any member(s) of the NOGA Group. NOGA shall indemnify and hold 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 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(s) of the NOGA Group.

٢٥,٢ Consequential losses

In no event shall NOGA or CONTRACTOR be liable to the other for any indirect or consequential loss or damage arising out of or related to this Agreement including but not limited to inability to produce Petroleum, lost production or loss of or delay in production of Petroleum, except in cases of Wilful Misconduct.

٢٥,٣ Contractor's Insurance

Without prejudice to CONTRACTOR's liabilities as described in Article 25.1, 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 CONTRACTOR's indemnity obligations as are described in Article 25.1. 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. 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. 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. CONTRACTOR shall provide to NOGA copies of applicable certificates within thirty (30) days of any request made by NOGA. Such insurance policies shall name NOGA and the Government as additional insureds (or as additional "loss payees"), shall waive subrogation against NOGA and the Government, and shall provide that they may not be cancelled except upon thirty (30) days prior notice to NOGA. CONTRACTOR shall actively pursue any claims against insurers. Any amount received by CONTRACTOR from such insurance shall be applied and accounted for in accordance with the Accounting Procedure. CONTRACTOR shall not self-insure or insure through Affiliates without the specific prior approval of NOGA. CONTRACTOR may use its normal worldwide insurance programmes and coverage to satisfy these insurance obligations only with the specific prior written approval of NOGA. 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 NOGA 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 NOGA Group under Article 25.1;
- (E) with respect to Petroleum Operations offshore, the cost of removing wrecks and cleaning up operations following any accident in the course of or as a result of Petroleum Operations; and
- (F) loss of Petroleum that has been produced to the surface, nominating CONTRACTOR and NOGA as joint beneficiaries.

٢٥,٤ Sub-Contractor Insurance

The CONTRACTOR shall be responsible for its subcontractors obtaining and maintaining insurance as described Article 25.3, and discharging to NOGA the obligations described in Article 25.3, applied *mutatis mutandis* to such subcontractors.

**ARTICLE ٢٦
DATA, INFORMATION AND CONFIDENTIALITY****٢٦,١ Data and Information**

- (A) 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 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 NOGA as soon as reasonably possible after the same has come into the possession of the CONTRACTOR.
- (B) 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:
- (١) the strata through which the well was drilled;
 - (٢) the casing, drill pipe, tubing and down-hole equipment run in the well and modifications and alterations thereof;
 - (٣) Petroleum, water and valuable mineral resources encountered;
- any other information consistent with good international petroleum industry practices.

- (C) The information required by Articles 26.1(A) and 26.1(B) above shall be submitted to the NOGA in the form of well completion reports within ninety (90) days from completion of the well in question.
- (D) With prior notice to NOGA, 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 Petroleum found in the 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 NOGA with copies or equivalent samples and specimens of the materials which the CONTRACTOR proposes to remove from the Kingdom of Bahrain.
- (E) The CONTRACTOR shall supply to NOGA on a timely basis (or as otherwise specifically provided below):
- (١) daily reports on drilling operations and weekly reports on field geophysical surveys as soon as they are available;
 - (٢) 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:
 - A) a description of the Petroleum Operations carried out and the factual information obtained including Petroleum production data from the Contract Area overall and on a well by well basis;
 - B) a description of the Contract Area in which the CONTRACTOR has operated; and
 - C) a map indicating the location of all wells and other Petroleum Operations;
 - (٣) within three (3) months of the end of each Calendar Year, an annual report summarising the matters specified in paragraph (26.1 E.(2)) above for the preceding Calendar Year;

- (٤) 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, and
- (٥) other reports as may reasonably be requested by the Management Committee. Additionally the CONTRACTOR will inform the NOGA of all discoveries other than Petroleum, such as discoveries of non-Petroleum natural resources.

The daily and weekly reports required to be submitted to the NOGA 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 NOGA pursuant to this Article 26 shall be submitted in the English language.

- (F) At the request of the NOGA, the CONTRACTOR shall keep and store on behalf of the NOGA and for the account of Petroleum Operations, such data related to Petroleum Operations as the NOGA 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 NOGA. 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 request therefor from the NOGA, provide the NOGA with copies of seismic tapes and data kept and stored by the CONTRACTOR with the cost of reproduction being reimbursed as Petroleum Costs.
- (G) Upon termination of this Agreement all data shall be delivered to the NOGA. Notwithstanding the termination, the NOGA may request the CONTRACTOR and the CONTRACTOR shall, for a period not exceeding one (1) year following termination of this Agreement, keep and store seismic tapes and data outside the Kingdom of Bahrain in a sound and prudent manner. During such period, the NOGA may request in writing and the CONTRACTOR shall provide, in a timely manner after receiving any such written request, copies of such seismic tapes and data. All costs associated with the keeping and storing of seismic tapes and data shall be for the account of the CONTRACTOR and the cost of copying shall be reimbursed by the NOGA to the CONTRACTOR at cost.

٢٦,٢ Confidentiality

(A) All data and other information developed, acquired, and/or otherwise obtained by the CONTRACTOR in relation to this Agreement (inclusive of CONTRACTOR's interpretation of data generated as result of Petroleum Operations and/or any other reports or documents prepared on the basis of such data or other information) shall become the property of the NOGA, subject to any exceptions that NOGA may give its prior written consent to. Subject to the provisions of this Article 26.2, however, the CONTRACTOR shall be free to use any such information in the performance of Petroleum Operations. This Agreement, as well as such information, is strictly confidential, and accordingly shall not be disclosed by either Party, except as otherwise specifically provided by this Agreement, without the prior written consent of the other Party (such consent not to be unreasonably withheld or delayed). Such consent shall not be required:

- (١) in regard to information that (i) is already known to the disclosing Party as of the date of this Agreement, (ii) has come into the public domain otherwise than by breach by any such Party of its confidentiality obligations under this Article 26.2, or (iii) the disclosing Party independently acquires from a third party that represents that it has the right to disseminate such information at the time it is acquired by the disclosing Party;
- (٢) if, and only to the extent as, required by applicable law;
- (٣) if, and only to the extent as, required by the disclosure rules of an applicable stock exchange upon which the disclosing Party's shares are listed;
- (٤) if necessary to the extent reasonably required by dispute resolution proceedings under Article 32;
- (٥) if such disclosure is to:
 - A) any Affiliate of the disclosing Party;
 - B) attorneys and/ or consultants of the disclosing Party;

C) banks or other financial institutions;

in respect of (B) and (C) above, 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 26.2. In all such circumstances, the disclosing Party shall hold the other Party harmless from any breach of the 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;

(٦) 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 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 26.2;

(٧) if disclosure is reasonably necessary to be made by NOGA, or 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 26.2.

(B) CONTRACTOR shall not sell any of the information described in Article 26.2(A) above.

(C) NOGA shall have the right to disclose to Third Parties any of the information described in Article 26.2(A) above which is associated with any portion of the Contract Area that has been relinquished by CONTRACTOR or which is associated with any portion of the Contract Area after expiry or early termination of this Agreement. NOGA shall also have the right to disclose to Third Parties any of the information described in Article 26.2(A) above to Third Parties in regard to unrelinquished portions of the Contract Area four (4) years

after the date that such information has been generated or otherwise obtained by CONTRACTOR.

- (D) The information described in Article 26.2(A) above shall remain the property of the NOGA and must timely be returned to the NOGA upon expiry or early termination or of this Agreement, or upon relinquishment of areas within the Contract Area, in regard to any such information that is associated with such relinquished area.

ARTICLE ٢٧ RECORDS, REPORTS, ACCOUNTS AND AUDIT

٢٧,١ Records, Accounts and Reports

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 NOGA and/or NOGA's authorized representatives, upon request. Such accounts shall be kept in accordance with the Accounting Procedure. CONTRACTOR shall, within thirty (30) Business Days from receiving any request from NOGA, make available, in a meaningful form, any and all such information related to Petroleum Operations and Petroleum Costs as reasonably requested by the NOGA. The NOGA shall have the right at all reasonable times to inspect all records and documents kept by the CONTRACTOR hereunder.

٢٧,٢ Profit and Loss Statement, Balance Sheet, and Cash Flow Statement

The CONTRACTOR shall submit to the NOGA a profit and loss statement for each Calendar Year by March 31st of the following Calendar Year, to show the net profit or loss from the Petroleum Operations for such Calendar Year. The CONTRACTOR shall, concurrently, submit a year-end balance sheet and cash-flow statement for such Calendar Year to the NOGA.

٢٧,٣ Operations and Financial Reporting

The CONTRACTOR shall keep NOGA 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.

٢٧,٤ Statement of Petroleum Costs

- (A) The CONTRACTOR shall furnish to NOGA, within ten (10) Business Days of the expiry of each Calendar Month, a statement of Petroleum Costs showing the Petroleum Costs incurred by CONTRACTOR during such Calendar Month, which shall be prepared in accordance with the Accounting Procedure. NOGA shall review and shall approve the Petroleum Costs calculated in accordance with the Accounting Procedure in order to allow their inclusion by CONTRACTOR into Petroleum Cost Account and the quarterly statement of Petroleum Costs.
- (B) Unless the Accounting 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.

٢٧,٥ Other Statements

The CONTRACTOR shall furnish the NOGA with a Cost Control Report and a Cost Recovery and Profit Petroleum Report, each as defined, prepared and submitted in accordance with the Accounting Procedure.

٢٧,٦ NOGA's Audit Rights

So long as the statement of Petroleum Costs reflects a clear and accurate account and record of such costs which can be supported by the CONTRACTOR's records, and so long as such statements are prepared and supplied timely and in accordance with Article 26.1, each statement of Petroleum Costs shall conclusively be presumed to be true and correct and therefore final and approved for all purposes one (1) year following the expiry of the Calendar Year containing the Calendar Quarter to which such statement of Petroleum Costs refers, unless within such one (1) year period the NOGA makes an audit or otherwise, within the time limit specified in the Accounting Procedure, gives a written notice to the CONTRACTOR taking exception thereto and detailing the reasons therefor. In such case, the Parties shall meet within thirty (30) Business Days of the date of receipt of the NOGA's notice by the CONTRACTOR and shall endeavour to reach agreement and make any required adjustment. If no such agreement is reached within sixty (60) Business Days of the date of the Parties' first such meeting, then either Party may agree to have the matter

mediated by a mutually accepted internationally recognised accounting firm as set out in the Accounting Procedure. If notwithstanding the above, the Parties cannot settle the matter as provided above, then either Party may initiate arbitration proceedings under Article 32.2.

ARTICLE ٢٨ ASSIGNMENT

٢٨,١ Assignment

No assignment, mortgage, pledge, charge, or other encumbrance shall be made by CONTRACTOR or by any party comprising CONTRACTOR of any of its rights and/or obligations under this Agreement other than in accordance with this Article 28.1 in a pre-approved form as attached hereto as Appendix I. Any attempted assignment or encumbrance made in breach of the provisions of this Article 28.1 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, any party comprising CONTRACTOR may, upon not less than ninety (90) days prior notice to NOGA, assign all or any undivided portion of its interest, rights and obligations under this Agreement to any of its Affiliates.
- (B) Subject to the requirements of this Article 28.1, any party comprising CONTRACTOR may, with the prior written consent of NOGA (which consent shall not be unreasonably withheld, consistent with the criteria described in Article 28.1(C) below), assign all or any undivided portion of its interest, rights and obligations under this Agreement to a non-Affiliate.
- (C) 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 NOGA in writing, the assignee shall:
 - (١) in respect of Article ٢٨,١(B), enter into a written agreement with NOGA in a form approved by NOGA'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;
- (٢) provide to NOGA the bank letter(s) of credit, and or guarantees required pursuant to Articles 6.1 and 6.2 to replace the bank letter(s) of credit, and or guarantees provided by the assignor;
- (٣) have the technical and financial ability commensurate with the responsibilities and obligations that would be imposed on it under this Agreement; and
- (٤) 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 NOGA and/or the Government cannot otherwise legally do business.
- (D) No assignment shall be permitted which would result in any party comprising the CONTRACTOR, either assignor or assignee, holding less than ten percent (10%) of the undivided interest, rights and obligations of the CONTRACTOR under this Agreement, except where NOGA may, in special circumstances, so permit.
- (E) Notwithstanding anything to the contrary, no assignment shall be permitted which would result in PTTEP Bahrain Company Limited and/or its Affiliates holding less than a fifty-one percent (51%) of the undivided interest, rights and obligations of the CONTRACTOR under this Agreement, except where NOGA may so permit.
- (F) A change in the control of a party comprising the CONTRACTOR, either directly or indirectly, 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. For this purpose, "control" shall have the same meaning as is provided for in Article 1.1(D). Accordingly, before a change in control of a party may be effected indirectly by virtue of a change in control of a parent, including but not limited to such Party's ultimate parent, the consent of NOGA must first

be obtained (which shall not be unreasonably withheld, consistent with the criteria described in Article 28.1(C) above).

- (G) A party comprising the CONTRACTOR may, with the prior consent of NOGA (which consent shall not be unreasonably withheld, consistent with the criteria described as follows in this Article 28.1(F)), 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:
- (١) such party shall remain liable for all its obligations relating to such interest;
 - (٢) the encumbrance shall be without prejudice and shall be expressly subordinated to the rights of NOGA under this Agreement;
 - (٣) the secured party shall agree in writing with NOGA 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 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 shall be bound to comply, and to cause any such other person to comply, with the requirements of this Article 28.1;
 - (٤) such party has given reasonable notice of such encumbrances and furnishes to NOGA a certified copy of the executed instrument(s) evidencing the encumbrances;
 - (٥) the lender is a major international financial institution in good standing; and
 - (٦) 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 NOGA and/or the Government cannot otherwise legally do business.

- (H) The applicable party constituting CONTRACTOR wishing to make an assignment hereunder, or to mortgage, pledge or otherwise encumber its rights and obligations under this Agreement, shall provide to NOGA by notice the pertinent documents and/or information as described in Article 28.1(C), or Article 28.1(F), as applicable, along with any other information that NOGA might reasonably require. If NOGA has not, within ninety (90) days following such notification to NOGA, notified such party of NOGA's decision, or any objection by NOGA, as applicable, such assignment or encumbrance shall be deemed to be approved, or not objected to, as applicable, by NOGA, provided that such information provided by the applicable party constituting CONTRACTOR is accurate and complete.
- (I) In the event that any party comprising the CONTRACTOR assigns a portion of its undivided interest, rights and obligations under this Article 28.1, then such party and the applicable assignee shall thereafter be jointly and severally liable for the obligations of the CONTRACTOR under this Agreement, along with any other parties comprising the CONTRACTOR and the direct share of liability for the obligations of the CONTRACTOR (exclusive of the assignee) shall be reduced accordingly and in proportion to the percentage of the interest assigned.
- (J) NOGA shall be responsible to reimburse CONTRACTOR, without interest from the revenue from its share of production under this Agreement, any transfer or related taxes, charges or fees (other than generally applicable administrative and/or service fees) in the Kingdom of Bahrain that are applicable to any assignment or encumbrance made under this Article 28.1.
- (K) NOGA shall have the unrestricted right to assign its rights and obligations under this Agreement, in whole or in part, to BAPCO or Oil and Gas Holding Company or to any wholly-owned Affiliate of NOGA, and NOGA shall notify the CONTRACTOR of any such assignment in writing without delay.

ARTICLE ٢٩
TERMINATION

29.1 Termination by NOGA

Subject to Articles 29.7 and 29.8 below, NOGA may, if one of the following events of termination occur, terminate this Agreement:

- (A) CONTRACTOR has knowingly submitted any false statement to NOGA in any manner which was a material consideration in the signing of this Agreement;
- (B) CONTRACTOR has not provided to NOGA the documents, and/or the legal opinion, as required under Preamble (E) and (F);
- (C) CONTRACTOR has 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;
- (D) CONTRACTOR 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 NOGA has been given prior notice and where NOGA has advised CONTRACTOR by notice that it is satisfied that CONTRACTOR'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;
- (E) CONTRACTOR has assigned any interest in this Agreement in breach of Article 28.1 above;
- (F) CONTRACTOR has failed to make any monetary payment required by law to NOGA 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 NOGA or by the Kingdom of Bahrain, as applicable;
- (G) CONTRACTOR has failed to comply with any final determination or award made by an Expert or by arbitrators under Article 32;
- (H) CONTRACTOR has committed a material breach of this Agreement; or

- (I) if the events described in Article 28.1(C) or Article 28.1(D) 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 has failed to perform under such financial security instrument, as applicable.

٢٩,٢ **CONTRACTOR's Obligations and Rights upon Termination by NOGA**

- (A) In the event of any termination as result of the occurrence of a termination event as described in Article 29.1 above CONTRACTOR 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 CONTRACTOR shall be deemed:
- (١) to include payment of any amounts under Article 5.2 associated with any unperformed elements of any applicable exploration work programme commitments described in Article 5.2;
 - (٢) to include all obligations under the then applicable Annual Work Programme and Budget, which obligations shall, at NOGA's option, be fulfilled by CONTRACTOR either by performance of such obligations in full in accordance with their terms or by payment in Dollars to NOGA of any outstanding balance of unexpended amounts in the associated budget element of such Annual Work Programme and Budget;
 - (٣) to include all obligations under Article 22.5;
 - (٤) to include obligations as may be applicable under Article 4.7; and
 - (٥) not to include any obligation (other than described in Article 29.2(B) above), to pay any budgetary amounts associated with, or to perform any unperformed elements of: (i) applicable assessment plans; (ii) applicable Appraisal Plans; or (iv) applicable Development Plans.
- (B) In the event of any termination as result of the occurrence of a termination event as described in Article 29.1 above CONTRACTOR shall have no further rights against NOGA other than those accrued under this Agreement up to the time of

such termination. Provided, however, that in the event of such a termination the CONTRACTOR shall relinquish the entire Contract Area and that such rights on the part of CONTRACTOR shall be deemed: (i) not to include rights to any share of production subsequent to such termination, regardless of whether CONTRACTOR had recovered its Petroleum Costs as of the date of termination; or (ii) 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.

٢٩,٣ NOGA's Obligations and Rights upon Termination by NOGA

Upon termination of this Agreement by NOGA pursuant to Article 29.2 above NOGA shall: (i) have no further obligations or liabilities to CONTRACTOR other than those that may have accrued under this Agreement up to the time of such termination; (ii) have the rights against CONTRACTOR that may have accrued under this Agreement up to the time of such termination.

٢٩,٤ Termination by CONTRACTOR

Subject to Articles 29.7 and 29.8, CONTRACTOR shall have the right to terminate this Agreement if NOGA 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 below.

٢٩,٥ CONTRACTOR's Obligations and Rights upon Termination by CONTRACTOR

(A) In the event of any termination as result of the occurrence of a termination event as described in Article 29.4 above, 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 CONTRACTOR shall be deemed:

- (١) to include all obligations under Article 22.5;
- (٢) to include obligations as may be applicable under Article 4.7;

- (٣) not to include payment of any amounts under Article 5.2 associated with any unperformed elements of any applicable exploration work programme commitments described in Article 5.2 unless 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 29.7;
 - (٤) not to include any obligations under the then applicable Annual Work Programme & Budget, unless 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 29.7;
 - (٥) not to include any obligation (other than described in Article 29), to pay any budgetary amounts associated with, or to perform any unperformed elements of: (i) applicable assessment plans; (iii) applicable Appraisal Plans; or (iv) applicable Development Plans.
- (B) In the event of any termination as result of the occurrence of a termination event as described in Article 29.4 above, CONTRACTOR shall have no further rights against NOGA other than those accrued under this Agreement up to the time of such termination. Provided, however, that in the event of such a termination the CONTRACTOR shall relinquish the entire Contract Area and that such rights on the part of CONTRACTOR shall be deemed: (i) not to include rights to any share of production subsequent to such termination, regardless of whether CONTRACTOR had recovered its Petroleum Costs as of the date of termination; or (ii) 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.

٢٩,٦ **NOGA's Obligations and Rights upon Termination by CONTRACTOR**

Upon termination of this Agreement by CONTRACTOR pursuant to Article 29.4 above NOGA shall: (i) have no further obligations or liabilities to CONTRACTOR other than those that may have accrued under this Agreement up to the time of such termination; (ii) have the rights against CONTRACTOR that may have accrued under this Agreement up to the time of such termination.

٢٩,٧ Right to Cure and Notice of Termination

- (A) If the breach (as per Article 29.1 or Article 29.4, as applicable) is not reasonably capable of being cured then the non-breaching Party may immediately give a notice of termination to the breaching Party.
- (B) If the breach is reasonably capable of being cured then the non-breaching Party shall as soon as reasonably possible after becoming aware of such breach give the breaching Party a ninety (90) day notice to cure specifying the applicable event of termination as per Article 29.1, or Article 29.4, as applicable. If a breaching 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-breaching Party shall have no right to terminate this Agreement. If, however, the breaching Party either: (i) fails to cure the breach within such ninety (90) day notice period; or (ii) 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 ninety (90) day period; then the non-breaching Party shall have the right to terminate this Agreement by giving a notice of termination to the breaching Party. Such termination shall be effective upon issuance of said notice.

For the avoidance of doubt, the failure on the part of CONTRACTOR to fulfil the Minimum Work Programme at the end of either Exploration Phase is not subject to being remedied under this Article 29.7.

٢٩,٨ Option to Terminate Subject to Confirmation by Arbitration

If a Party has given the other Party a notice of termination under Article 29, or if such Party has given the other Party a notice to cure under Article 29.7, but is of the opinion that both an event of termination, as described in Article 29.1 or Article 29.4, as applicable, has

occurred, and that the other Party has failed to cure, or to commence to cure, as provided in Article 29.7, then such Party may elect between:

- (A) termination effective upon notice as described in Article 29.7; or
- (B) termination subject to confirmation as result of arbitration of the issues (i) whether the applicable termination event did in fact occur; and/or (ii) whether cure was in fact not performed, or commenced, as applicable, in accordance with Article 29.7; in such a case the term of this Agreement will be tolled, including but not limited to any applicable Exploration Phase, for the period of time between the initiation of arbitration under Article 29.7 and either: (i) the issuance of any associated arbitral award; or (ii) the agreed upon date of settlement; as may be applicable.

٢٩,٩ Termination as Result of Relinquishment

Subject to CONTRACTOR having the same obligations and rights as it would under Article 29.2, CONTRACTOR shall have the right to terminate this Agreement:

- (A) with respect to any Development Area in which Petroleum is being produced, or that prior thereto had produced Petroleum, 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 Contract Area, upon giving ninety (90) days notice of its intention to do so.

٢٩,١٠ Termination in the Case of Extended Force Majeure

Subject to CONTRACTOR having the same obligations and rights as it would under Article 29.5 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 (2) years.

٢٩,١١ Termination by Agreement of the Parties

This Agreement may be terminated by express agreement of the Parties.

ARTICLE ٣٠
FORCE MAJEURE

٣٠,١ Definition of "Force Majeure"

"Force Majeure" means any event or combination of events not reasonably within the control of the affected Party, not including (without limitation): (i) the unavailability of funds; (ii) the inability to provide security; (ii) the unavailability of seismic crews or drilling rigs; and/or (iii) changes in market conditions or financial hardship; which has prevented the performance, or delayed the performance, of the affected Party under this Agreement, or prevented (or delayed) the affected Party from exercising its rights under this Agreement; which 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 but not limited to the events set out below:

- (A) explosions, earthquake, Tsunami, flood, fire, storm, epidemic and any other natural physical disaster or natural calamities;
- (B) war (declared or undeclared), act of war, invasion, hostilities, embargo, blockage or other enemy action due to war;
- (C) revolution, rebellion, civil commotion, riot, insurrection, terrorist acts or the threat of terrorist acts, seizure or act of sabotage;
- (D) strike, lockout or other labour or industrial disturbance;
- (E) closing or unavailability of harbours, ports or other facilities required for the transport or export of Crude Oil or Natural Gas;

٣٠,٢ 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 the performance obligations which have been suspended pursuant to Article 30.3 below, and shall thereafter resume compliance with such obligations as soon as possible.

٣٠,٣ Consequence of Force Majeure - Suspension of Obligations

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 of any such failure or delay, provided that the affected Party shall have, in accordance with Article 30.2 above, used all reasonable endeavours to mitigate and overcome the effect of such Force Majeure, or to eliminate the cause thereof, as may be applicable, as soon as reasonably possible.

٣٠,٤ 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 any rights or performing any obligations under this Agreement due to Force Majeure, then: (i) the period of such delay or prevention; (ii) the period which may be necessary for the restoration of any damage caused by the event of Force Majeure; and (iii) such period as may be reasonably necessary for recommencing the work; shall be added to the time periods set forth in respect of the relevant obligations under this Agreement, where the time for the performance of the obligations affected thereby and for performance of any obligation or the exercise of any right dependent thereon, and the term of any Exploration Phase of the Exploration Period or this Agreement, shall be extended for the period of Force Majeure, or by such other period as may be agreed by the Parties, including but not limited to the G & G Study, First Exploration Phase and the Second Exploration Phase.

٣٠,٥ 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 and overcome the effect of such Force Majeure, or to eliminate the cause thereof, as may be applicable, as soon as reasonably possible.

ARTICLE ٣١
GOVERNING LAW

٣١,١ Governing Law

- (A) This Agreement shall be governed by, construed and interpreted in accordance with the substantive laws of the Kingdom of Bahrain, and any arbitral tribunal constituted pursuant to Article 32.2 below shall apply the substantive 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 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 time in the Kingdom of Bahrain.

ARTICLE ٣٢
DISPUTE RESOLUTION

٣٢,١ Expert Determination

Disputes over matters that, by the terms of this Agreement, the Parties have agreed to refer to a sole Expert for determination may be referred to such a sole Expert by any Party that has determined that such a dispute may not be settled amicably. The Parties may also agree in writing to refer any other matter to such Expert determination. Such Expert shall be an independent and impartial person of international standing with relevant qualifications and experience. In the event that the Parties may not agree upon such an Expert within thirty (30) days notice by either Party, such Expert shall be appointed by the I.C.C. Centre for Expert Appointment in Paris. The decision of such sole Expert shall be final and binding upon the Parties and shall not be subject to arbitration. The joint costs of Expert determination, inclusive of the fees and expenses of an Expert appointed hereunder, shall be borne equally by each Party, and each Party shall be solely responsible for its own costs in conjunction with Expert determination.

٣٢,٢ International Arbitration

- (A) The Parties shall in good faith and using all reasonable efforts in the spirit of cooperation attempt to settle amicably any dispute, controversy or claim arising out of or in relation to or in connection with this Agreement or the operations carried out under this Agreement, including without limitation any dispute as to the existence, construction, validity, interpretation, enforceability or breach of this Agreement.
- (B) NOGA, CONTRACTOR and each party constituting CONTRACTOR hereto hereby consent to submit any dispute, controversy or claim arising out of or in relation to or in connection with this Agreement or the operations carried out under this Agreement, including without limitation any dispute as to the existence, construction, validity, interpretation, enforceability or breach of this Agreement, to exclusive and final settlement by binding arbitration in accordance with the terms below.
- (C) Any arbitration proceeding pursuant to this Agreement shall be conducted in accordance with the UNCITRAL Arbitration Rules in effect on the date on which the proceeding is instituted. Provided, however, that this arbitration shall be conducted in English, and that any Party may make an application to any court having jurisdiction for enforcement of any award (including any award granting interlocutory relief) against any Party and for the obtaining of any evidence (whether by discovery of documents, interrogatories, affidavits or testimony of witnesses) which the arbitrators direct shall be admitted in the arbitral proceedings.
- (D) Any arbitral tribunal constituted pursuant to this agreement shall consist of three (3) arbitrators, one (1) appointed by each Party within thirty (30) days of the issuance of notice to arbitrate pursuant to UNCITRAL Arbitration Rules (each of which shall be independent and shall be otherwise in compliance with the UNCITRAL Rules), and an arbitrator, who shall be President of the tribunal, appointed by the two (2) arbitrators so selected, within thirty (30) days after the appointment of the second arbitrator. All arbitrators to be appointed shall be of a nationality different from that of any of the Parties to the dispute.
- (E) The arbitration shall be conducted in London, United Kingdom

- (F) Each Party shall have the right to seek interim measures, such as injunctions, from any court of competent jurisdiction in order to preserve the rights of such Party pending the arbitral proceedings.
- (G) To the extent permitted by applicable law, or rules of an applicable stock exchange, the Parties shall maintain the confidentiality of any Expert determination and/or arbitral proceedings, and the results thereof.

ARTICLE ٣٣ OFFICE IN BAHRAIN

Within three (3) months from the Effective Date, the company acting as operator 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 CONTRACTOR's request, NOGA 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.

ARTICLE ٣٤ NOTICES

٣٤.١ 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 NOGA or vice versa shall be delivered at, or sent to, the following addresses of the Parties:

If to NOGA:

National Oil and Gas Authority
Building ٣٠٨, Road ١٩١٠
Hoorah ٣١٩ - Kingdom of Bahrain
P.O. Box ١٤٣٥
Telephone: + ٩٧٣ ١٧٢٩١٣٨٧
Facsimile: + ٩٧٣ ١٧٢٩٢٢٩٣
Attention: H.E. The Minister

If to the CONTRACTOR:

PTTEP Bahrain Company Limited
c/o PTT Exploration and Production Public Company
PTTEP Office Building
555 Vibhavadi Rangsit Road,
Chatuchak, Bangkok 10900 Thailand
Facsimile: +662 537 4444
Telephone: +662 537 4000
Attn: Vice President, International Assets

or to such other address as a Party may from time to time specify by notice to the other Party.

ARTICLE ٣٥ MISCELLANEOUS

٣٥,١ 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.

٣٥,٢ Amendment

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.

The contractor may request certain modification to the agreed technical terms to facilitate the execution to this agreement. NOGA shall have the discretion whether or not to grant such requests. If any such requests are granted by NOGA, any amendments resulting there from shall be on terms and conditions to be mutually agreed between the parties.

٣٥,٣ 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.

٣٥,٤ 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.

٣٥,٥ 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.

٣٥,٦ Measurement of Time

In this Agreement all measurements of time shall be fixed and computed pursuant to the Gregorian Calendar.

٣٥,٧ Conflict of Interest

Each Party shall be 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(s) 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.

٣٥,٨ Joint Operating Agreement and Operator

In the event that at any time there is more than one party comprising CONTRACTOR, such parties comprising CONTRACTOR shall submit to the Management Committee, for information only, the joint operating agreement describing their relationship. Such parties shall also submit to the Management Committee for approval the initial operator, as well as any change of the initial operator under such joint operating agreement, and the Management Committee shall not unreasonably withhold such approval.

The initial operator as of the date of signing this Agreement shall be PTTEP Bahrain Company Limited or its Affiliate. There shall in no event be more than one party acting as operator under this Agreement.

٣٥,٩ 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.

٣٥,١٠ 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. Provided, however, that this Agreement as executed by the Parties shall not be effective until it has received such necessary approvals, authorizations and ratifications as may be necessary from the Kingdom of Bahrain and its associated entities in connection with this Agreement, including ratification as may be required under Articles 37

and/or 117(a) of the Constitution of the Kingdom of Bahrain. Upon receipt of such approvals, authorizations and ratifications, NOGA shall promptly notify the CONTRACTOR of the Effective Date of this Agreement. If despite its best efforts NOGA shall be 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.

IN WITNESS WHEREOF the Parties have executed this Agreement the day and year first above written.

KINGDOM OF BAHRAIN
NATIONAL OIL & GAS AUTHORITY

Name:

Title:

PTTEP BAHRAIN COMPANY LIMITED

Name:

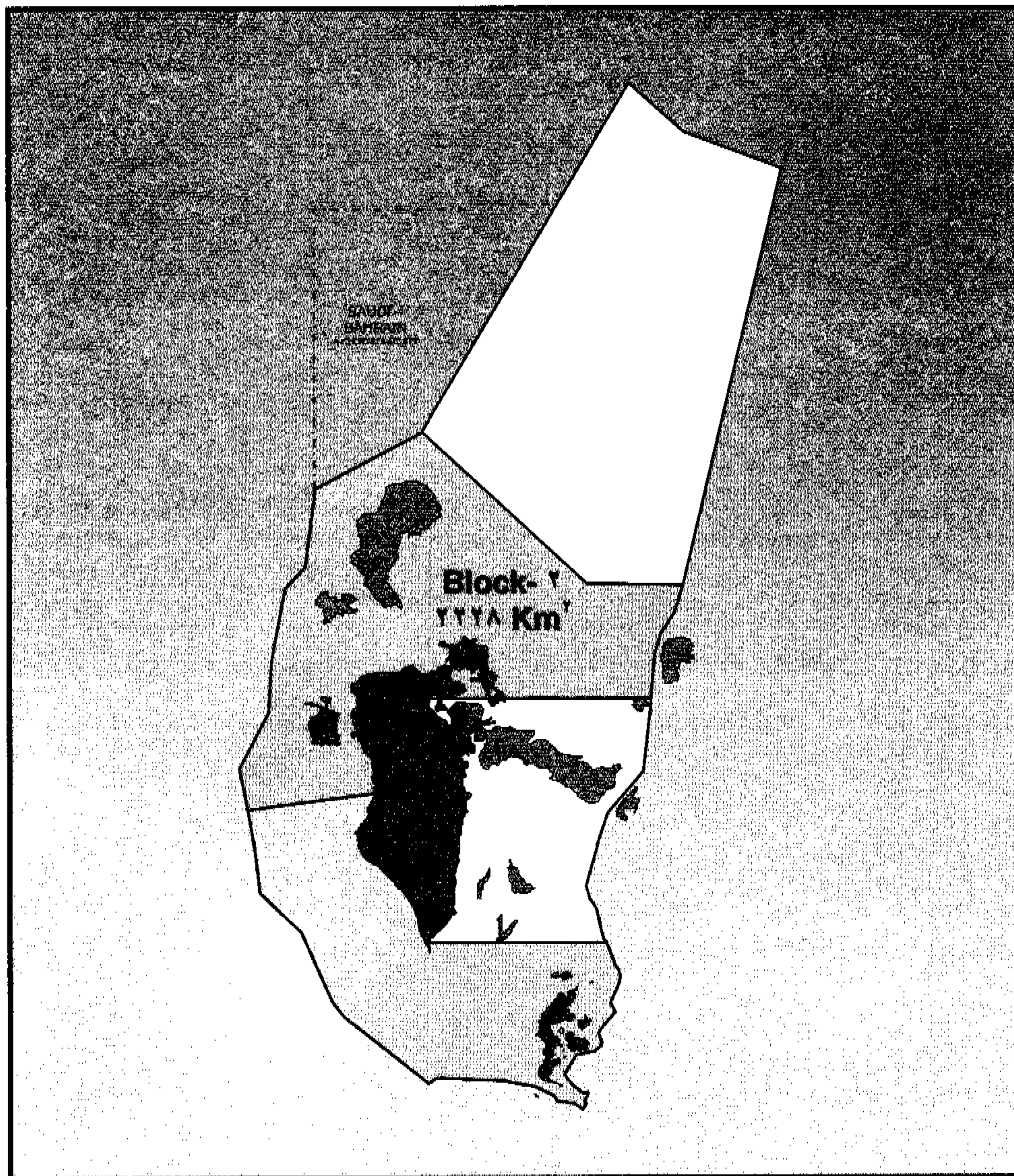
Title:

APPENDICES

APPENDIX A	MAP OF THE CONTRACT AREA
APPENDIX B	CONTRACT AREA DESCRIPTION AND COORDINATES
APPENDIX C	ACCOUNTING PROCEDURE
APPENDIX D	PROCEDURE FOR EXPERT DETERMINATION
APPENDIX E	FORMAT FOR ANNUAL BUDGET AND ANNUAL PETROLEUM COST STATEMENT
APPENDIX F	FORM OF PARENT COMPANY PERFORMANCE GUARANTEE
APPENDIX G	ENVIRONMENTAL STANDARDS AND PRACTICES AND SAFETY GUIDELINES
APPENDEX H	MINIMUM EXPLORATION WORK PROGRAMME COMMITMENTS
APPENDIX I	FORM OF ASSIGNMENT NOTICE

APPENDIX A

Map of the Contract area



APPENDIX B**CONTRACT AREA DESCRIPTION AND COORDINATES**

CONTRACT AREA DESCRIPTION & CO-ORDINATES

Block ٢

Block-٢ comprises ٢٢٢٨ sq. km. and is situated **North & North-west of the Kingdom of Bahrain Island** and is bounded by the lines joining the points listed hereunder:

Latitude (Deg-Min-Sec)	Longitude (Deg-Min-Sec)
٢٦ ١١ ٣٧,٠٠٠	٥٠ ٣٥ ٤٥,٠٠٠
٢٦ ١١ ٣٧,٠٠٠	٥٠ ٥٥ ٠٥,٠٠٠
٢٦ ١٥ ٥٥,٠٠٠	٥٠ ٥٥ ٢٢,٠٠٠
٢٦ ١٧ ٥٨,٠٠٠	٥٠ ٥٥ ٥٨,٠٠٠
٢٦ ٢٠ ٠٢,٠٠٠	٥٠ ٥٧ ١٦,٠٠٠
٢٦ ٢٢ ٤٤,٢٥٠	٥٠ ٥٨ ٠٧,٠٠٠
٢٦ ٢٢ ٤٥,٠٠٠	٥٠ ٤٨ ٥٦,٠٠٠
٢٦ ٣٧ ١٥,٠٠٠	٥٠ ٣٣ ٢٤,٠٠٠
٢٦ ٣١ ٤٨,٠٠٠	٥٠ ٢٣ ١٥,٠٠٠
٢٦ ٢٤ ٢٣,٩٣٢	٥٠ ٢٢ ١٨,٥٠٩

٢٦ ٢٢ ١٧,٤٥٠	٥٠ ٢٠ ٢٦,٥٦٨
٢٦ ١٥ ١٤,٦٩٥	٥٠ ١٩ ٠٧,٧٩٥
٢٦ ١٠ ١٨,٢٨٣	٥٠ ١٨ ٥٢,٣٣٨
٢٦ ٠٤ ٥٠,٠٩٧	٥٠ ١٦ ١٠,٦٥٠
٢٦ ٠٠ ٥٢,٠٠٠	٥٠ ١٦ ٤٤,٠٠٠
٢٦ ٠٢ ٣٥,٠٠٠	٥٠ ٢٩ ٠٦,٠٠٠

For Converting the Geographic Coordinates into UTM, the following Reference Coordinate System to be used:

Datum : AIN el ADB ١٩٧٠, Bahrain Island

Ellipsoid : INT٢٤

Central Meridian : ٥١ degrees

Projection : UTM Zone ٣٩ Northern Hemisphere

APPENDIX C

ACCOUNTING PROCEDURE

ACCOUNTING PROCEDURE

The purpose of this Accounting Procedure is to establish a fair and equitable method for determining charges and credits to the Operating Account, and to provide a method for controlling expenditure against approved budgets.

SECTION 1 - GENERAL PROVISIONS

A. DEFINITIONS

The definitions set forth in Article 1 of the Agreement shall apply equally whenever used in this Accounting 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 Procedure.

"**Accrual Basis**" shall have the meaning assigned to it in this Section 1(B).

"**Commercial Rate of Exchange**" shall mean:

- (a) whenever the two currencies concerned are both other than the currency of the arithmetic average rate of buying and selling shall be as certified by the National Westminster Bank Plc. (or any other first class international bank mutually agreed by the Parties) in respect of telegraphic transfers for the currencies in question quoted by the bank; and
- (b) whenever the two currencies concerned include currency of the rate of exchange shall be the rate at which such currency was purchased by the CONTRACTOR.

"**Cost Control Report**" shall have the meaning assigned to it in Section 1(C).

"**Cost Recovery and Profit Petroleum Report**" shall have the meaning assigned to it in Section 1(C).

"**Expenditure Account**" shall mean the account or set of accounts maintained by the CONTRACTOR pursuant to Section 1(B) to record those legitimate expenditures incurred pursuant to the Annual Work Program and Budget which nonetheless do not qualify as Petroleum Costs, and hence qualify as "**Expenditures**".

"**Material**" shall mean any property, equipment, materials, machinery, articles supplies and consumables whatever, acquired or held for use in or with respect to the Petroleum Operations hereunder.

"**Operating Account**" shall mean the account or set of accounts maintained by the CONTRACTOR pursuant to Section 1(B) to record the Petroleum Costs incurred and revenues obtained in connection with the Petroleum Operations hereunder.

"**Technical Services**" shall have the meaning assigned to it in Section 3(E).

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 Procedure;

B. OPERATING ACCOUNT, EXPENDITURE ACCOUNT AND CURRENCY

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 on a Commercial Discovery specific basis, the Petroleum Costs incurred and the revenues obtained by CONTRACTOR. The CONTRACTOR's accounts shall be maintained in the English language.

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 received or paid.

Availability for Inspection By NOGA

The CONTRACTOR shall, at all time, make available for inspection by NOGA or its authorized representatives all of its accounts and records in accordance with Article 27.

Currency Exchange

The CONTRACTOR's accounts and records, including without limitation those relating to the statements of Petroleum Costs and statements of Expenditures referred to in Article 10, shall be kept in Dollars. All Expenditures in non-Dollars currency shall be converted into Dollars at the monthly average 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.

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 (0) 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

The CONTRACTOR shall submit to NOGA a profit and loss statement, balance sheet and cashflow statement for each calendar year and statements of Petroleum Costs, with

appropriate classification and breakdown as outlined in Appendix E, with respect to each Calendar Quarter, under and in accordance with the provisions of Article 10.

The CONTRACTOR will provide NOGA with a report within thirty (30) Business Days of the end of each Calendar Quarter ("**Cost Control Report**"), which shall include the following information for each approved Annual Work Programme and Budget:

- (a) each approved budget item;
- (b) cumulative expenditure to date for each budget item;
- (c) forecast of future expenditure to complete the Annual Work Programme and Budget; and
- (d) total Petroleum Costs anticipated to be incurred against the approved Annual Work Programme and Budget.

The CONTRACTOR provide to NOGA within thirty (30) Business Days of the expiry of each Calendar Quarter with a report ("**Cost Recovery and Profit Petroleum Report**") which shall include the following information on a Commercial Discovery specific basis where appropriate:

- (e) unrecovered Petroleum Costs at the beginning of the Calendar Quarter;
- (f) Petroleum Costs incurred during the Calendar Quarter;
- (g) Expenditures incurred during the Calendar Quarter;
- (h) the value and volume of Costs Recovery Petroleum lifted by the CONTRACTOR during the Calendar Quarter;
- (i) unrecovered Petroleum Costs carried forward for recovery in succeeding Calendar Quarters;

- (j) the value and volume of Petroleum produced and used in Petroleum Operations, available for lifting and actually lifted by the CONTRACTOR and NOGA at the end of the Calendar Quarter; and
- (k) Profit Petroleum allocated to the CONTRACTOR and NOGA during the Calendar Quarter.

The CONTRACTOR shall prepare and submit to NOGA the closing estimates of the approved Annual Work Programme and Budget, at least thirty (30) Business Days before the end of the fiscal year under consideration. Such estimates shall specify any part of the Work Programme not executed, if any, which is to be carried forward to the following Calendar Year.

D. CORRECTNESS OF STATEMENTS

So long as the statement of Petroleum Costs and Expenditures reflects a clear and accurate account and record of such costs, which can be supported by the CONTRACTOR's records, and so long as such statements are prepared and supplied timely in accordance with Article 10, each such statement shall be conclusively presumed to be true and correct, subject to NOGA's right to audit pursuant to Section 1(E), below.

For the avoidance of doubt, with regard to providing the CONTRACTOR's accounts for Expenditures in accordance with the procedures of this Appendix C, nothing shall prevent CONTRACTOR from subsequently submitting such Expenditure to the Management Committee for characterization as reimbursable Petroleum Costs if CONTRACTOR subsequently decides that such approved Expenditures have directly contributed to the declaration of a Commercial Discovery. Upon approval by the Management Committee, such Petroleum Costs shall be recovered and shall bear compound interest as stated in Article 13.4.

E. AUDIT

Upon giving a thirty (30) days advance written notice to the CONTRACTOR, NOGA shall have the right to audit, at NOGA's own cost and expense, the CONTRACTOR's

accounting books, records and files for any Calendar Quarter, until one (1) year after the expiry of the Calendar Year within which the relevant Calendar Quarter shall fall.

NOGA shall make every reasonable effort to conduct its audits in a manner which will result in minimum of inconvenience to the CONTRACTOR. CONTRACTOR shall make every effort to cooperate with the Ministry, and shall provide NOGA's representatives with reasonable facilities and assistance.

Within thirty (30) days from the date of conclusion of its audit, NOGA shall give to the CONTRACTOR a detailed written notice, specifying all observations and/or claims arising from such audit and the reasons therefore.

The Parties shall meet within thirty (30) days from the date of receipt by the CONTRACTOR of the notice referred to in Section 1(E), 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 the Parties may agree to have the matter settled within a further period of thirty (30) days by a mutually accepted internationally recognized accounting firm (which shall be of a different nationality of that the Parties hereof) and the decision of such accounting firm shall be final and binding on the Parties. If the Parties cannot settle the matter as stated above, either party may at any time thereafter refer the matter for settlement pursuant to Appendix D. In the event the Expert determination sustains any of NOGA's objections to the account, the Operating Account (or Expenditure Account, if relevant) shall be adjusted accordingly.

All information obtained by any Party under the provisions of this Accounting Procedure shall be confidential, and accordingly shall be subject to the provisions of Article 26.2.

Notwithstanding that the said period of one (1) year referred to in Section 1(E) may have expired, if evidence exists that the CONTRACTOR has been guilty of fraud or Wilful Misconduct, NOGA shall have the right to conduct further audits in respect of any earlier period.

Without derogating from any provision within any law in force that requires a longer retention period, all accounting records, returns, books and accounts relating to Petroleum Operations shall be maintained by the CONTRACTOR for a minimum of five (5) years following the end of the Calendar Year to which they relate or, in the case where NOGA alleges fraud or Wilful Misconduct, the later of: (a) a minimum of five (5) years following the end of the Calendar year to which they relate; and (b) a minimum of one (1) year after resolution of the objections to the accounts made in respect of such fraud or Wilful Misconduct.

F. LIMITATIONS FOR NON-BUDGETED ITEMS

NOGA may authorise the CONTRACTOR to make expenditures for any items of work not included in the Annual Work Programme and Budget at the recommendation of the Management Committee.

G. PREVALENCE OF THE AGREEMENT

In the event of any inconsistency or conflict between any provision of this Accounting Procedure and the Articles of the Agreement, the Articles shall always prevail.

H. REVISION OF THIS ACCOUNTING PROCEDURE

By mutual agreement between NOGA and the CONTRACTOR this Accounting Procedure may be revised from time to time.

SECTION 2 – PETROLEUM OPERATIONS CHARGES AND CREDITS

Subject to the provisions of this Agreement and of this Accounting Procedure, the CONTRACTOR shall charge the Operating Account with all Petroleum Costs and the Expenditure Account with all Expenditures (but no item shall be charged more than once), which shall include but shall not be limited to the following items:

A. LABOUR

Salaries, wages, bonuses and such applicable benefits which are in accordance with the usual practice of the CONTRACTOR's employees and of its Affiliates' employees directly and exclusively engaged in the Petroleum Operations under the Agreement, whether temporarily or permanently assigned and whether inside or outside the Kingdom of Bahrain.

Costs or contributions made pursuant to assessments imposed by NOGA which are applicable to the CONTRACTOR's labour costs, or to salaries and wages.

B. MATERIAL

Material purchased for or furnished to the Petroleum Operations shall be charged to the Operating Account (or the Expenditure Account) as inventory, until used in operations. The basis for this charge is contained in Section 3. So far as is reasonably practical and consistent with efficient and economical operation, only such Material and equipment shall be purchased or transferred for use in Petroleum Operations as may be required for immediate use or to maintain prudent contingent stock. The accumulation of surplus stocks shall be avoided.

C. TRANSPORTATION

Transportation of employees and Material necessary for the performance of Petroleum Operations, including costs of packaging, brokerage, insurance and other related costs. Employee transportation costs, to the extent covered by the established policy of the

CONTRACTOR, shall include travel expenses for employees and their immediate dependent families to and from employees' point of origin, at the time employment commences, at the time of final departure and for vacations, as well as domestic travel expenses in the Kingdom of Bahrain for employees and their immediate dependent families, incurred as a result of transfer from one location to another, and travel expenses relating to the periodic recuperation leaves of field personnel.

D. BUILDINGS

Building costs, maintenance and reflected costs and rents paid for all offices, houses, warehouses and other types of buildings, and cost of equipment, installations, furniture, fixtures and supplies necessary for the operations of such buildings and facilities, all in the Kingdom of Bahrain.

E. SERVICES

The cost of services of consultants, contract services, utilities and other services procured from outside sources, rentals or compensation paid or incurred 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 pursuant to Article 13.

The cost of Material owned by the CONTRACTOR and/or its Affiliates and services rendered by the CONTRACTOR and/or its Affiliates. The basis for charging the Operating Account (or the Expenditure Account) is contained in Section 3.

F. DAMAGES AND LOSSES

All costs and expenses necessary to indemnify NOGA, its Affiliates and their servants or to replace or repair damages or losses in connection with Petroleum Operations, which have not been paid out of insurance proceeds, provided however, that costs resulting from risks which any reasonable and prudent operator would cover with insurance in accordance with good international petroleum industry practices, but the CONTRACTOR in the sole adjustment elected not to cover, shall be excluded. The exclusion in the preceding sentence shall not include insurance deductibles. The CONTRACTOR must

notify NOGA as soon as possible in writing of any damages or losses exceeding fifty thousand Dollars (\$50,000).

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 judgments 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 Operating Account (or to the Expenditure Account). For the avoidance of doubt, any costs and expenses incurred by the CONTRACTOR relating to litigation or arbitration between the Parties shall be characterized as Expenditures.

H. 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 NOGA in the Kingdom of Bahrain for the benefit of the Petroleum Operations hereunder.

I. INSURANCE AND CLAIMS

Premiums paid for insurance required by local law or otherwise taken by the CONTRACTOR in accordance with the provisions of Article 25.3 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 Operating Account (or the Expenditure Account).

All actual expenditures incurred and paid by the CONTRACTOR in settlement of any and the losses, claims, damages and judgments and any other expenses, including legal services, shall be charged as aforesaid, provided however, that the CONTRACTOR shall procure and maintain insurance coverage against such losses, claims, damages and judgments in accordance with insurance coverage that a reasonable and prudent operator would normally hold. If the CONTRACTOR does not comply with the terms of this Section 2(I), the CONTRACTOR shall not in any event charge the Operating Account for such expenditures.

For the avoidance of doubt, the Operating Account shall be credited with the proceeds of all settlements and payments received from insurers or others in relation to Petroleum Operations.

J. TRAINING COSTS

The costs of the provision of all training in accordance with Article 24.1 shall be included as Petroleum Costs and shall be cost-recoverable.

K. GENERAL AND ADMINISTRATIVE EXPENSES

The costs of the personnel, and related office costs, performing administrative, legal, accounting, purchasing, treasury, employee relations, computer services and other similar functions in the CONTRACTOR'S offices in the Kingdom of Bahrain shall not be charged under the preceding provisions of this Accounting Procedure. In the event such personnel and office costs are not fully attributable to the Petroleum Operations carried out under this Agreement, the charges shall be treated as follows:

personnel costs to be charged to the Operating Account or the Expenditure Account shall be determined according to the actual time spend by such personnel for Petroleum Operations as evidenced by "time sheets" adopted by the CONTRACTOR; and

other office costs will be charged to the Operating Account or the Expenditure Account pro-rata to the direct costs of personnel as determined pursuant to Section 2(K).

The calculation of such charges referred to above shall be outlined separately in the statement of Petroleum Costs, with sufficient supporting documentation, if requested by NOGA.

L. OTHER EXPENDITURES

Any other legitimate costs and expenses, other than those covered by the foregoing provisions of this Section 2 incurred by the CONTRACTOR for the performance of the Petroleum Operations will be charged to the Operating Account (or the Expenditure Account), provided such charges are approved by NOGA, such approval not to be unreasonably withheld.

M. ADMINISTRATIVE OVERHEAD CHARGES

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 2 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) 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) 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.

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.

The Statement of Petroleum Costs shall separately include a detailed statement of overhead costs charged under the Agreement.

SECTION 3 – BASIS OF CHARGES TO OPERATING ACCOUNT**A. MATERIALS PURCHASED BY THE CONTRACTOR**

Material purchased shall be charged at the price paid by the CONTRACTOR or its Affiliates after deduction of all discounts actually received. The said price shall include such costs as (without limitation): procurement fees; inspection and expediting charges; export broker's fees; transportation charges; insurance charges; loading and unloading fees; import duties and license fees associated with the procurement of material and equipment; and applicable taxes, if any.

B. MATERIAL FURNISHED BY THE CONTRACTOR

Material required for Petroleum Operations shall be purchased for direct charge under Section 3(A) whenever practicable, except that the CONTRACTOR may furnish such Material from its stocks under the following conditions:

١. New Material transferred from the CONTRACTOR's warehouse or other property shall be charged at the original purchase price.
٢. Material which is equal to new, but superficially worn and is suitable for re-use, shall be charged at seventy five percent (75%) of the original purchase 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.
٣. Material which cannot be classified in accordance with Sections 3(B)(1) and 3(B)(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 original purchase price.
٤. 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.

٥. Handling charges, import duties, applicable taxes and transportation costs shall be added to the costs mentioned in Sections 3(B)(1) to 3(B)(4), upon submittal of the supporting documents.

C. WARRANTY OF MATERIAL PURCHASED OR FURNISHED BY THE CONTRACTOR

١. In the event that any Material purchased by the CONTRACTOR or its Affiliates pursuant to Section 3(A) is defective and in respect of which there exists a manufacturer's or supplier's guarantee or warranty, express or implied, the CONTRACTOR shall use its reasonable endeavour to recover from the manufacturer or supplier in question under such guarantee or warranty, and any adjustment received by the CONTRACTOR from such manufacturer or supplier shall be credited to the Operating Account, if such Material constitutes a Petroleum Cost.
٢. In the event that any Material purchased, (but covered by Section 3C(1)), or furnished by the CONTRACTOR pursuant to Sections 3(A) or 3(B) is defective at the time it was purchased or furnished or is determined to be defective shortly thereafter, then the CONTRACTOR shall credit the Operating Account with the costs thereof, if such Material constitutes a Petroleum Cost.

D. PREMIUM PRICES

Whenever immediately required Material is not readily obtainable at the customary supply points and at prices specified in this Appendix due to of 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.

E. TECHNICAL SERVICES, EQUIPMENT AND FACILITIES RENDERED BY THE CONTRACTOR OR ITS AFFILIATES

١. Unless otherwise agreed upon by both Parties, Technical Services, including but not limited to laboratory analysis, drafting, geophysical interpretation, engineering, and related data processing, performed by the CONTRACTOR or its Affiliates for the benefit of the Petroleum Operations shall be charged at its cost amount if not otherwise provided for in Article 13. Such cost shall be determined according to the cost account 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 international cost for services of similar quality on similar terms, prevailing at the time such Technical Services are rendered.
٢. Equipment and facilities owned by the CONTRACTOR or any of its Affiliates may, with the prior written approval of NOGA (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.

F. INVENTORIES

١. At reasonable intervals, at least once annually, inventories shall be taken by the CONTRACTOR of the Material entered in the Operating Account (and the Expenditure Account) which shall include all such Material as is ordinarily considered controllable. Written notice of intention to take an inventory shall be given by the CONTRACTOR to NOGA at least thirty (30) days before any such inventory is to begin, and NOGA shall have the right to appoint one or more representatives to witness the taking of the inventory. If NOGA does not exercise this right, NOGA shall accept the inventory taken by the CONTRACTOR, it being understood that the CONTRACTOR shall in all cases promptly furnish

- NOGA with a copy of any inventory taken, regardless of whether or not NOGA is present at the inventory.
٢. A reconciliation shall be made between the inventory and the records of stock held in the Operating Account (and the Expenditure 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.
 ٣. If the CONTRACTOR determines it is appropriate to dispose of any surplus Material, it must advise NOGA of proposed disposals having a value in the Operating Account or Expenditure Accounts of one hundred thousand Dollars (\$100,000) or more.

APPENDIX D

PROCEDURE FOR EXPERT DETERMINATION

PROCEDURE FOR EXPERT DETERMINATION

The purpose of this Procedure for Expert Determination is to establish the methods and rules for appointing Experts pursuant to the Agreement.

١. 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 which case the I.C.C. Centre for Expert Appointment in Paris (the "CEA") shall, at the request of either Party, appoint the Expert according to the procedure set out under Section 2 hereof. 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.
٢. In case the CEA shall appoint the Expert according to Sections 1 or 4(d) of this Appendix D, both Parties shall submit to the CEA 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 CEA shall appoint the Expert from the list submitted by the other Party. If the Parties each submit a list, the CEA 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 CEA 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 hereof.
4. Wherever in these Procedures 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 to 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 fail to do so within this period, such appointment shall be made, at the request of the other Party, by the CEA.
 - (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 CEA according to the procedure set out under Section 2 hereof.
5. No person shall be appointed to act as an Expert under this Procedure 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 D 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(s) and to the other Party, provided that a Party receiving such confidential material may have an internationally recognised 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(s) 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. If the new Expert or a new panel of Experts fail to render a 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, the matter desiring the Expert determination shall then be referred to the arbitration proceeding pursuant to this Agreement.
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 oil and gas field 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 shall bear the costs and expenses for the Expert appointed by it or on its behalf and also the costs and expenses of all counsel, witnesses and employees retained by it. The costs and expenses of the third Expert or the Expert, if only one (1) Expert is

appointed, shall be borne by the Parties equally, each as to fifty percent (50%) of the total cost.

12. Experts appointed pursuant to this Procedure may not be a citizen or permanent resident of the Kingdom of Bahrain, nor employed by NOGA or the CONTRACTOR or any of their Affiliates.

APPENDIX E

FORMAT FOR SUBMISSION OF ANNUAL BUDGET AND ANNUAL PETROLEUM COST STATEMENT

BAHRAIN BLOCK**ANNUAL BUDGET****EXPLORATION**

GEOLOGICAL & GEOPHYSICAL
DRILLING
INVENTORY

TOTAL EXPLORATION**DEVELOPMENT**

DEVELOPMENT ENGINEERING
DEVELOPMENT DRILLING
PROJECT MANAGEMENT COST

TOTAL DEVELOPMENT

MANPOWER & GENERAL ADMINISTRATION
EPSA TRAINING
OVERHEAD

SUB-TOTAL**FIXED ASSET**

TOTAL CAPEX ('000 USD)

**FORMAT FOR ANNUAL BUDGET AND
PETROLEUM COST STATEMENT**

NOTE: Annual Work Programmes should be submitted in the same format to allow comparison with the Annual Budgets and Statement of Petroleum Costs

EXPLORATION AND APPRAISAL COSTS (\$US)1.1 **For Each Well to be Drilled**

NOTE: The Statement of Petroleum Costs is issued every 3 months and thus if the well is finished within that period the cost will normally be reported only after the well is completed.

Tangibles

Casing Programme
Specifications
Tubing Programme
Specifications
Wellhead Equipment.

Intangibles

Fuel, Water (Rig)
Fuel, (Boats)
Site Survey
Drilling rig
Mob/demob
Move in rig up
Day-work rate
Supply vassal
Bits
Mud
Cement & Cement Services
Non-Controllable Materials
Tool Rental

Quantity	Unit Price	Budget	Actual Cost	Variance	Exploration For Variance

Coring
 Conventional
 Sidewall samples
 Analysis
 Testing
 Drillstem
 Wireline
 Formation
 Production
 Perforating
 Acidising/Fracturing
 Stimulation Service
 M2S Service
 Logging
 Elect/induction
 Density
 Velocity
 Sonic
 Neutron
 SNP
 Mud
 Other
 Helicopter
 Company Labour
 Contractor Labour
 Company Supervision
 Shore-base Facilities
 Warehouse rental & Services

Quantity	Unit Price	Budget	Actual Cost	Variance	Exploration For Variance

Allocation of Administration Costs
 Administration overhead Charge

12 **For Each Seismic Project**

NOTE: For each project specified on the Annual Work Programme

Acquisition Programme Specification
Processing
Interpretation (man-hours)
External Manpower (man-hours)
Allocation of Administration Costs
Administration Overhead Charge

13 **For Each Geology and
Geophysics Project**

NOTE: For each project specified on the Annual Budget and Work Programme

In-house Manpower (man-hours)
External Manpower (man-hours)
Rental and Services
Allocation of Administration
Administration Overhead Charge

Approved Budget	Actual For Quarter	Cost Year To date	% of Completion	Variance	Reasons For Variance

2.1 **For Each Development Well to be Drilled**

NOTE: Development Wells should have the same format as shown above under Exploration & Appraisal Wells

2.2 **Development Studies**

- In-House Manpower (man-hours)
- External Manpower (man-hours)
- Rental and Services
- Allocation of Administration Costs
- Administration overhead charge

2.3 **Development Projects**

NOTE: Capital items in Excess of US\$200,000 will require a Statement of Requirement and Authorisation for Expenditure

Major Construction elements such as:

- SPM Cost
- Pipelines
- Pipeline Riser
- Flexible hose for loading shuttle
- Tankers
- Mooring Systems
- Oil/Water separations units
- Storage tanks
- Pumps
- Production Platforms

Approved Budget	Actual For Quarter	Cost Year To date	% of Completion	Variance	Reasons For Variance
				6	

Company Labour
 Contract Labour
 Company Supervision
 Shore-base Facilities
 Warehouse rental and Services
 Consumable materials
 Rental Equipment
 Support Vessels
 Helicopter
 Fuel and Water
 Allocation of Administration Costs
 Administration Overhead Charge

Approved Budget	Actual For Quarter	Cost Year To date	% of Completion	Variance	Reasons For Variance

3. OPERATING COSTS (\$US)

Company Labour (man-hours)
 Contract Labour (man-hours)
 Company Supervision (man- hours)
 Consumable Materials
 Shore-base Facilities
 Warehouse Rental and Services
 Rental Equipment
 Shuttle Tanker
 Marketing Costs
 Allocation of Administration Costs
 Administration Overhead Charge

Approved Budget	Actual For Quarter	Cost Year To date	% of Completion	Variance	Reasons For Variance

APPENDIX F

FORM OF PARENT COMPANY PERFORMANCE GUARANTEE

GUARANTEE LETTER

FORM OF PARENT COMPANY PERFORMANCE GUARANTEE

١. An Exploration and Production Sharing Agreement (hereafter the "Agreement") in respect of Petroleum Operations relating to Bahrain Offshore Blocks ---- was executed on2007 between The National Oil and Gas Authority of the Kingdom of Bahrain (hereafter "NOGA") and _____ (hereafter the "COMPANY"), a company incorporated under the laws of _____.
٢. This performance Guarantee is hereby given as of _____ to NOGA by _____, a company incorporated under the laws of _____ and having its registered office at _____, being the parent company of the Company ("Parent Company").
٣. Parent Company represents and warrants to NOGA that Parent Company is the parent company of the Company and owner of all of the issued and outstanding equity share capital of the Company.
٤. Parent Company, by this Performance Guarantee, irrevocably and unconditionally guarantees to NOGA, as principal obligor and not merely as surety, the due, timely, prompt, full, and complete performance by the Company of all terms, provisions, conditions, obligations, and agreements to be performed by it in accordance with the Agreement, as well as any and all amendments to the Agreement which may subsequently be executed by NOGA and the Company (collectively hereafter "Obligations").
٥. If the Company 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 therefore contained in the Agreement, Parent Company shall, upon receiving NOGA's written request, forthwith perform or cause to be performed the unfulfilled Obligations of the Company in accordance with the Agreement, free of offsets, without restriction or conditions not otherwise contained in the

Agreement, and notwithstanding any contestation or objection by the Company. Parent Company waives any right it may have of first requiring NOGA to proceed against or enforce any other rights or other guarantee or security with respect to or claim payment from Parent Company before making a demand against or claiming from Parent Company hereunder. In the event and to the extent that Parent Company performs the Obligations of the Company, Parent Company shall be entitled to and shall receive all of the rights and benefits to which the Company is entitled under the Agreement, and shall procure the settlement of all liabilities, losses or damages arising out of the Company's failure to perform the Obligations.

٦. Parent Company shall indemnify and hold NOGA harmless against all costs, liabilities, losses and/or damages resulting from or arising out of the Company's breach of its Obligations, and/or Parent Company's breach of this Performance Guarantee.
٧. NOGA shall have the right, at its option, in the event of default by Parent Company to perform this Performance Guarantee, to engage another party, other than Parent Company or the nominee of Parent Company to perform the unfulfilled Obligations of the COMPANY, and Parent Company hereby undertakes to pay any and all reasonable additional costs thereby incurred by NOGA.
٨. This Performance Guarantee shall ensure to the benefit of NOGA and its successors and assigns. NOGA may at any time assign or otherwise transfer any or all of its rights hereunder to an Affiliate of NOGA, provided that NOGA shall promptly notify Parent Company of such assignment. Parent Company shall not, without the prior written consent of NOGA, assign or transfer any or all of its obligations hereunder, but may cause others to perform its obligations hereunder.
٩. This Performance Guarantee is a continuing guarantee and shall be effective as of the Effective Date of the Agreement, and remain in force so long as the Company has Obligations and/or Parent Company has obligations pursuant to or arising out of this Sections 4, 5, 6 and/or 7 of this Performance Guarantee.
١٠. 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 NOGA:

- (a) any amendment, modification, extension, indulgence, time, waiver, or concession granted to the Company, 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 NOGA;
 - (c) any legal limitation, disability, incapacity or other similar circumstances relating to the Company;
 - (d) any unenforceability, invalidity, or frustration of any Obligations of the Company, with the intent that Parent Company's obligations hereunder shall remain in full force and this Performance Guarantee shall be construed accordingly as if there were no such unenforceability, invalidity, or frustration; and/or
 - (e) the bankruptcy or insolvency of the Company.
١١. No failure to exercise, and no delay in exercising on the part of NOGA, 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 NOGA shall be effective unless it is in writing.
 ١٢. The rights and remedies of NOGA herein provided are cumulative and not exclusive of any rights or remedies provided by law. The Performance Guarantee shall not pertain to any obligations, liability or loss for which NOGA receives other compensation.
 ١٣. If any provision of this Performance 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.

١٤. Terms defined in the Agreement shall have the same meanings in this Performance Guarantee, except as otherwise defined herein.
١٥. This Performance Guarantee shall be governed by, subject to, and construed and interpreted in accordance with the existing 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 by reference to the laws of England and internationally accepted petroleum industry practices.
١٦. Any dispute between NOGA and Parent Company regarding this Performance 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*.

By: _____

APPENDIX G**ENVIRONMENTAL STANDARDS AND PRACTICES
AND SAFETY GUIDELINES**

ENVIRONMENTAL STANDARDS AND PRACTICES AND SAFETY GUIDELINES

The following are general and specific guidelines relating to discharges associated with oil and natural gas exploration and production activities.

A. General Guidelines

١. There shall be no discharge of waste oil, produced water and sand, drilling fluids, drill cuttings or other wastes from exploration and production sites except in accordance with the following guidelines.
٢. There shall be no unauthorised discharges directly to the surface of the sea. All discharges authorized by these guidelines shall be controlled by discharging into a caisson whose open end is submerged to a depth necessary to provide for evaluation in the environmental impact assessment.

B. Discharge Guidelines and Monitoring

١. Produced Water
 - (a) The CONTRACTOR will endeavour to utilise produced water for reservoir pressure maintenance if, through standard compatibility testing with surrounding sea water, no damage to the reservoir resulting in reduction in overall hydrocarbon recovery would occur by mixing the two water streams. In the event that the two water streams are compatible, the CONTRACTOR may only discharge a volume of produced water after treatment to the sea that exceeds the total volume required for reservoir pressure maintenance or in the event of an emergency, accident or mechanical failure. In the event that the two water streams are not compatible, the CONTRACTOR may discharge produced water to the sea after treatment. Treatment of produced water will result in an oil and grease concentration that does not exceed 42 mg/l on a daily basis or 29

mg/l on a monthly average. The gravimetric (extraction) test method EPA 413.1 (79) shall be used to measure the oil and grease concentration.

٢. Drill Cuttings and Drilling Fluids

- a. There shall be no discharge of drilling fluids, other than low toxicity water based fluids.
- b. Drill cuttings shall be discharged offshore but shall be disposed of in an environmentally acceptable manner.
- c. Prior to the start of the drilling programme, a drilling mud system will be designed and laboratory tested under the U.S. EPA, 96-hour acute toxicity test using mycid shrimp. Those muds that achieve an LC50 value in concentrations of more than 30,000 ppm may be authorized for discharge during the drilling programme.
- d. During drilling operations with water-based muds, mud samples will be collected periodically to determine toxicity.
- e. The composition of the mud system may be altered as necessary to meet changes in the drilling operations. The modified mud system may be approved for discharge if it has been shown to meet the above limit on toxicity.

٣. Other Wastes

- a. Sanitary waste may be discharged from a U.S. Coast Guard certified or equivalent Marine Sanitation Device (MSM) with total residual chlorine content greater than 0.5 mg/l but less than 2.0 mg/l as long as no floating solids are observable. The Hach method CN-66-DPD test shall be used to measure the residual chlorine.
- b. Domestic wastes and grey water may be discharged as long as no floating solids are observable.

- c. Monitoring of floating solids shall be accomplished during daylight by visual observation of the surface of the receiving water in the vicinity of the sanitary and domestic waste outfalls. Observations shall be made following either the morning or midday meals and at a time during daylight and maximum estimated discharge.
- d. Discharge of desalinisation unit wastes shall be permitted.
- e. Deck drainage and wash water may be discharged as long as no visible sheen is observable.
- f. Trash shall not be discharged offshore. Trash shall be transported to an appropriate land-based disposal facility.

٤. Monitoring

- a. Produced water
 - i. The volume of produced water discharged and concentration of oil and grease contained in the discharge will be monitored daily.
 - ii. The daily maximum and monthly average oil and grease concentration will be reported monthly.
- b. Drill Cuttings and Drilling Fluids
 - i. An inventory of drilling fluids additives and their volumes or mass added to the drilling fluid system will be maintained for each well.
 - ii. Drilling fluid properties, including volume percent oil and concentration of chlorides, will be monitored daily for each well.
 - iii. The estimated volume of drill cuttings and drilling fluids accidentally discharged shall be recorded and reported immediately.
- c. Other Wastes

The estimated volume of other wastes discharged shall be recorded daily and reported monthly to include:

- i. Sanitary waste
- ii. Domestic waste
- iii. Deck drainage and wash water

C. Air Emission Guidelines and Monitoring

The CONTRACTOR is authorized to discharge air emissions. Such discharges will be limited and monitored, calculated or estimated in accordance with generally accepted international petroleum industry standards and practices.

D. Safety Guidelines

The CONTRACTOR shall work safely at all times and ensure the safe performance of its sub-contractors. The CONTRACTOR shall take into account the following international safety and industrial hygiene standards in conducting Petroleum Operations under this Agreement:

- i. International Association of Oil and Gas Producers (IAOGP) Reports – Safety;
- iv. International Association of Drilling Contractors (IADC) – Drilling Safety Manual;
- v. International Association of Geophysical Contractors (IAGC) – Operations Safety Manual; and

American Conference of Governmental Industrial Hygienists – Threshold Limited Values for Chemical Substances in the Work Environment.

APPENDIX H

MINIMUM EXPLORATION WORK PROGRAM COMMITMENTS

MINIMUM EXPLORATION WORK PROGRAMME COMMITMENTS

a). PTTEP shall perform the following minimum exploration work programme in the First Exploration Phase:

i) Seismic Data Acquisition, Processing and Interpretation (API)

(A) Seismic Reprocessing and Interpretation

o 2D (Kilometers) 900

(B) Seismic Data Acquisition

o 2D (Kilometers) 500

OR

o 3D (Sq. Kilometers) 200

ii) Exploratory well(s)

One (1) exploratory well drilled to the depth necessary to explore all potential petroleum bearing formations down to and including all of the potential reservoirs of the Khuff formation of Permian age along with full production testing, if required, by good international petroleum industry practice to evaluate the hydrocarbon potential of each such formation.

b). PTTEP shall have option to enter into second exploration Phase provided PTTEP has completed minimum work program of Phase I and relinquishment the portion of area as stipulated in EPSA.

c). PTTEP shall perform the following minimum exploration work programme in the Second Exploration Phase:

i) Seismic API

Seismic Data Acquisition

- 2D (Kilometers) 500
- OR
- 3D (Sq. Kilometers) 200

ii) Exploratory well(s)

One (1) exploratory well drilled to the depth necessary to explore all potential petroleum bearing formations down to and including all of the potential reservoirs of the Khuff formation of Permian age along with full production testing, if required, by good international petroleum industry practice to evaluate the hydrocarbon potential of each such formation.

d). If the PTTEP does not perform an element of the minimum exploration work programme commitment, PTTEP shall be in breach of the EPSA and shall pay NOGA an amount as stipulated in the EPSA. **[Such amount shall be negotiated between the parties]**

e). PTTEP's obligation to pay such stipulated amounts shall be secured by a financial security instrument acceptable to NOGA, such as a parent guarantee, before the commencement of each phase.

f). PTTEP shall have the right to carry-forward any work programme elements that PTTEP does during the First Exploration Phase in excess of its minimum exploration

work programme commitments and apply them against its minimum exploration work programme commitments for Second Exploration Phase.

APPENDIX I

FORM OF ASSIGNMENT NOTICE

Form of Assignment Notice

To: The National Oil and Gas Authority
 Attn: [name]

Date: [date]

Reference is made to an Exploration and Production Sharing Agreement dated [date] (the "EPSA") between The National Oil and Gas Authority and [name] ("CONTRACTOR").

CONTRACTOR hereby notifies you that it has assigned [undivided portion of its interest/rights and obligations] under the EPSA to [name] (the "Assignee") on [date]. The Assignee hereby agrees to be bound by the terms and conditions of the EPSA.

This is the notice required under Articles 28.1(A) and 28.1(C)(1) of the EPSA.

CONTRACTOR

 Name: [name]

ASSIGNEE

 Name: [name]

Acknowledged by The National Oil and Gas Authority

Name: [name]

Date: [date]

Kingdom of Bahrain

Exploration and Production Sharing Agreement

Between

The National Oil and Gas Authority

and

OCCIDENTAL OF BAHRAIN (OFFSHORE), LLC

in respect of

Offshore Bahrain

Block 3

January 2008

TABLE OF CONTENTS

ARTICLE 1 DEFINITIONS AND INTERPRETATION.....	
1.1	DEFINITIONS
1.2	INTERPRETATION.....
1.3	CURRENCIES
ARTICLE 2 SCOPE OF AGREEMENT	
ARTICLE 3 TERM.....	
3.1	EXPLORATION PERIOD
3.2	RETAINED EXPLORATION AREA
3.3	DISCOVERY WITHIN 180 DAYS OF END OF EXPLORATION PERIOD
3.4	TERM OF DEVELOPMENT AREAS
3.5	NOGA DISCRETION TO EXTEND FIRST EXPLORATION PHASE.....
ARTICLE 4 RELINQUISHMENT	
4.1	RELINQUISHMENT PRIOR TO SECOND EXPLORATION PHASE
4.2	RELINQUISHMENT AT END OF EXPLORATION PERIOD
4.3	RELINQUISHMENT OF DEVELOPMENT AREAS
4.4	VOLUNTARY RELINQUISHMENT
4.5	RELINQUISHMENT UPON TERMINATION
4.6	OBLIGATION TO OPERATE DEVELOPMENT AREA SUBSEQUENT TO RELINQUISHMENT
4.7	RELINQUISHMENT NOTICE AND APPROVAL
4.8	CONTRACTOR'S OBLIGATIONS UPON RELINQUISHMENT.....
ARTICLE 5 EXPLORATION WORK PROGRAMME COMMITMENTS.....	
5.1	OBLIGATION TO COMMENCE OPERATIONS.....
5.2	G & G STUDY WORK PROGRAMME COMMITMENT
5.3	FIRST EXPLORATION PHASE WORK PROGRAMME COMMITMENTS

- 5.4 CARRY FORWARD OF EXCESS EXPLORATION WORK.....
- 5.5 SECOND EXPLORATION PHASE EXPLORATION WORK PROGRAMME COMMITMENTS

ARTICLE 6

GUARANTEES.....

- 6.1 GUARANTEE FOR EXPLORATION WORK PROGRAMME COMMITMENTS
- 6.2 GUARANTEE FOR GENERAL OBLIGATIONS UNDER THIS AGREEMENT

ARTICLE 7 MANAGEMENT COMMITTEE.....

- 7.1 MANAGEMENT COMMITTEE AUTHORITY
- 7.2 MANAGEMENT COMMITTEE REPRESENTATIVES
- 7.3 MANAGEMENT COMMITTEE CHAIRMAN AND SECRETARY.....
- 7.4 MANAGEMENT COMMITTEE MEETINGS AND VOTING

ARTICLE 8 DISCOVERY AND APPRAISAL

- 8.1 DISCOVERIES AND DISCOVERY AREAS.....
- 8.2 APPRAISAL PLANS.....

ARTICLE 9 DEVELOPMENT.....

- 9.1 DEVELOPMENT
- 9.2 NOGA DECLARATION OF COMMERCIAL DISCOVERY

ARTICLE 10 ANNUAL WORK PROGRAMMES AND BUDGETS

- 10.1 ANNUAL WORK PROGRAMME AND BUDGETS.....

ARTICLE 11 UNITIZATION.....

- 11.1 UNITIZATION

ARTICLE 12 GENERAL RIGHTS AND OBLIGATIONS OF THE PARTIES.....

- 12.1 CONTRACTOR'S GENERAL RIGHTS

12.2	CONTRACTOR'S GENERAL OBLIGATION.....
12.3	NOGA'S GENERAL RIGHTS
12.4	NOGA'S GENERAL OBLIGATIONS
12.5	LIMITATION OF RIGHTS.....
12.6	DELAYS
12.7	LIFTING.....
12.8	REASONABLE AND PRUDENT OPERATOR STANDARD
ARTICLE 13 COST RECOVERY AND PRODUCTION SHARING.....	
13.1	CLASSIFICATION OF COSTS
13.2	ALLOCATION OF PRODUCTION.....
13.3	R FACTOR.....
13.4	RECOVERY OF PETROLEUM COSTS
13.5	ALLOCATION OF PROFIT CRUDE OIL AND PROFIT ASSOCIATED GAS
13.6	ALLOCATION OF PROFIT NON-ASSOCIATED GAS
ARTICLE 14 BONUSES.....	
14.1	BONUSES.....
ARTICLE 15 VALUATION OF PETROLEUM.....	
15.1	VALUATION OF CRUDE OIL.....
15.2	VALUATION OF NATURAL GAS.....
15.3	REPORTING OF ARMS-LENGTH SALES.....
15.4	DETERMINATION OF MARKET PRICE
ARTICLE 16 MEASUREMENT OF PETROLEUM.....	
16.1	MEASUREMENT OF PETROLEUM.....
ARTICLE 17 TAXES AND STABILITY	
17.1	BAHRAIN INCOME TAX

- 17.2 EXPORT TAXES.....
- 17.3 TAXES ON ABANDONMENT FUND.....
- 17.4 STABILIZATION – ECONOMIC BALANCING.....

ARTICLE 18 IMPORT CUSTOMS AND DUTIES.....

- 18.1 IMPORT CUSTOMS AND DUTIES

ARTICLE 19 CURRENCY, BANKING, AND EXCHANGE CONTROL.....

- 19.1 CURRENCY OF PAYMENTS
- 19.2 CONTRACTOR'S RIGHTS

ARTICLE 20 NATURAL GAS.....

- 20.1 ASSOCIATED GAS.....
- 20.2 NON-ASSOCIATED GAS.....
- 20.3 CONTRACTOR MARKETING OF NATURAL GAS ON BEHALF OF NOGA

ARTICLE 21 HEALTH, SAFETY AND ENVIRONMENTAL COMPLIANCE.....

- 21.1 CONTRACTOR'S HEALTH, SAFETY AND ENVIRONMENTAL OBLIGATIONS

ARTICLE 22 USE, OWNERSHIP, AND ABANDONMENT OF ASSETS.....

- 22.1 USE OF EXISTING INFRASTRUCTURE
- 22.2 NOGA RIGHTS TO CONTRACTOR ASSETS
- 22.3 THIRD PARTY ACCESS TO ASSETS.....
- 22.4 SALE OF SURPLUS ASSETS
- 22.5 ABANDONMENT.....
- 22.6 ABANDONMENT FUND

ARTICLE 23 PREFERENCE FOR LOCAL SERVICES, GOODS, AND EMPLOYEES..

- 23.1 PREFERENCE FOR LOCAL SERVICES AND FACILITIES.....
- 23.2 PREFERENCE FOR LOCAL GOODS.....
- 23.3 PREFERENCE FOR LOCAL EMPLOYEES.....

ARTICLE 24 TRAINING AND TRANSFER OF TECHNOLOGY

24.1 TRAINING.....

24.2 TRANSFER OF TECHNOLOGY

ARTICLE 25 LIABILITIES, INDEMNIFICATION AND INSURANCE

25.1 LIABILITIES AND INDEMNIFICATION

25.2 CONSEQUENTIAL LOSSES

25.3 CONTRACTOR'S INSURANCE.....

25.4 SUB-CONTRACTOR INSURANCE

ARTICLE 26 DATA, INFORMATION AND CONFIDENTIALITY

26.1 DATA AND INFORMATION

26.2 CONFIDENTIALITY

ARTICLE 27 RECORDS, REPORTS, ACCOUNTS AND AUDIT

27.1 RECORDS, ACCOUNTS AND REPORTS

27.2 PROFIT AND LOSS STATEMENT, BALANCE SHEET, AND CASH FLOW STATEMENT.....

27.3 OPERATIONS AND FINANCIAL REPORTING

27.4 STATEMENT OF PETROLEUM COSTS

27.5 OTHER STATEMENTS.....

27.6 NOGA'S AUDIT RIGHTS

ARTICLE 28 ASSIGNMENT

28.1 ASSIGNMENT

ARTICLE 29 TERMINATION

29.1 TERMINATION BY NOGA

29.2 CONTRACTOR'S OBLIGATIONS AND RIGHTS UPON TERMINATION BY NOGA

29.3 NOGA'S OBLIGATIONS AND RIGHTS UPON TERMINATION BY NOGA

29.4 TERMINATION BY CONTRACTOR

29.5	CONTRACTOR'S OBLIGATIONS AND RIGHTS UPON TERMINATION BY CONTRACTOR 96
29.6	NOGA'S OBLIGATIONS AND RIGHTS UPON TERMINATION BY CONTRACTOR.....
29.7	RIGHT TO CURE AND NOTICE OF TERMINATION
29.8	OPTION TO TERMINATE SUBJECT TO CONFIRMATION BY ARBITRATION
29.9	TERMINATION AS RESULT OF RELINQUISHMENT
29.10	TERMINATION IN THE CASE OF EXTENDED FORCE MAJEURE
29.11	TERMINATION BY AGREEMENT OF THE PARTIES
ARTICLE 30 FORCE MAJEURE.....	
30.1	DEFINITION OF "FORCE MAJEURE".....
30.2	NOTICE REQUIREMENTS AND DUTY TO MITIGATE
30.3	CONSEQUENCE OF FORCE MAJEURE - SUSPENSION OF OBLIGATIONS
30.4	CONSEQUENCES OF FORCE MAJEURE – TOLLING OF TERM OF AGREEMENT
30.5	BURDEN OF PROOF ON PARTY CLAIMING FORCE MAJEURE.....
ARTICLE 31 GOVERNING LAW.....	
31.1	GOVERNING LAW.....
ARTICLE 32 DISPUTE RESOLUTION.....	
32.1	EXPERT DETERMINATION
32.2	INTERNATIONAL ARBITRATION
ARTICLE 33 OFFICE IN BAHRAIN.....	
ARTICLE 34 NOTICES.....	
34.1	NOTICES.....
ARTICLE 35 MISCELLANEOUS	
35.1	ENTIRE AGREEMENT.....
35.2	AMENDMENT

35.3	WAIVER.....
35.4	REFERENCE TO LAWS AND REGULATIONS
35.5	LANGUAGE OF DOCUMENTS
35.6	MEASUREMENT OF TIME.....
35.7	CONFLICT OF INTEREST.....
35.8	JOINT OPERATING AGREEMENT AND OPERATOR.....
35.9	CONFLICT BETWEEN BODY OF AGREEMENT AND APPENDICES
35.10	WARRANTY OF VALIDITY.....

APPENDIX A	MAP OF THE CONTRACT AREA
APPENDIX B	CONTRACT AREA DESCRIPTION AND COORDINATES
APPENDIX C	ACCOUNTING PROCEDURE
APPENDIX D	PROCEDURE FOR EXPERT DETERMINATION
APPENDIX E	FORMAT FOR ANNUAL BUDGET AND ANNUAL PETROLEUM COST STATEMENT
APPENDIX F	FORM OF PARENT COMPANY PERFORMANCE GUARANTEE
APPENDIX G	ENVIRONMENTAL STANDARDS AND PRACTICES AND SAFETY GUIDELINES
APPENDIX H	FORM OF ASSIGNMENT NOTICE

PREAMBLE

THIS EXPLORATION AND PRODUCTION SHARING AGREEMENT is made this _____ day of January 2008 by and between:

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 "NOGA"), of the first part; and **Occidental of Bahrain (Offshore), LLC** or its Affiliate, a company incorporated in Delaware, United States of America, as well as its permitted assigns, individually and collectively (hereinafter called the "CONTRACTOR") of the second part.

WHEREAS:

- (A) All Petroleum 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) NOGA, an entity existing under the laws of the Kingdom of Bahrain, formed pursuant to 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) The CONTRACTOR has provided to NOGA, prior to the execution 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) The CONTRACTOR has also, contemporaneously with the signing of this Agreement, delivered to NOGA a legal opinion from its internal legal advisors, in a form satisfactory to NOGA, 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.

- (F) AND WHEREAS the CONTRACTOR represents and confirms that it 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 require:

- (A) "**Abandonment**" means the decommissioning, removal, abandonment and making safe of all offshore and onshore installations and structures acquired and/or constructed by or on behalf of the CONTRACTOR for use in Petroleum Operations and the reclamation, remediation, reinstatement and making good of the 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" and "Abandoned" shall be construed accordingly);
- (B) "**Abandonment Fund**" shall have the meaning assigned to it in Article 22.6;
- (C) "**Accounting Procedure**" means the Accounting Procedure attached hereto as Appendix C;
- (D) "**Affiliate**" means:

- (١) in relation to the CONTRACTOR (a) any company in which the CONTRACTOR or any company owned or controlled by the CONTRACTOR now or hereafter owns or controls, directly or indirectly, more than 50% of the shareholding entitled to vote in the election of directors, or if there is no such shareholding, 50% or more of the equity share capital of such company, or (b) the ultimate parent corporation of the CONTRACTOR and any company in which such parent corporation now or hereafter owns or controls, directly or indirectly, more than 50% of the shareholding entitled to vote in the election of directors or, if there is no such shareholding, 50% or more of the equity share capital of such company; and
 - (٢) in relation to NOGA (a) any company in which NOGA now or hereafter owns or controls, directly or indirectly or on behalf of the Kingdom of Bahrain 50% or more of the shareholding entitled to vote in the election of directors, or if there is no such shareholding, 50% or more of the equity share capital of such company or (b) the Kingdom of Bahrain or any company owned or controlled by the Kingdom of Bahrain, control being defined as controlling, directly or indirectly 50% or more of the shareholding entitled to vote in the election of Directors or if there is no such shareholding, 50% or more of the equity share capital of such company;
- (E) **"Agreement"** means this "Exploration and Production Sharing Agreement" for the Contract Area in the Kingdom of Bahrain, which is composed of 35 Articles and the following Appendices:
- (١) APPENDIX A - Map of the Contract Area
 - (٢) APPENDIX B - Contract Area Description and Coordinates
 - (٣) APPENDIX C - Accounting Procedure
 - (٤) APPENDIX D - Procedure for Expert Determination
 - (٥) APPENDIX E - Format for submission of Annual Budget and Annual Petroleum Cost Statement.

- (٦) APPENDIX F - Form of Parent Company Performance Guarantee
- (٧) APPENDIX G - Environmental Standards and Practices and Safety Guidelines
- (٨) APPENDIX H - Form of Assignment Notice
- (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 Calendar Year (or part thereof) and the estimated expenditure for such Petroleum Operations as prepared and approved pursuant to Article 10;
- (G) "**Appraisal Area**" means the area in which the Appraisal Plan is to be pursued, as determined pursuant to Article 9.1.5;
- (H) "**Appraisal Plan**" shall have the meaning assigned to it in Article 8.2;
- (I) "**Appraisal Well**" means a well drilled for the main purpose of defining the extent and evaluating the commerciality of an already discovered Petroleum accumulation;
- (J) "**Arms-Length Sales**" means a sale of Petroleum which:
- (١) is to a person who is not an Affiliate of the seller of the Petroleum;
 - (٢) is for cash consideration; and
 - (٣) provides no direct or indirect collateral benefit to Seller, other than the cash consideration.
- (K) "**Associated Gas**" shall mean Natural Gas produced in association with oil, or from a gas cap overlying and in contact with the Crude Oil in the reservoir, including, not by way of limitation, casing head gas, and gas lift gas; 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 natural gas liquids;

- (L) "**Bahrain Income Tax Law**" means Bahrain Income Tax Legislative Decree No. 22 for 1979 as amended from time to time;
- (M) "**BAPCO**" means the company existing under the laws of Bahrain, formed pursuant to Legislative Decree No. 42 for 1999 as the state oil company entrusted with prospecting for, exploring, producing, processing, refining and marketing oil, gas and petroleum products, and owned one hundred percent (100%) by the Government of the Kingdom of Bahrain;
- (N) "**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;
- (O) "**Business Day**" means any day which is neither a Friday, a Saturday nor a public holiday in the Kingdom of Bahrain;
- (P) "**Calendar Month**" means any of the twelve periods of one month within a Calendar Year;
- (Q) "**Calendar Quarter**" means any of the four periods of three (3) Calendar Months each within a Calendar Year, commencing on January 1st, April 1st, July 1st, and October 1st;
- (R) "**Calendar Year**" means a period commencing on January 1st and ending on December 31st of the same year;
- (S) "**Chairman**" shall have the meaning assigned to it in Article 7.3;
- (T) "**Commercial Discovery**" means an occurrence within the Contract Area wherein a well or wells has or have been completed and tested in accordance with Good International Petroleum Industry Practices and have been found capable of producing Petroleum 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;

- (U) "**Contract Area**" means the area known as Block 3 subject to this Agreement as generally 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, include all subsurface areas completely seawards from the high water mark along the coast of the Kingdom of Bahrain and within the territorial waters of the Kingdom of Bahrain and shall not include (i) any part of the main island of Bahrain or (ii) any part or extension of the Permo-Triassic Khuff gas accumulation known as the Bahrain (or Awali) field (the "Khuff Reservoir Exclusion Area"), as such area is more precisely defined in the document attached hereto as Appendix A;
- (V) "**Cost Recovery Petroleum**" shall have the meaning assigned to it in Article 13.4(A);
- (W) "**Cost Recovery Limit**" shall have the meaning assigned to it in Article 13.4(B);
- (X) "**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
- (Y) "**Development Area**" means the area in which the Development Plan is to be pursued, as determined pursuant to Article 9.1;
- (Z) "**Development Costs**" shall have the meaning assigned to it in Article 13.1(B);
- (AA) "**Development Plan**" shall have the meaning assigned to it in Article 9.1(B);
- (BB) "**Discovery**" means the finding, during Petroleum Operations, of a deposit of Petroleum;
- (CC) "**Discovery Area**" means the area corresponding to a Discovery, as determined pursuant to Article 8.1(C);
- (DD) "**Effective Date**" shall mean the date upon which NOGA has provided notice to CONTRACTOR that all necessary approvals, authorizations and ratifications

necessary from the Kingdom of Bahrain and its associated entities in connection with this Agreement has been provided in accordance with Article 35.10;

- (EE) "**Exit Fee**" shall have the meaning assigned to it in Article 3.1(A)(2);
- (FF) "**Expert**" means the expert or experts appointed in accordance with Article 32.1 and Appendix D of this Agreement;
- (GG) "**Exploration Costs**" shall have the meaning assigned to it in Article 13.1(A);
- (HH) "**Exploration Operations**" means Petroleum Operations, including geophysical and geological studies and the drilling of Exploration Wells, conducted for the purpose of detecting the existence of Petroleum accumulation(s);
- (II) "**Exploration Period**" means the initial seven (7) years period of this Agreement commencing on the Effective Date, as such period is divided into a one (1) year period for the G & G Study, and two (2) successive Exploration Phases pursuant to Article 3.1, as such period may be extended pursuant to the terms of this Agreement;
- (JJ) "**Exploration Phase**" means the First Exploration Phase or the Second Exploration Phase, as applicable;
- (KK) "**Exploration Work Programme Commitments**" shall mean the G & G Study Commitment, First Exploration Phase Work Programme Commitments and the Second Exploration Phase Work Programme Commitments, as applicable;
- (LL) "**Exploration Well**" means a well drilled for the purpose of detecting the existence of Petroleum accumulation(s);
- (MM) "**First Exploration Phase**" shall have the meaning assigned to it in Article 3.1(A)(1);
- (NN) "**First Exploration Phase Work Programme Commitments**" shall be the Petroleum Operations to be conducted pursuant to Article 5.2;
- (OO) "**Force Majeure**" shall have the meaning assigned to it in Article 30.1;

- (PP) "**G & G Study**" means Geological and Geophysical study commitment before entering into First Exploration Phase;
- (QQ) "**Geological Studies**" shall have the meaning assigned to it in Article 5.2(A);
- (RR) "**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 recognised and observed by the petroleum industry in the Kingdom of Bahrain under similar circumstances;
- (SS) "**Government**" means the Government of the Kingdom of Bahrain;
- (TT) "**I.C.C.**" means the International Chamber of Commerce;
- (UU) "**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;
- (VV) "**Management Committee**" shall have the meaning assigned to it in Article 7.1;
- (WW) "**Natural Gas**" means all hydrocarbons that are in gaseous phase at standard temperature and pressure; including but not limited to 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 natural gas liquids;
- (XX) "**Net Petroleum Production**" shall mean all Petroleum produced and saved from the Contract Area (other than Petroleum lost or used in and for the Petroleum Operations), as measured at the Point of Delivery;
- (YY) "**NOGA Group**" shall have the meaning assigned to it in Article 25.1;
- (ZZ) "**Non-Associated Gas**" shall mean free 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 natural gas liquids;

- (AAA) "**Non-Associated Gas Retention Area**" means the Discovery Area or Appraisal Area, as applicable, associated with a Discovery of Non-Associated Gas;
- (BBB) "**Non-Associated Natural Gas Discovery**" means a Discovery of Non-Associated Gas from an Exploration Well in the Contract Area which has tested significant flow rates of Natural Gas from one or more reservoirs, and which is estimated to be capable of continuous production from the said reservoir(s) over a reasonable period and which in the opinion of the CONTRACTOR could be declared a Commercial Discovery in the future; "**Occidental Petroleum Corporation**" means the corporation named "Occidental Petroleum Corporation" incorporated under the laws of the State of Delaware, United States of America;
- (CCC) "**Operating Costs**" shall have the meaning assigned to it in Article 13.1(C);
- (DDD) "**Parties**" means NOGA and the CONTRACTOR and "**Party**" means either NOGA or the CONTRACTOR, as the context may require;
- (EEE) "**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;
- (FFF) "**Petroleum Costs**" means all expenditures made and all costs incurred by the 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 Procedure and designated as Exploration Costs, Development Costs and Operating Costs, as appropriate, in relation to the exploration, development and production operations in respect of which such costs are incurred. Petroleum Costs shall not include the following items of costs and expenditures:
- (1) foreign taxes paid on income derived from sources within the Kingdom of Bahrain;

- (٢) finance costs (including bank charges and interest) incurred by CONTRACTOR in financing Petroleum Operations; nor
- (٣) bonus payments specified in Article 14.1.

(GGG) "**Petroleum Operations**" means any and all operations carried out by the CONTRACTOR under this Agreement for the purpose of:

- (١) exploring, appraising, developing, producing, storing, marketing, transporting Petroleum in and from the Contract Area;
- (٢) the plugging and Abandonment of any wells and the Abandonment of installations and facilities;

(HHH) "**Point of Delivery**" shall have the meaning assigned to it in Articles 16.1(C) and 16.1(D);

(III) "**Production Commencement Date**" means the date the CONTRACTOR first delivers Petroleum to the Point of Delivery;

(JJJ) "**Profit Associated Gas**" shall have the meaning assigned to it in Article 13.5;

(KKK) "**Profit Crude Oil**" shall have the meaning assigned to it in Article 13.5;

(LLL) "**Profit Non-Associated Gas**" shall have the meaning assigned to it in Article 13.6;

(MMM) "**Profit Petroleum**" shall have the meaning assigned to it in Article 13.2;

(NNN) "**Reasonable and Prudent Operator**" means a person (operator) seeking, in good faith, to perform its contractual obligation and, in so doing and in the general conduct of its 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;

(OOO) "**R Factor**" shall have the meaning assigned to it in Article 13.3;

- (PPP) "**Retained Exploration Area**" means that portion of the Contract Area retained for Exploration Operations in accordance with Article 3.2;
- (QQQ) "**Retained Exploration Area Programme Commitments**" shall have the meaning assigned to it in Article 3.2(A);
- (RRR) "**Second Exploration Phase**" shall have the meaning assigned to it in Article 3.1(A)(2);
- (SSS) "**Second Exploration Phase Work Programme Commitments**" means the Petroleum Operations to be conducted pursuant to Article 5.4;
- (TTT) "**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 and respective Affiliates;
- (UUU) "**UNCITRAL**" means the United Nations Commission on International Trade Law;
- (VVV) "**Willful 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 judgment 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, provided that nothing in this definition shall be in prejudice to the laws of the Kingdom of Bahrain; and
- (WWW) "**Work Program Payment**" means the G & G Study Work Program Payment, the First Phase Work Program Payment, and/or the Second Phase Work Program Payment, as applicable.

١,٢ 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, novated, restated or replaced from time to time; and
- (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.

١,٣ CURRENCIES

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

ARTICLE ٢ SCOPE OF AGREEMENT

The scope of this Agreement shall include the exploration, appraisal, development, production, and transportation of Petroleum within the Contract Area, and the transportation of Petroleum produced from within the Contract Area to the Point(s) of Delivery within or outside of the Contract Area.

The CONTRACTOR shall conduct and finance such Petroleum Operations and all Petroleum produced from within the Contract Area shall be shared between NOGA and the CONTRACTOR in accordance with the terms of this Agreement.

ARTICLE ٣
TERM

٣.١ Exploration Period

(A) The Exploration Period is comprised of:

- (١) a "G & G Study" of one (1) year commencing on the Effective Date. Contractor will have to submit a guarantee as stipulated in Article 6.1;
- (٢) if applicable, a "First Exploration Phase" of three (3) years commencing after the expiry of G & G study, CONTRACTOR shall be entitled to enter First Exploration Phase automatically after successful completion of G & G Study after providing NOGA a guarantee as stipulated in Article 6.1. CONTRACTOR may opt not to enter in First Exploration Phase. In such case CONTRACTOR shall submit all the data and findings generated during the G & G Study to NOGA. CONTRACTOR shall also have to pay an amount of US\$ 1,350,000 as an exit fee (the "Exit Fee") to NOGA; and
- (٣) if applicable, an optional "Second Exploration Phase" of three (3) years commencing on the expiry of the First Exploration Phase. CONTRACTOR's option to enter the Second Exploration Phase is subject to it having provided to NOGA notice of its intention to enter the Second Exploration Phase at least ninety (90) days prior to the expiry of the First Exploration Phase, and to its having, prior to the expiry of the First Exploration Phase:
 - I) performed the First Exploration Phase Work Programme Commitments;
 - II) performed the relinquishment obligations set forth in Article 4.1; and
 - III) provided to NOGA the Guarantee in respect of the Second Exploration Phase as contemplated in Article 6.1.

٣,٢ Retained Exploration Area

- (A) CONTRACTOR may propose to NOGA at least ninety (90) days prior to the end of the Second Exploration Phase, and subject to CONTRACTOR having performed the Second Exploration Phase Work Programme Commitments prior to the end of the Second Exploration Phase, a Retained Exploration Area of up to twenty percent (20%) of the original Contract Area in return for conducting an agreed-upon programme of Exploration Operations (the "Retained Exploration Area Programme Commitments"). Such notice to NOGA:
- (١) shall specify the coordinates of the proposed Retained Exploration Area, which shall be comprised of no more than two (2) simple geometric shapes that reasonably permit petroleum activities in regard to relinquished areas; and
 - (٢) shall describe CONTRACTOR's proposed Retained Exploration Area Programme Commitments for the balance of the current Calendar Year and the next Calendar Year, along with: (i) the associated amount due in the event of breach for non-performance; and (ii) the proposed guarantee to be associated with such Retained Exploration Area Programme Commitments.
- (B) NOGA shall have the discretion whether to approve any such proposal. In the event that NOGA approves CONTRACTOR's proposal, CONTRACTOR will then undertake the Retained Exploration Area Programme Commitments (failing which the associated 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 NOGA can agree, on the same basis, upon CONTRACTOR's Retained Exploration Area Programme Commitments for each succeeding two (2) Calendar Year period.

٣,٣ Discovery within 180 Days of End of Exploration Period

In the event that CONTRACTOR makes a Discovery within one hundred and eighty (180) days prior to the expiry of the Exploration Period, the term of this Agreement 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 within the time provided

for in Articles 8 and 9 to attempt to obtain applicable Appraisal Plan or Development Plan approval.

٣,٤ **Term of Development Areas**

- (A) In the event of approval of a Development Plan the term of this Agreement shall, subject to Article 4.3, be extended in regard to the associated Development Area until the twenty fourth (24th) anniversary of the Discovery date.
- (B) The CONTRACTOR may request, at least one (1) year prior to the expiry of the term of a Development Area, an extension of such term. NOGA shall have the discretion whether or not to grant any such extension. If granted, such extension shall be on such terms and conditions as the Parties may negotiate at the time. The duration of the extension, and the other terms and conditions agreed for the same, shall only be effective upon ratification by the Kingdom of Bahrain.

٣,٥ **NOGA Discretion to Extend First Exploration Phase**

- (A) If, at the end of the First Exploration Phase, the First Exploration Phase Work Programme Commitments are not completed, then NOGA may, in its discretion, extend the term of such First Exploration Phase for a period necessary to enable CONTRACTOR to complete such commitments, such extension not to exceed six (6) months, provided, however, that CONTRACTOR must: (i) give notice of its request for such extension to NOGA at least ninety (90) days prior to the expiry of such First Exploration Phase; and (ii) show technical or other good reasons for non-performance of the First Exploration Phase Work Programme Commitments. In the event of any such extension of the First Exploration Phase NOGA may in its discretion subtract the period of such extension from the term 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 NOGA may, in its discretion, extend the term of the such First Exploration Phase in order to extend the deadline for CONTRACTOR's election to proceed into the Second Exploration Phase, such extension not to exceed six (6) months, provided, however, that CONTRACTOR must give notice of its request for such an extension to NOGA

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 NOGA may in its discretion subtract the period of such extension from the term of the Second Exploration Phase, if any.

ARTICLE ٤ RELINQUISHMENT

٤,١ Relinquishment Prior to Second Exploration Phase

If CONTRACTOR elects to enter the Second Exploration Phase, CONTRACTOR shall, prior to the end of the First Exploration Phase, relinquish an area equivalent to at least forty percent (40%) of the original Contract Area, provided that for this purpose "original Contract Area" shall be deemed to be reduced by the area of any Appraisal Areas and Development Areas that exist at the expiry of the First Exploration Phase. No less than ninety (90) days prior to the end of the First Exploration Phase, CONTRACTOR shall submit to NOGA for its approval a written notice indicating the area(s) in the 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(s) shall consist of not more than two (2) parts, and shall so far as reasonably possible be of sufficient size and convenient shape, taking into account contiguous areas already relinquished and not the subject of a further contract, to enable Petroleum Operations to be carried out thereon and, upon relinquishment, such relinquished areas shall cease to be part of the Contract Area for all purposes. Any dispute over the size or shape of such relinquishment shall be resolved via Expert determination in accordance with Article 32.1

٤,٢ Relinquishment at End of Exploration Period

- (A) CONTRACTOR may opt not to enter First Exploration Phase. In such case CONTRACTOR shall relinquish all of the Contract Area.
- (B) At the end of the Exploration Period (at the end of the First Exploration Phase, or at the end of the Second Exploration Phase, as applicable) CONTRACTOR shall relinquish all of the Contract Area excepting any:

- (١) Development Area;

- (٢) Appraisal Area;
 - (٣) Discovery Area for which CONTRACTOR has proposed an Appraisal Plan, provided that CONTRACTOR is duly implementing the applicable procedures to convert such Discovery Area into an Appraisal Area within the time provided for in Article 8;
 - (٤) Discovery Area for which CONTRACTOR has not proposed an Appraisal Plan, provided that the associated Discovery was made within one hundred and eighty (180) days prior to the end of the Exploration Period, and provided that CONTRACTOR is duly implementing the applicable procedures to convert such Discovery Area into an Appraisal Area within the time provided for in Article 8;
 - (٥) Retained Exploration Area;
 - (٦) Non-Associated Gas Retention Area, for the period permitted by Article 20.2(B); or
 - (٧) if there is a well still drilling at the end of the Exploration Period, at the discretion of NOGA, the prospective Discovery Area as may be determined by NOGA 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.
- (C) CONTRACTOR shall, in regard to any area(s) retained after the expiry of the Exploration Period, 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;

- (٣) 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;
- (٤) Non-Associated Gas Retention Area that does not become the subject of an Appraisal Area within the time provided for in Article 20.2, and, subsequently, a Development Area within the time provided for in Article 20; and/or
- (٥) A prospective Discovery Area arising pursuant to Article 4.2(A)(7) 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.

٤,٣ Relinquishment of Development Areas

- (A) CONTRACTOR shall relinquish each Development Area:
 - (١) in the case where there is no current production, immediately upon CONTRACTOR's notice to NOGA that such Development Area is no longer considered economic by CONTRACTOR and is being voluntarily relinquished;
 - (٢) in the case where there is current production, on the date one hundred and eighty (180) days after CONTRACTOR's notice that such Development Area is no longer considered economic by CONTRACTOR and is being voluntarily relinquished, and in accordance with a reasonable transitional programme in the event that NOGA elects to continue such operations;
 - (٣) on the date the CONTRACTOR has discontinued production, without the consent of NOGA, for more than one hundred and eighty (180) days;
 - (٤) 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 9.1(C)(5); or

(٥) on the thirtieth (30th) anniversary of the Effective Date;

whichever comes first, subject to an extension having been granted under Article 3.4(B).

٤,٤ **Voluntary Relinquishment**

CONTRACTOR may relinquish any portion, or all, of the Contract Area at any time during First and Second Exploration Phases. Any relinquishment by the CONTRACTOR of the entire 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 29.2(A).

٤,٥ **Relinquishment upon Termination**

Upon termination of this Agreement under Article 29 CONTRACTOR shall relinquish all of the Contract Area, including but not limited to any Discovery Areas, Appraisal Areas, and/or Development Areas, without NOGA having any further obligations or liability to the CONTRACTOR whatsoever, except as may be applicable in the case of an arbitral award under Article 32 and in respect of any obligation or liability arising prior to such termination.

٤,٦ **Obligation to Operate Development Area Subsequent to Relinquishment**

In the event of CONTRACTOR relinquishment of a Development Area, for any reason, NOGA may require CONTRACTOR, for a period not exceeding one hundred and eighty (180) days from the date of such relinquishment, to continue production activities, for the account and at the cost of NOGA, until the right to continue such production has been transferred to another entity.

٤,٧ **Relinquishment Notice and Approval**

In respect of any relinquishment undertaken pursuant to this Article 4, CONTRACTOR shall submit to NOGA for its approval a written notice indicating the area(s) in the 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(s) shall consist of not more than two (2) simple geometric shapes of a size and shape so as to reasonably allow petroleum activities to be carried out in such relinquished area(s). Any dispute over the size or shape of such relinquishment shall be resolved via Expert determination in accordance with Article 32.1

٤,٨ **Contractor's Obligations upon Relinquishment**

Upon any relinquishment CONTRACTOR shall have the obligations described in Article 22.5.

ARTICLE ٥ EXPLORATION WORK PROGRAMME COMMITMENTS

٥,١ **Obligation to Commence Operations**

CONTRACTOR shall commence Exploration Operations no later than three (3) months after the Effective Date.

٥,٢ **G & G Study Work Programme Commitment**

CONTRACTOR shall perform the following Petroleum Operations during the G & G Study (the "G & G Study Work Programme Commitments"):

- (A) a basin modeling study, a sequence stratigraphy study, a seep study, a gas chimney study and a deep gas study (collectively, the "Geological Studies"), with a budgeted amount of one hundred thirty thousand Dollars (\$ 130,000); and
- (B) reprocess approximately 1,000 km of 2D seismic data (or some combination of 2D and 3D seismic data reprocessing which, in total, has at least comparable scope, as solely requested by CONTRACTOR and approved by the Management Committee) and perform a seismic reinterpretation of data available for Block 3, with a budgeted amount of four hundred fifty thousand Dollars (\$ 450,000); and

in the event that CONTRACTOR upon conclusion of the G & G Study term has not fulfilled the G & G Study Work Programme Commitments as set forth in this Article ٥,٢, CONTRACTOR shall pay to NOGA the difference between (i) each of the budgeted amounts set forth in Articles ٥,٢(A) and ٥,٢(B) and (ii) the amount actually spent by the CONTRACTOR on the respective scope of work set forth in each of Articles ٥,٢(A) and ٥,٢(B) (the "G & G Study Work Program Payment"). CONTRACTOR shall be deemed to have fulfilled its G & G Study Work Programme Commitments either by performing the work set forth in this Article ٥,٢ or by paying the G & G Study Work Program Payment.

٥,٣ First Exploration Phase Work Programme Commitments

In the event that the CONTRACTOR elects to enter the First Exploration Phase CONTRACTOR shall perform the following Petroleum Operations (the "First Exploration Phase Work Programme Commitments"): drill one (1) Exploration Well at least 7,000 ft subsea or 300 ft into the Arab Formation, whichever is shallower, with a budgeted amount of nine million Dollars (\$ 9,000,000); and in the event that CONTRACTOR upon conclusion of the First Exploration Phase has not fulfilled the First Exploration Phase Work Programme Commitments as set forth in this Article ٥,٣, CONTRACTOR shall pay to NOGA the difference between Nine Million Dollars (\$ ٩,٠٠٠,٠٠٠) and the amount actually spent by the CONTRACTOR on Petroleum Operations during the First Exploration Phase (the "First Phase Work Program Payment"). CONTRACTOR shall be deemed to have fulfilled its First Exploration Phase Work Programme Commitments either by performing the work set forth in this Article ٥,٣ or by paying the First Phase Work Program Payment.

٥,٤ Carry Forward of Excess Exploration Work

In the event that the CONTRACTOR has performed, during the First Exploration Phase, seismic and/or Exploration Wells in excess of the Work Programme Commitments, then such excess Exploration Operations shall be deemed to count against the equivalent Work Programme Commitments of the Second Exploration Phase.

٥,٥ Second Exploration Phase Exploration Work Programme Commitments

In the event that the CONTRACTOR elects to enter the Second Exploration Phase the CONTRACTOR shall perform the following Petroleum Operations (Second Exploration Phase Work Programme Commitments):

- (A) a seismic programme consisting of the acquisition, processing and interpretation of 200 sq. kilometers of 3D seismic data (or some combination of 2D and 3D seismic data which, in total, has at least comparable scope, as solely requested by CONTRACTOR and approved by the Management Committee), with a budgeted amount of twelve million Dollars (\$ 12,000,000); and
- (B) one (1) Exploration Well drilled at least 11,000 ft subsea or 200 ft into the Khuff Formation, whichever is shallower, with a budgeted amount of twenty-five million Dollars (\$ 25,000,000); and

in the event that CONTRACTOR upon conclusion of the Second Exploration Phase has not fulfilled the Second Exploration Phase Work Programme Commitments as set forth in this Article 5.5, CONTRACTOR shall pay to NOGA the difference between (i) each of the budgeted amounts set forth in Articles 5.5(A) and 5.5(B) and (ii) the amount actually spent by the CONTRACTOR on the respective scope of work set forth in each Articles 5.5(A) and 5.5(B) (the "Second Phase Work Program Payment"). CONTRACTOR shall be deemed to have fulfilled its Second Exploration Phase Work Programme Commitments either by performing the work set forth in this Article 5.5 or by paying the Second Phase Work Program Payment.

Neither Appraisal Wells, seismic surveys, nor any other Petroleum Operations carried out as part of an Appraisal Plan shall count against the CONTRACTOR's Exploration Work Programme Commitments.

ARTICLE ٦ GUARANTEES

٦,١ Guarantee for Exploration Work Programme Commitments

- (A) CONTRACTOR shall have the obligation: (i) within thirty (30) days from the Effective Date; (ii) thirty (30) days prior to commencement of the First and Second Exploration Phase, if applicable; and (iii) thirty (30) days prior to the biannual term of any Retained Exploration Area; to provide NOGA with an

irrevocable bank letter of credit, in favour of NOGA, from an international bank of repute, acceptable to NOGA; or, at the discretion of NOGA, to provide an irrevocable parent guarantee, in favour of NOGA, from the ultimate parent of such CONTRACTOR or from a parent acceptable to NOGA, 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 Exploration Work Programme Commitments and Retained Exploration Area Programme Commitments. Any such bank letter of credit shall be from an internationally reputable financial institution, and in form and substance, acceptable to NOGA, and any such parent guarantee, shall be in the form described in Appendix F, or, in either case, as NOGA may otherwise approve by notice to CONTRACTOR as being: (i) in compliance with Article 6.1(C); or (ii) not in compliance with Article 6.1(C) but nevertheless acceptable to NOGA. Any such bank letter of credit or parent guarantee shall be for a term which does not expire earlier than the term of the G & G Study, the First Exploration Phase, the Second Exploration Phase or to the end of the biannual term of any Retained Exploration Area, as applicable, plus an additional sixty (60) days thereafter. CONTRACTOR shall also, within thirty (30) days of the Effective Date, and on or prior to the date upon which any subsequent bank letter of credit or parent guarantee is to be provided, deliver to NOGA a legal opinion from its internal legal advisors, in a form satisfactory to NOGA, to the effect that such bank letter or credit, or parent 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. NOGA may terminate this Agreement upon CONTRACTOR's failure to provide or maintain such bank letter(s) of credit, or such guarantee(s), as applicable, and/or such legal opinion(s), within and for the prescribed period.

(B) The respective aggregate amount of the bank letter(s) of credit, or guarantee(s), as applicable, referred to in Article 6.1(A), shall be:

- (1) For G & G study and Exit Fee – **One million and nine hundred thirty thousand Dollars (\$ 1,930,000)**
- (2) for the First Exploration Phase – **Nine million Dollars (\$ 9,000,000);**

- (٣) for the Second Exploration Phase– **Thirty seven million Dollars (\$ 37,000,000)**; or
- (٤) for any Retained Exploration Area, the amount agreed upon under Article 3.2 as associated with the Retained Exploration Area Programme Commitments.
- (C) Any such bank letter of credit(s), or parent guarantee(s), other than in accordance with the form described in Appendix F, shall provide that:
- (١) upon delivery to the issuing bank or guarantor of a certificate from the CONTRACTOR, countersigned by NOGA, 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 NOGA, the subject bank letter of credit or parent guarantee shall be reduced by the applicable amount (pro-rata as may be applicable) described in Article 5; and
- (٢) if, at the end of the G & G Study, First Exploration Phase, the Second Exploration Phase, or at the end of a biannual term of a Retained Exploration Area, NOGA gives notice to CONTRACTOR that CONTRACTOR has failed to either perform any applicable work programme commitments or pay the associated Work Program Payment in the event such applicable work programme commitments have not been performed, then each company comprising CONTRACTOR or its bank and/or guarantor, as applicable, shall, on demand from NOGA, whether or not the CONTRACTOR or such guarantor (as may be applicable) contests such failure, immediately pay to NOGA the entire remaining amount of such outstanding bank letter of credit or parent guarantee, provided that such payment shall not be in excess of the applicable Work Program Payment due as a result of the non-performance of the applicable work programme commitments.
- (D) Without limiting the general nature of the bank letter of credit(s), or parent guarantee(s) required to be provided under Article 6.1 and 6.2, NOGA shall be entitled to draw on such banks letter of credit(s) or parent guarantee where CONTRACTOR has failed to pay the associated Work Program Payments in

respect of non-performance of the applicable work programme commitments as set forth in Articles 5.2, 5.3 and 5.5.

٦,٢ **Guarantee for General Obligations Under this Agreement**

- (A) Each party comprising CONTRACTOR shall, within thirty (30) days of the Effective Date, deliver to NOGA an irrevocable parent guarantee, in favour of NOGA, from the ultimate parent of such Party or from a parent acceptable to NOGA, providing that such parent shall provide all (not only its pro-rata share) technical and financial resources that CONTRACTOR 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 21, in the form described in Appendix F, or as NOGA may otherwise approve by notice to CONTRACTOR. Each party comprising CONTRACTOR shall also, within thirty (30) days of the Effective Date, deliver to NOGA a legal opinion from its internal legal advisors, in a form satisfactory to NOGA, to the effect that such parent 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. NOGA may terminate this Agreement upon CONTRACTOR's failure to provide such parent guarantee(s) and/or such legal opinion(s) within the prescribed period.

ARTICLE ٧ MANAGEMENT COMMITTEE

٧,١ **Management Committee Authority**

- (A) NOGA 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 the CONTRACTOR in the performance of Petroleum Operations under this Agreement, and to provide a forum for a continuous dialogue and flow of information between the CONTRACTOR and NOGA regarding CONTRACTOR's planned Petroleum Operations.
- (B) The Management Committee shall have authority to review and approve the following submissions and requests by the , CONTRACTOR:

- (١) proposed Annual Work Programme and Budget, and CONTRACTOR's proposed revisions thereof;
- (٢) proposed Appraisal Plans;
- (٣) proposed Development Plans, and NOGA's proposed revisions thereof, as a condition of approval;
- (٤) proposed method and device for measurement of volume and assessment of quality of Crude Oil and Natural Gas.
- (٥) proposed lifting procedures;
- (٦) proposed Abandonment plan and the budget for Abandonment operations;
- (٧) proposed area(s) of any partial relinquishment;
- (٨) proposed area of any Non-Associated Gas Retention Area; and
- (٩) proposals to make an expenditure in regard to Petroleum Operations in excess of two million dollars (\$2,000,000.00).

٧,٢ Management Committee Representatives

- (A) The Management Committee shall consist of six (6) members with one (1) vote each, three (3) of them being representatives appointed by NOGA and three (3) of them being representatives appointed by the 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.

- (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) Normal and customary travel costs sustained by representatives traveling to and attending Management Committee meetings shall be borne by the CONTRACTOR and shall be cost recoverable under this Agreement.

٧,٣ **Management Committee Chairman and Secretary**

NOGA shall appoint one (1) of its representatives to act as the chairman of the Management Committee (hereinafter the "Chairman"), who shall preside over all meetings thereof. In the event of the Chairman's absence from any such meeting, NOGA may designate one (1) of its representatives present at such meeting to act as Chairman of the meeting. The CONTRACTOR shall appoint one (1) of its representatives to act as the Secretary of the Management Committee (hereinafter the "Secretary"), who shall be responsible for:

- (A) the production and circulation of minutes for signature by each representative in attendance at a meeting before the conclusion of each such meeting, which minutes shall include the results of any votes taken by the Management Committee and other pertinent matters;
- (B) notification of the minutes of each Management Committee meeting being sent to each Party; and
- (C) other duties of a similar nature that the Management Committee may delegate to the Secretary from time to time.

٧, ٤ Management Committee Meetings and Voting

- (A) The Management Committee shall meet at least four (4) times a year, in Bahrain, or any other place agreed upon by NOGA 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, NOGA 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, subject to Article 7.4(D), be included in the agenda and considered at such meeting.
- (B) Subject to Article 7.4(C), the Management Committee can validly deliberate and take decisions at a meeting only if at least two (2) representatives, 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 with at least one affirmative vote of representatives of each Party of the applicable representatives shall be required for any Management Committee decision, or any Management Committee approval as may expressly be required by this Agreement. Subject to Article 9.1(F), NOGA, by way of its representatives on the Management Committee, shall be obliged to approve any CONTRACTOR proposal, as may be expressly required under this Agreement, that is in accordance with Good International Petroleum Industry Practices and which otherwise meets the pertinent criteria as may be expressly provided for under this Agreement.
- (E) 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. In the event that the Management

Committee is still unable to obtain majority agreement on the matter, then the CONTRACTOR shall have the right to submit to the pertinent issues to binding Expert determination in accordance with Article 32.1 and the procedures described in Appendix D. Subject to Article 9.1(F), in the event that such Expert determines that the pertinent CONTRACTOR proposal was 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 CONTRACTOR proposal shall be deemed approved. Subject to Article 8.2(E), in the event that such Expert determines that the pertinent CONTRACTOR proposal was not 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 Expert shall have the authority to determine revisions to CONTRACTOR's proposal that such Expert feels would be required in order to bring CONTRACTOR's 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 such CONTRACTOR proposal.

- (F) 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.
- (G) Any notice to a Party made in compliance with Article 34 shall be considered as a notice to such Party's Management Committee representatives.

ARTICLE 8 DISCOVERY AND APPRAISAL

8.1 Discoveries and Discovery Areas

- (A) If a Discovery is made CONTRACTOR shall immediately inform NOGA of the Discovery; and promptly, but in no event later than the date thirty (30) days from the date of such Discovery, provide NOGA with all available information regarding such Discovery, including a preliminary classification of the

Discovery as a Crude Oil Discovery or a Non-Associated Natural Gas Discovery.

- (B) If the CONTRACTOR decides to conduct a drill stem or production test well, in open hole or through perforated casing, it shall notify NOGA of the details of such test at least forty-eight (48) hours prior to the proposed test, and NOGA shall have the right to have a representative present during any such test.
- (C) Not later than ninety (90) days prior to the end of the applicable Exploration Phase, the Management Committee shall recommend to NOGA the area corresponding with the perceived extent of the reservoir subject of the Discovery. Having regard for such recommendation, NOGA shall then determine the Discovery Area, provided that if the CONTRACTOR does not agree with NOGA's determination of the Discovery Area the matter shall be determined by the Expert in accordance with Article 32.1.
- (D) If the CONTRACTOR determines that the Discovery does not merit immediate appraisal the CONTRACTOR may retain the associated Discovery Area during the Exploration Period so that in the event that an additional Discovery, or Discoveries, is/are made then such Discovery may then merit appraisal, either individually or in conjunction with such additional Discovery or Discoveries.

٨,٢ Appraisal Plans

- (A) In order to avoid the relinquishment, at the end of the Exploration Period, of any Discovery Area as may be granted to CONTRACTOR by NOGA under Article 3.3, CONTRACTOR must have proposed to the Management Committee an associated appraisal plan (the "Appraisal Plan"), which shall be delivered to the Management Committee 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) and then have continued to have implemented the procedures associated with approval of the Appraisal Plan, and provided CONTRACTOR has declared there to be a Commercial Discovery, submits a Development Plan, and receives approval of a Development Plan within the deadlines as are provided in this Article 8 and in Article 9, provided, however, that where CONTRACTOR makes a Discovery within one hundred and twenty (120) days of

the end of the Exploration Period the CONTRACTOR may retain any associated Discovery Area granted by NOGA past the end of the Exploration Period provided that it submits to the Management Committee a proposed Appraisal Plan not later than a maximum of one hundred and twenty (120) days after the date of such Discovery (even if such submission occurs after the end of the Exploration Period), and then continues to implement the procedures associated with approval of the Appraisal Plan, and provided CONTRACTOR has declared there to be a Commercial Discovery, submits a Development Plan, and receives approval of a Development Plan within the deadlines as provided in this Article 8 and in Article 9.

(B) Any CONTRACTOR proposed Appraisal Plan shall:

- (١) include a proposed Appraisal Area corresponding with the perceived extent of the reservoir (or reservoirs in the event that multiple Discoveries are being appraised together);
- (٢) include the proposed appraisal work;
- (٣) include a proposed budget;
- (٤) be designed to determine whether such Discovery is a Commercial Discovery, and, with reasonable precision, the boundaries of the associated reservoir or reservoirs;
- (٥) include a proposed environmental strategy;
- (٦) include proposed revisions to the Annual Work Programme and Budget associated with the proposed Appraisal Plan; and
- (٧) otherwise be in accordance with Good International Petroleum Industry Practices.

If the Chairman of the Management Committee 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 such CONTRACTOR proposed Appraisal Plan.

- (C) The 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 not later than a maximum of two (2) years following such approval, or, in the case of a Non-Associated Natural Gas Discovery, within five (5) years of the date of such Discovery.
- (D) CONTRACTOR may, if there is no majority agreement among the Management Committee representatives regarding CONTRACTOR's proposed Appraisal Plan, initiate Expert determination in accordance with Article 7.4(E), by giving NOGA notice.
- (E) If, however, the Expert revises CONTRACTOR's proposed Appraisal Plan, but CONTRACTOR does not agree with such revisions, then CONTRACTOR shall elect, by notice to NOGA within thirty (30) days of such Expert determination, to either: (i) implement revisions made by the Expert; or (ii) immediately relinquish the associated Discovery Area.

ARTICLE 9 DEVELOPMENT

9.1 Development

- (A) The CONTRACTOR has the right to determine the commerciality of any Discovery that it makes, and, subject to Article 8.2, has the right to retain a Discovery during the Exploration Period that it chooses not immediately to 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.
- (B) In order to avoid the relinquishment of an Appraisal Area at the end of the Exploration Period, however, the CONTRACTOR must declare there to be a Commercial Discovery and have proposed to the Management Committee an

associated 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 then have continued to have implemented the procedures associated with approval of the Development Plan within the deadlines as provided in this Article 9, provided, however, that where CONTRACTOR completes, in accordance with Article 8, an Appraisal Plan within one hundred and twenty (120) days of the end of the Exploration Period the CONTRACTOR may retain the associated 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 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 as provided in this Article 9.

(C) Any CONTRACTOR-proposed Development Plan shall include:

- (١) a proposed Development Area corresponding with the extent of the reservoir (or reservoirs in the event that multiple Discoveries are being developed together);
- (٢) the proposed development work;
- (٣) a proposed budget;
- (٤) reserve estimates;
- (٥) a proposed development schedule and an estimated date for the commencement of production;
- (٦) an anticipated production profile (of all produced fluids, including water);
- (٧) an economic analysis;
- (٨) a proposed environmental strategy; and

- (٩) proposed revisions to the Annual Work Programme and Budget associated with the proposed Appraisal Plan;

and shall otherwise be in accordance with Good International Petroleum Industry Practices.

- (D) If the Chairman of the Management Committee does not, within ninety (90) days from the date of receiving a proposed development plan from the CONTRACTOR, either:

- (١) notify the CONTRACTOR that the Management Committee approves the CONTRACTOR proposed development plan; or
- (٢) notify the CONTRACTOR of any changes to CONTRACTOR's proposed development plan that NOGA considers to be: (i) reasonable in the context of the proper overall management of development of the Kingdom of Bahrain's petroleum resources; (ii) in accordance with Good International Petroleum Industry Practices; and (iii) otherwise in accordance with Article 9.1(C);

the Management Committee shall be deemed to have approved such CONTRACTOR proposed Development Plan.

- (E) 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.
- (F) In accordance with 7.4(e), CONTRACTOR may, if there is no majority agreement among the Management Committee representatives regarding NOGA's proposed revisions to CONTRACTOR's proposed development plan, initiate Expert determination by giving NOGA notice. In the event that the Expert determines that NOGA's required revisions are: (i) reasonable in the context of the proper overall management of development of Bahrain's petroleum resources; (ii) in accordance with Good International Petroleum Industry Practices; and (iii) otherwise in accordance with Article 9.1(C) then such NOGA revisions shall become part of the approved Development Plan. If such Expert determines that NOGA's required revisions are not: (i) reasonable in the context of the proper overall management of development of Bahrain's

petroleum resources; (ii) in accordance with Good International Petroleum Industry Practices; and (iii) otherwise in accordance with Article 9.1(C), then such Expert shall have the authority to determine what revisions to the CONTRACTOR's proposed Development Plan, if any (in the event that CONTRACTOR's proposed Development Plan was itself not in compliance with Article 9.1(C), would be required in order to bring it into compliance with Article 9.1(C).

- (G) If, however, CONTRACTOR does not agree with any applicable NOGA required revisions, or Expert required revisions, to the CONTRACTOR's proposed Development Plan then CONTRACTOR shall elect, by notice to NOGA within thirty (30) days of such Expert determination, to either: (i) implement such revisions; or (ii) immediately relinquish the associated Appraisal Area.

٩,٢ NOGA 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 relative to any such Discovery, NOGA may, at its sole option and by written notice to the CONTRACTOR, declare such Discovery to be a Commercial Discovery and instruct the CONTRACTOR to develop the discovery according to a Development Plan proposed by NOGA. After receipt of said notice, the CONTRACTOR shall have three (3) months to confirm by written notice to NOGA whether the CONTRACTOR intends to develop such discovery.
- (B) If the CONTRACTOR:
- (١) fails to respond within the said three (3) month period; or
 - (٢) elects not to develop such discovery; or
 - (٣) fails to agree the Development Plan proposed by NOGA for such discovery;

then any such Discovery shall become wholly owned by NOGA 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 Petroleum produced from such discovery), and the related Discovery Area.

ARTICLE ١٠ ANNUAL WORK PROGRAMMES AND BUDGETS

١٠.١ Annual Work Programme and Budgets

- (A) Within sixty (60) days from the Effective Date, CONTRACTOR shall submit to the Management Committee for approval an Annual Work Programme and Budget for the remainder of the first Calendar Year.
- (B) Not later than ninety (90) days before the beginning of each following Calendar Year, CONTRACTOR shall submit to the Management Committee for approval an Annual Work Programme and Budget to be carried out during the subsequent Calendar Year. The budget portion of each such element shall include the items listed in Appendix E, as applicable.
- (C) CONTRACTOR submitted Annual Work Programmes and Budgets, and any CONTRACTOR proposed revisions to an Annual Work Programme and Budget, shall:
 - (١) include sufficient work in order to meet the applicable Exploration Work Programme Commitments with respect to the G & G study, First Exploration Phase, the Second Exploration Phase, and/or in regard to any Retained Exploration Area, as applicable – along with any additional Exploration Operations that CONTRACTOR may wish to implement;
 - (٢) include sufficient work in order to meet the relevant work programme commitments according to the applicable timings associated with Appraisal Plans and Development Plans under Articles 8 and 9, respectively; and
 - (٣) be in accordance with Article 12.2 and otherwise in accordance with Good International Petroleum Industry Practices.

- (D) If the Chairman of the Management Committee does not, within thirty (30) days from the date of receiving a proposed Annual Work Programme and Budget, or revision thereof, notify the CONTRACTOR that the Management Committee rejects the CONTRACTOR proposed Annual Work Programme and Budget, or revision thereof, then the Management Committee shall be deemed to have approved such CONTRACTOR proposed Annual Work Programme and Budget, or revision thereof.
- (E) In accordance with Article 7.4(E), the CONTRACTOR may, if there is no majority agreement among the Management Committee representatives regarding a CONTRACTOR proposed Annual Work Programme and Budget, or revision thereof, initiate Expert determination.
- (F) In the event that CONTRACTOR does not agree with the result of such an Expert determination then CONTRACTOR shall elect, by notice to NOGA within thirty (30) days of such Expert determination, to either: (i) implement the Expert's revisions; or (ii) terminate this Agreement.
- (G) Notwithstanding the foregoing, in the event that CONTRACTOR fails to submit an Annual Work Programme and Budget for approval that: (i) includes sufficient work in order to meet the relevant Exploration Work Programme Commitments with respect to the G & Study, First Exploration Phase, the Second Exploration Phase, and/or in regard to any Retained Exploration Area, as applicable; and (ii) is in accordance with Good International Petroleum Industry Practices; then such failure shall be deemed a material breach and NOGA 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 Calendar 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 10; or

- (٢) notwithstanding 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 the CONTRACTOR shall be deemed included in the current approved Annual Work Programme and Budget for Petroleum Operations and recoverable as Petroleum Costs.

ARTICLE ١١ UNITIZATION

١١.١ Unitization

- (A) If a reservoir is partly within the Contract Area and partly outside of the Contract Area, with the portion outside the Contract Area either within the Kingdom of Bahrain and its territorial waters or outside of the Kingdom of Bahrain and its territorial waters, NOGA may require by notice to the CONTRACTOR that the development of the reservoir and the production of the associated Petroleum 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 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 NOGA for the common development of the reservoir. Such a proposal, if approved by NOGA, 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 NOGA's notice, or if such proposal is made but is not approved by NOGA, then NOGA may prepare a development plan with prior approval of the Expert for such common development. Such a NOGA-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 it disagrees with such Development Plan, elect to relinquish such reservoir, subject CONTRACTOR being deemed to have the obligations described in Article 29.9, as applicable.

ARTICLE ١٢

GENERAL RIGHTS AND OBLIGATIONS OF THE PARTIES

١٢.١ CONTRACTOR's General Rights

Subject to the provisions of this Agreement, and to the applicable laws in force from time to time, the CONTRACTOR shall have the following rights:

- (A) the exclusive right to explore for, appraise, develop, produce, transport, and export Petroleum located within the Contract Area; and the non-exclusive right to construct pipelines, storage and other facilities, both inside and outside the Contract Area, up to the Point(s) of Delivery, for purposes associated with Petroleum produced within the Contract Area and, on an ancillary basis, for purposes associated with Petroleum produced from outside of the Contract Area. The CONTRACTOR shall have no right to use or occupy any sites that are selected by the Kingdom of Bahrain for defense purposes, for airfield or for satellite, mobile, cable or terrestrial telephone and/or other electronic or computer communication purposes, or for other industrial, public or religious purposes. CONTRACTOR's rights are also subject to the existing rights of Third Parties, and as provided in Article 12.5 below, provided also that CONTRACTOR shall have no rights to extract, or take away, natural resources

other than Petroleum, and nothing in this Agreement shall be deemed to confer any rights on the CONTRACTOR other than those rights expressly described hereunder;

- (B) the right to produce Petroleum from the Contract Area at the optimum efficient rate consistent with Good International Petroleum Industry Practices (and the Government Petroleum policy);
- (C) the right to take at the Point(s) of Delivery, or at any other the points agreed upon under Article 16.1(B)(2) below, its share of Petroleum production and the legal title thereto and sell or dispose of its share of petroleum.
- (D) 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;
- (E) the right to use, free of cost and on a first priority basis, quantities of Petroleum produced by the CONTRACTOR from the Contract Area as may be necessary in accordance with Good International Petroleum Industry Practices for preparing and treating Petroleum produced by CONTRACTOR, for lifting purposes, and generally for the proper performance of any of the Petroleum Operations hereunder; and
- (F) the right, subject to any applicable confidentiality restrictions upon NOGA, to access and use all technical data available to NOGA pertinent to the Contract Area, including seismic, well information, samples, interpretations, maps, etc. free of charge, subject to the cost of copying.

١٢,٢ 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, in accordance with this Agreement and Good International Petroleum Industry Practices;
- (B) to comply with all applicable laws and regulations, including but not limited to applicable conservation and environmental laws, as well as the customs

governing navigation on the high seas and the safety of shipping, aircraft, fishing and pearling operations in and on waters covering the Contract Area;

- (C) to ensure that all equipment, materials, supplies, plant and installations used by the 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 NOGA or Third Parties;
- (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 Petroleum produced shall be allocated in accordance with this Agreement, and the CONTRACTOR may not look to NOGA in the event that the CONTRACTOR does not recover its costs as provided in this Agreement;
- (G) to ensure provision of all information, data, samples etc. to NOGA that may be required to be furnished to NOGA under the applicable laws or under this Contract;
- (H) subject to Article 23, to use its best endeavours to ensure that goods, services or facilities offered, supplied or otherwise made available to or put at the disposal of the CONTRACTOR in respect of Petroleum Operations, whether by sale, exchange, lease or other means (including those goods, services or facilities provided by CONTRACTOR or its 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 commencement of the first Contract Year, a technically competent and sufficiently experienced representative(s) 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 and whose name(s) shall, on appointment, be made known to the Government; and
- (K) if there is more than one entity comprising CONTRACTOR, then each such entity shall be jointly and severally responsible for all of the obligations of the CONTRACTOR hereunder.

١٢,٣ NOGA's General Rights

NOGA 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;
- (C) for its representatives to be provided, at the CONTRACTOR's operation sites within and outside of the 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(s) of Delivery, or at the points agreed upon under Article 16(B)(2), its share of Petroleum production and the legal title thereto; and
- (E) which it may grant to Third Parties, to explore for, appraise, develop, produce, transport, and export petroleum located in areas outside of the 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 Contract Area, for purposes associated with Petroleum produced outside of the Contract Area, and, on an ancillary basis, for purposes associated with Petroleum produced from within the Contract Area; along with the right, which it may grant to Third Parties, to prospect for and mine minerals or substances other than Petroleum both within, and outside of, the Contract Area. The CONTRACTOR shall use its best efforts to avoid interference with any such other activities by the NOGA, the Government, or any such Third Parties either within, or outside of, the Contract Area. NOGA 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 Contract Area.

١٢,٤ NOGA's General Obligations

NOGA 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 Contract Area as may reasonably be necessary to carry out Petroleum Operations including, but not limited to, the construction, laying, operating and maintaining of offshore and onshore pipelines, facilities, cables and equipment, provided that if such use by the CONTRACTOR results in expense for the NOGA then the CONTRACTOR shall reimburse NOGA for such expense, without creating any profit directly or indirectly for the NOGA;
- (B) as soon as reasonably possible after the Effective Date, to provide to the CONTRACTOR, subject to any applicable confidentiality restrictions upon NOGA, access and use all technical data available to NOGA pertinent to the Contract Area, including seismic, well information, samples, interpretations, maps, 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 both onshore and offshore telephone and radio lines and frequencies as reasonably needed for the conduct of Petroleum Operations;
- (D) to use reasonable efforts, within the limits of its authority, in securing the help of the appropriate agencies or authorities of the Government to prohibit anchorage by Third Parties near CONTRACTOR's installations (including but not limited to drilling barges, drilling platforms, production platforms and submerged pipelines) or near any of the CONTRACTOR's plants, workshops or stores; and
- (E) to use reasonable efforts, within the limits of its authority, to assist the CONTRACTOR in its dealings with the Kingdom of Bahrain and other Kingdom of Bahrain entities in connection with the Petroleum Operations.

١٢,٥ Limitation of Rights

- (A) Subject to Article 12.4(A), it is understood that the rights reserved by NOGA in Article 12 above 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 the CONTRACTOR by this Agreement shall be exercised with due regard to the existing rights of NOGA, the Government (including its agencies, authorized representatives and contractors) and Third Parties and so as not to damage, or unreasonably impede or interfere with the property, operations, facilities and interest of such parties.

١٢,٦ 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 CONTRACTOR to modify and change any work obligations contained in any Work Programme and Budget or excuse CONTRACTOR from meeting any deadline set forth in Articles 8 and 9.

١٢.٧ Lifting

Unless otherwise agreed between the Parties, NOGA and CONTRACTOR shall each take in kind and separately export or otherwise dispose of their respective shares of Net Petroleum Production. On or before each Production Commencement Date, the Parties shall establish a detailed procedure for lifting, which shall include, where applicable, sampling and assessment of Petroleum quality, and procedures to adjust any underlifting or overlifting of the Parties entitlement shares to Net Petroleum Production.

١٢.٨ Reasonable and Prudent Operator Standard

Without prejudice to the generality of Article 12.2, 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) 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 and technical results and to produce Petroleum at the optimum rate set out by CONTRACTOR in strict consultation with NOGA, and determined by the technology and processes employed in the Petroleum Operations;
- (C) plan, prepare and submit Annual Work Programmes and Budgets and related modifications, if any, to the Management Committee for its approval in accordance with this Agreement;
- (D) award and execute contracts for the performance of Petroleum Operations pursuant to the approved Annual Work Programmes and Budgets;

- (E) 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;
- (F) prepare monthly financial statements and reports, and develop accounting policies and procedures to be implemented under the Accounting Procedure;
- (G) 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 financial controls, cash management, and authorized expenditure approval levels, all in a manner consistent with this Agreement and the Accounting Procedure and approved by NOGA; and
- (H) 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 ١٣

COST RECOVERY AND PRODUCTION SHARING

١٣.١ Classification of Costs

- (A) "Exploration 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 exploration or appraisal operations (whether successful or not) including but not limited to: geological, and other surveys; the drilling of shot holes, core holes, stratigraphic tests, Exploratory 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.
- (B) "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

but not limited to: 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(s) of Delivery, and for the performance of re-pressuring, recycling and other recovery projects.

- (C) "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(s) of Delivery; as well as contributions to the Abandonment Fund.

١٣,٢ Allocation of Production

Net Petroleum Production will be allocated as either Cost Recovery Petroleum or Profit Petroleum. CONTRACTOR will be allowed to recover Petroleum Costs out of production from each Commercial Discovery up to the Cost Recovery Limit as provided below in Article 13.4(B). Profit Petroleum is the Petroleum remaining after deducting from Net Petroleum Production the applicable Cost Recovery Petroleum.

١٣,٣ R Factor

The "R Factor" is the ratio of Contract Area-wide cumulative revenue received by the CONTRACTOR from the effective date of the EPSA until the end of the last preceding Calendar Quarter, to Contract Area-wide cumulative Petroleum Costs by CONTRACTOR over the same period. Cumulative revenue is calculated on the basis of the value of CONTRACTOR's cumulative share of production, received as Cost Recovery Petroleum and Profit Petroleum. CONTRACTOR's cumulative expenditure is equal to cumulative Petroleum Costs. The "R Factor" is to be rounded up to the nearest two decimal places. The "R Factor" determines both the Cost Recovery Limit for each Development Area and also the allocation of Profit Petroleum from each Development Area.

١٣,٤ **Recovery of Petroleum Costs**

- (A) All of the Petroleum Costs incurred by CONTRACTOR in accordance with an approved Annual Work Programme and Budget shall be classified as Exploration Costs, Development Costs, or Operating Costs in accordance with Article 13.1. Commencing on the Calendar Quarter in which the first Production Commencement Date occurs, the CONTRACTOR shall be entitled to recover Petroleum Costs by taking title at the Point of Delivery, or other points agreed upon under Article 16.1(B)(2) below, to quantities of cost recovery Petroleum of a value, as determined in Article 15, equivalent to the value of the Petroleum Costs being recovered, and as is further provided for below in this Article 13.4 ("Cost Recovery Petroleum").
- (B) The maximum percentage of Net Petroleum Production that will be available as Cost Recovery Petroleum, 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 Crude Oil, Associated Gas and Non-Associated Gas for each Development Area.

"R Factor"	Cost Recovery Limit
< 1.0	50%
≥ 1.0	40%

- (C) There shall be a "ring-fence" limit ascribed to each Development Area for cost recovery purposes in regard to Development and Operating Costs, but there shall be no such limit with regard to Exploration Costs. In this way, CONTRACTOR shall be able to recover Development Costs and Operating Costs in respect of a particular Commercial Discovery only from available Cost Recovery Petroleum from such Commercial Discovery, but the CONTRACTOR shall be able to recover Exploration Costs from available Cost Recovery Petroleum from all Commercial Discoveries.

- (D) All Exploration Costs incurred across a Contract Area 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 Petroleum Production Commencement Date and shall thereafter be recoverable, without incurring any further interest, on a first priority basis out of Cost Recovery Petroleum from existing Commercial Discoveries at the rate of six point two five percent (6.25%) per Calendar Quarter; i.e. depreciated on a straight-line basis over four (4) years.
- (E) All other Exploration Costs shall be consolidated at the end of each Calendar Quarter and shall be recoverable, on a second priority basis, out of available Cost Recovery Petroleum from existing Commercial Discoveries at the rate of six point two five percent (6.25%) per Calendar Quarter; i.e. depreciated on a straight-line basis over four (4) years.
- (F) Development Costs incurred in regard to a Commercial Discovery shall be consolidated at the end of each Calendar Quarter and shall be recoverable, on a third priority basis, out of available Cost Recovery Petroleum from such Commercial Discovery at the rate of six point two five percent (6.25%) per Calendar Quarter; i.e. depreciated on a straight-line basis over four (4) years.
- (G) Operating Costs shall be recoverable in the same Calendar Quarter in which they have been incurred, on a fourth priority basis, out of available Cost Recovery Petroleum from existing Commercial Discoveries.
- (H) To the extent that Cost Recovery Petroleum is insufficient in a Calendar Quarter to permit recovery of all Petroleum Costs 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 available Cost Recovery Petroleum.
- (I) To the extent that available Cost Recovery Petroleum in any Calendar Quarter exceeds the total of all Petroleum Costs to be recovered during such Calendar Quarter, then the portion of such Cost Recovery Petroleum in excess of such recoverable Petroleum Costs shall be shared between NOGA and the

CONTRACTOR according to the sharing principles for Profit Petroleum described in Articles 13.5 and Article 13.6 below.

١٣,٥ Allocation of Profit Crude Oil and Profit Associated Gas

Profit Crude Oil is the Crude Oil production remaining from a Crude Oil Discovery after deducting from Net Crude Oil the applicable Cost Recovery Petroleum. Profit Associated Gas is the Associated Gas production remaining from a Crude Oil Discovery after deducting from Net Associated Gas the applicable Cost Recovery Petroleum. The CONTRACTOR's share of Profit Crude Oil, and Profit Associated Gas, as applicable, from a Crude Oil Discovery shall be in accordance with the following table. NOGA's share of Profit Crude Oil, and Profit Associated Gas, as applicable, from a Crude Oil Discovery shall be the amount of Profit Crude Oil and Profit Associated Gas, as applicable, production remaining after the subtraction of the CONTRACTOR's share of Profit Crude Oil and Profit Associated Gas, respectively.

Contractor's Share of Profit Crude Oil and Profit Associated Gas		
"R Factor"	Government	Contractor
< 1.0	45 %	55%
1-1.5	55%	45 %
1.51-1.75	63 %	37 %
1.76-2.00	73%	27 %
>2.00	82 %	18%

١٣,٦ Allocation of Profit Non-Associated Gas

Profit Non-Associated Gas is the Non-Associated Gas production remaining from a Non-Associated Gas Discovery (other than that lost or used in and for the Petroleum Operations) after deducting the Non-Associated Gas applied to cost recovery pursuant to Article 13.4. CONTRACTOR's share of Profit Non-Associated Gas from a Non-Associated Gas Discovery shall be in accordance with the following table. NOGA's share of Profit Non-Associated Gas from a Non-Associated Gas Discovery shall be the amount of Profit Non-Associated Gas

production remaining after the subtraction of the CONTRACTOR's share of Profit Non-Associated Gas.

Contractor's Share of Profit Non-Associated Gas and Profit Associated Crude Oil		
"R Factor"	Government	Contractor
< 1.0	25 %	75%
1-1.5	35%	65%
1.51-1.75	43 %	57%
1.76-2.00	53%	47%
>2.00	62 %	38%

ARTICLE ١٤ BONUSES

١٤,١ Bonuses

CONTRACTOR shall pay bonus payments to NOGA in the amounts and at the times set out below. No such bonus payments shall be applicable to Natural Gas. CONTRACTOR shall make bonus payments by means of bank draft, issued in favour of NOGA, or by electronic transfer of funds to a bank account designated by NOGA.

- (A) Upon the approval of each Development Plan for a Crude Oil Discovery, **Two million US Dollars only (US \$2,000,000)**
- (B) Upon the commencement of production from the first Crude Oil Discovery in the Contract Area (applicable one time only) **Two million and five hundred thousand US Dollars only (US\$ 2,500,000).**

- (C) Upon reaching each of the following Barrel per day production levels of Crude Oil (in aggregate, Contract Area-wide), for a continuous period of thirty (30) days:

15,000 (BOPD) – US\$ 1,500,000

30,000 (BOPD) – US\$ 3,000,000

45,000 (BOPD) – US\$ 3,000,000

60,000 (BOPD) – US\$ 3,000,000

75,000 (BOPD) – US\$ 6,000,000

No additional bonus payments are applicable for production levels reached in excess of 75,000 Barrels of Crude Oil per day. Once a particular production level bonus is paid, it is not again payable in the event that production was to drop below, and then go back up to, such a production level.

ARTICLE ١٥ VALUATION OF PETROLEUM

١٥.١ Valuation of Crude Oil

Except as provided in Article 15.4, and subject to the provisions of Article 17.1, the prices for all Crude Oil, for purposes of cost recovery, allocation of Profit Petroleum, and all other purposes under this Agreement, shall be calculated for each Calendar Quarter and shall be a single FOB Bahrain price per Barrel of Crude Oil (with "FOB" being defined under the International Chamber of Commerce Incoterms 2000) at the respective Point(s) of Delivery, as applicable, expressed in U.S. Dollars. Such price shall be the weighted average FOB U.S. Dollar price per Barrel of Crude Oil 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 Crude Oil produced from the Contract Area and delivered at the respective Point(s) of Delivery, as applicable. In the event of Arms-Length Sales of such Crude Oil during such Calendar Quarter on terms other than an FOB U.S. Dollar basis, the necessary adjustments shall be made in order to determine what the equivalent sale price

would have been on an FOB U.S. Dollar basis. In the event that within a Calendar Quarter Arms-Length Sales of more than one type of Crude Oil 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 U.S. Dollar price per Barrel of Crude Oil, representing the weighted average of the prices determined for each type of such Crude Oil, in accordance with the respective volumes of each type of such Crude Oil sold during such Calendar Quarter and delivered at such Point of Delivery. If no Arms-Length Sales of Crude Oil 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: (i) the price actually received by the CONTRACTOR (adjusted to an equivalent FOB U.S. Dollar price as applicable) at such Point of Delivery; and (ii) the international market price for Crude Oil of the same quality delivered on an FOB U.S. Dollar basis at such Point of Delivery.

١٥,٢ Valuation of Natural Gas

Except as provided in Article 15.4 below, the price for all Natural Gas, and all liquid hydrocarbons within Non-Associated Gas or obtained from Non-Associated Natural Gas by condensation or extraction prior to or at the Point of Delivery, including natural gas liquids, for purposes of cost recovery, allocation of Profit Petroleum, and all other purposes under this Agreement, shall be calculated for each Calendar Quarter and shall be a single price per MMBTU for Natural Gas in gaseous form and per Barrel for Natural Gas in liquid form at the applicable Point(s) of Delivery, expressed in U.S. Dollars. Such price shall be the U.S. Dollar price per MMBTU for Natural Gas in gaseous form and per Barrel for Natural Gas in liquid form actually received by the CONTRACTOR (directly or through any of its Affiliates) from Arms-Length Sales during such Calendar Quarter of such Natural Gas produced from the Contract Area and delivered at the applicable Point(s) of Delivery. In the event of Arms-Length Sales of such Natural Gas during the Calendar Quarter on terms other than an MMBTU U.S. Dollar basis for all Natural Gas in gaseous form or a Barrel U.S. Dollar basis for all Natural Gas in liquid form at the applicable Point(s) of Delivery, the necessary adjustments shall be made in order to determine what the equivalent sale price would have been on an MMBTU U.S. Dollar basis for all Natural Gas in gaseous form and on a Barrel U.S. Dollar basis for all Natural Gas in liquid form at the applicable Point(s) of Delivery. In the event that within a Calendar Quarter Arms-Length Sales of more than one type of such Natural Gas 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 U.S. Dollar price per MMBTU for all Natural Gas in gaseous form and per Barrel for all Natural Gas in liquid form, representing the weighted average of the prices determined for each type of such Natural Gas, in accordance with the respective volumes of each type of such Natural Gas sold during such

Calendar Quarter and delivered at such Point of Delivery. If no Arms-Length Sales of Natural Gas are made during such Calendar Quarter at such Point of Delivery then the price shall be deemed to be the higher of: (i) the price actually received by the CONTRACTOR (adjusted, as may be applicable, to an equivalent MMBTU U.S. Dollar price for all Natural Gas in gaseous form or a Barrel U.S. Dollar price for all Natural Gas in liquid form at such Point of Delivery); and (ii) the international market price for Natural Gas of the same quality delivered on MMBTU U.S. Dollar basis for all Natural Gas in gaseous form and Barrel U.S. Dollar basis for all Natural Gas in liquid form at such Point of Delivery.

١٥,٣ Reporting of Arms-Length Sales

CONTRACTOR shall, within ten (10) Business Days from the expiry of each Calendar Quarter, furnish to NOGA a statement certifying the: (i) applicable volume weighted average FOB U.S. Dollar Crude Oil prices per Barrel received by CONTRACTOR for such Calendar Quarter at the respective Points of Delivery, as applicable; (ii) applicable volume weighted average U.S. Dollar per MMBTU Natural Gas in gaseous form prices for such Calendar Quarter and (iii) applicable volume weighted average U.S. Dollar per Barrel Natural Gas in liquid form prices received for such Calendar Quarter by CONTRACTOR at the respective Points of Delivery, as applicable – obtained by the CONTRACTOR (directly or through any of its Affiliates) as result of applicable Arms-Length Sales of Crude Oil or Natural Gas 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. The CONTRACTOR shall allow the audit of the associated sales contracts by an independent internationally recognized accounting firm retained by and at the cost of NOG[^] and the CONTRACTOR shall give the representatives of such accounting firm access to all relevant books and records necessary to perform such audit.

١٥,٤ Determination of Market Price

- (A) If in respect of any Calendar Quarter in which CONTRACTOR has sales of Crude Oil and/or Natural Gas:
- (1) there are no Arms-Length Sales of Crude Oil, and/or Natural Gas, as applicable, from applicable Point(s) of Delivery, claimed by the CONTRACTOR (directly or through any of its Affiliates); or

- (٢) NOGA disputes the CONTRACTOR's contention that it has made applicable Arms-Length Sales;

then NOGA 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 Crude Oil, shall be the per Barrel price, as reported by Platt's Crude Oil Market Wire daily publication ("Platt's"), for one or more Crude Oils of similar grade and quality that, at the time of such determination, are being freely and actively sold on the international market. Such market price shall be the arithmetic average price per Barrel determined by calculating the average for such Calendar Quarter of the mean high and low FOB spot prices for each day of the Crude Oils selected for comparison, adjusted for differences such Crude Oil and the Crude Oils being compared for quality, transportation costs, delivery time, quantity, payment terms and other contract terms as may be relevant. In the event that Platt's ceases to be published then the Parties shall attempt to agree upon an alternative daily publication. The basis for such market price, in regard to Natural Gas production, shall be the market price per MMBTU for Natural Gas in gaseous form and per Barrel for Natural Gas in liquid form, 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 notice, to have such market price determined by an Expert, in accordance with Article 32.1 and the procedure set forth in Appendix D, according to the basis described in Article 15.4(A).
- (C) Pending any Expert determination under Article 15.4(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 15. 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 15.4(B) above.

ARTICLE ١٦
MEASUREMENT OF PETROLEUM

١٦.١ Measurement of Petroleum

- (A) Petroleum 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 Contract Area, the Management Committee shall agree on:
- (١) the methods to be employed for measurement of volumes of Petroleum production;
 - (٢) the point or points, if any (such as in the case of testing a Discovery), in addition to the Point(s) of Delivery described in an Appraisal Plan or a Development Plan, at which Petroleum shall be measured and the respective shares allocated to the Parties in accordance with the terms of this Agreement;
 - (٣) the frequency of inspections and testing of measurement equipment and relevant procedures; and
 - (٤) the consequences of a determination of an error in measurement.
- (C) An applicable Point of Delivery for Crude Oil production under an Appraisal Plan or a Development Plan shall be, if the such Crude Oil is pumped to a storage vessel or tank, the point at which it passes the outlet flange of such storage vessel or tank. If, however, the Crude Oil is pumped directly to an export shuttle tanker, then the Point of Delivery shall be point at which the flange coupling of the loading line joins the flange coupling of the loading manifold on board the tanker (in any such case, however, such Crude Oil production shall be measured both prior to and again upon loading of the export shuttle tanker).
- (D) An applicable Point of Delivery for Natural Gas shall be onshore Bahrain at the point set forth in the applicable Development Plan approved by the Management Committee in respect of the Natural Gas Discovery.

- (E) NOGA may, at all reasonable times, inspect and test the equipment used for measuring the volume and determining the quality of Petroleum, provided that any such inspection or testing shall be carried out in such a manner so as not unduly to interfere with Petroleum Operations.
- (F) The CONTRACTOR shall give NOGA timely notice of its intention to implement any such agreed alteration, or to conduct a test of measuring operations, and NOGA 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 NOGA monthly reports showing the quantity of Petroleum 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. NOGA may, at any reasonable time, inspect such records.
- (J) If any dispute arises between the Parties regarding measurement, or measurement and/or analysis records under this Article 16 which cannot be resolved amicably, either Party shall have the right, by giving notice to the other Party, to have such dispute resolved by Expert determination, on the basis described in this Article 16, and in accordance with the procedure set forth in Appendix D.

ARTICLE ١٧
TAXES AND STABILITY

١٧,١ Bahrain Income Tax

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 Bahrain Income Tax Law and shall, simultaneously with such filing, forward a copy of such tax declarations to NOGA. For purposes of such income tax declarations, gross income shall be based on CONTRACTOR's actual sales receipts. Further, CONTRACTOR shall be entitled to deduct and/or amortize all expenditures incurred pursuant to this Agreement, irrespective if an expenditure is not cost recoverable pursuant to the Agreement.

١٧,٢ Export Taxes

NOGA shall indemnify and hold CONTRACTOR harmless from any duties, sales tax, or other taxes (except Bahrain Income Taxes) or other charges that might be imposed upon CONTRACTOR by the Kingdom of Bahrain as result of CONTRACTOR exercising its right under Article 12.1(A) to export its share of Petroleum production under this Agreement. Such indemnity shall not, however, extend to cover refined products.

١٧,٣ Taxes on Abandonment Fund

NOGA shall pay, from and to the extent of the revenue that it receives from its share of Petroleum production under this Agreement, on behalf of CONTRACTOR taxes or other levies imposed by the Kingdom of Bahrain on any amounts paid into, or earned by, any Abandonment Fund under Article 22.6.

١٧,٤ Stabilization – Economic Balancing

In the event that any changes to the laws, decrees, rules or regulations of the Kingdom of Bahrain (including but not limited to the Bahrain Income Tax Laws); excluding any such changes that involve health, safety, environmental or employer payroll obligations by way of social security or other employment benefits; 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 18 IMPORT CUSTOMS AND DUTIES

18.1 Import Customs and Duties

- (A) CONTRACTOR shall be solely responsible for the import and clearance of equipment, materials, goods and supplies as may 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 law 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. CONTRACTOR shall file and NOGA shall arrange, however, for 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 CONTRACTOR's subcontractors) under any applicable NOGA exemption from local customs duties or other charges on imports and on exports. NOGA shall assist the CONTRACTOR in its applications for such exemptions and 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 such NOGA exemption. If permits for importation of equipment, materials, goods and supplies under this Article 18.1(A) include the obligation to re-export, CONTRACTOR shall timely comply with such obligation. To the extent CONTRACTOR is unable to obtain the said NOGA exemption from local customs duties or other charges on imports and on exports as described herein, then CONTRACTOR shall be entitled to recover any such charges, duties or fees from the Cost Recovery Petroleum. Such NOGA exemptions shall not be available to CONTRACTOR in regard to:

- (١) equipment, goods, materials and supplies for the personal use or consumption by the CONTRACTOR's, or its subcontractors' employees, consultants, or their families;
- (٢) sedan cars, buses and trucks of less than three (3) tons capacity including all vehicles used for employee transport;
- (٣) duties payable on equipment, goods, materials and supplies purchased within the Kingdom of Bahrain; or
- (٤) goods and materials in respect of which customs duties have already been paid by the local importer or agent;

all to the extent such goods and materials are utilized solely and permanently for use in Petroleum Operations.

- (B) In order to obtain the benefit of applicable NOGA exemptions as described in Article 18.1(A) 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 CONTRACTOR under the exemption described in Article 18.1(A) shall be reported within thirty (30) days of such sale or transfer to the Ministry of Finance and to NOGA. 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 NOGA exemption shall not be applicable.

ARTICLE ١٩

CURRENCY, BANKING, AND EXCHANGE CONTROL

١٩ Currency of Payments

Any payments to be made under this Agreement by CONTRACTOR to NOGA, or by NOGA to CONTRACTOR, shall be made in U.S. 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.

١٩,٢ CONTRACTOR's Rights

Subject to the Kingdom of Bahrain's laws of general application, NOGA shall use reasonable efforts to procure that the CONTRACTOR, its 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 of other 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 Petroleum 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 of sales made within the Kingdom of Bahrain, or repatriate sums imported pursuant to Article 19.2(B) above, 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 that 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 ٢٠ NATURAL GAS

٢٠.١ Associated Gas

- (A) In conducting Petroleum Operations, the CONTRACTOR shall conserve Associated Gas to the maximum extent reasonably possible in the circumstances. NOGA shall have the right to build necessary pipelines and to take offshore one hundred percent (100%) of any Associated Gas that CONTRACTOR proposes to flare under any associated Development Plan. CONTRACTOR may flare Associated Gas only to the extent that:
- (١) such flaring is required if NOGA does not exercise its right to take offshore delivery of such Associated Gas;
 - (٢) such flaring is consistent with Good International Petroleum Practices;
or

(٣) NOGA's prior written approval has been obtained by the CONTRACTOR.

B) In the event that CONTRACTOR determines Associated Gas associated with a Crude Oil Discovery might warrant development, then CONTRACTOR may give NOGA notice requesting full details of the Bahraini Natural Gas market and prices and any other then existing marketing services and costs information. NOGA shall provide CONTRACTOR, to the extent that NOGA is not prohibited from doing so by applicable law or by any applicable confidentiality obligations that NOGA may have, with such information within thirty (30 days) of CONTRACTOR's request. For CONTRACTOR's share of Associated Gas the Parties shall, at the election of CONTRACTOR, enter into an applicable gas sales contract with terms in accordance with Good International Petroleum Industry Practices , that shall provide for NOGA to pay CONTRACTOR \$1.5/MMBTU for CONTRACTOR's share of such Associated Gas delivered, pursuant to an applicable Development Plan, at the Point of Delivery. Such \$1.5/MMBTU price shall be indexed in accordance with the U.S. Consumer Price Index in order to adjust for the effects of inflation. In all cases CONTRACTOR shall be obligated to: (i) submit a Development Plan for such Crude Oil Discovery within the timings described in Article 9; and (ii) timely to implement any associated Development Plan in accordance with Article 9.

٢٠,٢ Non-Associated Gas

(A) In the event that CONTRACTOR determines that a Non-Associated Natural Gas Discovery might warrant development, then CONTRACTOR may give NOGA notice requesting full details of the Bahraini Natural Gas market and prices and any other then existing marketing services and costs information. NOGA shall provide CONTRACTOR, to the extent that NOGA is not prohibited from doing so by applicable law or by any applicable confidentiality obligations that NOGA may have, with such information within thirty (30 days) of CONTRACTOR's request. For CONTRACTOR's share of Non-associated Gas the Parties shall, at the election of CONTRACTOR, enter into an applicable gas sales contract with terms in accordance with Good International Petroleum Industry Practices , provided that NOGA shall pay CONTRACTOR \$1.5/MMBTU for CONTRACTOR's share of such Non-Associated Gas delivered, pursuant to an applicable Development Plan, at a Point of Delivery. Such U.S.\$1.5 /MMBTU

price shall be indexed in accordance with the U.S. Consumer Price Index in order to adjust for the effects of inflation from the date of the approval of the associated Development Plan.

- (B) CONTRACTOR shall have the right to retain a Non-Associated Gas Retention Area for a period of five (5) years from the date of a Discovery of Non-Associated Natural Gas, even if the period of such retention extends beyond the end of the Exploration Period. However, in order to establish such a Non-Associated Gas Retention Area, and to avoid the relinquishment of the Non-Associated Gas Retention Area at the end of the Exploration Period, the CONTRACTOR must, 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) have either:
- (1) submitted to the Management Committee information obtained from testing, in accordance with Article 8.1(B), of the well that resulted in such Discovery that reasonably indicates, in accordance with Good International Petroleum Industry Practices, that such Discovery is a Non-Associated Natural Gas Discovery; or
 - (2) submitted to the Management Committee information obtained from partial, or complete, implementation of an Appraisal Plan that reasonably indicates, in accordance with Good International Petroleum Industry Practices, that such Discovery is a Non-Associated Natural Gas Discovery, and submitted such results to the Management Committee.

provided, however, that where CONTRACTOR makes a Discovery within one hundred and eighty (180) days of the end of the Exploration Period CONTRACTOR may retain any associated Discovery Area, which NOGA in its discretion may chose to grant CONTRACTOR, past the end of the Exploration Period provided that one of the events described in Articles 20.2(B)(1) or 20.2(B)(2) occur, and CONTRACTOR has proposed an applicable Non-Associated Gas Retention Area, within ninety (90) days of the date of such Discovery.

- (C) CONTRACTOR may propose, at any time prior to the end of the five (5) year term of a Non-Associated Gas Retention Area, a proposed Appraisal Plan to the Management Committee.
- D) Contractor may opt, during the Contractor's five (5) year Non-Associated Gas Retention Period, to attempt to negotiate a higher price with either a domestic or an export buyer. In such eventuality, NOGA reserves the first choice of matching any offer firmly received by the Contractor from non related entity Customers.

٢٠,٣ CONTRACTOR Marketing of Natural Gas on Behalf of NOGA

At the option of NOGA, CONTRACTOR shall market and sell, at the highest possible Arm's Length Sales price (which shall not be less than what Contractor receives for its own share of Natural Gas) NOGA's share of Natural Gas (either Associated Gas or Non-Associated Gas) production delivered to the Parties at any applicable Point of Delivery. CONTRACTOR shall obtain NOGA's approval prior to committing such Natural Gas to any gas sales contract. NOGA's share of costs associated with such marketing and sales shall be for the account of NOGA. NOGA shall have the right to audit any such costs. Except to the extent of any quantity of NOGA's share of Natural Gas production which is committed for sale under the terms of an applicable gas sales contract NOGA may, upon ninety (90) days notice to CONTRACTOR, elect to take delivery of such Natural Gas at the applicable Point of Delivery.

ARTICLE ٢١

HEALTH, SAFETY AND ENVIRONMENTAL COMPLIANCE

٢١,١ CONTRACTOR's Health, Safety and Environmental Obligations

- (A) CONTRACTOR shall take all actions necessary, including implementation of Good International Petroleum Industry Practices, and methods for the prevention of environmental damage in conducting its Petroleum Operations, in order to prevent any harm to public health and safety and any damage to the environment, including without limitation the surface, subsurface, air, sea, lakes,

rivers, springs, animal life, plant life, crops and other natural resources and property. In the furtherance of this obligation the CONTRACTOR shall:

- (١) within ninety (90) days of the Effective Date propose to the Management Committee for approval an Integrated Management Plan covering all health, safety and environmental aspects of the Petroleum Operations to be carried out; such Integrated Management Plan shall be inclusive of an Oil Spill and Accident Contingency Plan for dealing with spills, fires, accidents and emergencies, designed to achieve rapid and effective emergency response, which shall be subject to the overall control of the Management Committee with input from the environmental sub-committee to be formed by the Management Committee;
 - (٢) take all necessary precautions against fire and any spillage or release of Crude Oil, or Natural Gas 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;
 - (٣) provide appropriate compensation for injury to persons or damage to property caused as a result of implementation of Petroleum Operations.
- (B) CONTRACTOR shall, using Good International Petroleum Industry Practices, conduct a baseline environmental survey of the Contract Area immediately after the Effective Date, and conduct such a survey on a timely basis after the performance of Petroleum Operations such seismic surveys, drilling, construction of facilities, the initiation of new production, and Abandonment of facilities and equipment. CONTRACTOR shall provide all such information to NOGA on a timely basis.
- (C) CONTRACTOR shall, using Good International Petroleum Industry Practices, conduct environmental impact studies prior to conducting Petroleum Operations such as seismic acquisition, drilling, and development operations 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 Contract Area and in the adjoining or neighbouring areas as a consequence of such Petroleum Operations. CONTRACTOR shall provide any such environmental impact

study to NOGA along with the associated environmental plan as described in Article 21.1(D).

- (D) CONTRACTOR shall also, prior to performing any Petroleum Operation such as seismic acquisition, drilling or development submit an environmental plan to the Management Committee for approval respecting the prevention of environmental damage and for carrying out site restoration activities. In the case of development operations, such environmental plan shall be part of CONTRACTOR's proposed Development Plan. All such environmental plans shall contain proposed environmental guidelines to be followed in order to minimize environmental damage and shall include, but not be limited to, the following, to the extent appropriate to the respective study taking into account the type of operations to which such environmental plan relates:
- (١) proposed access cutting;
 - (٢) clearing and timber salvage;
 - (٣) wildlife and habitat protection;
 - (٤) fuel storage and handling;
 - (٥) use of explosives;
 - (٦) camps and staging;
 - (٧) liquid and solid waste disposal;
 - (٨) cultural and archaeological sites;
 - (٩) selection of drilling sites;
 - (١٠) terrain stabilization;
 - (١١) protection of freshwater horizons;
 - (١٢) blow out prevention plan;
 - (١٣) flaring during completion and testing of wells;

- (١٤) Abandonment of wells, facilities and the Contract Area and adjacent areas affected by Petroleum Operations;
 - (١٥) rig dismantling and site completion;
 - (١٦) noise control;
 - (١٧) debris disposal; and
 - (١٨) protection of natural drainage and water flow.
- (E) Any such environmental plan in regard to drilling or development operations shall include a specific plan for implementation of a contract area oil spill plan and an accident contingency plan.
- (F) The Management Committee shall advise the CONTRACTOR of its approval or disapproval of any such proposed environmental plan within ninety (90) days from the receipt of such proposal. The provisions associated with Management Committee approval of CONTRACTOR proposed Development Plans under Article 9 above shall apply *mutatis mutandis* to any such proposed environmental plan.
- (G) CONTRACTOR shall ensure that:
- (١) the pertinent environmental impact studies and environmental plans are provided to its employees and to its subcontractors in order to develop awareness of the measures and methods of environmental protection required to be used in carrying out the Petroleum Operations; and
 - (٢) the contracts entered into between the CONTRACTOR and its subcontractors relating to Petroleum Operations shall include the provisions describing the requirements for CONTRACTOR's implementation of pertinent environmental plans.
- (H) While conducting Petroleum Operations the CONTRACTOR shall:
- (١) ensure that the disposal and/or discharge of all substances associated with Petroleum Operations shall be handled in an environmentally

sound manner in accordance with the guidelines contained in Appendix G; and

- (٢) take all measures 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. CONTRACTOR shall also carefully preserve any fresh water sources discovered in the course of such operations and shall provide NOGA with a description of the locations of such sources along with all pertinent data.
- (I) If NOGA is reasonably of the opinion that any facilities or other installations of 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, NOGA may require the CONTRACTOR to take remedial measures according to a schedule proposed by NOGA that is reasonable in accordance with the circumstances. NOGA may also require the CONTRACTOR to discontinue Petroleum Operations in whole or in part until the CONTRACTOR has taken such remedial measures. In the event that the CONTRACTOR fails to perform such remedial measures then NOGA, after giving the CONTRACTOR reasonable notice, may take any action which may be necessary in the circumstances and CONTRACTOR shall then be responsible to reimburse NOGA, within thirty (30) days after having received from NOGA an accounting of any such expenditures, for the full cost incurred by NOGA together with such interest as may be determined in Appendix C of this Agreement.
- (J) In the event of an oil spill, fire, accident, or other emergency arising from Petroleum Operations the CONTRACTOR shall immediately notify NOGA, shall promptly implement the Oil Spill and Accident Contingency Plan, and shall clean-up or otherwise remedy the damage. The order of priority for actions shall be the protection of: (i) life; (ii) the environment; and (iii) property. In the event that the CONTRACTOR fails to perform these obligations then NOGA, after giving the CONTRACTOR reasonable notice in the circumstances, may take any action which may be necessary and CONTRACTOR shall then be responsible to reimburse NOGA, within thirty (30) days after having received from NOGA an accounting of any such expenditures, for the full cost incurred

by NOGA together with such interest as may be determined in Appendix C of this Agreement.

- (K) The CONTRACTOR shall be responsible for and shall fully indemnify NOGA 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 CONTRACTOR, its agents, subcontractors or other representatives. Further 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.
- (L) The obligations and liability of CONTRACTOR for the environment hereunder shall be limited to damage to the environment which:
- (١) occurs after the Effective Date; and
 - (٢) results from any act or omission of the CONTRACTOR.

In no event shall CONTRACTOR be liable for indirect or consequential damages or losses.

ARTICLE ٢٢ USE, OWNERSHIP, AND ABANDONMENT OF ASSETS

٢٢,١ Use of Existing Infrastructure

- (A) NOGA shall use reasonable efforts to obtain for the CONTRACTOR, in connection with CONTRACTOR's share of Petroleum production, access to all existing transportation, treatment and export facilities and other infrastructure up to the Point of Delivery in the Kingdom of Bahrain 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.
- (B) 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.

٢٢,٢ NOGA Rights to CONTRACTOR Assets

All CONTRACTOR rights, title, and interest to: (i) assets brought into the Kingdom of Bahrain, by CONTRACTOR for Petroleum Operations, other than such assets brought into the Kingdom of Bahrain on a temporary entry basis; or (ii) assets acquired by CONTRACTOR within the Kingdom of Bahrain, shall be subject to the following:

- (A) on the date that the acquisition of any land acquired by CONTRACTOR for Petroleum Operations becomes effective, NOGA shall have the right to require CONTRACTOR to transfer, free of any charges or encumbrances, all rights, title, and interest to such land; and
- (B) upon the expiry or earlier termination of this Agreement, NOGA shall have the right to require CONTRACTOR to transfer, free of any charges or encumbrances, all rights, title, and interest to any asset(s) other than land, whether fixed or moveable, acquired and owned by the CONTRACTOR for use in Petroleum Operations either inside or outside the Contract Area.

٢٢,٣ Third Party Access to Assets

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 NOGA 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 NOGA), 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.

٢٢,٤ 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 NOGA describing such

assets. NOGA may, by giving CONTRACTOR notice within thirty (30) days of CONTRACTOR's notice, buy such assets by paying CONTRACTOR the amount of CONTRACTOR's purchase price less the amount of any costs already recovered by the CONTRACTOR. In such an event NOGA shall be responsible for Abandoning such asset and the CONTRACTOR shall have no further liability in regard to such Abandonment. If NOGA does not so respond to CONTRACTOR within such thirty (30) day period then CONTRACTOR shall be free to sell such assets to a Third Party at a negotiated price. In either event the proceeds received by CONTRACTOR shall be credited against the Operating Account. Provided that, however, any such sale shall be subject to:

- (A) the Third Party buyer(s) paying any applicable customs duties not previously paid by CONTRACTOR;
- (B) the Third Party buyer(s) agreeing to be bound, to the benefit of NOGA, by CONTRACTOR's Abandonment obligations as described in this Agreement, and with NOGA being provided with a copy of such agreement; and
- (C) agreement by NOGA, which shall not be unreasonably withheld, that such buyer's Abandonment obligations are subject to adequate security.

٢٢,٥ Abandonment

Upon: (1) CONTRACTOR's voluntary decommissioning of an asset; (2) CONTRACTOR's partial relinquishment of the Contract Area; (3) early termination of this Agreement; or (4) expiry of this Agreement, the CONTRACTOR shall:

- (A) remove all subject equipment and installations in a manner consistent with Good International Petroleum Industry Practices and according to an Abandonment plan approved by the Management Committee, which approval shall not be unreasonably withheld, and pursuant to, in the case of fixed assets, such decommissioning plan; and
- (B) perform all necessary site restoration in accordance with the Good International Petroleum Industry Practices and in a manner approved by the Management Committee, 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.

٢٢,٦ Abandonment Fund

- (A) In order to finance the decommissioning of all fixed assets such as platforms, 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 monies shall be agreed to by the Management Committee. All monies 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 a 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 Calendar Quarter when seventy percent (70%) of Petroleum reserves identified in the associated Development Plan have been recovered. In the event that subsequently a separate Commercial Discovery is made, then the Management Committee may agree to postpone such payments until an aggregate seventy percent (70%) of the overall combined Petroleum reserves have been recovered, or until some other event that the Management Committee may deem appropriate.
- (C) The CONTRACTOR shall transfer funds on a Calendar Quarterly basis to the Abandonment Fund according to the following formula:

$$QAT = ((COA/ARES) \times PARES) - CAF$$

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);
- 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;
- 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; and
- 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 CONTRACTOR shall give timely notice to NOGA prior to such Abandonment. NOGA may elect, within thirty (30) days of such notice, to take ownership of such asset by paying CONTRACTOR the amount of CONTRACTOR's purchase price less the amount of any costs already recovered by the CONTRACTOR. If NOGA fails so to notify the CONTRACTOR within such thirty (30) day period, then NOGA shall be deemed to have elected not to take ownership of such asset. In the event of such an election by NOGA the appropriate portion of the associated Abandonment Fund shall be transferred to the NOGA at the time NOGA commences decommissioning of such fixed asset or termination of this Agreement, whichever comes first. Any continued use of such asset by NOGA, or any decommissioning of such asset by NOGA, shall be in accordance with Good International Petroleum Industry Practices and in such a manner that does not interfere with Petroleum Operations.
- (E) Upon the expiry or early termination of this Agreement, the CONTRACTOR shall notify NOGA of all fixed assets. NOGA shall, within thirty (30) days of receipt of the CONTRACTOR's notice, notify the CONTRACTOR of any such fixed assets that NOGA elects to take ownership of pursuant to Article 22.2(B), as well as whether the NOGA elects to Abandon any of such fixed assets. If NOGA does not, within thirty (30) days of receipt of the CONTRACTOR's notice, notify CONTRACTOR accordingly, then NOGA shall be deemed not to

have elected to take ownership of any such fixed assets and shall also be deemed not to have elected to Abandon any such fixed assets. 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 NOGA, as the case may be, whichever is responsible for Abandoning such fixed assets. If NOGA elects to continue to use or to Abandon any fixed assets, then NOGA may Abandon such fixed assets as and when it decides. Abandoning of any fixed assets, whether by the NOGA or the CONTRACTOR, shall be 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 indemnify NOGA from and against any loss, damage or liability of any nature whatsoever connected with such fixed assets, until the CONTRACTOR has completed such Abandonment in accordance with this Agreement.
- (G) If NOGA elects to take ownership of any fixed assets pursuant to Articles 22.2(B) or 22.6(D), or to Abandon any fixed assets pursuant to Article 22.6(E) for which it does not elect to take ownership, then 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. NOGA shall indemnify the CONTRACTOR from and against any loss, damage or liability of any nature whatsoever connected with such fixed assets.
- (H) Not later than one (1) year prior to the Calendar Year in which seventy percent (70%) of the Petroleum reserves identified in a Commercial Discovery are expected to be recovered, the 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 Commercial Discovery, then such excess shall be distributed between NOGA and the CONTRACTOR in proportion to the ratio of Profit Crude Oil, Profit Associated Gas and Profit Non-Associated Gas received by them from the associated Commercial Discovery during the preceding ten (10) years.

ARTICLE ٢٣

PREFERENCE FOR LOCAL SERVICES, GOODS, AND EMPLOYEES

٢٣,١ Preference for Local Services and Facilities

- (A) CONTRACTOR shall use NOGA services and facilities for Petroleum Operations to the extent that they are acceptable for the intended purposes and are available from NOGA according to terms that are no less favourable to CONTRACTOR than those otherwise available in the Kingdom of Bahrain. CONTRACTOR has the right, in the context of any such services and facilities available from NOGA, to terms no less favourable to the CONTRACTOR than those agreed with any other non-Affiliate of NOGA user of such services and/or facilities.
- (B) Subject to Article 23.1(A), 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:
- (١) such companies can demonstrate that they have the capability to deliver such services according to the necessary standard on a timely basis;
 - (٢) 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%); and
 - (٣) the terms and conditions, other than price, applicable to such services are substantially competitive with those available from other companies.

- (C) Subject to Article 23.1(B), CONTRACTOR shall have the right to engage the services of its Affiliates, and other persons of its own choosing, as subcontractors for the carrying out of Petroleum Operations.

٢٣,٢ 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:

- (١) such companies can demonstrate that they have the capability to deliver such goods according to the necessary standard on a timely basis;
- (٢) 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%); and
- (٣) the terms and conditions, other than price, applicable to such goods are substantially competitive with those available from other companies.

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.

The application of Paragraphs 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.

٢٣,٣ Preference for Local Employees

- (A) The CONTRACTOR shall employ nationals of the Kingdom of Bahrain for the implementation of Petroleum Operations provided that:

- (١) such persons have the required qualifications;

- (٢) the cost associated with the employment of such persons does not substantially exceed the cost of employment of qualified persons from other countries; and
- (٣) 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.

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 23.3.

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 ٢٤ TRAINING AND TRANSFER OF TECHNOLOGY

٢٤,١ Training

CONTRACTOR shall provide training for nationals of the Kingdom of Bahrain, including both nationals of the Kingdom of Bahrain employed by CONTRACTOR as well as employees of NOGA. CONTRACTOR shall make annual expenditures for this purpose of no less than fifty thousand Dollars (\$ 50,000) prior to CONTRACTOR's submission of the first Development Plan to the Management Committee for approval, and no less than one hundred thousand Dollars (\$ 100,000) subsequent to the such submission. Such annual expenditures shall be in accordance with a training plan that shall be included as part of relevant Annual Work Programme and Budget and approved by the Management Committee. Such expenditures shall be classified as:

- (A) Exploration Costs if they are made prior to CONTRACTOR's submission of the first Development Plan to the Management Committee for approval;

- (B) Development Costs if they are made after CONTRACTOR's submission of the first Development Plan to the Management Committee for approval; and
- (C) Operating Costs if they are made after the first Petroleum Production Commencement Date.

٢٤,٢ Transfer of Technology

CONTRACTOR shall apply Good International Petroleum Industry Practices in Petroleum Operations, including: exploration technology; development technology, including technology that can improve the economic yield or performance of Petroleum Reservoirs; and associated proprietary and/or patented technology. The CONTRACTOR shall transfer such technology by way of an element of the respective training programmes pursuant to Article 24.1. Provided, however, that if any such proprietary or patented technology is restricted by a Third Party then 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 its Affiliates or a Third Party; as applicable, and shall be subject to the confidentiality restrictions described in Article 26.2.

ARTICLE ٢٥

LIABILITIES, INDEMNIFICATION AND INSURANCE

٢٥,١ Liabilities and Indemnification

- (A) Subject to Article 25.1(C), CONTRACTOR shall indemnify and hold NOGA, the Government, their Affiliates, its Affiliates, sub-contractors, and their respective management and personnel (the "NOGA Group") harmless from and against any and all injury, sickness, death, loss, action, claim, damage, cost 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 CONTRACTOR, even if accidental, save and to the extent that such injury, sickness, death, loss, action, claim, damage, cost or expense has been caused by the negligence or wrongful act of any member(s) of the NOGA Group.

- (B) NOGA shall indemnify and hold 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 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(s) of the NOGA Group, even if accidental, save and to the extent that such injury, sickness, death, loss, action, claim, damage, cost or expense has been caused by the negligence or wrongful act of any member(s) of the CONTRACTOR Group.
- (C) NOGA shall indemnify and hold CONTRACTOR Group harmless from and against any and all liabilities, injury, sickness, death, loss, action, claim, damage, cost or expense (including loss of or damage to equipment, property, materials and any environmental pollution or other damage to the environment arising out of, caused by, or contributed to by Other Operations, even if accidental, save and to the extent that such injury, sickness, death, loss, action, claim, damage, cost or expense has been caused by the negligence or wrongful act of any member(s) of the CONTRACTOR Group. For these purposes, "Other Operations" means any and all Petroleum Operations or other activities carried out in the Contract Area by NOGA, BAPCO, the Kingdom of Bahrain and/or its agents, subcontractors or other representatives, including other national or international oil companies operating pursuant to an agreement with the Kingdom of Bahrain or an entity authorized by the Government of the Kingdom of Bahrain, whenever undertaken.

٢٥,٢ Consequential losses

In no event shall NOGA or CONTRACTOR be liable to the other for any indirect or consequential loss or damage arising out of or related to this Agreement including but not limited to inability to produce Petroleum, lost production or loss of or delay in production of Petroleum, except in cases of Willful Misconduct.

٢٥,٣ Contractor's Insurance

Without prejudice to CONTRACTOR's liabilities as described in Article 25.1, 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 CONTRACTOR's indemnity obligations as are described in Article 25.1. 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. 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. 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. CONTRACTOR shall provide to NOGA copies of applicable certificates within thirty (30) days of any request made by NOGA. Such insurance policies shall name NOGA and the Government as additional insureds (or as additional "loss payees"), shall waive subrogation against NOGA and the Government, and shall provide that they may not be cancelled except upon thirty (30) days prior notice to NOGA. CONTRACTOR shall actively pursue any claims against insurers. Any amount received by CONTRACTOR from such insurance shall be applied and accounted for in accordance with the Accounting Procedure. CONTRACTOR shall not self-insure or insure through Affiliates without the specific prior approval of NOGA. CONTRACTOR may use its normal worldwide insurance programmes and coverage to satisfy these insurance obligations only with the specific prior written approval of NOGA. 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 NOGA 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 NOGA Group under Article 25.1;
- (E) with respect to Petroleum Operations offshore, the cost of removing wrecks and cleaning up operations following any accident in the course of or as a result of Petroleum Operations; and

- (F) loss of Petroleum that has been produced to the surface, nominating CONTRACTOR and NOGA as joint beneficiaries.

٢٥,٤ **Sub-Contractor Insurance**

The CONTRACTOR shall be responsible for its subcontractors obtaining and maintaining insurance as described Article 25.3, and discharging to NOGA the obligations described in Article 25.3, applied *mutatis mutandis* to such subcontractors.

ARTICLE ٢٦
DATA, INFORMATION AND CONFIDENTIALITY

٢٦,١ **Data and Information**

- (A) 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 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 NOGA as soon as reasonably possible after the same has come into the possession of the CONTRACTOR.
- (B) 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:
- (١) the strata through which the well was drilled;
 - (٢) the casing, drill pipe, tubing and down-hole equipment run in the well and modifications and alterations thereof;
 - (٣) Petroleum, water and valuable mineral resources encountered;
- any other information consistent with Good International Petroleum Industry Practices.

- (C) The information required by Articles 26.1(A) and 26.1(B) above shall be submitted to the NOGA in the form of well completion reports within ninety (90) days from completion of the well in question.
- (D) With prior notice to NOGA, 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 Petroleum found in the 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 NOGA with copies or equivalent samples and specimens of the materials which the CONTRACTOR proposes to remove from the Kingdom of Bahrain.
- (E) The CONTRACTOR shall supply to NOGA on a timely basis (or as otherwise specifically provided below):
- (١) daily reports on drilling operations and weekly reports on field geophysical surveys as soon as they are available;
 - (٢) 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:
 - (a) a description of the Petroleum Operations carried out and the factual information obtained including Petroleum production data from the Contract Area overall and on a well by well basis;
 - (b) a description of the Contract Area in which the CONTRACTOR has operated; and
 - (c) a map indicating the location of all wells and other Petroleum Operations;
 - (٣) within three (3) months of the end of each Calendar Year, an annual report summarising the matters specified in Article 26.1(E)(2) above for the preceding Calendar Year;

- (٤) 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, and
- (٥) other reports as may reasonably be requested by the Management Committee. Additionally the CONTRACTOR will inform the NOGA of all discoveries other than Petroleum, such as discoveries of non-Petroleum natural resources.

The daily and weekly reports required to be submitted to the NOGA 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 NOGA pursuant to this Article 26 shall be submitted in the English language.

- (F) At the request of the NOGA, the CONTRACTOR shall keep and store on behalf of the NOGA and for the account of Petroleum Operations, such data related to Petroleum Operations as the NOGA 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 NOGA. 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 request therefor from the NOGA, provide the NOGA with copies of seismic tapes and data kept and stored by the CONTRACTOR with the cost of reproduction being reimbursed as Petroleum Costs.
- (G) Upon termination of this Agreement all data shall be delivered to the NOGA. Notwithstanding the termination, the NOGA may request the CONTRACTOR and the CONTRACTOR shall, for a period not exceeding one (1) year following termination of this Agreement, keep and store seismic tapes and data outside the Kingdom of Bahrain in a sound and prudent manner. During such period, the NOGA may request in writing and the CONTRACTOR shall provide, in a timely manner after receiving any such written request, copies of such seismic tapes and data. All costs associated with the keeping and storing of seismic tapes and data shall be for the account of the CONTRACTOR and the cost of copying shall be reimbursed by the NOGA to the CONTRACTOR at cost.

٢٦,٢ Confidentiality

(A) All data and other information developed, acquired, and/or otherwise obtained by the CONTRACTOR in relation to this Agreement (inclusive of CONTRACTOR's interpretation of data generated as result of Petroleum Operations and/or any other reports or documents prepared on the basis of such data or other information) shall become the property of the NOGA, subject to any exceptions that NOGA may give its prior written consent to. Subject to the provisions of this Article 26.2, however, the CONTRACTOR shall be free to use any such information in the performance of Petroleum Operations. This Agreement, as well as such information, is strictly confidential, and accordingly shall not be disclosed by either Party, except as otherwise specifically provided by this Agreement, without the prior written consent of the other Party (such consent not to be unreasonably withheld or delayed). Such consent shall not be required:

- (١) 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 26.2;
- (٢) if, and only to the extent as, required by applicable law;
- (٣) if, and only to the extent as, required by the disclosure rules of an applicable stock exchange upon which the disclosing Party's shares are listed;
- (٤) if necessary to the extent reasonably required by dispute resolution proceedings under Article 32;
- (٥) if such disclosure is to:
 - (a) any Affiliate of the disclosing Party;
 - (b) attorneys and/ or consultants of the disclosing Party;
 - (c) 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 26.2. In all such circumstances, the disclosing Party shall hold the other Party harmless from any breach of the 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;

- (٦) 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 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 26.2;
 - (٧) if disclosure is reasonably necessary to be made by NOGA, or 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 26.2.
- (B) CONTRACTOR shall not sell any of the information described in Article 26.2(A) above.
- (C) NOGA shall have the right to disclose to Third Parties any of the information described in Article 26.2(A) above which is associated with any portion of the Contract Area that has been relinquished by CONTRACTOR or which is associated with any portion of the Contract Area after expiry or early termination of this Agreement. NOGA shall also have the right to disclose to Third Parties any of the information described in Article 26.2(A) above to Third Parties in regard to unrelinquished portions of the Contract Area four (4) years after the date that such information has been generated or otherwise obtained by CONTRACTOR.

- (D) The information described in Article 26.2(A) above shall remain the property of NOGA and must timely be returned to NOGA upon expiry or early termination or of this Agreement, or upon relinquishment of areas within the Contract Area, in regard to any such information that is associated with such relinquished area.

ARTICLE ٢٧

RECORDS, REPORTS, ACCOUNTS AND AUDIT

٢٧,١ Records, Accounts and Reports

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 NOGA and/or NOGA's authorized representatives, upon request. Such accounts shall be kept in accordance with the Accounting Procedure. CONTRACTOR shall, within thirty (30) Business Days from receiving any request from NOGA, make available, in a meaningful form, any and all such information related to Petroleum Operations and Petroleum Costs as reasonably requested by the NOGA. The NOGA shall have the right at all reasonable times to inspect all records and documents kept by the CONTRACTOR hereunder.

٢٧,٢ Profit and Loss Statement, Balance Sheet, and Cash Flow Statement

The CONTRACTOR shall submit to the NOGA a profit and loss statement for each Calendar Year by March 31st of the following Calendar Year, to show the net profit or loss from the Petroleum Operations for such Calendar Year. The CONTRACTOR shall, concurrently, submit a year-end balance sheet and cash-flow statement for such Calendar Year to the NOGA.

٢٧,٣ Operations and Financial Reporting

The CONTRACTOR shall keep NOGA 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.

٢٧,٤ Statement of Petroleum Costs

- (A) The CONTRACTOR shall furnish to NOGA, within ten (10) Business Days of the expiry of each Calendar Month, a statement of Petroleum Costs showing the Petroleum Costs incurred by CONTRACTOR during such Calendar Month, which shall be prepared in accordance with the Accounting Procedure. NOGA shall review and shall approve the Petroleum Costs calculated in accordance with the Accounting Procedure in order to allow their inclusion by CONTRACTOR into Petroleum Cost Account and the quarterly statement of Petroleum Costs.
- (B) Unless the Accounting 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.

٢٧,٥ Other Statements

The CONTRACTOR shall furnish the NOGA with a Cost Control Report and a Cost Recovery and Profit Petroleum Report, each as defined, prepared and submitted in accordance with the Accounting Procedure.

٢٧,٦ NOGA's Audit Rights

So long as the statement of Petroleum Costs reflects a clear and accurate account and record of such costs which can be supported by the CONTRACTOR's records, and so long as such statements are prepared and supplied timely and in accordance with Article 26.1, each statement of Petroleum Costs shall conclusively be presumed to be true and correct and therefore final and approved for all purposes one (1) year following the expiry of the Calendar Year containing the Calendar Quarter to which such statement of Petroleum Costs refers, unless within such one (1) year period the NOGA makes an audit or otherwise, within the time limit specified in the Accounting Procedure, gives a written notice to the CONTRACTOR taking exception thereto and detailing the reasons therefor. In such case, the Parties shall meet within thirty (30) Business Days of the date of receipt of the NOGA's notice by the CONTRACTOR and shall endeavour to reach agreement and make any required adjustment. If no such agreement is reached within sixty (60) Business Days of the date of the Parties' first such meeting, then either Party may agree to have the matter

mediated by a mutually accepted internationally recognised accounting firm as set out in the Accounting Procedure. If notwithstanding the above, the Parties cannot settle the matter as provided above, then either Party may initiate arbitration proceedings under Article 32.2.

ARTICLE ٢٨ ASSIGNMENT

٢٨,١ Assignment

No assignment, mortgage, pledge, charge, or other encumbrance shall be made by CONTRACTOR or by any party comprising 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 28.1 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, any party comprising CONTRACTOR may, upon not less than ninety (90) days prior notice to NOGA, assign all or any undivided portion of its interest, rights and obligations under this Agreement to any of its Affiliates.
- (B) Subject to the requirements of this Article 28.1, any party comprising CONTRACTOR may, with the prior written consent of NOGA (which consent shall not be unreasonably withheld, consistent with the criteria described in Article 28.1(C) below, and subject to NOGA's right of first refusal set forth in Article 28.1(L) below), assign all or any portion of its interest, rights and obligations under this Agreement to a non-Affiliate.
- (C) 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 NOGA in writing, the assignee shall:
 - (1) enter into a written agreement with NOGA, in a pre-approved form as attached hereto as Appendix I or in a form approved by NOGA'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;

- (٢) provide to NOGA the bank letter(s) of credit, and or guarantees required pursuant to Articles 6.1 and 6.2;
 - (٣) have the technical and financial ability commensurate with the responsibilities and obligations that would be imposed on it under this Agreement; and
 - (٤) 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 NOGA and/or the Government cannot otherwise legally do business.
- (D) No assignment shall be permitted which would result in any party comprising the CONTRACTOR, either assignor or assignee, holding less than ten percent (10%) of the undivided interest, rights and obligations of the CONTRACTOR under this Agreement, except where NOGA may, in special circumstances, so permit.
- (E) Notwithstanding anything to the contrary, no assignment shall be permitted which would result in Occidental Petroleum Corporation and/or its Affiliates holding less than a fifty-one percent (51%) of the undivided interest, rights and obligations of the CONTRACTOR under this Agreement, except where NOGA may, in special circumstances, so permit.
- (F) A change in the control of a party comprising CONTRACTOR, either directly or indirectly, 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. For this purpose, "control" shall have the same meaning as is provided for in Article 1.1(D). Accordingly, before a change in control of a party may be effected indirectly by virtue of a change in control of a parent, including but not limited to such Party's ultimate parent, the consent of NOGA must first be obtained (which shall not be unreasonably withheld, consistent with the criteria described in Article 28.1(C) above).

- (G) A party comprising the CONTRACTOR may, with the prior consent of NOGA (which consent shall not be unreasonably withheld, consistent with the criteria described as follows in this Article 28.1(F)), 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:
- (١) such party shall remain liable for all its obligations relating to such interest;
 - (٢) the encumbrance shall be without prejudice and shall be expressly subordinated to the rights of NOGA under this Agreement;
 - (٣) the secured party shall agree in writing with NOGA 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 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 shall be bound to comply, and to cause any such other person to comply, with the requirements of this Article 28.1;
 - (٤) such party has given reasonable notice of such encumbrances and furnishes to NOGA a certified copy of the executed instrument(s) evidencing the encumbrances;
 - (٥) the lender is a major international financial institution in good standing; and
 - (٦) 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 NOGA and/or the Government cannot otherwise legally do business.

- (H) The applicable party constituting CONTRACTOR wishing to make an assignment hereunder, or to mortgage, pledge or otherwise encumber its rights and obligations under this Agreement, shall provide to NOGA by notice the pertinent documents and/or information as described in Article 28.1(C), or Article 28.1(F), as applicable, along with any other information that NOGA might reasonably require. If NOGA has not, within ninety (90) days following such notification to NOGA, notified such party of NOGA's decision, or any objection by NOGA, as applicable, such assignment or encumbrance shall be deemed to be approved, or not objected to, as applicable, by NOGA, provided that such information provided by the applicable party constituting CONTRACTOR is accurate and complete.
- (I) In the event that any party comprising the CONTRACTOR assigns a portion of its undivided interest, rights and obligations under this Article 28.1, then such party and the applicable assignee shall thereafter be jointly and severally liable for the obligations of the CONTRACTOR under this Agreement, along with any other parties comprising the CONTRACTOR and the direct share of liability for the obligations of the CONTRACTOR (exclusive of the assignee) shall be reduced accordingly and in proportion to the percentage of the interest assigned. Notwithstanding, however, that all the parties comprising the CONTRACTOR (inclusive of the assignee) shall remain jointly and severally liable hereunder.
- (J) NOGA shall be responsible to reimburse CONTRACTOR, without interest from the revenue from its share of production under this Agreement, any income, capital gains, transfer or related taxes, charges or fees (other than generally applicable administrative and/or service fees) in the Kingdom of Bahrain that are applicable to any assignment or encumbrance made under this Article 28.1.
- (K) NOGA shall have the unrestricted right to assign its rights and obligations under this Agreement, in whole or in part, to any entity wholly-owned by the Government of the Kingdom of Bahrain, and NOGA shall notify the CONTRACTOR of any such assignment in writing without delay.
- (L) NOGA's Right of First Refusal.
- (1) If any member of the CONTRACTOR wishes to make an assignment pursuant to Article 28.1(B), it shall give prior notice to NOGA,

specifying therein the name and address of the proposed assignee and the terms, price and conditions of the proposed assignment (including, if it involves consideration other than cash or involves assets other than such member's participating interest share of its interest, rights and obligations under this Agreement).

- (٢) Within thirty (30) days of receipt of the notice referred to in Article 28.1(L)(1), NOGA shall notify the assigning member of the CONTRACTOR whether it elects to acquire such member's participating interest. In making such election, NOGA may choose to acquire such participating interest on its behalf or on behalf of any entity wholly-owned by the Government of the Kingdom of Bahrain. NOGA may not elect any other entity to acquire such participating interest.
- (٣) If NOGA elects not to acquire the assigning member's participating interest share of its interest, rights and obligations under this Agreement pursuant to Article 28.1(L)(2), the assigning member may assign it to the proposed assignee on terms no more favourable than those set forth in the notice provided in accordance with Article 28.1(L)(1), 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 any governmental authority, not to exceed a further one hundred eighty (180) days) from the date of the notice of the prospective assignment.
- (٤) Information regarding a proposed assignment provided to NOGA pursuant to Article 28.1(L) shall be treated as confidential and shall be used by NOGA for the sole purpose of evaluating whether to request assignment of such participating interest to it.

ARTICLE ٢٩
TERMINATION

29.1 Termination by NOGA

Subject to Articles 29.7 and 29.8 below, NOGA may, if one of the following events of termination occur, terminate this Agreement:

- (A) CONTRACTOR has knowingly submitted any false statement to NOGA in any manner which was a material consideration in the signing of this Agreement;
- (B) CONTRACTOR has not provided to NOGA the documents, and/or the legal opinion, as required under Preamble (E) and (F);
- (C) CONTRACTOR has 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;
- (D) CONTRACTOR 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 NOGA has been given prior notice and where NOGA has advised CONTRACTOR by notice that it is satisfied that CONTRACTOR'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;
- (E) CONTRACTOR has assigned any interest in this Agreement without the prior written consent of NOGA as is required under Article 28.1 above;
- (F) CONTRACTOR has failed to make any monetary payment required by law to NOGA 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 NOGA or by the Kingdom of Bahrain, as applicable;
- (G) CONTRACTOR has failed to comply with any final determination or award made by an Expert or by arbitrators under Article 32;
- (H) CONTRACTOR has committed a material breach of this Agreement; or

- (I) if the events described in Article 28.1(C) or Article 28.1(D) 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 has failed to perform under such financial security instrument, as applicable.

٢٩,٢ **CONTRACTOR's Obligations and Rights upon Termination by NOGA**

- (A) In the event of any termination as result of the occurrence of a termination event as described in Article 29.1 above CONTRACTOR 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 CONTRACTOR shall be deemed:

- (١) to include payment of any amounts under Article 5.2 associated with any unperformed elements of any applicable exploration work programme commitments described in Article 5.2;
- (٢) to include all obligations under the then applicable Annual Work Programme and Budget, which obligations shall, at NOGA's option, be fulfilled by CONTRACTOR either by performance of such obligations in full in accordance with their terms or by payment in Dollars to NOGA of any outstanding balance of unexpended amounts in the associated budget element of such Annual Work Programme and Budget;
- (٣) to include all obligations under Article 22.5;
- (٤) to include obligations as may be applicable under Article 4.7; and
- (٥) not to include any obligation (other than described in Article 29.2(B) above), to pay any budgetary amounts associated with, or to perform any unperformed elements of: (i) applicable assessment plans; (iii) applicable Appraisal Plans; or (iv) applicable Development Plans.

- (B) In the event of any termination as result of the occurrence of a termination event as described in Article 29.1 above CONTRACTOR shall have no further rights against NOGA other than those accrued under this Agreement up to the time of

such termination. Provided, however, that in the event of such a termination the CONTRACTOR shall relinquish the entire Contract Area and that such rights on the part of CONTRACTOR shall be deemed: (i) not to include rights to any share of production subsequent to such termination, regardless of whether CONTRACTOR had recovered its Petroleum Costs as of the date of termination; or (ii) 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.

٢٩,٣ NOGA's Obligations and Rights upon Termination by NOGA

Upon termination of this Agreement by NOGA pursuant to Article 29.2 above NOGA shall: (i) have no further obligations or liabilities to CONTRACTOR other than those that may have accrued under this Agreement up to the time of such termination; (ii) have the rights against CONTRACTOR that may have accrued under this Agreement up to the time of such termination.

٢٩,٤ Termination by CONTRACTOR

Subject to Articles 29.7 and 29.8, CONTRACTOR shall have the right to terminate this Agreement if NOGA 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 below.

٢٩,٥ CONTRACTOR's Obligations and Rights upon Termination by CONTRACTOR

(A) In the event of any termination as result of the occurrence of a termination event as described in Article 29.4 above, 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 CONTRACTOR shall be deemed:

- (١) to include all obligations under Article 22.5;
- (٢) to include obligations as may be applicable under Article 4.7;

- (٣) not to include payment of any amounts under Article 5.2 associated with any unperformed elements of any applicable exploration work programme commitments described in Article 5.2 unless 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 29.7;
- (٤) not to include any obligations under the then applicable Annual Work Programme & Budget, unless 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 29.7;
- (٥) not to include any obligation (other than described in Article 29), to pay any budgetary amounts associated with, or to perform any unperformed elements of: (i) applicable assessment plans; (iii) applicable Appraisal Plans; or (iv) applicable Development Plans.
- (B) In the event of any termination as result of the occurrence of a termination event as described in Article 29.4 above, CONTRACTOR shall have no further rights against NOGA other than those accrued under this Agreement up to the time of such termination. Provided, however, that in the event of such a termination the CONTRACTOR shall relinquish the entire Contract Area and that such rights on the part of CONTRACTOR shall be deemed: (i) not to include rights to any share of production subsequent to such termination, regardless of whether CONTRACTOR had recovered its Petroleum Costs as of the date of termination; or (ii) 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.

٢٩,٦ NOGA's Obligations and Rights upon Termination by CONTRACTOR

Upon termination of this Agreement by CONTRACTOR pursuant to Article 29.4 above NOGA shall: (i) have no further obligations or liabilities to CONTRACTOR other than those that may have accrued under this Agreement up to the time of such termination; (ii) have the rights against CONTRACTOR that may have accrued under this Agreement up to the time of such termination.

٢٩,٧ Right to Cure and Notice of Termination

- (A) If the breach (as per Article 29.1 or Article 29.4, as applicable) is not reasonably capable of being cured then the non-breaching Party may immediately give a notice of termination to the breaching Party.
- (B) If the breach is reasonably capable of being cured then the non-breaching Party shall as soon as reasonably possible after becoming aware of such breach give the breaching Party a ninety (90) day notice to cure specifying the applicable event of termination as per Article 29.1, or Article 29.4, as applicable. If a breaching 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-breaching Party shall have no right to terminate this Agreement. If, however, the breaching Party either: (i) fails to cure the breach within such ninety (90) day notice period; or (ii) 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 ninety (90) day period; then the non-breaching Party shall have the right to terminate this Agreement by giving a notice of termination to the breaching Party. Such termination shall be effective upon issuance of said notice.

For the avoidance of doubt, the failure on the part of CONTRACTOR to fulfil the Minimum Work Programme at the end of either Exploration Phase is not subject to being remedied under this Article 29.7.

٢٩,٨ Option to Terminate Subject to Confirmation by Arbitration

If a Party has given the other Party a notice of termination under Article 29, or if such Party has given the other Party a notice to cure under Article 29.7, but is of the opinion that both an event of termination, as described in Article 29.1 or Article 29.4, as applicable, has

occurred, and that the other Party has failed to cure, or to commence to cure, as provided in Article 29.7, then such Party may elect between:

- (A) termination effective upon notice as described in Article 29.7; or
- (B) termination subject to confirmation as result of arbitration of the issues (i) whether the applicable termination event did in fact occur; and/or (ii) whether cure was in fact not performed, or commenced, as applicable, in accordance with Article 29.7; in such a case the term of this Agreement will be tolled, including but not limited to any applicable Exploration Phase, for the period of time between the initiation of arbitration under Article 29.7 and either: (i) the issuance of any associated arbitral award; or (ii) the agreed upon date of settlement; as may be applicable.

٢٩,٩ Termination as Result of Relinquishment

Subject to CONTRACTOR having the same obligations and rights as it would under Article 29.2, CONTRACTOR shall have the right to terminate this Agreement:

- (A) with respect to any Development Area in which Petroleum is being produced, or that prior thereto had produced Petroleum, 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 Contract Area, upon giving ninety (90) days notice of its intention to do so.

٢٩,١٠ Termination in the Case of Extended Force Majeure

Subject to CONTRACTOR having the same obligations and rights as it would under Article 29.5 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 (2) years.

٢٩,١١ Termination by Agreement of the Parties

This Agreement may be terminated by express agreement of the Parties.

ARTICLE ٣٠ FORCE MAJEURE

٣٠,١ Definition of "Force Majeure"

"Force Majeure" means any event or combination of events not reasonably within the control of the affected Party, not including (without limitation): (i) the unavailability of funds; (ii) the inability to provide security; (ii) the unavailability of seismic crews or drilling rigs; and/or (iii) changes in market conditions or financial hardship; which has prevented the performance, or delayed the performance, of the affected Party under this Agreement, or prevented (or delayed) the affected Party from exercising its rights under this Agreement; which 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 but not limited to the events set out below:

- (A) explosions, earthquake, Tsunami, flood, fire, storm, epidemic and any other natural physical disaster or natural calamities;
- (B) war (declared or undeclared), act of war, invasion, hostilities, embargo, blockage or other enemy action due to war;
- (C) revolution, rebellion, civil commotion, riot, insurrection, terrorist acts or the threat of terrorist acts, seizure or act of sabotage;
- (D) strike, lockout or other labour or industrial disturbance;
- (E) closing or unavailability of harbours, ports or other facilities required for the transport or export of Crude Oil or Natural Gas;

٣٠,٢ 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 the performance obligations which have been suspended pursuant to Article 30.3 below, and shall thereafter resume compliance with such obligations as soon as possible.

٣٠,٣ Consequence of Force Majeure - Suspension of Obligations

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 of any such failure or delay, provided that the affected Party shall have, in accordance with Article 30.2 above, used all reasonable endeavours to mitigate and overcome the effect of such Force Majeure, or to eliminate the cause thereof, as may be applicable, as soon as reasonably possible.

٣٠,٤ 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 any rights or performing any obligations under this Agreement due to Force Majeure, then: (i) the period of such delay or prevention; (ii) the period which may be necessary for the restoration of any damage caused by the event of Force Majeure; and (iii) such period as may be reasonably necessary for recommencing the work; shall be added to the time periods set forth in respect of the relevant obligations under this Agreement, where the time for the performance of the obligations affected thereby and for performance of any obligation or the exercise of any right dependent thereon, and the term of any Exploration Phase of the Exploration Period or this Agreement, shall be extended for the period of Force Majeure, or by such other period as may be agreed by the Parties, including but not limited to the G & G Study, First Exploration Phase, the Second Exploration Phase and the term for any Appraisal Plan or Development Area.

٣٠,٥ 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 and overcome the effect of such Force Majeure, or to eliminate the cause thereof, as may be applicable, as soon as reasonably possible.

ARTICLE ٣١ GOVERNING LAW

٣١,١ Governing Law

- (A) This Agreement shall be governed by, construed and interpreted in accordance with the substantive laws of the Kingdom of Bahrain, and any arbitral tribunal constituted pursuant to Article 32.2 below shall apply the substantive 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 such 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 time in the Kingdom of Bahrain.

ARTICLE ٣٢ DISPUTE RESOLUTION

٣٢,١ Expert Determination

Disputes over matters that, by the terms of this Agreement, the Parties have agreed to refer to a sole Expert for determination may be referred to such a sole Expert by any Party that has determined that such a dispute was not settled amicably. The Parties may also agree in writing to refer any other technical matter to such Expert determination. Such Expert shall be an independent and impartial person of international standing with relevant qualifications and experience. In the event that the Parties may not agree upon such an Expert within thirty (30) days notice by either Party, such Expert shall be appointed by the I.C.C. Centre for Expert Appointment in Paris. The decision of such sole Expert shall be final and binding upon the Parties and shall not be subject to arbitration. The joint costs of Expert determination, inclusive of the fees and expenses of an Expert appointed hereunder, shall be borne equally by each Party, and each Party shall be solely responsible for its own costs in conjunction with Expert determination.

٣٢,٢ International Arbitration

- (A) The Parties shall in good faith and using all reasonable efforts in the spirit of cooperation attempt to settle amicably any dispute, controversy or claim arising out of or in relation to or in connection with this Agreement or the operations carried out under this Agreement, including without limitation any dispute as to the existence, construction, validity, interpretation, enforceability or breach of this Agreement.
- (B) NOGA, CONTRACTOR and each party constituting CONTRACTOR hereto hereby consent to submit any dispute, controversy or claim arising out of or in relation to or in connection with this Agreement or the operations carried out under this Agreement, including without limitation any dispute as to the existence, construction, validity, interpretation, enforceability or breach of this Agreement, to exclusive and final settlement by binding arbitration in accordance with the terms below.
- (C) Any arbitration proceeding pursuant to this Agreement shall be conducted in accordance with the UNCITRAL Arbitration Rules in effect on the date on which the proceeding is instituted. Provided, however, that this arbitration shall be conducted in English, and that any Party may make an application to any court having jurisdiction for enforcement of any award (including any award granting interlocutory relief) against any Party and for the obtaining of any evidence (whether by discovery of documents, interrogatories, affidavits or testimony of witnesses) which the arbitrators direct shall be admitted in the arbitral proceedings.
- (D) Any arbitral tribunal constituted pursuant to this agreement shall consist of three (3) arbitrators, one (1) appointed by each Party within thirty (30) days of the issuance of notice to arbitrate pursuant to UNCITRAL Arbitration Rules (each of which shall be independent and shall be otherwise in compliance with the UNCITRAL Rules), and an arbitrator, who shall be President of the tribunal, appointed by the two (2) arbitrators so selected, within thirty (30) days after the appointment of the second arbitrator. All arbitrators to be appointed shall be of a nationality different from that of any of the Parties to the dispute.
- (E) The arbitration shall be conducted in London, United Kingdom

- (F) Each Party shall have the right to seek interim measures, such as injunctions, from any court of competent jurisdiction in order to preserve the rights of such Party pending the arbitral proceedings.
- (G) To the extent permitted by applicable law, or rules of an applicable stock exchange, the Parties shall maintain the confidentiality of any Expert determination and/or arbitral proceedings, and the results thereof.

ARTICLE ٣٣ OFFICE IN BAHRAIN

Within three (3) months from the Effective Date, the company acting as operator on behalf of the CONTRACTOR, or the CONTRACTOR itself, as the case may be, 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 CONTRACTOR's request, NOGA 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, including without limitation, as per the provisions of Article 33.2 below.

ARTICLE ٣٤ NOTICES

٣٤.١ 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 NOGA or vice versa shall be delivered at, or sent to, the following addresses of the Parties:

If to NOGA:

National Oil and Gas Authority
Building ٣٠٨, Road ١٩١٠
Hoorah ٣١٩ - Kingdom of Bahrain
P.O. Box ١٤٣٥
Telephone: + ٩٧٣ ١٧٢٩١٣٨٧
Facsimile: + ٩٧٣ ١٧٢٩٢٢٩٣

Attention: H.E. The Minister

If to the CONTRACTOR:

Occidental of Bahrain (Offshore), LLC
o Greenway Plaza, Suite ١١٠
Houston, Texas ٧٧٠٤٦-٠٥٠٤ USA
Telephone: +١ ٧١٣ ٢١٥ ٧٠٠٠
Facsimile: +١ ٧١٣ ٩٨٥ ١٩٠٠
Attention: Vice President, Worldwide Exploration

or to such other address as a Party may from time to time specify by notice to the other Party.

ARTICLE ٣٥ MISCELLANEOUS

٣٥,١ 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.

٣٥,٢ Amendment

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. Notwithstanding the

foregoing, the CONTRACTOR may request certain modifications to the work programmes set forth in Article 5 to facilitate the performance of this Agreement. NOGA shall have the discretion whether to grant such requests. If any such request is granted by NOGA, any amendments to this Agreement necessary therefrom shall be on terms and conditions to be mutually agreed in writing between the Parties.

٣٥,٣ 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.

٣٥,٤ 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.

٣٥,٥ 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.

٣٥,٦ Measurement of Time

In this Agreement all measurements of time shall be fixed and computed pursuant to the Gregorian Calendar.

٣٥,٧ Conflict of Interest

Each Party shall be 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(s) 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.

٣٥,٨ **Joint Operating Agreement and Operator**

In the event that at any time there is more than one party comprising CONTRACTOR, such parties comprising CONTRACTOR shall submit to the Management Committee, for information only, the joint operating agreement describing their relationship. Such parties shall also submit to the Management Committee for approval the initial operator, as well as any change of the initial operator under such joint operating agreement, and the Management Committee shall not unreasonably withhold such approval.

The initial operator as of the date of signing this Agreement shall be the CONTRACTOR or its Affiliate. There shall in no event be more than one party acting as operator under this Agreement.

٣٥,٩ **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.

٣٥,١٠ **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. Provided, however, that this Agreement as executed by the Parties shall not be effective until it has received such necessary approvals, authorizations and ratifications as may be necessary from the Kingdom of Bahrain and its associated entities in connection with this Agreement, including ratification as may be required under Articles 37 and/or 117(a) of the Constitution of the Kingdom of Bahrain. Upon receipt of such approvals, authorizations and ratifications, NOGA shall promptly notify the CONTRACTOR of the Effective Date of this Agreement. If despite its best efforts NOGA shall be 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.

*** Rest of Page Intentionally Blank ***

IN WITNESS WHEREOF the Parties have executed this Agreement the day and year first above written.

KINGDOM OF BAHRAIN
NATIONAL OIL & GAS AUTHORITY

Name:

Title:

OCCIDENTAL OF BAHRAIN (OFFSHORE), LLC

Name:

Title:

1

2

3

4

5

6

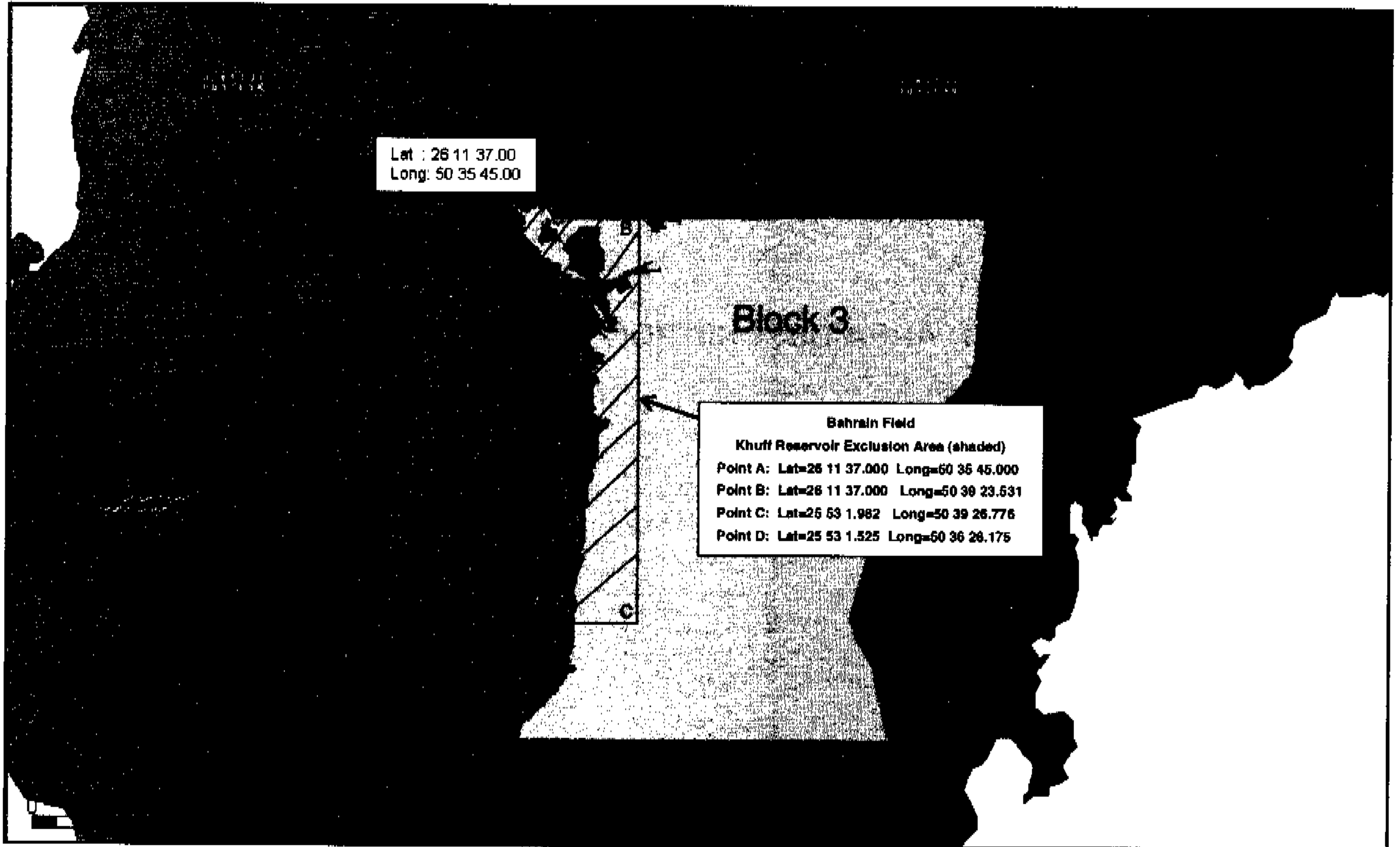
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APPENDICES

APPENDIX A	MAP OF THE CONTRACT AREA
APPENDIX B	CONTRACT AREA DESCRIPTION AND COORDINATES
APPENDIX C	ACCOUNTING PROCEDURE
APPENDIX D	PROCEDURE FOR EXPERT DETERMINATION
APPENDIX E	FORMAT FOR ANNUAL BUDGET AND ANNUAL PETROLEUM COST STATEMENT
APPENDIX F	FORM OF PARENT COMPANY PERFORMANCE GUARANTEE
APPENDIX G	ENVIRONMENTAL STANDARDS AND PRACTICES AND SAFETY GUIDELINES
APPENDIX H	FORM OF ASSIGNMENT NOTICE

APPENDIX A

Map of the Contract Area



APPENDIX B**CONTRACT AREA DESCRIPTION AND COORDINATES**

CONTRACT AREA DESCRIPTION & CO-ORDINATES

For Converting the Geographic Coordinates into UTM, the following Reference Coordinate System to be used:

Datum : AIN el ADB ١٩٧٠, Bahrain Island

Ellipsoid : INT٢٤

Central Meridian : ٥١ degrees

Projection : UTM Zone ٣٩ Northern Hemisphere

Block ٣

Block-٣ comprises ١٠٨٨ sq. km. and is situated east of the Kingdom of Bahrain Island and is bounded by the lines joining the points listed hereunder. The western boundary of the block is the eastern coast line of the Kingdom of Bahrain Island.

Latitude (Deg-Min-Sec)	Longitude (Deg-Min-Sec)
٢٦ ١١ ٣٧,٠٠٠	٥٠ ٣٥ ٤٥,٠٠٠
٢٦ ١١ ٣٧,٠٠٠	٥٠ ٥٥ ٠٥,٠٠٠
٢٦ ١١ ٠٢,٠٠٠	٥٠ ٥٥ ٠٣,٠٠٠
٢٦ ٠٤ ٣٨,٠٠٠	٥٠ ٥٤ ٢٧,٠٠٠
٢٦ ٠٠ ٤٠,٠٠٠	٥٠ ٥١ ٠٠,٠٠٠
٢٥ ٥٣ ٤٢,٠٠٠	٥٠ ٤٨ ٥٧,٠٠٠
٢٥ ٥٢ ٢٦,٠٠٠	٥٠ ٤٩ ١٢,٠٠٠
٢٥ ٥١ ٤٠,٠٠٠	٥٠ ٤٩ ٥٣,٠٠٠
٢٥ ٤٨ ٤٣,٠٠٠	٥٠ ٥٠ ٣٢,٠٠٠

٢٥ ٤٨ ١٠,٧٥٠	٥٠ ٥٠ ٤٧,٥٠٠
٢٥ ٤٨ ١٠,٧٥٠	٥٠ ٣٣ ٥٤,٠٠٠

APPENDIX C**ACCOUNTING PROCEDURE**

ACCOUNTING PROCEDURE

The purpose of this Accounting Procedure is to establish a fair and equitable method for determining charges and credits to the Operating Account, and to provide a method for controlling expenditure against approved budgets.

SECTION 1 - GENERAL PROVISIONS

A. DEFINITIONS

The definitions set forth in Article 1 of the Agreement shall apply equally whenever used in this Accounting 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 Procedure.

"**Accrual Basis**" shall have the meaning assigned to it in this Section 1(B).

"**Commercial Rate of Exchange**" shall mean:

- (a) whenever the two currencies concerned are both other than the currency of the arithmetic average rate of buying and selling shall be as certified by the National Westminster Bank Plc. (or any other first class international bank mutually agreed by the Parties) in respect of telegraphic transfers for the currencies in question quoted by the bank at 10:30 AM London time; and
- (b) whenever the two currencies concerned include currency of the rate of exchange shall be the rate at which such currency was purchased by the CONTRACTOR.

"**Cost Control Report**" shall have the meaning assigned to it in Section 1(C)(2).

"**Cost Recovery and Profit Petroleum Report**" shall have the meaning assigned to it in Section 1(C)(3).

"**Expenditure Account**" shall mean the account or set of accounts maintained by the CONTRACTOR pursuant to Section 1(B) to record those legitimate expenditures incurred pursuant to the Annual Work Program and Budget which nonetheless do not qualify as Petroleum Costs, and hence qualify as "**Expenditures**".

"**Material**" shall mean any property, equipment, materials, machinery, articles and supplies whatever, acquired or held for us in or with respect to the Petroleum Operations hereunder.

"**Operating Account**" shall mean the account or set of accounts maintained by the CONTRACTOR pursuant to Section 1(B) to record the Petroleum Costs incurred and revenues obtained in connection with the Petroleum Operations hereunder.

"**Technical Services**" shall have the meaning assigned to it in Section 3(E).

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 Procedure;

B. OPERATING ACCOUNT, EXPENDITURE 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 on a Commercial Discovery specific basis, the Petroleum Costs incurred and the revenues obtained by 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 received or paid.

(3) Availability for Inspection By NOGA

The CONTRACTOR shall, at all time, make available for inspection by NOGA or its authorized representatives all of its accounts and records in accordance with Article 27.

(4) Currency Exchange

The CONTRACTOR's accounts and records, including without limitation those relating to the statements of Petroleum Costs and statements of Expenditures referred to in Article 10, shall be kept in U.S. Dollars. Conversions of currency shall be recorded at the rate actually obtained for the relevant conversion. 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 four (4) decimal places, with the final results rounded to two (2) decimal places in case of currency and zero (0) 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 NOGA a profit and loss statement, balance sheet and cashflow statement for each calendar year and statements of Petroleum Costs, with appropriate classification and breakdown as outlined in Appendix E, with respect to each Calendar Quarter, under and in accordance with the provisions of Article 10.

(2) The CONTRACTOR will provide NOGA with a report within thirty (30) Business Days of the end of each Calendar Quarter ("**Cost Control Report**"), which shall include the following information for each approved Annual Work Programme and Budget:

- (a) each approved budget item;
- (b) cumulative expenditure to date for each budget item;
- (c) forecast of future expenditure to complete the Annual Work Programme and Budget; and
- (d) total Petroleum Costs anticipated to be incurred against the approved Annual Work Programme and Budget.

(3) The CONTRACTOR provide to NOGA within thirty (30) Business Days of the expiry of each Calendar Quarter with a report ("**Cost Recovery and Profit Petroleum Report**") which shall include the following information on a Commercial Discovery specific basis where appropriate:

- (a) unrecovered Petroleum Costs at the beginning of the Calendar Quarter;
- (b) Petroleum Costs incurred during the Calendar Quarter;
- (c) Expenditures incurred during the Calendar Quarter;
- (d) the value and volume of Costs Recovery Petroleum lifted by the CONTRACTOR during the Calendar Quarter;
- (e) unrecovered Petroleum Costs carried forward for recovery in succeeding Calendar Quarters;
- (f) the value and volume of Petroleum produced and used in Petroleum Operations, available for lifting and actually lifted by the CONTRACTOR and NOGA at the end of the Calendar Quarter; and

- (g) Profit Petroleum allocated to the CONTRACTOR and NOGA during the Calendar Quarter.

(4) The CONTRACTOR shall prepare and submit to NOGA the closing estimates of the approved Annual Work Programme and Budget, at least thirty (30) Business Days before the end of the fiscal year under consideration. Such estimates shall specify any part of the Work Programme not executed, if any, which is to be carried forward to the following Calendar Year.

D. CORRECTNESS OF STATEMENTS

(1) So long as the statement of Petroleum Costs and Expenditures reflects a clear and accurate account and record of such costs, which can be supported by the CONTRACTOR's records, and so long as such statements are prepared and supplied timely in accordance with Article 10, each such statement shall be conclusively presumed to be true and correct, subject to NOGA's right to audit pursuant to Section 1(E), below.

(2) For the avoidance of doubt, with regard to providing the CONTRACTOR's accounts for Expenditures in accordance with the procedures of this Appendix C, nothing shall prevent CONTRACTOR from subsequently submitting such Expenditure to the Management Committee for characterization as reimbursable Petroleum Costs if CONTRACTOR subsequently decides that such approved Expenditures have directly contributed to the declaration of a Commercial Discovery. Upon approval by the Management Committee, such Petroleum Costs shall be recovered and shall bear compound interest as stated in Article 13.4.

E. AUDIT

(1) Upon giving a thirty (30) day advance written notice to the CONTRACTOR, NOGA shall have the right to audit, at NOGA's own cost and expense, the CONTRACTOR's accounting books, records and files for any Calendar Quarter, until one (1) year after the expiry of the Calendar Year within which the relevant Calendar Quarter shall fall.

(2) NOGA shall make every reasonable effort to conduct its audits in a manner which will result in minimum of inconvenience to the CONTRACTOR. CONTRACTOR shall make every

effort to cooperate with the Ministry, and shall provide NOGA's representatives with reasonable facilities and assistance.

(3) Within thirty (30) days from the date of conclusion of its audit, NOGA shall give to the CONTRACTOR a detailed written notice, specifying all observations and/or claims arising from such audit and the reasons therefore.

(4) The Parties shall meet within thirty (30) days from the date of receipt by the CONTRACTOR of the notice referred to in Section 1(E)(3), 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 the Parties may agree to have the matter settled within a further period of thirty (30) days by a mutually accepted internationally recognized accounting firm (which shall be of a different nationality of that the Parties hereof) and the decision of such accounting firm shall be final and binding on the Parties. If the Parties cannot settle the matter as stated above, either party may at any time thereafter refer the matter for settlement pursuant to Appendix D. In the event the Expert determination sustains any of NOGA's objections to the account, the Operating Account (or Expenditure Account, if relevant) shall be adjusted accordingly.

(5) All information obtained by any Party under the provisions of this Accounting Procedure shall be confidential, and accordingly shall be subject to the provisions of Article 26.2.

(6) Notwithstanding that the said period of one (1) year referred to in Section 1(E)(1) may have expired, if evidence exists that the CONTRACTOR has been guilty of fraud or Willful Misconduct, NOGA shall have the right to conduct further audits in respect of any earlier period.

(7) Without derogating from any provision within any law in force that requires a longer retention period, all accounting records, returns, books and accounts relating to Petroleum Operations shall be maintained by the CONTRACTOR for a minimum of five (5) years following the end of the Calendar Year to which they relate or, in the case where NOGA alleges fraud or Willful Misconduct, the later of: (a) a minimum of five (5) years following the end of the

Calendar year to which they relate; and (b) a minimum of one (1) year after resolution of the objections to the accounts made in respect of such fraud or Willful Misconduct.

F. LIMITATIONS FOR NON-BUDGETED ITEMS

NOGA may authorise the CONTRACTOR to make expenditures for any items of work not included in the Annual Work Programme and Budget at the recommendation of the Management Committee.

G. PREVALENCE OF THE AGREEMENT

In the event of any inconsistency or conflict between any provision of this Accounting Procedure and the Articles of the Agreement, the Articles shall always prevail.

H. REVISION OF THIS ACCOUNTING PROCEDURE

By mutual agreement between NOGA and the CONTRACTOR this Accounting Procedure may be revised from time to time.

SECTION 2 – PETROLEUM OPERATIONS CHARGES

Subject to the provisions of this Agreement and of this Accounting Procedure, the CONTRACTOR shall charge the Operating Account with all Petroleum Costs and the Expenditure Account with all Expenditures (but no item shall be charged more than once), which shall include but shall not be limited to the following items:

A. LABOUR

(١) The salaries, wages and related costs of:

- (i) employees of the CONTRACTOR,
- (ii) employees of the CONTRACTOR's Affiliates and/or entities comprising the CONTRACTOR temporarily or permanently assigned in the Kingdom of Bahrain; and
- (iii) 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 Operating Account.

(٢) Costs for salaries, wages and related costs may be charged to the Operating Account on an actual basis or at a rate based upon the average cost in accordance with the CONTRACTOR's usual practice.

(٣) Reasonable expenses (including related travel costs) of those employees whose salaries, wages and related costs are chargeable to the Operating Account or for which expenses the employees are reimbursed under the usual practice of the CONTRACTOR shall be chargeable to the Operating Account.

B. MATERIAL

Material purchased for or furnished to the Petroleum Operations shall be charged to the Operating Account (or the Expenditure Account) as inventory, until used in operations. The basis for this charge is contained in Section 3. So far as is reasonably practical and consistent with efficient and economical operation, only such Material and equipment shall be purchased or transferred for use in Petroleum Operations as may be required for immediate use or to maintain prudent contingent stock. The accumulation of surplus stocks shall be avoided.

C. TRANSPORTATION

Transportation of employees and Material necessary for the performance of Petroleum Operations, including costs of packaging, brokerage, insurance and other related costs. Employee transportation costs, to the extent covered by the established policy of the CONTRACTOR, shall include travel expenses for employees and their immediate dependent families to and from employees' point of origin, at the time employment commences, at the time of final departure and for vacations, as well as domestic travel expenses in the Kingdom of Bahrain for employees and their immediate dependent families, incurred as a result of transfer from one location to another, and travel expenses relating to the periodic recuperation leaves of field personnel.

D. BUILDINGS

Building costs, maintenance and reflected costs and rents paid for all offices, houses, warehouses and other types of buildings, and cost of equipment, installations, furniture, fixtures and supplies necessary for the operations of such buildings and facilities, all in the Kingdom of Bahrain.

E. SERVICES

(1) The cost of services of consultants, contract services, utilities and other services procured from outside sources, rentals or compensation paid or incurred 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 pursuant to Article 13.

(2) The cost of Material owned by the CONTRACTOR and/or its Affiliates and services rendered by the CONTRACTOR and/or its Affiliates. The basis for charging the Operating Account (or the Expenditure Account) is contained in Section 3.

F. DAMAGES AND LOSSES

All costs and expenses necessary to indemnify NOGA, its Affiliates and their servants or to replace or repair damages or losses in connection with Petroleum Operations, which have not been paid out of insurance proceeds, provided however, that costs resulting from risks which any reasonable and prudent operator would cover with insurance in accordance with Good International Petroleum Industry Practices, but the CONTRACTOR in the sole adjustment elected not to cover, shall be excluded. The exclusion in the preceding sentence shall not include insurance deductibles. The CONTRACTOR must notify NOGA as soon as possible in writing of any damages or losses exceeding fifty thousand Dollars (\$50,000).

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 judgments 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 Operating Account (or to the Expenditure Account). For the avoidance of doubt, any costs and expenses incurred by the CONTRACTOR relating to litigation or arbitration between the Parties shall be characterized as Expenditures.

H. 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 NOGA in the Kingdom of Bahrain for the benefit of the Petroleum Operations hereunder.

I. 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 25.3 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 Operating Account (or the Expenditure Account).

(2) All actual expenditures incurred and paid by the CONTRACTOR in settlement of any and the losses, claims, damages and judgments and any other expenses, including legal services, shall be charged as aforesaid, provided however, that the CONTRACTOR shall procure and maintain insurance coverage against such losses, claims, damages and judgments in accordance with insurance coverage that a reasonable and prudent operator would normally hold. If the CONTRACTOR does not comply with the terms of this Section 2(I), the CONTRACTOR shall not in any event charge the Operating Account for such expenditures.

(3) For the avoidance of doubt, the Operating Account shall be credited with the proceeds of all settlements and payments received from insurers or others in relation to Petroleum Operations.

J. TRAINING COSTS

The costs of the provision of all training in accordance with Article 24.1 shall be included as Petroleum Costs and shall be cost-recoverable.

K. GENERAL AND ADMINISTRATIVE EXPENSES

(1) The costs of the personnel, and related office costs, performing administrative, legal, accounting, purchasing, treasury, employee relations, computer services and other similar

functions in the CONTRACTOR'S offices in the Kingdom of Bahrain shall not be charged under the preceding provisions of this Accounting Procedure. In the event such personnel and office costs are not fully attributable to the Petroleum Operations carried out under this Agreement, the charges shall be treated as follows:

- personnel costs to be charged to the Operating Account or the Expenditure Account shall be determined according to the actual time spend by such personnel for Petroleum Operations as evidenced by "time sheets" adopted by the CONTRACTOR; and
- other office costs will be charged to the Operating Account or the Expenditure Account pro-rata to the direct costs of personnel as determined pursuant to Section 2(K).

(2) The calculation of such charges referred to above shall be outlined separately in the statement of Petroleum Costs, with sufficient supporting documentation, if requested by NOGA.

L. ECOLOGICAL AND ENVIRONMENTAL

Costs incurred as a result of statutory regulations for archaeological and geophysical surveys relative to identification and protection of cultural resources and/or other environmental or ecological surveys as may be required by any regulatory authority shall be chargeable to the Operating Account. Also, costs to provide or have available pollution containment and removal equipment plus, except in the event of CONTRACTOR's Willful Misconduct, costs of actual control, clean up and remediation resulting from responsibilities associated with hydrocarbon contamination as required by the EPSA and by applicable law. Costs related to safety, health and industrial hygiene shall also be chargeable to the Operating Account.

M. OTHER EXPENDITURE

Any other legitimate costs and expenses, other than those covered by the foregoing provisions of this Section 2 incurred by the CONTRACTOR for the performance of the Petroleum Operations will be charged to the Operating Account (or the Expenditure Account), provided such charges are approved by NOGA, such approval not to be unreasonably withheld.

N. 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 2 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) 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) 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.

SECTION 3 – BASIS OF CHARGES TO OPERATING ACCOUNT**A. MATERIALS PURCHASED BY THE CONTRACTOR**

Material purchased shall be charged at the price paid by the CONTRACTOR or its Affiliates after deduction of all discounts actually received. The said price shall include such costs as (without limitation): procurement fees; inspection and expediting charges; export broker's fees; transportation charges; insurance charges; loading and unloading fees; import duties and license fees associated with the procurement of material and equipment; and applicable taxes, if any.

B. MATERIAL FURNISHED BY THE CONTRACTOR

Material required for Petroleum Operations shall be purchased for direct charge under Section 3(A) whenever practicable, except that the CONTRACTOR may furnish such Material from its stocks under the following conditions:

١. New Material transferred from the CONTRACTOR's warehouse or other property shall be charged at the original purchase price.
٢. Material which is equal to new, but superficially worn and is suitable for re-use, shall be charged at seventy five percent (75%) of the original purchase 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.
٣. Material which cannot be classified in accordance with Sections 3(B)(1) and 3(B)(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 original purchase price.
٤. 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.

٥. Handling charges, import duties, applicable taxes and transportation costs shall be added to the costs mentioned in Sections 3(B)(1) to 3(B)(4), upon submittal of the supporting documents.

C. WARRANTY OF MATERIAL PURCHASED OR FURNISHED BY THE CONTRACTOR

١. In the event that any Material purchased by the CONTRACTOR or its Affiliates pursuant to Section 3(A) is defective and in respect of which there exists a manufacturer's or supplier's guarantee or warranty, express or implied, the CONTRACTOR shall use its reasonable endeavours to recover from the manufacturer or supplier in question under such guarantee or warranty, and any adjustment received by the CONTRACTOR from such manufacturer or supplier shall be credited to the Operating Account, if such Material constitutes a Petroleum Cost.
٢. In the event that any Material purchased, (but covered by Section 3C(1)), or furnished by the CONTRACTOR pursuant to Sections 3(A) or 3(B) is defective at the time it was purchased or furnished or is determined to be defective shortly thereafter, then the CONTRACTOR shall credit the Operating Account with the costs thereof, if such Material constitutes a Petroleum Cost.

D. PREMIUM PRICES

Whenever immediately required Material is not readily obtainable at the customary supply points and at prices specified in this Appendix due to of 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.

E. TECHNICAL SERVICES, EQUIPMENT AND FACILITIES RENDERED BY THE CONTRACTOR OR ITS AFFILIATES

١. Unless otherwise agreed upon by both Parties, Technical Services, including but not limited to laboratory analysis, drafting, geophysical interpretation, engineering, and related data processing, performed by the CONTRACTOR or its Affiliates for the benefit of the Petroleum Operations shall be charged at its cost amount if not otherwise provided for in Article 13. Such cost shall be determined according to the cost account 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 international cost for services of similar quality on similar terms, prevailing at the time such Technical Services are rendered.
٢. Equipment and facilities owned by the CONTRACTOR or any of its Affiliates may, with the prior written approval of NOGA (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.

F. INVENTORIES

١. At reasonable intervals, at least once annually, inventories shall be taken by the CONTRACTOR of the Material entered in the Operating Account (and the Expenditure Account) which shall include all such Material as is ordinarily considered controllable. Written notice of intention to take an inventory shall be given by the CONTRACTOR to NOGA at least sixty (60) days before any such inventory is to begin, and NOGA shall have the right to appoint one or more representatives to witness the taking of the inventory. If NOGA does not exercise this right, NOGA shall accept the inventory taken by the CONTRACTOR, it being understood that the CONTRACTOR shall in all cases promptly furnish

NOGA with a copy of any inventory taken, regardless of whether or not NOGA is present at the inventory.

٢. A reconciliation shall be made between the inventory and the records of stock held in the Operating Account (and the Expenditure 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.
٣. If the CONTRACTOR determines it is appropriate to dispose of any surplus Material, it must advise NOGA of proposed disposals having a value in the Operating Account or Expenditure Accounts of one hundred thousand Dollars (\$100,000) or more.

APPENDIX D

PROCEDURE FOR EXPERT DETERMINATION

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PROCEDURE FOR EXPERT DETERMINATION

The purpose of this Procedure for Expert Determination 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 which case the I.C.C. Centre for Expert Appointment in Paris (the "CEA") shall, at the request of either Party, appoint the Expert according to the procedure set out under Section 2 hereof. 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 CEA shall appoint the Expert according to Sections 1 or 4(d) of this Appendix D, both Parties shall submit to the CEA 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 CEA shall appoint the Expert from the list submitted by the other Party. If the Parties each submit a list, the CEA 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 CEA 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 hereof.
4. Wherever in these Procedures 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 to 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 fail to do so within this period, such appointment shall be made, at the request of the other Party, by the CEA.
 - (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 CEA according to the procedure set out under Section 2 hereof.
5. No person shall be appointed to act as an Expert under this Procedure 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 D 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(s) and to the other Party, provided that a Party receiving such confidential material may have an internationally recognised 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(s) 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 shall bear the costs and expenses for the Expert appointed by it or on its behalf and also the costs and expenses of all counsel, witnesses and employees retained by it. The costs and expenses of the third Expert or the Expert, if only one (1) Expert is appointed, shall be borne by the Parties equally, each as to fifty percent (50%) of the total cost.
12. Experts appointed pursuant to this Procedure may not be a citizen or permanent resident of the Kingdom of Bahrain, nor employed by NOGA or the CONTRACTOR or any of their Affiliates.

APPENDIX E**FORMAT FOR SUBMISSION OF ANNUAL BUDGET AND
ANNUAL PETROLEUM COST STATEMENT**

BAHRAIN BLOCK**ANNUAL BUDGET****EXPLORATION**

GEOLOGICAL & GEOPHYSICAL
DRILLING
INVENTORY

TOTAL EXPLORATION**DEVELOPMENT**

DEVELOPMENT ENGINEERING
DEVELOPMENT DRILLING
PROJECT MANAGEMENT COST

TOTAL DEVELOPMENT

MANPOWER & GENERAL ADMINISTRATION
EPSA TRAINING
OVERHEAD

SUB-TOTAL**FIXED ASSET**

TOTAL CAPEX ('000 USD)

**FORMAT FOR ANNUAL BUDGET AND
PETROLEUM COST STATEMENT**

NOTE: Annual Work Programmes should be submitted in the same format to allow comparison with the Annual Budgets and Statement of Petroleum Costs

EXPLORATION AND APPRAISAL COSTS (\$US)

1.1 **For Each Well to be Drilled**

NOTE: The Statement of Petroleum Costs is issued every 3 months and thus if the well is finished within that period the cost will normally be reported only after the well is completed.

Tangibles

Casing Programme
Specifications
Tubing Programme
Specifications
Wellhead Equipment.

Intangibles

Fuel, Water (Rig)
Fuel, (Boats)
Site Survey
Drilling rig
Mob/demob
Move in rig up
Day-work rate
Supply vassal
Bits
Mud
Cement & Cement Services
Non-Controllable Materials
Tool Rental
Coring
Conventional
Sidewall samples

Quantity	Unit Price	Budget	Actual Cost	Variance	Exploration For Variance

1.2 **For Each Seismic Project**

NOTE: For each project specified on the Annual Work Programme

Acquisition Programme Specification
Processing
Interpretation (man-hours)
External Manpower (man-hours)
Allocation of Administration Costs
Administration Overhead Charge

1.3 **For Each Geology and Geophysics Project**

NOTE: For each project specified on the Annual Budget and Work Programme

In-house Manpower (man-hours)
External Manpower (man-hours)
Rental and Services
Allocation of Administration
Administration Overhead Charge

Approved Budget	Actual For Quarter	Cost Year To date	% of Completion	Variance	Reasons For Variance

DEVELOPMENT COST (\$US)

2.1 **For Each Development Well to be Drilled**

NOTE: Development Wells should have the same format as shown above under Exploration & Appraisal Wells

2.2 **Development Studies**

- In-House Manpower (man-hours)
- External Manpower (man-hours)
- Rental and Services
- Allocation of Administration Costs
- Administration overhead charge

2.3 **Development Projects**

NOTE: Capital items in Excess of US\$2,000,000 will require a Statement of Requirement and Authorisation for Expenditure

Major Construction elements such as:

- SPM Cost
- Pipelines
- Pipeline Riser
- Flexible hose for loading shuttle
- Tankers
- Mooring Systems
- Oil/Water separations units
- Storage tanks
- Pumps

Approved Budget	Actual For Quarter	Cost Year To date	% of Completion	Variance	Reasons For Variance
				8	

Production Platforms

Company Labour
 Contract Labour
 Company Supervision
 Shore-base Facilities
 Warehouse rental and Services
 Consumable materials
 Rental Equipment
 Support Vessels
 Helicopter
 Fuel and Water
 Allocation of Administration Costs
 Administration Overhead Charge

Approved Budget	Actual For Quarter	Cost Year To date	% of Completion	Variance	Reasons For Variance

3. **OPERATING COSTS (\$US)**

Company Labour (man-hours)
 Contract Labour (man-hours)
 Company Supervision (man- hours)
 Consumable Materials
 Shore-base Facilities
 Warehouse Rental and Services
 Rental Equipment
 Shuttle Tanker
 Marketing Costs
 Allocation of Administration Costs
 Administration Overhead Charge

Approved Budget	Actual For Quarter	Cost Year To date	% of Completion	Variance	Reasons For Variance

APPENDIX F**FORM OF PARENT COMPANY PERFORMANCE GUARANTEE**

GUARANTEE LETTER

FORM OF PARENT COMPANY PERFORMANCE GUARANTEE

١. An Exploration and Production Sharing Agreement (hereafter the "Agreement") in respect of Petroleum Operations relating to Bahrain Offshore Blocks ---- was executed on2007 between The National Oil and Gas Authority of the Kingdom of Bahrain (hereafter "NOGA") and _____ (hereafter the "COMPANY"), a company incorporated under the laws of _____.
٢. This performance Guarantee is hereby given as of _____ to NOGA by _____, a company incorporated under the laws of _____ and having its registered office at _____, being the parent company of the Company ("Parent Company").
٣. Parent Company represents and warrants to NOGA that Parent Company is the ultimate parent company of the Company and ultimate beneficial owner of all of the issued and outstanding equity share capital of the Company.
٤. Parent Company, by this Performance Guarantee, irrevocably and unconditionally guarantees to NOGA, as principal obligor and not merely as surety, the due, timely, prompt, full, and complete performance by the Company of all terms, provisions, conditions, obligations, and agreements to be performed by it in accordance with the Agreement, as well as any and all amendments to the Agreement which may subsequently be executed by NOGA and the Company (collectively hereafter "Obligations").
٥. If the Company 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 therefore contained in the Agreement, Parent Company shall, upon receiving NOGA's written request, forthwith perform or cause to be performed the unfulfilled Obligations of the Company in accordance with the Agreement, free of offsets, without restriction or conditions not otherwise contained in the

Agreement, and notwithstanding any contestation or objection by the Company. Parent Company waives any right it may have of first requiring NOGA to proceed against or enforce any other rights or other guarantee or security with respect to or claim payment from Parent Company before making a demand against or claiming from Parent Company hereunder. In the event and to the extent that Parent Company performs the Obligations of the Company, Parent Company shall be entitled to and shall receive all of the rights and benefits to which the Company is entitled under the Agreement, and shall procure the settlement of all liabilities, losses or damages arising out of the Company's failure to perform the Obligations.

٦. Parent Company shall indemnify and hold NOGA harmless against all costs, liabilities, losses and/or damages resulting from or arising out of the Company's breach of its Obligations, and/or Parent Company's breach of this Performance Guarantee.
٧. NOGA shall have the right, at its option, in the event of default by Parent Company to perform this Performance Guarantee, to engage another party, other than Parent Company or the nominee of Parent Company to perform the unfulfilled Obligations of the COMPANY, and Parent Company hereby undertakes to pay any and all reasonable additional costs thereby incurred by NOGA.
٨. This Performance Guarantee shall ensure to the benefit of NOGA and its successors and assigns. NOGA may at any time assign or otherwise transfer any or all of its rights hereunder to an Affiliate of NOGA, provided that NOGA shall promptly notify Parent Company of such assignment. Parent Company shall not, without the prior written consent of NOGA, assign or transfer any or all of its obligations hereunder, but may cause others to perform its obligations hereunder.
٩. This Performance Guarantee is a continuing guarantee and shall be effective as of the Effective Date of the Agreement, and remain in force so long as the Company has Obligations and/or Parent Company has obligations pursuant to or arising out of Sections 4, 5, 6 and/or 7 of this Performance Guarantee.
١٠. 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 NOGA:

- (a) any amendment, modification, extension, indulgence, time, waiver, or concession granted to the Company, 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 NOGA;
 - (c) any legal limitation, disability, incapacity or other similar circumstances relating to the Company;
 - (d) any unenforceability, invalidity, or frustration of any Obligations of the Company, with the intent that Parent Company's obligations hereunder shall remain in full force and this Performance Guarantee shall be construed accordingly as if there were no such unenforceability, invalidity, or frustration; and/or
 - (e) the bankruptcy or insolvency of the Company.
١١. No failure to exercise, and no delay in exercising on the part of NOGA, 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 NOGA shall be effective unless it is in writing.
 ١٢. The rights and remedies of NOGA herein provided are cumulative and not exclusive of any rights or remedies provided by law. The Performance Guarantee shall not pertain to any obligations, liability or loss for which NOGA receives other compensation.
 ١٣. If any provision of this Performance 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.

١٤. Terms defined in the Agreement shall have the same meanings in this Performance Guarantee, except as otherwise defined herein.
١٥. This Performance Guarantee shall be governed by, subject to, and construed and interpreted in accordance with the existing 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 by reference to applicable international laws and Good International Petroleum Industry Practices.
١٦. Any dispute between NOGA and Parent Company regarding this Performance 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*.

By: _____

APPENDIX G

ENVIRONMENTAL STANDARDS AND PRACTICES AND SAFETY GUIDELINES

ENVIRONMENTAL STANDARDS AND PRACTICES AND SAFETY GUIDELINES

The following are general and specific guidelines relating to discharges associated with oil and natural gas exploration and production activities.

A. General Guidelines

١. There shall be no discharge of waste oil, produced water and sand, drilling fluids, drill cuttings or other wastes from exploration and production sites except in accordance with the following guidelines.
٢. There shall be no unauthorised discharges directly to the surface of the sea. All discharges authorized by these guidelines shall be controlled by discharging into a caisson whose open end is submerged to a depth necessary to provide for evaluation in the environmental impact assessment.

B. Discharge Guidelines and Monitoring

١. Produced Water

- (a) The CONTRACTOR will endeavour to utilise produced water for reservoir pressure maintenance if, through standard compatibility testing with surrounding sea water, no damage to the reservoir resulting in reduction in overall hydrocarbon recovery would occur by mixing the two water streams. In the event that the two water streams are compatible, the CONTRACTOR may only discharge a volume of produced water after treatment to the sea that exceeds the total volume required for reservoir pressure maintenance or in the event of an emergency, accident or mechanical failure. In the event that the two water streams are not compatible, the CONTRACTOR may discharge produced water to the sea after treatment. Treatment of produced water will result in an oil and grease concentration that does not exceed 42 mg/l on a daily basis or 29

mg/l on a monthly average. The gravimetric (extraction) test method EPA 413.1 (79) shall be used to measure the oil and grease concentration.

٢. Drill Cuttings and Drilling Fluids

- a. There shall be no discharge of drilling fluids, other than low toxicity water based fluids.
- b. Drill cuttings shall be discharged offshore but shall be disposed of in an environmentally acceptable manner.
- c. Prior to the start of the drilling programme, a drilling mud system will be designed and laboratory tested under the U.S. EPA, 96-hour acute toxicity test using mycid shrimp. Those muds that achieve an LC50 value in concentrations of more than 30,000 ppm may be authorized for discharge during the drilling programme.
- d. During drilling operations with water-based muds, mud samples will be collected periodically to determine toxicity.
- e. The composition of the mud system may be altered as necessary to meet changes in the drilling operations. The modified mud system may be approved for discharge if it has been shown to meet the above limit on toxicity.

٣. Other Wastes

- a. Sanitary waste may be discharged from a U.S. Coast Guard certified or equivalent Marine Sanitation Device (MSM) with total residual chlorine content greater than 0.5 mg/l but less than 2.0 mg/l as long as no floating solids are observable. The Hach method CN-66-DPD test shall be used to measure the residual chlorine.
- b. Domestic wastes and grey water may be discharged as long as no floating solids are observable.

- c. Monitoring of floating solids shall be accomplished during daylight by visual observation of the surface of the receiving water in the vicinity of the sanitary and domestic waste outfalls. Observations shall be made following either the morning or midday meals and at a time during daylight and maximum estimated discharge.
- d. Discharge of desalinisation unit wastes shall be permitted.
- e. Deck drainage and wash water may be discharged as long as no visible sheen is observable.
- f. Trash shall not be discharged offshore. Trash shall be transported to an appropriate land-based disposal facility.

٤. Monitoring

- a. Produced water
 - i. The volume of produced water discharged and concentration of oil and grease contained in the discharge will be monitored daily.
 - ii. The daily maximum and monthly average oil and grease concentration will be reported monthly.
- b. Drill Cuttings and Drilling Fluids
 - i. An inventory of drilling fluids additives and their volumes or mass added to the drilling fluid system will be maintained for each well.
 - ii. Drilling fluid properties, including volume percent oil and concentration of chlorides, will be monitored daily for each well.
 - iii. The estimated volume of drill cuttings and drilling fluids accidentally discharged shall be recorded and reported immediately.
- c. Other Wastes

The estimated volume of other wastes discharged shall be recorded daily and reported monthly to include:

- i. Sanitary waste
- ii. Domestic waste
- iii. Deck drainage and wash water

C. Air Emission Guidelines and Monitoring

The CONTRACTOR is authorized to discharge air emissions. Such discharges will be limited and monitored, calculated or estimated in accordance with Good International Petroleum Industry Practices.

D. Safety Guidelines

The CONTRACTOR shall work safely at all times and ensure the safe performance of its sub-contractors. The CONTRACTOR shall take into account the following international safety and industrial hygiene standards in conducting Petroleum Operations under this Agreement:

- i. International Association of Oil and Gas Producers (IAOGP) Reports – Safety;
- iv. International Association of Drilling Contractors (IADC) – Drilling Safety Manual;
- v. International Association of Geophysical Contractors (IAGC) – Operations Safety Manual; and

American Conference of Governmental Industrial Hygienists – Threshold Limited Values for Chemical Substances in the Work Environment.

APPENDIX H

FORM OF ASSIGNMENT NOTICE

Form of Assignment Notice

To: The National Oil and Gas Authority
Attn: [name]

Date: [date]

Reference is made to an Exploration and Production Sharing Agreement dated [date] (the "EPSA") between The National Oil and Gas Authority and [name] ("CONTRACTOR").

CONTRACTOR hereby notifies you that it has assigned [portion of its interest/rights and obligations] under the EPSA to [name] (the "Assignee") on [date]. The Assignee hereby agrees to be bound by the terms and conditions of the EPSA.

This is the notice required under Articles 28.1(A) and 28.1(C)(1) of the EPSA.

CONTRACTOR

Name: [name]

ASSIGNEE

Name: [name]

Acknowledged by The National Oil and Gas Authority

Name: [name]

Date: [date]

Kingdom of Bahrain

Exploration and Production Sharing Agreement

Between

The National Oil and Gas Authority

and

OCCIDENTAL OF BAHRAIN (OFFSHORE), LLC

in respect of

Offshore Bahrain

Block 4

January 2008

TABLE OF CONTENTS

ARTICLE 1 DEFINITIONS AND INTERPRETATION.....	
1.1	DEFINITIONS
1.2	INTERPRETATION.....
1.3	CURRENCIES
ARTICLE 2 SCOPE OF AGREEMENT	
ARTICLE 3 TERM.....	
3.1	EXPLORATION PERIOD
3.2	RETAINED EXPLORATION AREA
3.3	DISCOVERY WITHIN 180 DAYS OF END OF EXPLORATION PERIOD
3.4	TERM OF DEVELOPMENT AREAS
3.5	NOGA DISCRETION TO EXTEND FIRST EXPLORATION PHASE.....
ARTICLE 4 RELINQUISHMENT	
4.1	RELINQUISHMENT PRIOR TO SECOND EXPLORATION PHASE
4.2	RELINQUISHMENT AT END OF EXPLORATION PERIOD
4.3	RELINQUISHMENT OF DEVELOPMENT AREAS
4.4	VOLUNTARY RELINQUISHMENT
4.5	RELINQUISHMENT UPON TERMINATION
4.6	OBLIGATION TO OPERATE DEVELOPMENT AREA SUBSEQUENT TO RELINQUISHMENT....
4.7	RELINQUISHMENT NOTICE AND APPROVAL.....
4.8	CONTRACTOR'S OBLIGATIONS UPON RELINQUISHMENT.....
ARTICLE 5 EXPLORATION WORK PROGRAMME COMMITMENTS.....	
5.1	OBLIGATION TO COMMENCE OPERATIONS.....
5.2	G & G STUDY WORK PROGRAMME COMMITMENT
5.3	FIRST EXPLORATION PHASE WORK PROGRAMME COMMITMENTS

5.4	CARRY FORWARD OF EXCESS EXPLORATION WORK.....
5.5	SECOND EXPLORATION PHASE EXPLORATION WORK PROGRAMME COMMITMENTS
ARTICLE 6	
GUARANTEES.....	
6.1	GUARANTEE FOR EXPLORATION WORK PROGRAMME COMMITMENTS
6.2	GUARANTEE FOR GENERAL OBLIGATIONS UNDER THIS AGREEMENT.....
ARTICLE 7 MANAGEMENT COMMITTEE.....	
7.1	MANAGEMENT COMMITTEE AUTHORITY
7.2	MANAGEMENT COMMITTEE REPRESENTATIVES.....
7.3	MANAGEMENT COMMITTEE CHAIRMAN AND SECRETARY.....
7.4	MANAGEMENT COMMITTEE MEETINGS AND VOTING
ARTICLE 8 DISCOVERY AND APPRAISAL	
8.1	DISCOVERIES AND DISCOVERY AREAS.....
8.2	APPRAISAL PLANS.....
ARTICLE 9 DEVELOPMENT.....	
9.1	DEVELOPMENT
9.2	NOGA DECLARATION OF COMMERCIAL DISCOVERY
ARTICLE 10 ANNUAL WORK PROGRAMMES AND BUDGETS	
10.1	ANNUAL WORK PROGRAMME AND BUDGETS.....
ARTICLE 11 UNITIZATION.....	
11.1	UNITIZATION
ARTICLE 12 GENERAL RIGHTS AND OBLIGATIONS OF THE PARTIES.....	
12.1	CONTRACTOR'S GENERAL RIGHTS

12.2	CONTRACTOR'S GENERAL OBLIGATION.....
12.3	NOGA'S GENERAL RIGHTS
12.4	NOGA'S GENERAL OBLIGATIONS
12.5	LIMITATION OF RIGHTS.....
12.6	DELAYS
12.7	LIFTING.....
12.8	REASONABLE AND PRUDENT OPERATOR STANDARD
ARTICLE 13 COST RECOVERY AND PRODUCTION SHARING.....	
13.1	CLASSIFICATION OF COSTS
13.2	ALLOCATION OF PRODUCTION.....
13.3	R FACTOR.....
13.4	RECOVERY OF PETROLEUM COSTS
13.5	ALLOCATION OF PROFIT CRUDE OIL AND PROFIT ASSOCIATED GAS
13.6	ALLOCATION OF PROFIT NON-ASSOCIATED GAS
ARTICLE 14 BONUSES.....	
14.1	BONUSES.....
ARTICLE 15 VALUATION OF PETROLEUM.....	
15.1	VALUATION OF CRUDE OIL.....
15.2	VALUATION OF NATURAL GAS.....
15.3	REPORTING OF ARMS-LENGTH SALES.....
15.4	DETERMINATION OF MARKET PRICE.....
ARTICLE 16 MEASUREMENT OF PETROLEUM.....	
16.1	MEASUREMENT OF PETROLEUM
ARTICLE 17 TAXES AND STABILITY	
17.1	BAHRAIN INCOME TAX

17.2	EXPORT TAXES.....
17.3	TAXES ON ABANDONMENT FUND.....
17.4	STABILIZATION – ECONOMIC BALANCING
ARTICLE 18 IMPORT CUSTOMS AND DUTIES.....	
18.1	IMPORT CUSTOMS AND DUTIES
ARTICLE 19 CURRENCY, BANKING, AND EXCHANGE CONTROL.....	
19.1	CURRENCY OF PAYMENTS
19.2	CONTRACTOR'S RIGHTS
ARTICLE 20 NATURAL GAS.....	
20.1	ASSOCIATED GAS
20.2	NON-ASSOCIATED GAS.....
20.3	CONTRACTOR MARKETING OF NATURAL GAS ON BEHALF OF NOGA
ARTICLE 21 HEALTH, SAFETY AND ENVIRONMENTAL COMPLIANCE.....	
21.1	CONTRACTOR'S HEALTH, SAFETY AND ENVIRONMENTAL OBLIGATIONS
ARTICLE 22 USE, OWNERSHIP, AND ABANDONMENT OF ASSETS.....	
22.1	USE OF EXISTING INFRASTRUCTURE
22.2	NOGA RIGHTS TO CONTRACTOR ASSETS
22.3	THIRD PARTY ACCESS TO ASSETS.....
22.4	SALE OF SURPLUS ASSETS
22.5	ABANDONMENT.....
22.6	ABANDONMENT FUND
ARTICLE 23 PREFERENCE FOR LOCAL SERVICES, GOODS, AND EMPLOYEES...	
23.1	PREFERENCE FOR LOCAL SERVICES AND FACILITIES.....
23.2	PREFERENCE FOR LOCAL GOODS.....
23.3	PREFERENCE FOR LOCAL EMPLOYEES.....

ARTICLE 24 TRAINING AND TRANSFER OF TECHNOLOGY.....

- 24.1 TRAINING.....
- 24.2 TRANSFER OF TECHNOLOGY.....

ARTICLE 25 LIABILITIES, INDEMNIFICATION AND INSURANCE

- 25.1 LIABILITIES AND INDEMNIFICATION
- 25.2 CONSEQUENTIAL LOSSES
- 25.3 CONTRACTOR'S INSURANCE.....
- 25.4 SUB-CONTRACTOR INSURANCE.....

ARTICLE 26 DATA, INFORMATION AND CONFIDENTIALITY

- 26.1 DATA AND INFORMATION
- 26.2 CONFIDENTIALITY

ARTICLE 27 RECORDS, REPORTS, ACCOUNTS AND AUDIT.....

- 27.1 RECORDS, ACCOUNTS AND REPORTS
- 27.2 PROFIT AND LOSS STATEMENT, BALANCE SHEET, AND CASH FLOW STATEMENT.....
- 27.3 OPERATIONS AND FINANCIAL REPORTING
- 27.4 STATEMENT OF PETROLEUM COSTS
- 27.5 OTHER STATEMENTS.....
- 27.6 NOGA'S AUDIT RIGHTS

ARTICLE 28 ASSIGNMENT.....

- 28.1 ASSIGNMENT

ARTICLE 29 TERMINATION.....

- 29.1 TERMINATION BY NOGA
- 29.2 CONTRACTOR'S OBLIGATIONS AND RIGHTS UPON TERMINATION BY NOGA
- 29.3 NOGA'S OBLIGATIONS AND RIGHTS UPON TERMINATION BY NOGA
- 29.4 TERMINATION BY CONTRACTOR

29.5	CONTRACTOR'S OBLIGATIONS AND RIGHTS UPON TERMINATION BY CONTRACTOR 97
29.6	NOGA'S OBLIGATIONS AND RIGHTS UPON TERMINATION BY CONTRACTOR.....
29.7	RIGHT TO CURE AND NOTICE OF TERMINATION
29.8	OPTION TO TERMINATE SUBJECT TO CONFIRMATION BY ARBITRATION
29.9	TERMINATION AS RESULT OF RELINQUISHMENT
29.10	TERMINATION IN THE CASE OF EXTENDED FORCE MAJEURE
29.11	TERMINATION BY AGREEMENT OF THE PARTIES
ARTICLE 30 FORCE MAJEURE.....	
30.1	DEFINITION OF "FORCE MAJEURE"
30.2	NOTICE REQUIREMENTS AND DUTY TO MITIGATE
30.3	CONSEQUENCE OF FORCE MAJEURE - SUSPENSION OF OBLIGATIONS
30.4	CONSEQUENCES OF FORCE MAJEURE – TOLLING OF TERM OF AGREEMENT
30.5	BURDEN OF PROOF ON PARTY CLAIMING FORCE MAJEURE.....
ARTICLE 31 GOVERNING LAW.....	
31.1	GOVERNING LAW
ARTICLE 32 DISPUTE RESOLUTION.....	
32.1	EXPERT DETERMINATION
32.2	INTERNATIONAL ARBITRATION
ARTICLE 33 OFFICE IN BAHRAIN.....	
ARTICLE 34 NOTICES.....	
34.1	NOTICES.....
ARTICLE 35 MISCELLANEOUS.....	
35.1	ENTIRE AGREEMENT
35.2	AMENDMENT.....

35.3 WAIVER

35.4 REFERENCE TO LAWS AND REGULATIONS

35.5 LANGUAGE OF DOCUMENTS

35.6 MEASUREMENT OF TIME.....

35.7 CONFLICT OF INTEREST.....

35.8 JOINT OPERATING AGREEMENT AND OPERATOR.....

35.9 CONFLICT BETWEEN BODY OF AGREEMENT AND APPENDICES

35.10 WARRANTY OF VALIDITY.....

APPENDIX A	MAP OF THE CONTRACT AREA
APPENDIX B	CONTRACT AREA DESCRIPTION AND COORDINATES
APPENDIX C	ACCOUNTING PROCEDURE
APPENDIX D	PROCEDURE FOR EXPERT DETERMINATION
APPENDIX E	FORMAT FOR ANNUAL BUDGET AND ANNUAL PETROLEUM COST STATEMENT
APPENDIX F	FORM OF PARENT COMPANY PERFORMANCE GUARANTEE
APPENDIX G	ENVIRONMENTAL STANDARDS AND PRACTICES AND SAFETY GUIDELINES
APPENDIX H	FORM OF ASSIGNMENT NOTICE

PREAMBLE

THIS EXPLORATION AND PRODUCTION SHARING AGREEMENT is made this _____ day of January 2008 by and between:

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 "NOGA"), of the first part; and **Occidental of Bahrain (Offshore), LLC** or its Affiliate, a company incorporated in Delaware, United States of America, as well as its permitted assigns, individually and collectively (hereinafter called the "CONTRACTOR") of the second part.

WHEREAS:

- (A) All Petroleum 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) NOGA, an entity existing under the laws of the Kingdom of Bahrain, formed pursuant to 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) The CONTRACTOR has provided to NOGA, prior to the execution 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) The CONTRACTOR has also, contemporaneously with the signing of this Agreement, delivered to NOGA a legal opinion from its internal legal advisors, in a form satisfactory to NOGA, 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.

- (F) AND WHEREAS the CONTRACTOR represents and confirms that it 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 require:

- (A) "**Abandonment**" means the decommissioning, removal, abandonment and making safe of all offshore and onshore installations and structures acquired and/or constructed by or on behalf of the CONTRACTOR for use in Petroleum Operations and the reclamation, remediation, reinstatement and making good of the 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" and "Abandoned" shall be construed accordingly);
- (B) "**Abandonment Fund**" shall have the meaning assigned to it in Article 22.6;
- (C) "**Accounting Procedure**" means the Accounting Procedure attached hereto as Appendix C;
- (D) "**Affiliate**" means:

- (١) in relation to the CONTRACTOR (a) any company in which the CONTRACTOR or any company owned or controlled by the CONTRACTOR now or hereafter owns or controls, directly or indirectly, more than 50% of the shareholding entitled to vote in the election of directors, or if there is no such shareholding, 50% or more of the equity share capital of such company, or (b) the ultimate parent corporation of the CONTRACTOR and any company in which such parent corporation now or hereafter owns or controls, directly or indirectly, more than 50% of the shareholding entitled to vote in the election of directors or, if there is no such shareholding, 50% or more of the equity share capital of such company; and
- (٢) in relation to NOGA (a) any company in which NOGA now or hereafter owns or controls, directly or indirectly or on behalf of the Kingdom of Bahrain 50% or more of the shareholding entitled to vote in the election of directors, or if there is no such shareholding, 50% or more of the equity share capital of such company or (b) the Kingdom of Bahrain or any company owned or controlled by the Kingdom of Bahrain, control being defined as controlling, directly or indirectly 50% or more of the shareholding entitled to vote in the election of Directors or if there is no such shareholding, 50% or more of the equity share capital of such company;
- (E) **"Agreement"** means this "Exploration and Production Sharing Agreement" for the Contract Area in the Kingdom of Bahrain, which is composed of 35 Articles and the following Appendices:
- (١) APPENDIX A - Map of the Contract Area
- (٢) APPENDIX B - Contract Area Description and Coordinates
- (٣) APPENDIX C - Accounting Procedure
- (٤) APPENDIX D - Procedure for Expert Determination
- (٥) APPENDIX E - Format for submission of Annual Budget and Annual Petroleum Cost Statement.

- (٦) APPENDIX F - Form of Parent Company Performance Guarantee
- (٧) APPENDIX G - Environmental Standards and Practices and Safety Guidelines
- (٨) APPENDIX H - Form of Assignment Notice
- (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 Calendar Year (or part thereof) and the estimated expenditure for such Petroleum Operations as prepared and approved pursuant to Article 10;
- (G) "**Appraisal Area**" means the area in which the Appraisal Plan is to be pursued, as determined pursuant to Article 9.1.5;
- (H) "**Appraisal Plan**" shall have the meaning assigned to it in Article 8.2;
- (I) "**Appraisal Well**" means a well drilled for the main purpose of defining the extent and evaluating the commerciality of an already discovered Petroleum accumulation;
- (J) "**Arms-Length Sales**" means a sale of Petroleum which:
 - (١) is to a person who is not an Affiliate of the seller of the Petroleum;
 - (٢) is for cash consideration; and
 - (٣) provides no direct or indirect collateral benefit to Seller, other than the cash consideration.
- (K) "**Associated Gas**" shall mean Natural Gas produced in association with oil, or from a gas cap overlying and in contact with the Crude Oil in the reservoir, including, not by way of limitation, casing head gas, and gas lift gas; 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 natural gas liquids;

- (L) "**Bahrain Income Tax Law**" means Bahrain Income Tax Legislative Decree No. 22 for 1979 as amended from time to time;
- (M) "**BAPCO**" means the company existing under the laws of Bahrain, formed pursuant to Legislative Decree No. 42 for 1999 as the state oil company entrusted with prospecting for, exploring, producing, processing, refining and marketing oil, gas and petroleum products, and owned one hundred percent (100%) by the Government of the Kingdom of Bahrain;
- (N) "**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;
- (O) "**Business Day**" means any day which is neither a Friday, a Saturday nor a public holiday in the Kingdom of Bahrain;
- (P) "**Calendar Month**" means any of the twelve periods of one month within a Calendar Year;
- (Q) "**Calendar Quarter**" means any of the four periods of three (3) Calendar Months each within a Calendar Year, commencing on January 1st, April 1st, July 1st, and October 1st;
- (R) "**Calendar Year**" means a period commencing on January 1st and ending on December 31st of the same year;
- (S) "**Chairman**" shall have the meaning assigned to it in Article 7.3;
- (T) "**Commercial Discovery**" means an occurrence within the Contract Area wherein a well or wells has or have been completed and tested in accordance with Good International Petroleum Industry Practices and have been found capable of producing Petroleum 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;

- (U) "**Contract Area**" means the area known as Block 4 subject to this Agreement as generally 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, include all subsurface areas completely seawards from the high water mark along the coast of the Kingdom of Bahrain and within the territorial waters of the Kingdom of Bahrain;
- (V) "**Cost Recovery Petroleum**" shall have the meaning assigned to it in Article 13.4(A);
- (W) "**Cost Recovery Limit**" shall have the meaning assigned to it in Article 13.4(B);
- (X) "**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
- (Y) "**Development Area**" means the area in which the Development Plan is to be pursued, as determined pursuant to Article 9.1;
- (Z) "**Development Costs**" shall have the meaning assigned to it in Article 13.1(B);
- (AA) "**Development Plan**" shall have the meaning assigned to it in Article 9.1(B);
- (BB) "**Discovery**" means the finding, during Petroleum Operations, of a deposit of Petroleum;
- (CC) "**Discovery Area**" means the area corresponding to a Discovery, as determined pursuant to Article 8.1(C);
- (DD) "**Effective Date**" shall mean the date upon which NOGA has provided notice to CONTRACTOR that all necessary approvals, authorizations and ratifications necessary from the Kingdom of Bahrain and its associated entities in connection with this Agreement has been provided in accordance with Article 35.10;
- (EE) "**Exit Fee**" shall have the meaning assigned to it in Article 3.1(A)(2);

- (FF) "**Expert**" means the expert or experts appointed in accordance with Article 32.1 and Appendix D of this Agreement;
- (GG) "**Exploration Costs**" shall have the meaning assigned to it in Article 13.1(A);
- (HH) "**Exploration Operations**" means Petroleum Operations, including geophysical and geological studies and the drilling of Exploration Wells, conducted for the purpose of detecting the existence of Petroleum accumulation(s);
- (II) "**Exploration Period**" means the initial seven (7) years period of this Agreement commencing on the Effective Date, as such period is divided into a one (1) year period for the G & G Study, and two (2) successive Exploration Phases pursuant to Article 3.1, as such period may be extended pursuant to the terms of this Agreement;
- (JJ) "**Exploration Phase**" means the First Exploration Phase or the Second Exploration Phase, as applicable;
- (KK) "**Exploration Work Programme Commitments**" shall mean the G & G Study Commitment, First Exploration Phase Work Programme Commitments and the Second Exploration Phase Work Programme Commitments, as applicable;
- (LL) "**Exploration Well**" means a well drilled for the purpose of detecting the existence of Petroleum accumulation(s);
- (MM) "**First Exploration Phase**" shall have the meaning assigned to it in Article 3.1(A)(1);
- (NN) "**First Exploration Phase Work Programme Commitments**" shall be the Petroleum Operations to be conducted pursuant to Article 5.2;
- (OO) "**Force Majeure**" shall have the meaning assigned to it in Article 30.1;
- (PP) "**G & G Study**" means Geological and Geophysical study commitment before entering into First Exploration Phase;
- (QQ) "**Geological Studies**" shall have the meaning assigned to it in Article 5.2(A);

- (RR) "**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 recognised and observed by the petroleum industry in the Kingdom of Bahrain under similar circumstances;
- (SS) "**Government**" means the Government of the Kingdom of Bahrain;
- (TT) "**I.C.C.**" means the International Chamber of Commerce;
- (UU) "**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;
- (VV) "**Management Committee**" shall have the meaning assigned to it in Article 7.1;
- (WW) "**Natural Gas**" means all hydrocarbons that are in gaseous phase at standard temperature and pressure; including but not limited to 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 natural gas liquids;
- (XX) "**Net Petroleum Production**" shall mean all Petroleum produced and saved from the Contract Area (other than Petroleum lost or used in and for the Petroleum Operations), as measured at the Point of Delivery;
- (YY) "**NOGA Group**" shall have the meaning assigned to it in Article 25.1;
- (ZZ) "**Non-Associated Gas**" shall mean free 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 natural gas liquids;
- (AAA) "**Non-Associated Gas Retention Area**" means the Discovery Area or Appraisal Area, as applicable, associated with a Discovery of Non-Associated Gas;

- (BBB) "**Non-Associated Natural Gas Discovery**" means a Discovery of Non-Associated Gas from an Exploration Well in the Contract Area which has tested significant flow rates of Natural Gas from one or more reservoirs, and which is estimated to be capable of continuous production from the said reservoir(s) over a reasonable period and which in the opinion of the CONTRACTOR could be declared a Commercial Discovery in the future;
- (CCC) "**Occidental Petroleum Corporation**" means the corporation named "Occidental Petroleum Corporation" incorporated under the laws of the State of Delaware, United States of America;
- (DDD) "**Operating Costs**" shall have the meaning assigned to it in Article 13.1(C);
- (EEE) "**Parties**" means NOGA and the CONTRACTOR and "**Party**" means either NOGA or the CONTRACTOR, as the context may require;
- (FFF) "**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;
- (GGG) "**Petroleum Costs**" means all expenditures made and all costs incurred by the 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 Procedure and designated as Exploration Costs, Development Costs and Operating Costs, as appropriate, in relation to the exploration, development and production operations in respect of which such costs are incurred. Petroleum Costs shall not include the following items of costs and expenditures:
- (١) foreign taxes paid on income derived from sources within the Kingdom of Bahrain;
 - (٢) finance costs (including bank charges and interest) incurred by CONTRACTOR in financing Petroleum Operations; nor
 - (٣) bonus payments specified in Article 14.1.

- (HHH) "**Petroleum Operations**" means any and all operations carried out by the CONTRACTOR under this Agreement for the purpose of:
- (١) exploring, appraising, developing, producing, storing, marketing, transporting Petroleum in and from the Contract Area;
 - (٢) the plugging and Abandonment of any wells and the Abandonment of installations and facilities;
- (III) "**Point of Delivery**" shall have the meaning assigned to it in Articles 16.1(C) and 16.1(D);
- (JJJ) "**Production Commencement Date**" means the date the CONTRACTOR first delivers Petroleum to the Point of Delivery;
- (KKK) "**Profit Associated Gas**" shall have the meaning assigned to it in Article 13.5;
- (LLL) "**Profit Crude Oil**" shall have the meaning assigned to it in Article 13.5;
- (MMM) "**Profit Non-Associated Gas**" shall have the meaning assigned to it in Article 13.6;
- (NNN) "**Profit Petroleum**" shall have the meaning assigned to it in Article 13.2;
- (OOO) "**Reasonable and Prudent Operator**" means a person (operator) seeking, in good faith, to perform its contractual obligation and, in so doing and in the general conduct of its 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;
- (PPP) "**R Factor**" shall have the meaning assigned to it in Article 13.3;
- (QQQ) "**Retained Exploration Area**" means that portion of the Contract Area retained for Exploration Operations in accordance with Article 3.2;

- (RRR) "**Retained Exploration Area Programme Commitments**" shall have the meaning assigned to it in Article 3.2(A);
- (SSS) "**Second Exploration Phase**" shall have the meaning assigned to it in Article 3.1(A)(2);
- (TTT) "**Second Exploration Phase Work Programme Commitments**" means the Petroleum Operations to be conducted pursuant to Article 5.4;
- (UUU) "**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 and respective Affiliates;
- (VVV) "**UNCITRAL**" means the United Nations Commission on International Trade Law;
- (WWW) "**Willful 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 judgment 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, provided that nothing in this definition shall be in prejudice to the laws of the Kingdom of Bahrain; and
- (XXX) "**Work Program Payment**" means the G & G Study Work Program Payment, the First Phase Work Program Payment, and/or the Second Phase Work Program Payment, as applicable.

١.٢ 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, novated, restated or replaced from time to time; and
- (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.

١,٣ CURRENCIES

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

ARTICLE ٢ SCOPE OF AGREEMENT

The scope of this Agreement shall include the exploration, appraisal, development, production, and transportation of Petroleum within the Contract Area, and the transportation of Petroleum produced from within the Contract Area to the Point(s) of Delivery within or outside of the Contract Area.

The CONTRACTOR shall conduct and finance such Petroleum Operations and all Petroleum produced from within the Contract Area shall be shared between NOGA and the CONTRACTOR in accordance with the terms of this Agreement.

ARTICLE ٣ TERM

٣,١ Exploration Period

(A) The Exploration Period is comprised of:

- (١) a "G & G Study" of one (1) year commencing on the Effective Date. Contractor will have to submit a guarantee as stipulated in Article 6.1;
- (٢) if applicable, a "First Exploration Phase" of three (3) years commencing after the expiry of G & G study, CONTRACTOR shall be entitled to enter First Exploration Phase automatically after successful completion of G & G Study after providing NOGA a guarantee as stipulated in Article 6.1. CONTRACTOR may opt not to enter in First Exploration Phase. In such case CONTRACTOR shall submit all the data and findings generated during the G & G Study to NOGA. CONTRACTOR shall also have to pay an amount of US\$ 4,900,000 as an exit fee (the "Exit Fee") to NOGA; and
- (٣) if applicable, an optional "Second Exploration Phase" of three (3) years commencing on the expiry of the First Exploration Phase. CONTRACTOR's option to enter the Second Exploration Phase is subject to it having provided to NOGA notice of its intention to enter the Second Exploration Phase at least ninety (90) days prior to the expiry of the First Exploration Phase, and to its having, prior to the expiry of the First Exploration Phase:
 - I) performed the First Exploration Phase Work Programme Commitments;
 - II) performed the relinquishment obligations set forth in Article 4.1; and
 - III) provided to NOGA the Guarantee in respect of the Second Exploration Phase as contemplated in Article 6.1.

٣,٢ Retained Exploration Area

- (A) CONTRACTOR may propose to NOGA at least ninety (90) days prior to the end of the Second Exploration Phase, and subject to CONTRACTOR having performed the Second Exploration Phase Work Programme Commitments prior to the end of the Second Exploration Phase, a Retained Exploration Area of up to twenty percent (20%) of the original Contract Area in return for conducting an agreed-upon programme of Exploration Operations (the "Retained Exploration Area Programme Commitments"). Such notice to NOGA:
- (١) shall specify the coordinates of the proposed Retained Exploration Area, which shall be comprised of no more than two (2) simple geometric shapes that reasonably permit petroleum activities in regard to relinquished areas; and
 - (٢) shall describe CONTRACTOR's proposed Retained Exploration Area Programme Commitments for the balance of the current Calendar Year and the next Calendar Year, along with: (i) the associated amount due in the event of breach for non-performance; and (ii) the proposed guarantee to be associated with such Retained Exploration Area Programme Commitments.
- (B) NOGA shall have the discretion whether to approve any such proposal. In the event that NOGA approves CONTRACTOR's proposal, CONTRACTOR will then undertake the Retained Exploration Area Programme Commitments (failing which the associated 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 NOGA can agree, on the same basis, upon CONTRACTOR's Retained Exploration Area Programme Commitments for each succeeding two (2) Calendar Year period.

٣,٣ Discovery within 180 Days of End of Exploration Period

In the event that CONTRACTOR makes a Discovery within one hundred and eighty (180) days prior to the expiry of the Exploration Period, the term of this Agreement 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 within the time provided

for in Articles 8 and 9 to attempt to obtain applicable Appraisal Plan or Development Plan approval.

٣,٤ Term of Development Areas

- (A) In the event of approval of a Development Plan the term of this Agreement shall, subject to Article 4.3, be extended in regard to the associated Development Area until the twenty fourth (24th) anniversary of the Discovery date.
- (B) The CONTRACTOR may request, at least one (1) year prior to the expiry of the term of a Development Area, an extension of such term. NOGA shall have the discretion whether or not to grant any such extension. If granted, such extension shall be on such terms and conditions as the Parties may negotiate at the time. The duration of the extension, and the other terms and conditions agreed for the same, shall only be effective upon ratification by the Kingdom of Bahrain.

٣,٥ NOGA Discretion to Extend First Exploration Phase

- (A) If, at the end of the First Exploration Phase, the First Exploration Phase Work Programme Commitments are not completed, then NOGA may, in its discretion, extend the term of such First Exploration Phase for a period necessary to enable CONTRACTOR to complete such commitments, such extension not to exceed six (6) months, provided, however, that CONTRACTOR must: (i) give notice of its request for such extension to NOGA at least ninety (90) days prior to the expiry of such First Exploration Phase; and (ii) show technical or other good reasons for non-performance of the First Exploration Phase Work Programme Commitments. In the event of any such extension of the First Exploration Phase NOGA may in its discretion subtract the period of such extension from the term 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 NOGA may, in its discretion, extend the term of the such First Exploration Phase in order to extend the deadline for CONTRACTOR's election to proceed into the Second Exploration Phase, such extension not to exceed six (6) months, provided, however, that CONTRACTOR must give notice of its request for such an extension to NOGA

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 NOGA may in its discretion subtract the period of such extension from the term of the Second Exploration Phase, if any.

ARTICLE ٤ RELINQUISHMENT

٤,١ Relinquishment Prior to Second Exploration Phase

If CONTRACTOR elects to enter the Second Exploration Phase, CONTRACTOR shall, prior to the end of the First Exploration Phase, relinquish an area equivalent to at least forty percent (40%) of the original Contract Area, provided that for this purpose "original Contract Area" shall be deemed to be reduced by the area of any Appraisal Areas and Development Areas that exist at the expiry of the First Exploration Phase. No less than ninety (90) days prior to the end of the First Exploration Phase, CONTRACTOR shall submit to NOGA for its approval a written notice indicating the area(s) in the 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(s) shall consist of not more than two (2) parts, and shall so far as reasonably possible be of sufficient size and convenient shape, taking into account contiguous areas already relinquished and not the subject of a further contract, to enable Petroleum Operations to be carried out thereon and, upon relinquishment, such relinquished areas shall cease to be part of the Contract Area for all purposes. Any dispute over the size or shape of such relinquishment shall be resolved via Expert determination in accordance with Article 32.1

٤,٢ Relinquishment at End of Exploration Period

- (A) CONTRACTOR may opt not to enter First Exploration Phase. In such case CONTRACTOR shall relinquish all of the Contract Area.
- (B) At the end of the Exploration Period (at the end of the First Exploration Phase, or at the end of the Second Exploration Phase, as applicable) CONTRACTOR shall relinquish all of the Contract Area excepting any:
 - (١) Development Area;

- (٢) Appraisal Area;
 - (٣) Discovery Area for which CONTRACTOR has proposed an Appraisal Plan, provided that CONTRACTOR is duly implementing the applicable procedures to convert such Discovery Area into an Appraisal Area within the time provided for in Article 8;
 - (٤) Discovery Area for which CONTRACTOR has not proposed an Appraisal Plan, provided that the associated Discovery was made within one hundred and eighty (180) days prior to the end of the Exploration Period, and provided that CONTRACTOR is duly implementing the applicable procedures to convert such Discovery Area into an Appraisal Area within the time provided for in Article 8;
 - (٥) Retained Exploration Area;
 - (٦) Non-Associated Gas Retention Area, for the period permitted by Article 20.2(B); or
 - (٧) if there is a well still drilling at the end of the Exploration Period, at the discretion of NOGA, the prospective Discovery Area as may be determined by NOGA 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.
- (C) CONTRACTOR shall, in regard to any area(s) retained after the expiry of the Exploration Period, relinquish any:
- (١) Development Area that CONTRACTOR does not timely develop in accordance with Article 9;
 - (٢) Appraisal Area that does not become the subject of a Development Area within the time provided for in Article 9;

- (٣) 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;
- (٤) Non-Associated Gas Retention Area that does not become the subject of an Appraisal Area within the time provided for in Article 20.2, and, subsequently, a Development Area within the time provided for in Article 20; and/or
- (٥) A prospective Discovery Area arising pursuant to Article 42(A)(7) 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.

٤,٣ Relinquishment of Development Areas

- (A) CONTRACTOR shall relinquish each Development Area:
 - (١) in the case where there is no current production, immediately upon CONTRACTOR's notice to NOGA that such Development Area is no longer considered economic by CONTRACTOR and is being voluntarily relinquished;
 - (٢) in the case where there is current production, on the date one hundred and eighty (180) days after CONTRACTOR's notice that such Development Area is no longer considered economic by CONTRACTOR and is being voluntarily relinquished, and in accordance with a reasonable transitional programme in the event that NOGA elects to continue such operations;
 - (٣) on the date the CONTRACTOR has discontinued production, without the consent of NOGA, for more than one hundred and eighty (180) days;
 - (٤) 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 9.1(C)(5); or

(°) on the thirtieth (30th) anniversary of the Effective Date;

whichever comes first, subject to an extension having been granted under Article 3.4(B).

٤,٤ **Voluntary Relinquishment**

CONTRACTOR may relinquish any portion, or all, of the Contract Area at any time during First and Second Exploration Phases. Any relinquishment by the CONTRACTOR of the entire 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 29.2(A).

٤,٥ **Relinquishment upon Termination**

Upon termination of this Agreement under Article 29 CONTRACTOR shall relinquish all of the Contract Area, including but not limited to any Discovery Areas, Appraisal Areas, and/or Development Areas, without NOGA having any further obligations or liability to the CONTRACTOR whatsoever, except as may be applicable in the case of an arbitral award under Article 32 and in respect of any obligation or liability arising prior to such termination.

٤,٦ **Obligation to Operate Development Area Subsequent to Relinquishment**

In the event of CONTRACTOR relinquishment of a Development Area, for any reason, NOGA may require CONTRACTOR, for a period not exceeding one hundred and eighty (180) days from the date of such relinquishment, to continue production activities, for the account and at the cost of NOGA, until the right to continue such production has been transferred to another entity.

٤,٧ **Relinquishment Notice and Approval**

In respect of any relinquishment undertaken pursuant to this Article 4, CONTRACTOR shall submit to NOGA for its approval a written notice indicating the area(s) in the 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(s) shall consist of not more than two (2) simple geometric shapes of a size and shape so as to reasonably allow petroleum activities to be carried out in such relinquished area(s). Any dispute over the size or shape of such relinquishment shall be resolved via Expert determination in accordance with Article 32.1

٤,٨ Contractor's Obligations upon Relinquishment

Upon any relinquishment CONTRACTOR shall have the obligations described in Article 22.5.

ARTICLE ٥ EXPLORATION WORK PROGRAMME COMMITMENTS

٥,١ Obligation to Commence Operations

CONTRACTOR shall commence Exploration Operations no later than three (3) months after the Effective Date.

٥,٢ G & G Study Work Programme Commitment

CONTRACTOR shall perform the following Petroleum Operations during the G & G Study (the "G & G Study Work Programme Commitments"):

- (A) a basin modeling study, a sequence stratigraphy study, a seep study, a gas chimney study and a deep gas study (collectively, the "Geological Studies"), with a budgeted amount of five hundred twenty thousand Dollars (\$ 520,000); and
- (B) reprocess approximately 2,000 km of 2D seismic data (or some combination of 2D and 3D seismic data reprocessing which, in total, has at least comparable scope, as solely requested by CONTRACTOR and approved by the Management Committee) and perform a seismic reinterpretation of data available for Block 4, with a budgeted amount of nine hundred sixty thousand Dollars (\$ 960,000); and

in the event that CONTRACTOR upon conclusion of the G & G Study term has not fulfilled the G & G Study Work Programme Commitments as set forth in this Article ٥,٢, CONTRACTOR shall pay to NOGA the difference between (i) each of the budgeted amounts set forth in Articles ٥,٢(A) and ٥,٢(B) and (ii) the amount actually spent by the CONTRACTOR on the respective scope of work set forth in each of Articles ٥,٢(A) and ٥,٢(B) (the "G & G Study Work Program Payment"). CONTRACTOR shall be deemed to have fulfilled its G & G Study Work Programme Commitments either by performing the work set forth in this Article ٥,٢ or by paying the G & G Study Work Program Payment.

٥,٣ First Exploration Phase Work Programme Commitments

In the event that the CONTRACTOR elects to enter the First Exploration Phase CONTRACTOR shall perform the following Petroleum Operations (the "First Exploration Phase Work Programme Commitments"):

- (A) a seismic programme consisting of the acquisition, processing and interpretation of 250 kilometers of 2D seismic data (or some combination of 2D and 3D seismic data which, in total, has at least comparable scope, as solely requested by CONTRACTOR and approved by the Management Committee), with a budgeted amount of five million Dollars (\$ 5,000,000); and
- (B) two (2) Exploration Wells drilled at least 7,000 ft subsea or 300 ft into the Arab Formation, whichever is shallower, with a budgeted amount of nineteen million five hundred thousand Dollars (\$ 19,500,000); and

in the event that CONTRACTOR upon conclusion of the First Exploration Phase has not fulfilled the First Exploration Phase Work Programme Commitments as set forth in this Article ٥,٣, CONTRACTOR shall pay to NOGA the difference between (i) each of the budgeted amounts set forth in Articles 5.3(A) and 5.3(B) and (ii) the amount actually spent by the CONTRACTOR on the respective scope of work set forth in each Articles 5.3(A) and 5.3(B) (the "First Phase Work Program Payment"). CONTRACTOR shall be deemed to have fulfilled its First Exploration Phase Work Programme Commitments either by performing the work set forth in this Article ٥,٣ or by paying the First Phase Work Program Payment.

٥,٤ **Carry Forward of Excess Exploration Work**

In the event that the CONTRACTOR has performed, during the First Exploration Phase, seismic and/or Exploration Wells in excess of the Work Programme Commitments, then such excess Exploration Operations shall be deemed to count against the equivalent Work Programme Commitments of the Second Exploration Phase.

٥,٥ **Second Exploration Phase Exploration Work Programme Commitments**

In the event that the CONTRACTOR elects to enter the Second Exploration Phase the CONTRACTOR shall perform the following Petroleum Operations ("Second Exploration Phase Work Programme Commitments"):

- (A) a seismic programme consisting of the acquisition, processing and interpretation of 200 sq. kilometers of 3D seismic data (or some combination of 2D and 3D seismic data which, in total, has at least comparable scope, as solely requested by CONTRACTOR and approved by the Management Committee), with a budgeted amount of twelve million Dollars (\$ 12,000,000); and
- (B) one (1) Exploration Well drilled at least 11,000 ft subsea or 200 ft into the Khuff Formation, whichever is shallower, with a budgeted amount of twenty-five million Dollars (\$ 25,000,000); and

in the event that CONTRACTOR upon conclusion of the Second Exploration Phase has not fulfilled the Second Exploration Phase Work Programme Commitments as set forth in this Article 5.5, CONTRACTOR shall pay to NOGA the difference between (i) each of the budgeted amounts set forth in Articles 5.5(A) and 5.5(B) and (ii) the amount actually spent by the CONTRACTOR on the respective scope of work set forth in each Articles 5.5(A) and 5.5(B) (the "Second Phase Work Program Payment"). CONTRACTOR shall be deemed to have fulfilled its Second Exploration Phase Work Programme Commitments either by performing the work set forth in this Article 5.5 or by paying the Second Phase Work Program Payment.

Neither Appraisal Wells, seismic surveys, nor any other Petroleum Operations carried out as part of an Appraisal Plan shall count against the CONTRACTOR's Exploration Work Programme Commitments.

ARTICLE ٦ GUARANTEES

٦,١ Guarantee for Exploration Work Programme Commitments

- (A) CONTRACTOR shall have the obligation: (i) within thirty (30) days from the Effective Date; (ii) thirty (30) days prior to commencement of the First and Second Exploration Phase, if applicable; and (iii) thirty (30) days prior to the biannual term of any Retained Exploration Area; to provide NOGA with an irrevocable bank letter of credit, in favour of NOGA, from an international bank of repute, acceptable to NOGA; or, at the discretion of NOGA, to provide an irrevocable parent guarantee, in favour of NOGA, from the ultimate parent of such CONTRACTOR or from a parent acceptable to NOGA, 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 Exploration Work Programme Commitments and Retained Exploration Area Programme Commitments. Any such bank letter of credit shall be from an internationally reputable financial institution, and in form and substance, acceptable to NOGA, and any such parent guarantee, shall be in the form described in Appendix F, or, in either case, as NOGA may otherwise approve by notice to CONTRACTOR as being: (i) in compliance with Article 6.1(C); or (ii) not in compliance with Article 6.1(C) but nevertheless acceptable to NOGA. Any such bank letter of credit or parent guarantee shall be for a term which does not expire earlier than the term of the G & G Study, the First Exploration Phase, the Second Exploration Phase or to the end of the biannual term of any Retained Exploration Area, as applicable, plus an additional sixty (60) days thereafter. CONTRACTOR shall also, within thirty (30) days of the Effective Date, and on or prior to the date upon which any subsequent bank letter of credit or parent guarantee is to be provided, deliver to NOGA a legal opinion from its internal legal advisors, in a form satisfactory to NOGA, to the effect that such bank letter or credit, or parent 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. NOGA may terminate this Agreement upon CONTRACTOR's

failure to provide or maintain such bank letter(s) of credit, or such guarantee(s), as applicable, and/or such legal opinion(s), within and for the prescribed period.

- (B) The respective aggregate amount of the bank letter(s) of credit, or guarantee(s), as applicable, referred to in Article 6.1(A), shall be:
- (١) For G & G study and Exit Fee – **Six million and three hundred eighty thousand Dollars (\$ 6,380,000)**
 - (٢) for the First Exploration Phase – **Twenty four million five hundred thousand Dollars (\$24,500,000);**
 - (٣) for the Second Exploration Phase– **Thirty seven million Dollars (\$ 37,000,000);** or
 - (٤) for any Retained Exploration Area, the amount agreed upon under Article 3.2 as associated with the Retained Exploration Area Programme Commitments.
- (C) Any such bank letter of credit(s), or parent guarantee(s), other than in accordance with the form described in Appendix F, shall provide that:
- (١) upon delivery to the issuing bank or guarantor of a certificate from the CONTRACTOR, countersigned by NOGA, 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 NOGA, the subject bank letter of credit or parent guarantee shall be reduced by the applicable amount (pro-rata as may be applicable) described in Article 5; and
 - (٢) if, at the end of the G & G Study, First Exploration Phase, the Second Exploration Phase, or at the end of a biannual term of a Retained Exploration Area, NOGA gives notice to CONTRACTOR that CONTRACTOR has failed to either perform any applicable work programme commitments or pay the associated Work Program Payment in the event such applicable work programme commitments have not been performed, then each company comprising CONTRACTOR or its bank and/or guarantor, as applicable, shall, on

demand from NOGA, whether or not the CONTRACTOR or such guarantor (as may be applicable) contests such failure, immediately pay to NOGA the entire remaining amount of such outstanding bank letter of credit or parent guarantee, provided that such payment shall not be in excess of the applicable Work Program Payment due as a result of the non-performance of the applicable work programme commitments.

- (D) Without limiting the general nature of the bank letter of credit(s), or parent guarantee(s) required to be provided under Article 6.1 and 6.2, NOGA shall be entitled to draw on such banks letter of credit(s) or parent guarantee where CONTRACTOR has failed to pay the associated Work Program Payments in respect of non-performance of the applicable work programme commitments as set forth in Articles 5.2, 5.3 and 5.5.

٦,٢ **Guarantee for General Obligations Under this Agreement**

- (A) Each party comprising CONTRACTOR shall, within thirty (30) days of the Effective Date, deliver to NOGA an irrevocable parent guarantee, in favour of NOGA, from the ultimate parent of such Party or from a parent acceptable to NOGA, providing that such parent shall provide all (not only its pro-rata share) technical and financial resources that CONTRACTOR 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 21, in the form described in Appendix F, or as NOGA may otherwise approve by notice to CONTRACTOR. Each party comprising CONTRACTOR shall also, within thirty (30) days of the Effective Date, deliver to NOGA a legal opinion from its internal legal advisors, in a form satisfactory to NOGA, to the effect that such parent 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. NOGA may terminate this Agreement upon CONTRACTOR's failure to provide such parent guarantee(s) and/or such legal opinion(s) within the prescribed period.

**ARTICLE V
MANAGEMENT COMMITTEE**

V.1 Management Committee Authority

- (A) NOGA 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 the CONTRACTOR in the performance of Petroleum Operations under this Agreement, and to provide a forum for a continuous dialogue and flow of information between the CONTRACTOR and NOGA regarding CONTRACTOR's planned Petroleum Operations.
- (B) The Management Committee shall have authority to review and approve the following submissions and requests by the , CONTRACTOR:
- (١) proposed Annual Work Programme and Budget, and CONTRACTOR's proposed revisions thereof;
 - (٢) proposed Appraisal Plans;
 - (٣) proposed Development Plans, and NOGA's proposed revisions thereof, as a condition of approval;
 - (٤) proposed method and device for measurement of volume and assessment of quality of Crude Oil and Natural Gas.
 - (٥) proposed lifting procedures;
 - (٦) proposed Abandonment plan and the budget for Abandonment operations;
 - (٧) proposed area(s) of any partial relinquishment;
 - (٨) proposed area of any Non-Associated Gas Retention Area; and
 - (٩) proposals to make an expenditure in regard to Petroleum Operations in excess of two million dollars (\$2,000,000.00).

٧,٢ Management Committee Representatives

- (A) The Management Committee shall consist of six (6) members with one (1) vote each, three (3) of them being representatives appointed by NOGA and three (3) of them being representatives appointed by the 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.
- (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) Normal and customary travel costs sustained by representatives traveling to and attending Management Committee meetings shall be borne by the CONTRACTOR and shall be cost recoverable under this Agreement.

٧,٣ Management Committee Chairman and Secretary

NOGA shall appoint one (1) of its representatives to act as the chairman of the Management Committee (hereinafter the "Chairman"), who shall preside over all meetings thereof. In the event of the Chairman's absence from any such meeting, NOGA may designate one (1) of its representatives present at such meeting to act as Chairman of the meeting. The CONTRACTOR shall appoint one (1) of its representatives to act as the

Secretary of the Management Committee (hereinafter the "Secretary"), who shall be responsible for:

- (A) the production and circulation of minutes for signature by each representative in attendance at a meeting before the conclusion of each such meeting, which minutes shall include the results of any votes taken by the Management Committee and other pertinent matters;
- (B) notification of the minutes of each Management Committee meeting being sent to each Party; and
- (C) other duties of a similar nature that the Management Committee may delegate to the Secretary from time to time.

٧,٤ **Management Committee Meetings and Voting**

- (A) The Management Committee shall meet at least four (4) times a year, in Bahrain, or any other place agreed upon by NOGA 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, NOGA 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, subject to Article 7.4(D), be included in the agenda and considered at such meeting.
- (B) Subject to Article 7.4(C), the Management Committee can validly deliberate and take decisions at a meeting only if at least two (2) representatives, 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 with at least one affirmative vote of representatives of each Party of the applicable representatives shall be required for any Management Committee decision, or any Management Committee approval as may expressly be required by this Agreement. Subject to Article 9.1(F), NOGA, by way of its representatives on the Management Committee, shall be obliged to approve any CONTRACTOR proposal, as may be expressly required under this Agreement, that is in accordance with Good International Petroleum Industry Practices and which otherwise meets the pertinent criteria as may be expressly provided for under this Agreement.
- (E) 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. In the event that the Management Committee is still unable to obtain majority agreement on the matter, then the CONTRACTOR shall have the right to submit to the pertinent issues to binding Expert determination in accordance with Article 32.1 and the procedures described in Appendix D. Subject to Article 9.1(F), in the event that such Expert determines that the pertinent CONTRACTOR proposal was 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 CONTRACTOR proposal shall be deemed approved. Subject to Article 8.2(E), in the event that such Expert determines that the pertinent CONTRACTOR proposal was not 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 Expert shall have the authority to determine revisions to CONTRACTOR's proposal that such Expert feels would be required in order to bring CONTRACTOR's 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 such CONTRACTOR proposal.
- (F) 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.

- (G) Any notice to a Party made in compliance with Article 34 shall be considered as a notice to such Party's Management Committee representatives.

ARTICLE ٨ DISCOVERY AND APPRAISAL

٨.١ Discoveries and Discovery Areas

- (A) If a Discovery is made CONTRACTOR shall immediately inform NOGA of the Discovery; and promptly, but in no event later than the date thirty (30) days from the date of such Discovery, provide NOGA with all available information regarding such Discovery, including a preliminary classification of the Discovery as a Crude Oil Discovery or a Non-Associated Natural Gas Discovery.
- (B) If the CONTRACTOR decides to conduct a drill stem or production test of any well, in open hole or through perforated casing, it shall notify NOGA of the time of such test at least forty-eight (48) hours prior to the proposed test, and NOGA shall have the right to have a representative present during any such test.
- (C) Not later than ninety (90) days prior to the end of the applicable Exploration Phase, the Management Committee shall recommend to NOGA the area corresponding with the perceived extent of the reservoir subject of the Discovery. Having regard for such recommendation, NOGA shall then determine the Discovery Area, provided that if the CONTRACTOR does not agree with NOGA's determination of the Discovery Area the matter shall be determined by the Expert in accordance with Article 32.1.
- (D) If the CONTRACTOR determines that the Discovery does not merit immediate appraisal the CONTRACTOR may retain the associated Discovery Area during the Exploration Period so that in the event that an additional Discovery, or Discoveries, is/are made then such Discovery may then merit appraisal, either individually or in conjunction with such additional Discovery or Discoveries.

٨,٢ **Appraisal Plans**

- (A) In order to avoid the relinquishment, at the end of the Exploration Period, of any Discovery Area as may be granted to CONTRACTOR by NOGA under Article 3.3, CONTRACTOR must have proposed to the Management Committee an associated appraisal plan (the "Appraisal Plan"), which shall be delivered to the Management Committee 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) and then have continued to have implemented the procedures associated with approval of the Appraisal Plan, and provided CONTRACTOR has declared there to be a Commercial Discovery, submits a Development Plan, and receives approval of a Development Plan within the deadlines as are provided in this Article 8 and in Article 9, provided, however, that where CONTRACTOR makes a Discovery within one hundred and twenty (120) days of the end of the Exploration Period the CONTRACTOR may retain any associated Discovery Area granted by NOGA past the end of the Exploration Period provided that it submits to the Management Committee a proposed Appraisal Plan not later than a maximum of one hundred and twenty (120) days after the date of such Discovery (even if such submission occurs after the end of the Exploration Period), and then continues to implement the procedures associated with approval of the Appraisal Plan, and provided CONTRACTOR has declared there to be a Commercial Discovery, submits a Development Plan, and receives approval of a Development Plan within the deadlines as provided in this Article 8 and in Article 9.
- (B) Any CONTRACTOR proposed Appraisal Plan shall:
- (١) include a proposed Appraisal Area corresponding with the perceived extent of the reservoir (or reservoirs in the event that multiple Discoveries are being appraised together);
 - (٢) include the proposed appraisal work;
 - (٣) include a proposed budget;

- (٤) be designed to determine whether such Discovery is a Commercial Discovery, and, with reasonable precision, the boundaries of the associated reservoir or reservoirs;
- (٥) include a proposed environmental strategy;
- (٦) include proposed revisions to the Annual Work Programme and Budget associated with the proposed Appraisal Plan; and
- (٧) otherwise be in accordance with Good International Petroleum Industry Practices.

If the Chairman of the Management Committee 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 such CONTRACTOR proposed Appraisal Plan.

- (C) The 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 not later than a maximum of two (2) years following such approval, or, in the case of a Non-Associated Natural Gas Discovery, within five (5) years of the date of such Discovery.
- (D) CONTRACTOR may, if there is no majority agreement among the Management Committee representatives regarding CONTRACTOR's proposed Appraisal Plan, initiate Expert determination in accordance with Article 7.4(E), by giving NOGA notice.
- (E) If, however, the Expert revises CONTRACTOR's proposed Appraisal Plan, but CONTRACTOR does not agree with such revisions, then CONTRACTOR shall elect, by notice to NOGA within thirty (30) days of such Expert determination, to either: (i) implement revisions made by the Expert; or (ii) immediately relinquish the associated Discovery Area.

ARTICLE 9 DEVELOPMENT

9.1 Development

- (A) The CONTRACTOR has the right to determine the commerciality of any Discovery that it makes, and, subject to Article 8.2, has the right to retain a Discovery during the Exploration Period that it chooses not immediately to 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.
- (B) In order to avoid the relinquishment of an Appraisal Area at the end of the Exploration Period, however, the CONTRACTOR must declare there to be a Commercial Discovery and have proposed to the Management Committee an associated 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 then have continued to have implemented the procedures associated with approval of the Development Plan within the deadlines as provided in this Article 9, provided, however, that where CONTRACTOR completes, in accordance with Article 8, an Appraisal Plan within one hundred and twenty (120) days of the end of the Exploration Period the CONTRACTOR may retain the associated 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 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 as provided in this Article 9.
- (C) Any CONTRACTOR-proposed Development Plan shall include:
- (1) a proposed Development Area corresponding with the extent of the reservoir (or reservoirs in the event that multiple Discoveries are being developed together);

- (٢) the proposed development work;
- (٣) a proposed budget;
- (٤) reserve estimates;
- (٥) a proposed development schedule and an estimated date for the commencement of production;
- (٦) an anticipated production profile (of all produced fluids, including water);
- (٧) an economic analysis;
- (٨) a proposed environmental strategy; and
- (٩) proposed revisions to the Annual Work Programme and Budget associated with the proposed Appraisal Plan;

and shall otherwise be in accordance with Good International Petroleum Industry Practices.

(D) If the Chairman of the Management Committee does not, within ninety (90) days from the date of receiving a proposed development plan from the CONTRACTOR, either:

- (١) notify the CONTRACTOR that the Management Committee approves the CONTRACTOR proposed development plan; or
- (٢) notify the CONTRACTOR of any changes to CONTRACTOR's proposed development plan that NOGA considers to be: (i) reasonable in the context of the proper overall management of development of the Kingdom of Bahrain's petroleum resources; (ii) in accordance with Good International Petroleum Industry Practices; and (iii) otherwise in accordance with Article 9.1(C);

the Management Committee shall be deemed to have approved such CONTRACTOR proposed Development Plan.

- (E) 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.
- (F) In accordance with 7.4(e), CONTRACTOR may, if there is no majority agreement among the Management Committee representatives regarding NOGA's proposed revisions to CONTRACTOR's proposed development plan, initiate Expert determination by giving NOGA notice. In the event that the Expert determines that NOGA's required revisions are: (i) reasonable in the context of the proper overall management of development of Bahrain's petroleum resources; (ii) in accordance with Good International Petroleum Industry Practices; and (iii) otherwise in accordance with Article 9.1(C) then such NOGA revisions shall become part of the approved Development Plan. If such Expert determines that NOGA's required revisions are not: (i) reasonable in the context of the proper overall management of development of Bahrain's petroleum resources; (ii) in accordance with Good International Petroleum Industry Practices; and (iii) otherwise in accordance with Article 9.1(C), then such Expert shall have the authority to determine what revisions to the CONTRACTOR's proposed Development Plan, if any (in the event that CONTRACTOR's proposed Development Plan was itself not in compliance with Article 9.1(C), would be required in order to bring it into compliance with Article 9.1(C).
- (G) If, however, CONTRACTOR does not agree with any applicable NOGA required revisions, or Expert required revisions, to the CONTRACTOR's proposed Development Plan then CONTRACTOR shall elect, by notice to NOGA within thirty (30) days of such Expert determination, to either: (i) implement such revisions; or (ii) immediately relinquish the associated Appraisal Area.

9.2 NOGA 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 relative to any such Discovery, NOGA may, at its sole option and by written notice to the CONTRACTOR, declare such Discovery to be a Commercial Discovery and instruct the CONTRACTOR to develop the

discovery according to a Development Plan proposed by NOGA. After receipt of said notice, the CONTRACTOR shall have three (3) months to confirm by written notice to NOGA whether the CONTRACTOR intends to develop such discovery.

(B) If the CONTRACTOR:

- (١) fails to respond within the said three (3) month period; or
- (٢) elects not to develop such discovery; or
- (٣) fails to agree the Development Plan proposed by NOGA for such discovery;

then any such Discovery shall become wholly owned by NOGA 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 Petroleum produced from such discovery), and the related Discovery Area.

ARTICLE ١٠

ANNUAL WORK PROGRAMMES AND BUDGETS

١٠.١ Annual Work Programme and Budgets

- (A) Within sixty (60) days from the Effective Date, CONTRACTOR shall submit to the Management Committee for approval an Annual Work Programme and Budget for the remainder of the first Calendar Year.
- (B) Not later than ninety (90) days before the beginning of each following Calendar Year, CONTRACTOR shall submit to the Management Committee for approval an Annual Work Programme and Budget to be carried out during the subsequent Calendar Year. The budget portion of each such element shall include the items listed in Appendix E, as applicable.
- (C) CONTRACTOR submitted Annual Work Programmes and Budgets, and any CONTRACTOR proposed revisions to an Annual Work Programme and Budget, shall:

- (١) include sufficient work in order to meet the applicable Exploration Work Programme Commitments with respect to the G & G study, First Exploration Phase, the Second Exploration Phase, and/or in regard to any Retained Exploration Area, as applicable – along with any additional Exploration Operations that CONTRACTOR may wish to implement;
 - (٢) include sufficient work in order to meet the relevant work programme commitments according to the applicable timings associated with Appraisal Plans and Development Plans under Articles 8 and 9, respectively; and
 - (٣) be in accordance with Article 12.2 and otherwise in accordance with Good International Petroleum Industry Practices.
- (D) If the Chairman of the Management Committee does not, within thirty (30) days from the date of receiving a proposed Annual Work Programme and Budget, or revision thereof, notify the CONTRACTOR that the Management Committee rejects the CONTRACTOR proposed Annual Work Programme and Budget, or revision thereof, then the Management Committee shall be deemed to have approved such CONTRACTOR proposed Annual Work Programme and Budget, or revision thereof.
- (E) In accordance with Article 7.4(E), the CONTRACTOR may, if there is no majority agreement among the Management Committee representatives regarding a CONTRACTOR proposed Annual Work Programme and Budget, or revision thereof, initiate Expert determination.
- (F) In the event that CONTRACTOR does not agree with the result of such an Expert determination then CONTRACTOR shall elect, by notice to NOGA within thirty (30) days of such Expert determination, to either: (i) implement the Expert's revisions; or (ii) terminate this Agreement.
- (G) Notwithstanding the foregoing, in the event that CONTRACTOR fails to submit an Annual Work Programme and Budget for approval that: (i) includes sufficient work in order to meet the relevant Exploration Work Programme Commitments with respect to the G & Study, First Exploration Phase, the Second Exploration

Phase, and/or in regard to any Retained Exploration Area, as applicable; and (ii) is in accordance with Good International Petroleum Industry Practices; then such failure shall be deemed a material breach and NOGA 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 Calendar 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 10; or

(2) notwithstanding 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 the CONTRACTOR shall be deemed included in the current approved Annual Work Programme and Budget for Petroleum Operations and recoverable as Petroleum Costs.

ARTICLE 11 UNITIZATION

11.1 Unitization

- (A) If a reservoir is partly within the Contract Area and partly outside of the Contract Area, with the portion outside the Contract Area either within the Kingdom of Bahrain and its territorial waters or outside of the Kingdom of Bahrain and its territorial waters, NOGA may require by notice to the CONTRACTOR that the development of the reservoir and the production of the associated Petroleum 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 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 NOGA for the common development of the reservoir. Such a proposal, if approved by NOGA, 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 NOGA's notice, or if such proposal is made but is not approved by NOGA, then NOGA may prepare a development plan with prior approval of the Expert for such common development. Such a NOGA-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 it disagrees with such Development Plan, elect to relinquish such reservoir, subject CONTRACTOR being deemed to have the obligations described in Article 29.9, as applicable.

ARTICLE ١٢
GENERAL RIGHTS AND OBLIGATIONS OF THE PARTIES

١٢.١ CONTRACTOR's General Rights

Subject to the provisions of this Agreement, and to the applicable laws in force from time to time, the CONTRACTOR shall have the following rights:

- (A) the exclusive right to explore for, appraise, develop, produce, transport, and export Petroleum located within the Contract Area; and the non-exclusive right to construct pipelines, storage and other facilities, both inside and outside the Contract Area, up to the Point(s) of Delivery, for purposes associated with Petroleum produced within the Contract Area and, on an ancillary basis, for purposes associated with Petroleum produced from outside of the Contract Area. The CONTRACTOR shall have no right to use or occupy any sites that are selected by the Kingdom of Bahrain for defense purposes, for airfield or for satellite, mobile, cable or terrestrial telephone and/or other electronic or computer communication purposes, or for other industrial, public or religious purposes. CONTRACTOR's rights are also subject to the existing rights of Third Parties, and as provided in Article 12.5 below, provided also that CONTRACTOR shall have no rights to extract, or take away, natural resources other than Petroleum, and nothing in this Agreement shall be deemed to confer any rights on the CONTRACTOR other than those rights expressly described hereunder;
- (B) the right to produce Petroleum from the Contract Area at the optimum efficient rate consistent with Good International Petroleum Industry Practices (and the Government Petroleum policy);
- (C) the right to take at the Point(s) of Delivery, or at any other the points agreed upon under Article 16.1(B)(2) below, its share of Petroleum production and the legal title thereto and sell or dispose of its share of petroleum.
- (D) 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;

- (E) the right to use, free of cost and on a first priority basis, quantities of Petroleum produced by the CONTRACTOR from the Contract Area as may be necessary in accordance with Good International Petroleum Industry Practices for preparing and treating Petroleum produced by CONTRACTOR, for lifting purposes, and generally for the proper performance of any of the Petroleum Operations hereunder; and
- (F) the right, subject to any applicable confidentiality restrictions upon NOGA, to access and use all technical data available to NOGA pertinent to the Contract Area, including seismic, well information, samples, interpretations, maps, etc. free of charge, subject to the cost of copying.

١٢,٢ **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, in accordance with this Agreement and Good International Petroleum Industry Practices;
- (B) to comply with all applicable laws and regulations, including but not limited to applicable conservation and environmental laws, as well as the customs governing navigation on the high seas and the safety of shipping, aircraft, fishing and pearling operations in and on waters covering the Contract Area;
- (C) to ensure that all equipment, materials, supplies, plant and installations used by the 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 NOGA or Third Parties;
- (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 Petroleum produced shall be allocated in accordance with this Agreement, and the CONTRACTOR may not look to NOGA in the event that the CONTRACTOR does not recover its costs as provided in this Agreement;
- (G) to ensure provision of all information, data, samples etc. to NOGA that may be required to be furnished to NOGA under the applicable laws or under this Contract;
- (H) subject to Article 23, to use its best endeavours to ensure that goods, services or facilities offered, supplied or otherwise made available to or put at the disposal of the CONTRACTOR in respect of Petroleum Operations, whether by sale, exchange, lease or other means (including those goods, services or facilities provided by CONTRACTOR or its 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 commencement of the first Contract Year, a technically competent and sufficiently experienced representative(s) 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 and whose name(s) shall, on appointment, be made known to the Government; and

- (K) if there is more than one entity comprising CONTRACTOR, then each such entity shall be jointly and severally responsible for all of the obligations of the CONTRACTOR hereunder.

١٢,٣ NOGA's General Rights

NOGA 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;
- (C) for its representatives to be provided, at the CONTRACTOR's operation sites within and outside of the 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(s) of Delivery, or at the points agreed upon under Article 16(B)(2), its share of Petroleum production and the legal title thereto; and
- (E) which it may grant to Third Parties, to explore for, appraise, develop, produce, transport, and export petroleum located in areas outside of the 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 Contract Area, for purposes associated with Petroleum produced outside of the Contract Area, and, on an ancillary basis, for purposes associated with Petroleum produced from within the Contract Area; along with the right, which it may grant to Third Parties, to prospect for and mine minerals or substances other than Petroleum both within, and outside of, the Contract Area. The CONTRACTOR shall use its best efforts to avoid interference with any such other activities by the NOGA, the Government, or any such Third Parties either within, or outside of, the Contract Area. NOGA 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 Contract Area.

١٢,٤ NOGA's General Obligations

NOGA 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 Contract Area as may reasonably be necessary to carry out Petroleum Operations including, but not limited to, the construction, laying, operating and maintaining of offshore and onshore pipelines, facilities, cables and equipment, provided that if such use by the CONTRACTOR results in expense for the NOGA then the CONTRACTOR shall reimburse NOGA for such expense, without creating any profit directly or indirectly for the NOGA;
- (B) as soon as reasonably possible after the Effective Date, to provide to the CONTRACTOR, subject to any applicable confidentiality restrictions upon NOGA, access and use all technical data available to NOGA pertinent to the Contract Area, including seismic, well information, samples, interpretations, maps, 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 both onshore and offshore telephone and radio lines and frequencies as reasonably needed for the conduct of Petroleum Operations;
- (D) to use reasonable efforts, within the limits of its authority, in securing the help of the appropriate agencies or authorities of the Government to prohibit anchorage by Third Parties near CONTRACTOR's installations (including but not limited to drilling barges, drilling platforms, production platforms and submerged pipelines) or near any of the CONTRACTOR's plants, workshops or stores; and
- (E) to use reasonable efforts, within the limits of its authority, to assist the CONTRACTOR in its dealings with the Kingdom of Bahrain and other Kingdom of Bahrain entities in connection with the Petroleum Operations.

١٢,٥ Limitation of Rights

- (A) Subject to Article 12.4(A), it is understood that the rights reserved by NOGA in Article 12 above 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 the CONTRACTOR by this Agreement shall be exercised with due regard to the existing rights of NOGA, the Government (including its agencies, authorized representatives and contractors) and Third Parties and so as not to damage, or unreasonably impede or interfere with the property, operations, facilities and interest of such parties.

١٢,٦ 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 CONTRACTOR to modify and change any work obligations contained in any Work Programme and Budget or excuse CONTRACTOR from meeting any deadline set forth in Articles 8 and 9.

١٢,٧ Lifting

Unless otherwise agreed between the Parties, NOGA and CONTRACTOR shall each take in kind and separately export or otherwise dispose of their respective shares of Net Petroleum Production. On or before each Production Commencement Date, the Parties shall establish a detailed procedure for lifting, which shall include, where applicable, sampling and assessment of Petroleum quality, and procedures to adjust any underlifting or overlifting of the Parties entitlement shares to Net Petroleum Production.

١٢,٨ Reasonable and Prudent Operator Standard

Without prejudice to the generality of Article 12.2, 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) 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 and technical results and to produce Petroleum at the optimum rate set out by CONTRACTOR in strict consultation with NOGA, and determined by the technology and processes employed in the Petroleum Operations;
- (C) plan, prepare and submit Annual Work Programmes and Budgets and related modifications, if any, to the Management Committee for its approval in accordance with this Agreement;
- (D) award and execute contracts for the performance of Petroleum Operations pursuant to the approved Annual Work Programmes and Budgets;
- (E) 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;
- (F) prepare monthly financial statements and reports, and develop accounting policies and procedures to be implemented under the Accounting Procedure;
- (G) 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 financial controls, cash management, and authorized expenditure approval levels, all in a manner consistent with this Agreement and the Accounting Procedure and approved by NOGA; and
- (H) 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 ١٣ COST RECOVERY AND PRODUCTION SHARING

١٣,١ Classification of Costs

- (A) "Exploration 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 exploration or appraisal operations (whether successful or not) including but not limited to: geological, and other surveys; the drilling of shot holes, core holes, stratigraphic tests, Exploratory 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.
- (B) "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 but not limited to: 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(s) of Delivery, and for the performance of re-pressuring, recycling and other recovery projects.
- (C) "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(s) of Delivery; as well as contributions to the Abandonment Fund.

١٣,٢ Allocation of Production

Net Petroleum Production will be allocated as either Cost Recovery Petroleum or Profit Petroleum. CONTRACTOR will be allowed to recover Petroleum Costs out of production from each Commercial Discovery up to the Cost Recovery Limit as provided below in Article 13.4(B). Profit Petroleum is the Petroleum remaining after deducting from Net Petroleum Production the applicable Cost Recovery Petroleum.

١٣,٣ R Factor

The "R Factor" is the ratio of Contract Area-wide cumulative revenue received by the CONTRACTOR from the effective date of the EPSA until the end of the last preceding Calendar Quarter, to Contract Area-wide cumulative Petroleum Costs by CONTRACTOR over the same period. Cumulative revenue is calculated on the basis of the value of CONTRACTOR's cumulative share of production, received as Cost Recovery Petroleum and Profit Petroleum. CONTRACTOR's cumulative expenditure is equal to cumulative Petroleum Costs. The "R Factor" is to be rounded up to the nearest two decimal places. The "R Factor" determines both the Cost Recovery Limit for each Development Area and also the allocation of Profit Petroleum from each Development Area.

١٣,٤ Recovery of Petroleum Costs

- (A) All of the Petroleum Costs incurred by CONTRACTOR in accordance with an approved Annual Work Programme and Budget shall be classified as Exploration Costs, Development Costs, or Operating Costs in accordance with Article 13.1. Commencing on the Calendar Quarter in which the first Production Commencement Date occurs, the CONTRACTOR shall be entitled to recover Petroleum Costs by taking title at the Point of Delivery, or other points agreed upon under Article 16.1(B)(2) below, to quantities of cost recovery Petroleum of a value, as determined in Article 15, equivalent to the value of the Petroleum Costs being recovered, and as is further provided for below in this Article 13.4 ("Cost Recovery Petroleum").
- (B) The maximum percentage of Net Petroleum Production that will be available as Cost Recovery Petroleum, 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 Crude Oil, Associated Gas and Non-Associated Gas for each Development Area.

"R Factor"	Cost Recovery Limit
< 1.0	50%
≥ 1.0	40%

- (C) There shall be a "ring-fence" limit ascribed to each Development Area for cost recovery purposes in regard to Development and Operating Costs, but there shall be no such limit with regard to Exploration Costs. In this way, CONTRACTOR shall be able to recover Development Costs and Operating Costs in respect of a particular Commercial Discovery only from available Cost Recovery Petroleum from such Commercial Discovery, but the CONTRACTOR shall be able to recover Exploration Costs from available Cost Recovery Petroleum from all Commercial Discoveries.
- (D) All Exploration Costs incurred across a Contract Area 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 Petroleum Production Commencement Date and shall thereafter be recoverable, without incurring any further interest, on a first priority basis out of Cost Recovery Petroleum from existing Commercial Discoveries at the rate of six point two five percent (6.25%) per Calendar Quarter; i.e. depreciated on a straight-line basis over four (4) years.
- (E) All other Exploration Costs shall be consolidated at the end of each Calendar Quarter and shall be recoverable, on a second priority basis, out of available Cost Recovery Petroleum from existing Commercial Discoveries at the rate of six point two five percent (6.25%) per Calendar Quarter; i.e. depreciated on a straight-line basis over four (4) years.
- (F) Development Costs incurred in regard to a Commercial Discovery shall be consolidated at the end of each Calendar Quarter and shall be recoverable, on a

third priority basis, out of available Cost Recovery Petroleum from such Commercial Discovery at the rate of six point two five percent (6.25%) per Calendar Quarter; i.e. depreciated on a straight-line basis over four (4) years.

- (G) Operating Costs shall be recoverable in the same Calendar Quarter in which they have been incurred, on a fourth priority basis, out of available Cost Recovery Petroleum from existing Commercial Discoveries.
- (H) To the extent that Cost Recovery Petroleum is insufficient in a Calendar Quarter to permit recovery of all Petroleum Costs 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 available Cost Recovery Petroleum.
- (I) To the extent that available Cost Recovery Petroleum in any Calendar Quarter exceeds the total of all Petroleum Costs to be recovered during such Calendar Quarter, then the portion of such Cost Recovery Petroleum in excess of such recoverable Petroleum Costs shall be shared between NOGA and the CONTRACTOR according to the sharing principles for Profit Petroleum described in Articles 13.5 and Article 13.6 below.

١٣,٥ Allocation of Profit Crude Oil and Profit Associated Gas

Profit Crude Oil is the Crude Oil production remaining from a Crude Oil Discovery after deducting from Net Crude Oil the applicable Cost Recovery Petroleum. Profit Associated Gas is the Associated Gas production remaining from a Crude Oil Discovery after deducting from Net Associated Gas the applicable Cost Recovery Petroleum. The CONTRACTOR's share of Profit Crude Oil, and Profit Associated Gas, as applicable, from a Crude Oil Discovery shall be in accordance with the following table. NOGA's share of Profit Crude Oil, and Profit Associated Gas, as applicable, from a Crude Oil Discovery shall be the amount of Profit Crude Oil and Profit Associated Gas, as applicable, production remaining after the subtraction of the CONTRACTOR's share of Profit Crude Oil and Profit Associated Gas, respectively.

Contractor's Share of Profit Crude Oil and Profit Associated Gas

"R Factor"	Government	Contractor
< 1.0	45 %	55%
1-1.5	55%	45 %
1.51-1.75	63 %	37 %
1.76-2.00	73%	27 %
>2.00	82 %	18%

١٣.٦ Allocation of Profit Non-Associated Gas

Profit Non-Associated Gas is the Non-Associated Gas production remaining from a Non-Associated Gas Discovery (other than that lost or used in and for the Petroleum Operations) after deducting the Non-Associated Gas applied to cost recovery pursuant to Article 13.4. CONTRACTOR's share of Profit Non-Associated Gas from a Non-Associated Gas Discovery shall be in accordance with the following table. NOGA's share of Profit Non-Associated Gas from a Non-Associated Gas Discovery shall be the amount of Profit Non-Associated Gas production remaining after the subtraction of the CONTRACTOR's share of Profit Non-Associated Gas.

Contractor's Share of Profit Non-Associated Gas and Profit Associated Crude Oil		
"R Factor"	Government	Contractor
< 1.0	25 %	75%
1-1.5	35%	65%
1.51-1.75	43 %	57%
1.76-2.00	53%	47%
>2.00	62 %	38%

ARTICLE ١٤
BONUSES**١٤,١ Bonuses**

CONTRACTOR shall pay bonus payments to NOGA in the amounts and at the times set out below. No such bonus payments shall be applicable to Natural Gas. CONTRACTOR shall make bonus payments by means of bank draft, issued in favour of NOGA, or by electronic transfer of funds to a bank account designated by NOGA.

- (A) Upon the approval of each Development Plan for a Crude Oil Discovery, **Two million US Dollars only (US \$2,000,000)**
- (B) Upon the commencement of production from the first Crude Oil Discovery in the Contract Area (applicable one time only) **Two million and five hundred thousand US Dollars only (US\$ 2,500,000).**
- (C) Upon reaching each of the following Barrel per day production levels of Crude Oil (in aggregate, Contract Area-wide), for a continuous period of thirty (30) days:

15,000 (BOPD) – US\$ 1,500,000

30,000 (BOPD) – US\$ 3,000,000

45,000 (BOPD) – US\$ 3,000,000

60,000 (BOPD) – US\$ 3,000,000

75,000 (BOPD) – US\$ 6,000,000

No additional bonus payments are applicable for production levels reached in excess of 75,000 Barrels of Crude Oil per day. Once a particular production level bonus is paid, it is not again payable in the event that production was to drop below, and then go back up to, such a production level.

ARTICLE ١٥
VALUATION OF PETROLEUM

١٥,١ Valuation of Crude Oil

Except as provided in Article 15.4, and subject to the provisions of Article 17.1, the prices for all Crude Oil, for purposes of cost recovery, allocation of Profit Petroleum, and all other purposes under this Agreement, shall be calculated for each Calendar Quarter and shall be a single FOB Bahrain price per Barrel of Crude Oil (with "FOB" being defined under the International Chamber of Commerce Incoterms 2000) at the respective Point(s) of Delivery, as applicable, expressed in U.S. Dollars. Such price shall be the weighted average FOB U.S. Dollar price per Barrel of Crude Oil 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 Crude Oil produced from the Contract Area and delivered at the respective Point(s) of Delivery, as applicable. In the event of Arms-Length Sales of such Crude Oil during such Calendar Quarter on terms other than an FOB U.S. Dollar basis, the necessary adjustments shall be made in order to determine what the equivalent sale price would have been on an FOB U.S. Dollar basis. In the event that within a Calendar Quarter Arms-Length Sales of more than one type of Crude Oil 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 U.S. Dollar price per Barrel of Crude Oil, representing the weighted average of the prices determined for each type of such Crude Oil, in accordance with the respective volumes of each type of such Crude Oil sold during such Calendar Quarter and delivered at such Point of Delivery. If no Arms-Length Sales of Crude Oil 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: (i) the price actually received by the CONTRACTOR (adjusted to an equivalent FOB U.S. Dollar price as applicable) at such Point of Delivery; and (ii) the international market price for Crude Oil of the same quality delivered on an FOB U.S. Dollar basis at such Point of Delivery.

١٥,٢ Valuation of Natural Gas

Except as provided in Article 15.4 below, the price for all Natural Gas, and all liquid hydrocarbons within Non-Associated Gas or obtained from Non-Associated Natural Gas by condensation or extraction prior to or at the Point of Delivery, including natural gas liquids, for purposes of cost recovery, allocation of Profit Petroleum, and all other purposes under this Agreement, shall be calculated for each Calendar Quarter and shall be a single price per MMBTU for Natural Gas in gaseous form and per Barrel for Natural Gas in liquid form at the

applicable Point(s) of Delivery, expressed in U.S. Dollars. Such price shall be the U.S. Dollar price per MMBTU for Natural Gas in gaseous form and per Barrel for Natural Gas in liquid form actually received by the CONTRACTOR (directly or through any of its Affiliates) from Arms-Length Sales during such Calendar Quarter of such Natural Gas produced from the Contract Area and delivered at the applicable Point(s) of Delivery. In the event of Arms-Length Sales of such Natural Gas during the Calendar Quarter on terms other than an MMBTU U.S. Dollar basis for all Natural Gas in gaseous form or a Barrel U.S. Dollar basis for all Natural Gas in liquid form at the applicable Point(s) of Delivery, the necessary adjustments shall be made in order to determine what the equivalent sale price would have been on an MMBTU U.S. Dollar basis for all Natural Gas in gaseous form and on a Barrel U.S. Dollar basis for all Natural Gas in liquid form at the applicable Point(s) of Delivery. In the event that within a Calendar Quarter Arms-Length Sales of more than one type of such Natural Gas 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 U.S. Dollar price per MMBTU for all Natural Gas in gaseous form and per Barrel for all Natural Gas in liquid form, representing the weighted average of the prices determined for each type of such Natural Gas, in accordance with the respective volumes of each type of such Natural Gas sold during such Calendar Quarter and delivered at such Point of Delivery. If no Arms-Length Sales of Natural Gas are made during such Calendar Quarter at such Point of Delivery then the price shall be deemed to be the higher of: (i) the price actually received by the CONTRACTOR (adjusted, as may be applicable, to an equivalent MMBTU U.S. Dollar price for all Natural Gas in gaseous form or a Barrel U.S. Dollar price for all Natural Gas in liquid form at such Point of Delivery); and (ii) the international market price for Natural Gas of the same quality delivered on MMBTU U.S. Dollar basis for all Natural Gas in gaseous form and Barrel U.S. Dollar basis for all Natural Gas in liquid form at such Point of Delivery.

١٥,٣ Reporting of Arms-Length Sales

CONTRACTOR shall, within ten (10) Business Days from the expiry of each Calendar Quarter, furnish to NOGA a statement certifying the: (i) applicable volume weighted average FOB U.S. Dollar Crude Oil prices per Barrel received by CONTRACTOR for such Calendar Quarter at the respective Points of Delivery, as applicable; (ii) applicable volume weighted average U.S. Dollar per MMBTU Natural Gas in gaseous form prices for such Calendar Quarter and (iii) applicable volume weighted average U.S. Dollar per Barrel Natural Gas in liquid form prices received for such Calendar Quarter by CONTRACTOR at the respective Points of Delivery, as applicable – obtained by the CONTRACTOR (directly

or through any of its Affiliates) as result of applicable Arms-Length Sales of Crude Oil or Natural Gas 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. The CONTRACTOR shall allow the audit of the associated sales contracts by an independent internationally recognized accounting firm retained by and at the cost of NOGA and the CONTRACTOR shall give the representatives of such accounting firm access to all relevant books and records necessary to perform such audit.

١٥,٤ Determination of Market Price

- (A) If in respect of any Calendar Quarter in which CONTRACTOR has sales of Crude Oil and/or Natural Gas:
- (١) there are no Arms-Length Sales of Crude Oil, and/or Natural Gas, as applicable, from applicable Point(s) of Delivery, claimed by the CONTRACTOR (directly or through any of its Affiliates); or
 - (٢) NOGA disputes the CONTRACTOR's contention that it has made applicable Arms-Length Sales;

then NOGA 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 Crude Oil, shall be the per Barrel price, as reported by Platt's Crude Oil Market Wire daily publication ("Platt's"), for one or more Crude Oils of similar grade and quality that, at the time of such determination, are being freely and actively sold on the international market. Such market price shall be the arithmetic average price per Barrel determined by calculating the average for such Calendar Quarter of the mean high and low FOB spot prices for each day of the Crude Oils selected for comparison, adjusted for differences such Crude Oil and the Crude Oils being compared for quality, transportation costs, delivery time, quantity, payment terms and other contract terms as may be relevant. In the event that Platt's ceases to be published then the Parties shall attempt to agree upon an alternative daily publication. The basis for such market price, in regard to Natural Gas production, shall be the market price per MMBTU for Natural Gas in gaseous form and per Barrel for Natural Gas in liquid form, 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 notice, to have such market price determined by an Expert, in accordance with Article 32.1 and the procedure set forth in Appendix D, according to the basis described in Article 15.4(A).
- (C) Pending any Expert determination under Article 15.4(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 15. 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 15.4(B) above.

ARTICLE 16 MEASUREMENT OF PETROLEUM

16.1 Measurement of Petroleum

- (A) Petroleum 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 Contract Area, the Management Committee shall agree on:
- (1) the methods to be employed for measurement of volumes of Petroleum production;
 - (2) the point or points, if any (such as in the case of testing a Discovery), in addition to the Point(s) of Delivery described in an Appraisal Plan or a Development Plan, at which Petroleum shall be measured and the respective shares allocated to the Parties in accordance with the terms of this Agreement;

- (٣) the frequency of inspections and testing of measurement equipment and relevant procedures; and
- (٤) the consequences of a determination of an error in measurement.
- (C) An applicable Point of Delivery for Crude Oil production under an Appraisal Plan or a Development Plan shall be, if the such Crude Oil is pumped to a storage vessel or tank, the point at which it passes the outlet flange of such storage vessel or tank. If, however, the Crude Oil is pumped directly to an export shuttle tanker, then the Point of Delivery shall be point at which the flange coupling of the loading line joins the flange coupling of the loading manifold on board the tanker (in any such case, however, such Crude Oil production shall be measured both prior to and again upon loading of the export shuttle tanker).
- (D) An applicable Point of Delivery for Natural Gas shall be onshore Bahrain at the point set forth in the applicable Development Plan approved by the Management Committee in respect of the Natural Gas Discovery.
- (E) NOGA may, at all reasonable times, inspect and test the equipment used for measuring the volume and determining the quality of Petroleum, provided that any such inspection or testing shall be carried out in such a manner so as not unduly to interfere with Petroleum Operations.
- (F) The CONTRACTOR shall give NOGA timely notice of its intention to implement any such agreed alteration, or to conduct a test of measuring operations, and NOGA 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 NOGA monthly reports showing the quantity of Petroleum 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. NOGA may, at any reasonable time, inspect such records.
- (J) If any dispute arises between the Parties regarding measurement, or measurement and/or analysis records under this Article 16 which cannot be resolved amicably, either Party shall have the right, by giving notice to the other Party, to have such dispute resolved by Expert determination, on the basis described in this Article 16, and in accordance with the procedure set forth in Appendix D.

ARTICLE 17 TAXES AND STABILITY

17.1 Bahrain Income Tax

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 Bahrain Income Tax Law and shall, simultaneously with such filing, forward a copy of such tax declarations to NOGA. For purposes of such income tax declarations, gross income shall be based on CONTRACTOR's actual sales receipts. Further, CONTRACTOR shall be entitled to deduct and/or amortize all expenditures incurred pursuant to this Agreement, irrespective if an expenditure is not cost recoverable pursuant to the Agreement.

17.2 Export Taxes

NOGA shall indemnify and hold CONTRACTOR harmless from any duties, sales tax, or other taxes (except Bahrain Income Taxes) or other charges that might be imposed upon CONTRACTOR by the Kingdom of Bahrain as result of CONTRACTOR exercising its right under Article 12.1(A) to export its share of Petroleum production under this Agreement. Such indemnity shall not, however, extend to cover refined products.

17.3 Taxes on Abandonment Fund

NOGA shall pay, from and to the extent of the revenue that it receives from its share of Petroleum production under this Agreement, on behalf of CONTRACTOR taxes or other levies imposed by the Kingdom of Bahrain on any amounts paid into, or earned by, any Abandonment Fund under Article 22.6.

١٧,٤ **Stabilization – Economic Balancing**

In the event that any changes to the laws, decrees, rules or regulations of the Kingdom of Bahrain (including but not limited to the Bahrain Income Tax Laws); excluding any such changes that involve health, safety, environmental or employer payroll obligations by way of social security or other employment benefits; 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 ١٨ **IMPORT CUSTOMS AND DUTIES**

١٨,١ **Import Customs and Duties**

- (A) CONTRACTOR shall be solely responsible for the import and clearance of equipment, materials, goods and supplies as may 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 law 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. CONTRACTOR shall file and NOGA shall arrange, however, for 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 CONTRACTOR's subcontractors) under any applicable NOGA exemption from local customs duties or other charges on imports and on exports. NOGA shall assist the CONTRACTOR in its applications for such exemptions and 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 such NOGA exemption. If permits for importation of equipment, materials, goods and supplies under this Article 18.1(A) include the obligation to re-export, CONTRACTOR shall timely comply with such obligation. To the extent CONTRACTOR is unable to obtain the said NOGA exemption from local customs duties or other charges on imports and on exports as described herein, then CONTRACTOR shall be entitled to recover any such charges, duties or fees from the Cost Recovery Petroleum. Such NOGA exemptions shall not be available to CONTRACTOR in regard to:

- (١) equipment, goods, materials and supplies for the personal use or consumption by the CONTRACTOR's, or its subcontractors' employees, consultants, or their families;
- (٢) sedan cars, buses and trucks of less than three (3) tons capacity including all vehicles used for employee transport;
- (٣) duties payable on equipment, goods, materials and supplies purchased within the Kingdom of Bahrain; or
- (٤) goods and materials in respect of which customs duties have already been paid by the local importer or agent;

all to the extent such goods and materials are utilized solely and permanently for use in Petroleum Operations.

- (B) In order to obtain the benefit of applicable NOGA exemptions as described in Article 18.1(A) 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 CONTRACTOR under the exemption described in Article 18.1(A) shall be reported within thirty (30) days of such sale or transfer to the Ministry of Finance and to NOGA. 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 NOGA exemption shall not be applicable.

ARTICLE 19
CURRENCY, BANKING, AND EXCHANGE CONTROL

19.1 Currency of Payments

Any payments to be made under this Agreement by CONTRACTOR to NOGA, or by NOGA to CONTRACTOR, shall be made in U.S. 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.

19.2 CONTRACTOR's Rights

Subject to the Kingdom of Bahrain's laws of general application, NOGA shall use reasonable efforts to procure that the CONTRACTOR, its 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 of other 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 Petroleum 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 of sales made within the Kingdom of Bahrain, or repatriate sums imported pursuant to Article 19.2(B) above, 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 that 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 ٢٠ NATURAL GAS

٢٠.١ Associated Gas

- (A) In conducting Petroleum Operations, the CONTRACTOR shall conserve Associated Gas to the maximum extent reasonably possible in the circumstances. NOGA shall have the right to build necessary pipelines and to take offshore one hundred percent (100%) of any Associated Gas that CONTRACTOR proposes to flare under any associated Development Plan. CONTRACTOR may flare Associated Gas only to the extent that:

- (١) such flaring is required if NOGA does not exercise its right to take offshore delivery of such Associated Gas;
- (٢) such flaring is consistent with Good International Petroleum Practices; or
- (٣) NOGA's prior written approval has been obtained by the CONTRACTOR.

B) In the event that CONTRACTOR determines Associated Gas associated with a Crude Oil Discovery might warrant development, then CONTRACTOR may give NOGA notice requesting full details of the Bahraini Natural Gas market and prices and any other then existing marketing services and costs information. NOGA shall provide CONTRACTOR, to the extent that NOGA is not prohibited from doing so by applicable law or by any applicable confidentiality obligations that NOGA may have, with such information within thirty (30 days) of CONTRACTOR's request. For CONTRACTOR's share of Associated Gas the Parties shall, at the election of CONTRACTOR, enter into an applicable gas sales contract with terms in accordance with Good International Petroleum Industry Practices , that shall provide for NOGA to pay CONTRACTOR \$1.5/MMBTU for CONTRACTOR's share of such Associated Gas delivered, pursuant to an applicable Development Plan, at the Point of Delivery. Such \$1.5/MMBTU price shall be indexed in accordance with the U.S. Consumer Price Index in order to adjust for the effects of inflation. In all cases CONTRACTOR shall be obligated to: (i) submit a Development Plan for such Crude Oil Discovery within the timings described in Article 9; and (ii) timely to implement any associated Development Plan in accordance with Article 9.

٢٠٢ Non-Associated Gas

- (A) In the event that CONTRACTOR determines that a Non-Associated Natural Gas Discovery might warrant development, then CONTRACTOR may give NOGA notice requesting full details of the Bahraini Natural Gas market and prices and any other then existing marketing services and costs information. NOGA shall provide CONTRACTOR, to the extent that NOGA is not prohibited from doing so by applicable law or by any applicable confidentiality obligations that NOGA may have, with such information within thirty (30 days) of CONTRACTOR's

request. For CONTRACTOR's share of Non-associated Gas the Parties shall, at the election of CONTRACTOR, enter into an applicable gas sales contract with terms in accordance with Good International Petroleum Industry Practices , provided that NOGA shall pay CONTRACTOR \$1.5/MMBTU for CONTRACTOR's share of such Non-Associated Gas delivered, pursuant to an applicable Development Plan, at a Point of Delivery. Such U.S.\$1.5 /MMBTU price shall be indexed in accordance with the U.S. Consumer Price Index in order to adjust for the effects of inflation from the date of the approval of the associated Development Plan.

- (B) CONTRACTOR shall have the right to retain a Non-Associated Gas Retention Area for a period of five (5) years from the date of a Discovery of Non-Associated Natural Gas, even if the period of such retention extends beyond the end of the Exploration Period. However, in order to establish such a Non-Associated Gas Retention Area, and to avoid the relinquishment of the Non-Associated Gas Retention Area at the end of the Exploration Period, the CONTRACTOR must, 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) have either:
- (1) submitted to the Management Committee information obtained from testing, in accordance with Article 8.1(B), of the well that resulted in such Discovery that reasonably indicates, in accordance with Good International Petroleum Industry Practices, that such Discovery is a Non-Associated Natural Gas Discovery; or
 - (2) submitted to the Management Committee information obtained from partial, or complete, implementation of an Appraisal Plan that reasonably indicates, in accordance with Good International Petroleum Industry Practices, that such Discovery is a Non-Associated Natural Gas Discovery, and submitted such results to the Management Committee.

provided, however, that where CONTRACTOR makes a Discovery within one hundred and eighty (180) days of the end of the Exploration Period CONTRACTOR may retain any associated Discovery Area, which NOGA in

its discretion may chose to grant CONTRACTOR, past the end of the Exploration Period provided that one of the events described in Articles 20.2(B)(1) or 20.2(B)(2) occur, and CONTRACTOR has proposed an applicable Non-Associated Gas Retention Area, within ninety (90) days of the date of such Discovery.

- (C) CONTRACTOR may propose, at any time prior to the end of the five (5) year term of a Non-Associated Gas Retention Area, a proposed Appraisal Plan to the Management Committee.
- D) Contractor may opt, during the Contractor's five (5) year Non-Associated Gas Retention Period, to attempt to negotiate a higher price with either a domestic or an export buyer. In such eventuality, NOGA reserves the first choice of matching any offer firmly received by the Contractor from non related entity Customers.

٢٠,٣ CONTRACTOR Marketing of Natural Gas on Behalf of NOGA

At the option of NOGA, CONTRACTOR shall market and sell, at the highest possible Arm's Length Sales price (which shall not be less than what Contractor receives for its own share of Natural Gas) NOGA's share of Natural Gas (either Associated Gas or Non-Associated Gas) production delivered to the Parties at any applicable Point of Delivery. CONTRACTOR shall obtain NOGA's approval prior to committing such Natural Gas to any gas sales contract. NOGA's share of costs associated with such marketing and sales shall be for the account of NOGA. NOGA shall have the right to audit any such costs. Except to the extent of any quantity of NOGA's share of Natural Gas production which is committed for sale under the terms of an applicable gas sales contract NOGA may, upon ninety (90) days notice to CONTRACTOR, elect to take delivery of such Natural Gas at the applicable Point of Delivery.

ARTICLE ٢١**HEALTH, SAFETY AND ENVIRONMENTAL COMPLIANCE****٢١.١ CONTRACTOR's Health, Safety and Environmental Obligations**

- (A) CONTRACTOR shall take all actions necessary, including implementation of Good International Petroleum Industry Practices, and methods for the prevention of environmental damage in conducting its Petroleum Operations, in order to prevent any harm to public health and safety and any damage to the environment, including without limitation the surface, subsurface, air, sea, lakes, rivers, springs, animal life, plant life, crops and other natural resources and property. In the furtherance of this obligation the CONTRACTOR shall:
- (١) within ninety (90) days of the Effective Date propose to the Management Committee for approval an Integrated Management Plan covering all health, safety and environmental aspects of the Petroleum Operations to be carried out; such Integrated Management Plan shall be inclusive of an Oil Spill and Accident Contingency Plan for dealing with spills, fires, accidents and emergencies, designed to achieve rapid and effective emergency response, which shall be subject to the overall control of the Management Committee with input from the environmental sub-committee to be formed by the Management Committee;
 - (٢) take all necessary precautions against fire and any spillage or release of Crude Oil, or Natural Gas 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;
 - (٣) provide appropriate compensation for injury to persons or damage to property caused as a result of implementation of Petroleum Operations.
- (B) CONTRACTOR shall, using Good International Petroleum Industry Practices, conduct a baseline environmental survey of the Contract Area immediately after the Effective Date, and conduct such a survey on a timely basis after the performance of Petroleum Operations such seismic surveys, drilling, construction of facilities, the initiation of new production, and Abandonment of

facilities and equipment. CONTRACTOR shall provide all such information to NOGA on a timely basis.

- (C) CONTRACTOR shall, using Good International Petroleum Industry Practices, conduct environmental impact studies prior to conducting Petroleum Operations such as seismic acquisition, drilling, and development operations 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 Contract Area and in the adjoining or neighbouring areas as a consequence of such Petroleum Operations. CONTRACTOR shall provide any such environmental impact study to NOGA along with the associated environmental plan as described in Article 21.1(D).
- (D) CONTRACTOR shall also, prior to performing any Petroleum Operation such as seismic acquisition, drilling or development submit an environmental plan to the Management Committee for approval respecting the prevention of environmental damage and for carrying out site restoration activities. In the case of development operations, such environmental plan shall be part of CONTRACTOR's proposed Development Plan. All such environmental plans shall contain proposed environmental guidelines to be followed in order to minimize environmental damage and shall include, but not be limited to, the following, to the extent appropriate to the respective study taking into account the type of operations to which such environmental plan relates:
- (١) proposed access cutting;
 - (٢) clearing and timber salvage;
 - (٣) wildlife and habitat protection;
 - (٤) fuel storage and handling;
 - (٥) use of explosives;
 - (٦) camps and staging;
 - (٧) liquid and solid waste disposal;
 - (٨) cultural and archaeological sites;

- (٩) selection of drilling sites;
 - (١٠) terrain stabilization;
 - (١١) protection of freshwater horizons;
 - (١٢) blow out prevention plan;
 - (١٣) flaring during completion and testing of wells;
 - (١٤) Abandonment of wells, facilities and the Contract Area and adjacent areas affected by Petroleum Operations;
 - (١٥) rig dismantling and site completion;
 - (١٦) noise control;
 - (١٧) debris disposal; and
 - (١٨) protection of natural drainage and water flow.
- (E) Any such environmental plan in regard to drilling or development operations shall include a specific plan for implementation of a contract area oil spill plan and an accident contingency plan.
- (F) The Management Committee shall advise the CONTRACTOR of its approval or disapproval of any such proposed environmental plan within ninety (90) days from the receipt of such proposal. The provisions associated with Management Committee approval of CONTRACTOR proposed Development Plans under Article 9 above shall apply *mutatis mutandis* to any such proposed environmental plan.
- (G) CONTRACTOR shall ensure that:
- (١) the pertinent environmental impact studies and environmental plans are provided to its employees and to its subcontractors in order to develop awareness of the measures and methods of environmental protection required to be used in carrying out the Petroleum Operations; and

- (٧) the contracts entered into between the CONTRACTOR and its subcontractors relating to Petroleum Operations shall include the provisions describing the requirements for CONTRACTOR's implementation of pertinent environmental plans.
- (H) While conducting Petroleum Operations the CONTRACTOR shall:
- (١) ensure that the disposal and/or discharge of all substances associated with Petroleum Operations shall be handled in an environmentally sound manner in accordance with the guidelines contained in Appendix G; and
- (٢) take all measures 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. CONTRACTOR shall also carefully preserve any fresh water sources discovered in the course of such operations and shall provide NOGA with a description of the locations of such sources along with all pertinent data.
- (I) If NOGA is reasonably of the opinion that any facilities or other installations of 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, NOGA may require the CONTRACTOR to take remedial measures according to a schedule proposed by NOGA that is reasonable in accordance with the circumstances. NOGA may also require the CONTRACTOR to discontinue Petroleum Operations in whole or in part until the CONTRACTOR has taken such remedial measures. In the event that the CONTRACTOR fails to perform such remedial measures then NOGA, after giving the CONTRACTOR reasonable notice, may take any action which may be necessary in the circumstances and CONTRACTOR shall then be responsible to reimburse NOGA, within thirty (30) days after having received from NOGA an accounting of any such expenditures, for the full cost incurred by NOGA together with such interest as may be determined in Appendix C of this Agreement.

- (J) In the event of an oil spill, fire, accident, or other emergency arising from Petroleum Operations the CONTRACTOR shall immediately notify NOGA, shall promptly implement the Oil Spill and Accident Contingency Plan, and shall clean-up or otherwise remedy the damage. The order of priority for actions shall be the protection of: (i) life; (ii) the environment; and (iii) property. In the event that the CONTRACTOR fails to perform these obligations then NOGA, after giving the CONTRACTOR reasonable notice in the circumstances, may take any action which may be necessary and CONTRACTOR shall then be responsible to reimburse NOGA, within thirty (30) days after having received from NOGA an accounting of any such expenditures, for the full cost incurred by NOGA together with such interest as may be determined in Appendix C of this Agreement.
- (K) The CONTRACTOR shall be responsible for and shall fully indemnify NOGA 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 CONTRACTOR, its agents, subcontractors or other representatives. Further 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.
- (L) The obligations and liability of CONTRACTOR for the environment hereunder shall be limited to damage to the environment which:
- (١) occurs after the Effective Date; and
 - (٢) results from any act or omission of the CONTRACTOR.

In no event shall CONTRACTOR be liable for indirect or consequential damages or losses.

ARTICLE ٢٢
USE, OWNERSHIP, AND ABANDONMENT OF ASSETS

٢٢,١ Use of Existing Infrastructure

- (A) NOGA shall use reasonable efforts to obtain for the CONTRACTOR, in connection with CONTRACTOR's share of Petroleum production, access to all existing transportation, treatment and export facilities and other infrastructure up to the Point of Delivery in the Kingdom of Bahrain 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.
- (B) 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.

٢٢,٢ NOGA Rights to CONTRACTOR Assets

All CONTRACTOR rights, title, and interest to: (i) assets brought into the Kingdom of Bahrain, by CONTRACTOR for Petroleum Operations, other than such assets brought into the Kingdom of Bahrain on a temporary entry basis; or (ii) assets acquired by CONTRACTOR within the Kingdom of Bahrain, shall be subject to the following:

- (A) on the date that the acquisition of any land acquired by CONTRACTOR for Petroleum Operations becomes effective, NOGA shall have the right to require CONTRACTOR to transfer, free of any charges or encumbrances, all rights, title, and interest to such land; and
- (B) upon the expiry or earlier termination of this Agreement, NOGA shall have the right to require CONTRACTOR to transfer, free of any charges or encumbrances, all rights, title, and interest to any asset(s) other than land, whether fixed or moveable, acquired and owned by the CONTRACTOR for use in Petroleum Operations either inside or outside the Contract Area.

٢٢,٣ Third Party Access to Assets

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 NOGA 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 NOGA), 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.

٢٢,٤ 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 NOGA describing such assets. NOGA may, by giving CONTRACTOR notice within thirty (30) days of CONTRACTOR's notice, buy such assets by paying CONTRACTOR the amount of CONTRACTOR's purchase price less the amount of any costs already recovered by the CONTRACTOR. In such an event NOGA shall be responsible for Abandoning such asset and the CONTRACTOR shall have no further liability in regard to such Abandonment. If NOGA does not so respond to CONTRACTOR within such thirty (30) day period then CONTRACTOR shall be free to sell such assets to a Third Party at a negotiated price. In either event the proceeds received by CONTRACTOR shall be credited against the Operating Account. Provided that, however, any such sale shall be subject to:

- (A) the Third Party buyer(s) paying any applicable customs duties not previously paid by CONTRACTOR;
- (B) the Third Party buyer(s) agreeing to be bound, to the benefit of NOGA, by CONTRACTOR's Abandonment obligations as described in this Agreement, and with NOGA being provided with a copy of such agreement; and
- (C) agreement by NOGA, which shall not be unreasonably withheld, that such buyer's Abandonment obligations are subject to adequate security.

٢٢,٥ Abandonment

Upon: (1) CONTRACTOR's voluntary decommissioning of an asset; (2) CONTRACTOR's partial relinquishment of the Contract Area; (3) early termination of this Agreement; or (4) expiry of this Agreement, the CONTRACTOR shall:

- (A) remove all subject equipment and installations in a manner consistent with Good International Petroleum Industry Practices and according to an Abandonment plan approved by the Management Committee, which approval shall not be unreasonably withheld, and pursuant to, in the case of fixed assets, such decommissioning plan; and
- (B) perform all necessary site restoration in accordance with the Good International Petroleum Industry Practices and in a manner approved by the Management Committee, 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.

٢٢,٦ Abandonment Fund

- (A) In order to finance the decommissioning of all fixed assets such as platforms, 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 monies shall be agreed to by the Management Committee. All monies 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 a 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 Calendar Quarter

when seventy percent (70%) of Petroleum reserves identified in the associated Development Plan have been recovered. In the event that subsequently a separate Commercial Discovery is made, then the Management Committee may agree to postpone such payments until an aggregate seventy percent (70%) of the overall combined Petroleum reserves have been recovered, or until some other event that the Management Committee may deem appropriate.

- (C) The CONTRACTOR shall transfer funds on a Calendar Quarterly basis to the Abandonment Fund according to the following formula:

$$QAT = ((COA/ARES) \times PARES) - CAF$$

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);

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;

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; and

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 CONTRACTOR shall give timely notice to NOGA prior to such Abandonment. NOGA may elect, within thirty (30) days of such notice, to take ownership of such asset by paying CONTRACTOR the amount of CONTRACTOR's purchase price less the amount of any costs already recovered by the CONTRACTOR. If NOGA fails so to notify the CONTRACTOR within

such thirty (30) day period, then NOGA shall be deemed to have elected not to take ownership of such asset. In the event of such an election by NOGA the appropriate portion of the associated Abandonment Fund shall be transferred to the NOGA at the time NOGA commences decommissioning of such fixed asset or termination of this Agreement, whichever comes first. Any continued use of such asset by NOGA, or any decommissioning of such asset by NOGA, shall be in accordance with Good International Petroleum Industry Practices and in such a manner that does not interfere with Petroleum Operations.

- (E) Upon the expiry or early termination of this Agreement, the CONTRACTOR shall notify NOGA of all fixed assets. NOGA shall, within thirty (30) days of receipt of the CONTRACTOR's notice, notify the CONTRACTOR of any such fixed assets that NOGA elects to take ownership of pursuant to Article 22.2(B), as well as whether the NOGA elects to Abandon any of such fixed assets. If NOGA does not, within thirty (30) days of receipt of the CONTRACTOR's notice, notify CONTRACTOR accordingly, then NOGA shall be deemed not to have elected to take ownership of any such fixed assets and shall also be deemed not to have elected to Abandon any such fixed assets. 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 NOGA, as the case may be, whichever is responsible for Abandoning such fixed assets. If NOGA elects to continue to use or to Abandon any fixed assets, then NOGA may Abandon such fixed assets as and when it decides. Abandoning of any fixed assets, whether by the NOGA or the CONTRACTOR, shall be 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 indemnify NOGA from and against any loss, damage or liability of any nature whatsoever connected with such fixed assets, until the CONTRACTOR has completed such Abandonment in accordance with this Agreement.

- (G) If NOGA elects to take ownership of any fixed assets pursuant to Articles 22.2(B) or 22.6(D), or to Abandon any fixed assets pursuant to Article 22.6(E) for which it does not elect to take ownership, then 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. NOGA shall indemnify the CONTRACTOR from and against any loss, damage or liability of any nature whatsoever connected with such fixed assets.
- (H) Not later than one (1) year prior to the Calendar Year in which seventy percent (70%) of the Petroleum reserves identified in a Commercial Discovery are expected to be recovered, the 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 Commercial Discovery, then such excess shall be distributed between NOGA and the CONTRACTOR in proportion to the ratio of Profit Crude Oil, Profit Associated Gas and Profit Non-Associated Gas received by them from the associated Commercial Discovery during the preceding ten (10) years.

ARTICLE ٢٣

PREFERENCE FOR LOCAL SERVICES, GOODS, AND EMPLOYEES

٢٣,١ Preference for Local Services and Facilities

- (A) CONTRACTOR shall use NOGA services and facilities for Petroleum Operations to the extent that they are acceptable for the intended purposes and are available from NOGA according to terms that are no less favourable to CONTRACTOR than those otherwise available in the Kingdom of Bahrain. CONTRACTOR has the right, in the context of any such services and facilities available from NOGA, to terms no less favourable to the CONTRACTOR than

those agreed with any other non-Affiliate of NOGA user of such services and/or facilities.

- (B) Subject to Article 23.1(A), 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:
- (١) such companies can demonstrate that they have the capability to deliver such services according to the necessary standard on a timely basis;
 - (٢) 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%); and
 - (٣) the terms and conditions, other than price, applicable to such services are substantially competitive with those available from other companies.
- (C) Subject to Article 23.1(B), CONTRACTOR shall have the right to engage the services of its Affiliates, and other persons of its own choosing, as subcontractors for the carrying out of Petroleum Operations.

٢٣,٢ 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:
- (١) such companies can demonstrate that they have the capability to deliver such goods according to the necessary standard on a timely basis;
 - (٢) 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%); and

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

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.

The application of Paragraphs 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.

٢٣,٣ Preference for Local Employees

- (A) The CONTRACTOR shall employ nationals of the Kingdom of Bahrain for the implementation of Petroleum Operations provided that:
- (١) such persons have the required qualifications;
 - (٢) the cost associated with the employment of such persons does not substantially exceed the cost of employment of qualified persons from other countries; and
 - (٣) 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.

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 23.3.

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 ٢٤
TRAINING AND TRANSFER OF TECHNOLOGY

٢٤,١ Training

CONTRACTOR shall provide training for nationals of the Kingdom of Bahrain, including both nationals of the Kingdom of Bahrain employed by CONTRACTOR as well as employees of NOGA. CONTRACTOR shall make annual expenditures for this purpose of no less than fifty thousand Dollars (\$ 50,000) prior to CONTRACTOR's submission of the first Development Plan to the Management Committee for approval, and no less than one hundred thousand Dollars (\$ 100,000) subsequent to the such submission. Such annual expenditures shall be in accordance with a training plan that shall be included as part of relevant Annual Work Programme and Budget and approved by the Management Committee. Such expenditures shall be classified as:

- (A) Exploration Costs if they are made prior to CONTRACTOR's submission of the first Development Plan to the Management Committee for approval;
- (B) Development Costs if they are made after CONTRACTOR's submission of the first Development Plan to the Management Committee for approval; and
- (C) Operating Costs if they are made after the first Petroleum Production Commencement Date.

٢٤,٢ Transfer of Technology

CONTRACTOR shall apply Good International Petroleum Industry Practices in Petroleum Operations, including: exploration technology; development technology, including technology that can improve the economic yield or performance of Petroleum Reservoirs; and associated proprietary and/or patented technology. The CONTRACTOR shall transfer such technology by way of an element of the respective training programmes pursuant to Article 24.1. Provided, however, that if any such proprietary or patented technology is restricted by a Third Party then 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 its Affiliates or a Third Party; as applicable, and shall be subject to the confidentiality restrictions described in Article 26.2.

ARTICLE ٢٥ LIABILITIES, INDEMNIFICATION AND INSURANCE

٢٥,١ Liabilities and Indemnification

- (A) Subject to Article 25.1(C), CONTRACTOR shall indemnify and hold NOGA, the Government, their Affiliates, its Affiliates, sub-contractors, and their respective management and personnel (the "NOGA Group") harmless from and against any and all injury, sickness, death, loss, action, claim, damage, cost 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 CONTRACTOR, even if accidental, save and to the extent that such injury, sickness, death, loss, action, claim, damage, cost or expense has been caused by the negligence or wrongful act of any member(s) of the NOGA Group.
- (B) NOGA shall indemnify and hold 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 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(s) of the NOGA Group, even if accidental, save and to the extent that such injury, sickness, death, loss, action, claim, damage, cost or expense has been caused by the negligence or wrongful act of any member(s) of the CONTRACTOR Group.
- (C) NOGA shall indemnify and hold CONTRACTOR Group harmless from and against any and all liabilities, injury, sickness, death, loss, action, claim, damage, cost or expense (including loss of or damage to equipment, property, materials and any environmental pollution or other damage to the environment arising out of, caused by, or contributed to by Other Operations, even if accidental, save and to the extent that such injury, sickness, death, loss, action, claim, damage, cost or expense has been caused by the negligence or wrongful act of any member(s) of the CONTRACTOR Group. For these purposes, "Other Operations" means

any and all Petroleum Operations or other activities carried out in the Contract Area by NOGA, BAPCO, the Kingdom of Bahrain and/or its agents, subcontractors or other representatives, including other national or international oil companies operating pursuant to an agreement with the Kingdom of Bahrain or an entity authorized by the Government of the Kingdom of Bahrain, whenever undertaken.

٢٥,٢ Consequential losses

In no event shall NOGA or CONTRACTOR be liable to the other for any indirect or consequential loss or damage arising out of or related to this Agreement including but not limited to inability to produce Petroleum, lost production or loss of or delay in production of Petroleum, except in cases of Willful Misconduct.

٢٥,٣ Contractor's Insurance

Without prejudice to CONTRACTOR's liabilities as described in Article 25.1, 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 CONTRACTOR's indemnity obligations as are described in Article 25.1. 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. 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. 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. CONTRACTOR shall provide to NOGA copies of applicable certificates within thirty (30) days of any request made by NOGA. Such insurance policies shall name NOGA and the Government as additional insureds (or as additional "loss payees"), shall waive subrogation against NOGA and the Government, and shall provide that they may not be cancelled except upon thirty (30) days prior notice to NOGA. CONTRACTOR shall actively pursue any claims against insurers. Any amount received by CONTRACTOR from such insurance shall be applied and accounted for in accordance with the Accounting Procedure. CONTRACTOR shall not self-insure or insure through Affiliates without the specific prior approval of NOGA. CONTRACTOR may use its normal worldwide insurance programmes and coverage to

satisfy these insurance obligations only with the specific prior written approval of NOGA. 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 NOGA 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 NOGA Group under Article 25.1;
- (E) with respect to Petroleum Operations offshore, the cost of removing wrecks and cleaning up operations following any accident in the course of or as a result of Petroleum Operations; and
- (F) loss of Petroleum that has been produced to the surface, nominating CONTRACTOR and NOGA as joint beneficiaries.

٢٥,٤ Sub-Contractor Insurance

The CONTRACTOR shall be responsible for its subcontractors obtaining and maintaining insurance as described Article 25.3, and discharging to NOGA the obligations described in Article 25.3, applied *mutatis mutandis* to such subcontractors.

ARTICLE ٢٦ DATA, INFORMATION AND CONFIDENTIALITY

٢٦,١ Data and Information

- (A) 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 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 NOGA as soon as reasonably possible after the same has come into the possession of the CONTRACTOR.

(B) 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:

- (١) the strata through which the well was drilled;
- (٢) the casing, drill pipe, tubing and down-hole equipment run in the well and modifications and alterations thereof;
- (٣) Petroleum, water and valuable mineral resources encountered;

any other information consistent with Good International Petroleum Industry Practices.

(C) The information required by Articles 26.1(A) and 26.1(B) above shall be submitted to the NOGA in the form of well completion reports within ninety (90) days from completion of the well in question.

(D) With prior notice to NOGA, 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 Petroleum found in the 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 NOGA with copies or equivalent samples and specimens of the materials which the CONTRACTOR proposes to remove from the Kingdom of Bahrain.

(E) The CONTRACTOR shall supply to NOGA on a timely basis (or as otherwise specifically provided below):

- (١) daily reports on drilling operations and weekly reports on field geophysical surveys as soon as they are available;
- (٢) 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:
 - (a) a description of the Petroleum Operations carried out and the factual information obtained including Petroleum production data from the Contract Area overall and on a well by well basis;
 - (b) a description of the Contract Area in which the CONTRACTOR has operated; and
 - (c) a map indicating the location of all wells and other Petroleum Operations;
- (٣) within three (3) months of the end of each Calendar Year, an annual report summarising the matters specified in Article 26.1(E)(2) above for the preceding Calendar Year;
- (٤) 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, and
- (٥) other reports as may reasonably be requested by the Management Committee. Additionally the CONTRACTOR will inform the NOGA of all discoveries other than Petroleum, such as discoveries of non-Petroleum natural resources.

The daily and weekly reports required to be submitted to the NOGA 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 NOGA pursuant to this Article 26 shall be submitted in the English language.

- (F) At the request of the NOGA, the CONTRACTOR shall keep and store on behalf of the NOGA and for the account of Petroleum Operations, such data related to Petroleum Operations as the NOGA 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 NOGA. 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 request therefor from the NOGA, provide the NOGA with copies of seismic tapes and data kept and stored by the CONTRACTOR with the cost of reproduction being reimbursed as Petroleum Costs.

- (G) Upon termination of this Agreement all data shall be delivered to the NOGA. Notwithstanding the termination, the NOGA may request the CONTRACTOR and the CONTRACTOR shall, for a period not exceeding one (1) year following termination of this Agreement, keep and store seismic tapes and data outside the Kingdom of Bahrain in a sound and prudent manner. During such period, the NOGA may request in writing and the CONTRACTOR shall provide, in a timely manner after receiving any such written request, copies of such seismic tapes and data. All costs associated with the keeping and storing of seismic tapes and data shall be for the account of the CONTRACTOR and the cost of copying shall be reimbursed by the NOGA to the CONTRACTOR at cost.

٢٦,٢ Confidentiality

- (A) All data and other information developed, acquired, and/or otherwise obtained by the CONTRACTOR in relation to this Agreement (inclusive of CONTRACTOR's interpretation of data generated as result of Petroleum Operations and/or any other reports or documents prepared on the basis of such data or other information) shall become the property of the NOGA, subject to any exceptions that NOGA may give its prior written consent to. Subject to the provisions of this Article 26.2, however, the CONTRACTOR shall be free to use any such information in the performance of Petroleum Operations. This Agreement, as well as such information, is strictly confidential, and accordingly shall not be disclosed by either Party, except as otherwise specifically provided by this Agreement, without the prior written consent of the other Party (such consent not to be unreasonably withheld or delayed). Such consent shall not be required:

- (١) 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 26.2;
- (٢) if, and only to the extent as, required by applicable law;
- (٣) if, and only to the extent as, required by the disclosure rules of an applicable stock exchange upon which the disclosing Party's shares are listed;
- (٤) if necessary to the extent reasonably required by dispute resolution proceedings under Article 32;
- (٥) if such disclosure is to:
 - (a) any Affiliate of the disclosing Party;
 - (b) attorneys and/ or consultants of the disclosing Party;
 - (c) 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 26.2. In all such circumstances, the disclosing Party shall hold the other Party harmless from any breach of the 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;

- (٦) 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 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 26.2;

- (V) if disclosure is reasonably necessary to be made by NOGA, or 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 26.2.
- (B) CONTRACTOR shall not sell any of the information described in Article 26.2(A) above.
- (C) NOGA shall have the right to disclose to Third Parties any of the information described in Article 26.2(A) above which is associated with any portion of the Contract Area that has been relinquished by CONTRACTOR or which is associated with any portion of the Contract Area after expiry or early termination of this Agreement. NOGA shall also have the right to disclose to Third Parties any of the information described in Article 26.2(A) above to Third Parties in regard to unrelinquished portions of the Contract Area four (4) years after the date that such information has been generated or otherwise obtained by CONTRACTOR.
- (D) The information described in Article 26.2(A) above shall remain the property of NOGA and must timely be returned to NOGA upon expiry or early termination or of this Agreement, or upon relinquishment of areas within the Contract Area, in regard to any such information that is associated with such relinquished area.

ARTICLE ٢٧ RECORDS, REPORTS, ACCOUNTS AND AUDIT

٢٧,١ **Records, Accounts and Reports**

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 NOGA and/or NOGA's authorized representatives, upon request. Such accounts shall be kept in accordance with the Accounting Procedure. CONTRACTOR shall, within thirty (30) Business Days from receiving any request from

NOGA, make available, in a meaningful form, any and all such information related to Petroleum Operations and Petroleum Costs as reasonably requested by the NOGA. The NOGA shall have the right at all reasonable times to inspect all records and documents kept by the CONTRACTOR hereunder.

٢٧,٢ Profit and Loss Statement, Balance Sheet, and Cash Flow Statement

The CONTRACTOR shall submit to the NOGA a profit and loss statement for each Calendar Year by March 31st of the following Calendar Year, to show the net profit or loss from the Petroleum Operations for such Calendar Year. The CONTRACTOR shall, concurrently, submit a year-end balance sheet and cash-flow statement for such Calendar Year to the NOGA.

٢٧,٣ Operations and Financial Reporting

The CONTRACTOR shall keep NOGA 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.

٢٧,٤ Statement of Petroleum Costs

- (A) The CONTRACTOR shall furnish to NOGA, within ten (10) Business Days of the expiry of each Calendar Month, a statement of Petroleum Costs showing the Petroleum Costs incurred by CONTRACTOR during such Calendar Month, which shall be prepared in accordance with the Accounting Procedure. NOGA shall review and shall approve the Petroleum Costs calculated in accordance with the Accounting Procedure in order to allow their inclusion by CONTRACTOR into Petroleum Cost Account and the quarterly statement of Petroleum Costs.
- (B) Unless the Accounting 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.

٢٧,٥ Other Statements

The CONTRACTOR shall furnish the NOGA with a Cost Control Report and a Cost Recovery and Profit Petroleum Report, each as defined, prepared and submitted in accordance with the Accounting Procedure.

٢٧,٦ NOGA's Audit Rights

So long as the statement of Petroleum Costs reflects a clear and accurate account and record of such costs which can be supported by the CONTRACTOR's records, and so long as such statements are prepared and supplied timely and in accordance with Article 26.1, each statement of Petroleum Costs shall conclusively be presumed to be true and correct and therefore final and approved for all purposes one (1) year following the expiry of the Calendar Year containing the Calendar Quarter to which such statement of Petroleum Costs refers, unless within such one (1) year period the NOGA makes an audit or otherwise, within the time limit specified in the Accounting Procedure, gives a written notice to the CONTRACTOR taking exception thereto and detailing the reasons therefor. In such case, the Parties shall meet within thirty (30) Business Days of the date of receipt of the NOGA's notice by the CONTRACTOR and shall endeavour to reach agreement and make any required adjustment. If no such agreement is reached within sixty (60) Business Days of the date of the Parties' first such meeting, then either Party may agree to have the matter mediated by a mutually accepted internationally recognised accounting firm as set out in the Accounting Procedure. If notwithstanding the above, the Parties cannot settle the matter as provided above, then either Party may initiate arbitration proceedings under Article 32.2.

**ARTICLE ٢٨
ASSIGNMENT****٢٨,١ Assignment**

No assignment, mortgage, pledge, charge, or other encumbrance shall be made by CONTRACTOR or by any party comprising 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 28.1 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, any party comprising CONTRACTOR may, upon not less than ninety (90) days prior notice to NOGA, assign all or any undivided portion of its interest, rights and obligations under this Agreement to any of its Affiliates.
- (B) Subject to the requirements of this Article 28.1, any party comprising CONTRACTOR may, with the prior written consent of NOGA (which consent shall not be unreasonably withheld, consistent with the criteria described in Article 28.1(C) below, and subject to NOGA's right of first refusal set forth in Article 28.1(L) below), assign all or any portion of its interest, rights and obligations under this Agreement to a non-Affiliate.
- (C) 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 NOGA in writing, the assignee shall:
- (١) enter into a written agreement with NOGA, in a pre-approved form as attached hereto as Appendix I or in a form approved by NOGA'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;
 - (٢) provide to NOGA the bank letter(s) of credit, and or guarantees required pursuant to Articles 6.1 and 6.2;
 - (٣) have the technical and financial ability commensurate with the responsibilities and obligations that would be imposed on it under this Agreement; and
 - (٤) 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 NOGA and/or the Government cannot otherwise legally do business.
- (D) No assignment shall be permitted which would result in any party comprising the CONTRACTOR, either assignor or assignee, holding less than ten percent

(10%) of the undivided interest, rights and obligations of the CONTRACTOR under this Agreement, except where NOGA may, in special circumstances, so permit.

- (E) Notwithstanding anything to the contrary, no assignment shall be permitted which would result in Occidental Petroleum Corporation and/or its Affiliates holding less than a fifty-one percent (51%) of the undivided interest, rights and obligations of the CONTRACTOR under this Agreement, except where NOGA may, in special circumstances, so permit.
- (F) A change in the control of a party comprising CONTRACTOR, either directly or indirectly, 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. For this purpose, "control" shall have the same meaning as is provided for in Article 1.1(D). Accordingly, before a change in control of a party may be effected indirectly by virtue of a change in control of a parent, including but not limited to such Party's ultimate parent, the consent of NOGA must first be obtained (which shall not be unreasonably withheld, consistent with the criteria described in Article 28.1(C) above).
- (G) A party comprising the CONTRACTOR may, with the prior consent of NOGA (which consent shall not be unreasonably withheld, consistent with the criteria described as follows in this Article 28.1(F)), 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:
- (١) such party shall remain liable for all its obligations relating to such interest;
 - (٢) the encumbrance shall be without prejudice and shall be expressly subordinated to the rights of NOGA under this Agreement;
 - (٣) the secured party shall agree in writing with NOGA 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 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 shall be bound to comply, and to cause any such other person to comply, with the requirements of this Article 28.1;

- (٤) such party has given reasonable notice of such encumbrances and furnishes to NOGA a certified copy of the executed instrument(s) evidencing the encumbrances;
 - (٥) the lender is a major international financial institution in good standing; and
 - (٦) 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 NOGA and/or the Government cannot otherwise legally do business.
- (H) The applicable party constituting CONTRACTOR wishing to make an assignment hereunder, or to mortgage, pledge or otherwise encumber its rights and obligations under this Agreement, shall provide to NOGA by notice the pertinent documents and/or information as described in Article 28.1(C), or Article 28.1(F), as applicable, along with any other information that NOGA might reasonably require. If NOGA has not, within ninety (90) days following such notification to NOGA, notified such party of NOGA's decision, or any objection by NOGA, as applicable, such assignment or encumbrance shall be deemed to be approved, or not objected to, as applicable, by NOGA, provided that such information provided by the applicable party constituting CONTRACTOR is accurate and complete.
- (I) In the event that any party comprising the CONTRACTOR assigns a portion of its undivided interest, rights and obligations under this Article 28.1, then such party and the applicable assignee shall thereafter be jointly and severally liable for the obligations of the CONTRACTOR under this Agreement, along with any other parties comprising the CONTRACTOR and the direct share of liability for

the obligations of the CONTRACTOR (exclusive of the assignee) shall be reduced accordingly and in proportion to the percentage of the interest assigned. Notwithstanding, however, that all the parties comprising the CONTRACTOR (inclusive of the assignee) shall remain jointly and severally liable hereunder.

- (J) NOGA shall be responsible to reimburse CONTRACTOR, without interest from the revenue from its share of production under this Agreement, any income, capital gains, transfer or related taxes, charges or fees (other than generally applicable administrative and/or service fees) in the Kingdom of Bahrain that are applicable to any assignment or encumbrance made under this Article 28.1.
- (K) NOGA shall have the unrestricted right to assign its rights and obligations under this Agreement, in whole or in part, to any entity wholly-owned by the Government of the Kingdom of Bahrain, and NOGA shall notify the CONTRACTOR of any such assignment in writing without delay.
- (L) NOGA's Right of First Refusal.
 - (١) If any member of the CONTRACTOR wishes to make an assignment pursuant to Article 28.1(B), it shall give prior notice to NOGA, specifying therein the name and address of the proposed assignee and the terms, price and conditions of the proposed assignment (including, if it involves consideration other than cash or involves assets other than such member's participating interest share of its interest, rights and obligations under this Agreement).
 - (٢) Within thirty (30) days of receipt of the notice referred to in Article 28.1(L)(1), NOGA shall notify the assigning member of the CONTRACTOR whether it elects to acquire such member's participating interest. In making such election, NOGA may choose to acquire such participating interest on its behalf or on behalf of any entity wholly-owned by the Government of the Kingdom of Bahrain. NOGA may not elect any other entity to acquire such participating interest.
 - (٣) If NOGA elects not to acquire the assigning member's participating interest share of its interest, rights and obligations under this

Agreement pursuant to Article 28.1(L)(2), the assigning member may assign it to the proposed assignee on terms no more favourable than those set forth in the notice provided in accordance with Article 28.1(L)(1), 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 any governmental authority, not to exceed a further one hundred eighty (180) days) from the date of the notice of the prospective assignment.

- (٤) Information regarding a proposed assignment provided to NOGA pursuant to Article 28.1(L) shall be treated as confidential and shall be used by NOGA for the sole purpose of evaluating whether to request assignment of such participating interest to it.

ARTICLE ٢٩ TERMINATION

29.1 Termination by NOGA

Subject to Articles 29.7 and 29.8 below, NOGA may, if one of the following events of termination occur, terminate this Agreement:

- (A) CONTRACTOR has knowingly submitted any false statement to NOGA in any manner which was a material consideration in the signing of this Agreement;
- (B) CONTRACTOR has not provided to NOGA the documents, and/or the legal opinion, as required under Preamble (E) and (F);
- (C) CONTRACTOR has 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;
- (D) CONTRACTOR 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 NOGA has been given prior notice and where NOGA

has advised CONTRACTOR by notice that it is satisfied that CONTRACTOR'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;

- (E) CONTRACTOR has assigned any interest in this Agreement without the prior written consent of NOGA as is required under Article 28.1 above;
- (F) CONTRACTOR has failed to make any monetary payment required by law to NOGA 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 NOGA or by the Kingdom of Bahrain, as applicable;
- (G) CONTRACTOR has failed to comply with any final determination or award made by an Expert or by arbitrators under Article 32;
- (H) CONTRACTOR has committed a material breach of this Agreement; or
- (I) if the events described in Article 28.1(C) or Article 28.1(D) 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 has failed to perform under such financial security instrument, as applicable.

٢٩,٢ CONTRACTOR's Obligations and Rights upon Termination by NOGA

- (A) In the event of any termination as result of the occurrence of a termination event as described in Article 29.1 above CONTRACTOR 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 CONTRACTOR shall be deemed:
 - (١) to include payment of any amounts under Article 5.2 associated with any unperformed elements of any applicable exploration work programme commitments described in Article 5.2;
 - (٢) to include all obligations under the then applicable Annual Work Programme and Budget, which obligations shall, at NOGA's option, be fulfilled by CONTRACTOR either by performance of such obligations

in full in accordance with their terms or by payment in Dollars to NOGA of any outstanding balance of unexpended amounts in the associated budget element of such Annual Work Programme and Budget;

- (٣) to include all obligations under Article 22.5;
 - (٤) to include obligations as may be applicable under Article 4.7; and
 - (٥) not to include any obligation (other than described in Article 29.2(B) above), to pay any budgetary amounts associated with, or to perform any unperformed elements of: (i) applicable assessment plans; (iii) applicable Appraisal Plans; or (iv) applicable Development Plans.
- (B) In the event of any termination as result of the occurrence of a termination event as described in Article 29.1 above CONTRACTOR shall have no further rights against NOGA other than those accrued under this Agreement up to the time of such termination. Provided, however, that in the event of such a termination the CONTRACTOR shall relinquish the entire Contract Area and that such rights on the part of CONTRACTOR shall be deemed: (i) not to include rights to any share of production subsequent to such termination, regardless of whether CONTRACTOR had recovered its Petroleum Costs as of the date of termination; or (ii) 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.

٢٩,٣ NOGA's Obligations and Rights upon Termination by NOGA

Upon termination of this Agreement by NOGA pursuant to Article 29.2 above NOGA shall: (i) have no further obligations or liabilities to CONTRACTOR other than those that may have accrued under this Agreement up to the time of such termination; (ii) have the rights against CONTRACTOR that may have accrued under this Agreement up to the time of such termination.

٢٩,٤ Termination by CONTRACTOR

Subject to Articles 29.7 and 29.8, CONTRACTOR shall have the right to terminate this Agreement if NOGA 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 below.

٢٩,٥ CONTRACTOR's Obligations and Rights upon Termination by CONTRACTOR

- (A) In the event of any termination as result of the occurrence of a termination event as described in Article 29.4 above, 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 CONTRACTOR shall be deemed:
- (١) to include all obligations under Article 22.5;
 - (٢) to include obligations as may be applicable under Article 4.7;
 - (٣) not to include payment of any amounts under Article 5.2 associated with any unperformed elements of any applicable exploration work programme commitments described in Article 5.2 unless 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 29.7;
 - (٤) not to include any obligations under the then applicable Annual Work Programme & Budget, unless 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 29.7;
 - (٥) not to include any obligation (other than described in Article 29), to pay any budgetary amounts associated with, or to perform any unperformed elements of: (i) applicable assessment plans; (iii) applicable Appraisal Plans; or (iv) applicable Development Plans.
- (B) In the event of any termination as result of the occurrence of a termination event as described in Article 29.4 above, CONTRACTOR shall have no further rights against NOGA other than those accrued under this Agreement up to the time of such termination. Provided, however, that in the event of such a termination the

CONTRACTOR shall relinquish the entire Contract Area and that such rights on the part of CONTRACTOR shall be deemed: (i) not to include rights to any share of production subsequent to such termination, regardless of whether CONTRACTOR had recovered its Petroleum Costs as of the date of termination; or (ii) 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.

٢٩,٦ **NOGA's Obligations and Rights upon Termination by CONTRACTOR**

Upon termination of this Agreement by CONTRACTOR pursuant to Article 29.4 above NOGA shall: (i) have no further obligations or liabilities to CONTRACTOR other than those that may have accrued under this Agreement up to the time of such termination; (ii) have the rights against CONTRACTOR that may have accrued under this Agreement up to the time of such termination.

٢٩,٧ **Right to Cure and Notice of Termination**

- (A) If the breach (as per Article 29.1 or Article 29.4, as applicable) is not reasonably capable of being cured then the non-breaching Party may immediately give a notice of termination to the breaching Party.
- (B) If the breach is reasonably capable of being cured then the non-breaching Party shall as soon as reasonably possible after becoming aware of such breach give the breaching Party a ninety (90) day notice to cure specifying the applicable event of termination as per Article 29.1, or Article 29.4, as applicable. If a breaching 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-breaching Party shall have no right to terminate this Agreement. If, however, the breaching Party either: (i) fails to cure the breach within such ninety (90) day notice period; or (ii) 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 ninety (90) day period; then the non-breaching Party shall have the right to terminate this Agreement by giving a notice of termination to the breaching Party. Such termination shall be effective upon issuance of said notice.

For the avoidance of doubt, the failure on the part of CONTRACTOR to fulfil the Minimum Work Programme at the end of either Exploration Phase is not subject to being remedied under this Article 29.7.

٢٩,٨ **Option to Terminate Subject to Confirmation by Arbitration**

If a Party has given the other Party a notice of termination under Article 29, or if such Party has given the other Party a notice to cure under Article 29.7, but is of the opinion that both an event of termination, as described in Article 29.1 or Article 29.4, as applicable, has occurred, and that the other Party has failed to cure, or to commence to cure, as provided in Article 29.7, then such Party may elect between:

- (A) termination effective upon notice as described in Article 29.7; or
- (B) termination subject to confirmation as result of arbitration of the issues (i) whether the applicable termination event did in fact occur; and/or (ii) whether cure was in fact not performed, or commenced, as applicable, in accordance with Article 29.7; in such a case the term of this Agreement will be tolled, including but not limited to any applicable Exploration Phase, for the period of time between the initiation of arbitration under Article 29.7 and either: (i) the issuance of any associated arbitral award; or (ii) the agreed upon date of settlement; as may be applicable.

٢٩,٩ **Termination as Result of Relinquishment**

Subject to CONTRACTOR having the same obligations and rights as it would under Article 29.2, CONTRACTOR shall have the right to terminate this Agreement:

- (A) with respect to any Development Area in which Petroleum is being produced, or that prior thereto had produced Petroleum, 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 Contract Area, upon giving ninety (90) days notice of its intention to do so.

٢٩,١٠ Termination in the Case of Extended Force Majeure

Subject to CONTRACTOR having the same obligations and rights as it would under Article 29.5 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 (2) years.

٢٩,١١ Termination by Agreement of the Parties

This Agreement may be terminated by express agreement of the Parties.

**ARTICLE ٣٠
FORCE MAJEURE**

٣٠,١ Definition of "Force Majeure"

"Force Majeure" means any event or combination of events not reasonably within the control of the affected Party, not including (without limitation): (i) the unavailability of funds; (ii) the inability to provide security; (ii) the unavailability of seismic crews or drilling rigs; and/or (iii) changes in market conditions or financial hardship; which has prevented the performance, or delayed the performance, of the affected Party under this Agreement, or prevented (or delayed) the affected Party from exercising its rights under this Agreement; which 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 but not limited to the events set out below:

- (A) explosions, earthquake, Tsunami, flood, fire, storm, epidemic and any other natural physical disaster or natural calamities;
- (B) war (declared or undeclared), act of war, invasion, hostilities, embargo, blockage or other enemy action due to war;
- (C) revolution, rebellion, civil commotion, riot, insurrection, terrorist acts or the threat of terrorist acts, seizure or act of sabotage;

- (D) strike, lockout or other labour or industrial disturbance;
- (E) closing or unavailability of harbours, ports or other facilities required for the transport or export of Crude Oil or Natural Gas;

٣٠,٢ 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 the performance obligations which have been suspended pursuant to Article 30.3 below, and shall thereafter resume compliance with such obligations as soon as possible.

٣٠,٣ Consequence of Force Majeure - Suspension of Obligations

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 of any such failure or delay, provided that the affected Party shall have, in accordance with Article 30.2 above, used all reasonable endeavours to mitigate and overcome the effect of such Force Majeure, or to eliminate the cause thereof, as may be applicable, as soon as reasonably possible.

٣٠,٤ 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 any rights or performing any obligations under this Agreement due to Force Majeure, then: (i) the period of such delay or prevention; (ii) the period which may be necessary for the restoration of any damage caused by the event of Force Majeure; and (iii) such period as may be reasonably necessary for recommencing the work; shall be added to the time periods set forth in respect of the relevant obligations under this Agreement, where the time for the performance of the obligations affected thereby and for performance of any obligation or the exercise of any right dependent thereon, and the term of any Exploration Phase of the Exploration Period or this Agreement, shall be extended for the period of Force Majeure, or by such other period as may be agreed

by the Parties, including but not limited to the G & G Study, First Exploration Phase, the Second Exploration Phase and the term for any Appraisal Plan or Development Area.

٣٠,٥ 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 and overcome the effect of such Force Majeure, or to eliminate the cause thereof, as may be applicable, as soon as reasonably possible.

**ARTICLE ٣١
GOVERNING LAW**

٣١,١ Governing Law

- (A) This Agreement shall be governed by, construed and interpreted in accordance with the substantive laws of the Kingdom of Bahrain, and any arbitral tribunal constituted pursuant to Article 32.2 below shall apply the substantive 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 such 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 time in the Kingdom of Bahrain.

**ARTICLE ٣٢
DISPUTE RESOLUTION**

٣٢,١ Expert Determination

Disputes over matters that, by the terms of this Agreement, the Parties have agreed to refer to a sole Expert for determination may be referred to such a sole Expert by any Party that has determined that such a dispute was not settled amicably. The Parties may also agree

in writing to refer any other technical matter to such Expert determination. Such Expert shall be an independent and impartial person of international standing with relevant qualifications and experience. In the event that the Parties may not agree upon such an Expert within thirty (30) days notice by either Party, such Expert shall be appointed by the I.C.C. Centre for Expert Appointment in Paris. The decision of such sole Expert shall be final and binding upon the Parties and shall not be subject to arbitration. The joint costs of Expert determination, inclusive of the fees and expenses of an Expert appointed hereunder, shall be borne equally by each Party, and each Party shall be solely responsible for its own costs in conjunction with Expert determination.

٣٢,٢ International Arbitration

- (A) The Parties shall in good faith and using all reasonable efforts in the spirit of cooperation attempt to settle amicably any dispute, controversy or claim arising out of or in relation to or in connection with this Agreement or the operations carried out under this Agreement, including without limitation any dispute as to the existence, construction, validity, interpretation, enforceability or breach of this Agreement.
- (B) NOGA, CONTRACTOR and each party constituting CONTRACTOR hereto hereby consent to submit any dispute, controversy or claim arising out of or in relation to or in connection with this Agreement or the operations carried out under this Agreement, including without limitation any dispute as to the existence, construction, validity, interpretation, enforceability or breach of this Agreement, to exclusive and final settlement by binding arbitration in accordance with the terms below.
- (C) Any arbitration proceeding pursuant to this Agreement shall be conducted in accordance with the UNCITRAL Arbitration Rules in effect on the date on which the proceeding is instituted. Provided, however, that this arbitration shall be conducted in English, and that any Party may make an application to any court having jurisdiction for enforcement of any award (including any award granting interlocutory relief) against any Party and for the obtaining of any evidence (whether by discovery of documents, interrogatories, affidavits or testimony of witnesses) which the arbitrators direct shall be admitted in the arbitral proceedings.

- (D) Any arbitral tribunal constituted pursuant to this agreement shall consist of three (3) arbitrators, one (1) appointed by each Party within thirty (30) days of the issuance of notice to arbitrate pursuant to UNCITRAL Arbitration Rules (each of which shall be independent and shall be otherwise in compliance with the UNCITRAL Rules), and an arbitrator, who shall be President of the tribunal, appointed by the two (2) arbitrators so selected, within thirty (30) days after the appointment of the second arbitrator. All arbitrators to be appointed shall be of a nationality different from that of any of the Parties to the dispute.
- (E) The arbitration shall be conducted in London, United Kingdom
- (F) Each Party shall have the right to seek interim measures, such as injunctions, from any court of competent jurisdiction in order to preserve the rights of such Party pending the arbitral proceedings.
- (G) To the extent permitted by applicable law, or rules of an applicable stock exchange, the Parties shall maintain the confidentiality of any Expert determination and/or arbitral proceedings, and the results thereof.

ARTICLE ٣٣ OFFICE IN BAHRAIN

Within three (3) months from the Effective Date, the company acting as operator on behalf of the CONTRACTOR, or the CONTRACTOR itself, as the case may be, 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 CONTRACTOR's request, NOGA 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, including without limitation, as per the provisions of Article 33.2 below.

**ARTICLE ٣٤
NOTICES****٣٤,١ 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 NOGA or vice versa shall be delivered at, or sent to, the following addresses of the Parties:

If to NOGA:

National Oil and Gas Authority
Building ٣٠٨, Road ١٩١٠
Hoorah ٣١٩ - Kingdom of Bahrain
P.O. Box ١٤٣٥
Telephone: + ٩٧٣ ١٧٢٩١٣٨٧
Facsimile: + ٩٧٣ ١٧٢٩٢٢٩٣
Attention: H.E. The Minister

If to the CONTRACTOR:

Occidental of Bahrain (Offshore), LLC
o Greenway Plaza, Suite ١١٠
Houston, Texas ٧٧٠٤٦-٠٥٠٤ USA
Telephone: +١ ٧١٣ ٢١٥ ٧٠٠٠
Facsimile: +١ ٧١٣ ٩٨٥ ١٩٠٠
Attention: Vice President, Worldwide Exploration

or to such other address as a Party may from time to time specify by notice to the other Party.

ARTICLE ٣٥ MISCELLANEOUS

٣٥,١ 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.

٣٥,٢ Amendment

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. Notwithstanding the foregoing, the CONTRACTOR may request certain modifications to the work programmes set forth in Article 5 to facilitate the performance of this Agreement. NOGA shall have the discretion whether to grant such requests. If any such request is granted by NOGA, any amendments to this Agreement necessary therefrom shall be on terms and conditions to be mutually agreed in writing between the Parties.

٣٥,٣ 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.

٣٥,٤ 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.

٣٥,٥ 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.

٣٥,٦ Measurement of Time

In this Agreement all measurements of time shall be fixed and computed pursuant to the Gregorian Calendar.

٣٥,٧ Conflict of Interest

Each Party shall be 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(s) 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.

٣٥,٨ Joint Operating Agreement and Operator

In the event that at any time there is more than one party comprising CONTRACTOR, such parties comprising CONTRACTOR shall submit to the Management Committee, for information only, the joint operating agreement describing their relationship. Such parties shall also submit to the Management Committee for approval the initial operator, as well as any change of the initial operator under such joint operating agreement, and the Management Committee shall not unreasonably withhold such approval.

The initial operator as of the date of signing this Agreement shall be the CONTRACTOR or its Affiliate. There shall in no event be more than one party acting as operator under this Agreement.

٣٥,٩ 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.

٣٥,١٠ 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. Provided, however, that this Agreement as executed by the Parties shall not be effective until it has received such necessary approvals, authorizations and ratifications as may be necessary from the Kingdom of Bahrain and its associated entities in connection with this Agreement, including ratification as may be required under Articles 37 and/or 117(a) of the Constitution of the Kingdom of Bahrain. Upon receipt of such approvals, authorizations and ratifications, NOGA shall promptly notify the CONTRACTOR of the Effective Date of this Agreement. If despite its best efforts NOGA shall be 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.

***** Rest of Page Intentionally Blank *****

IN WITNESS WHEREOF the Parties have executed this Agreement the day and year first above written.

KINGDOM OF BAHRAIN
NATIONAL OIL & GAS AUTHORITY

Name:

Title:

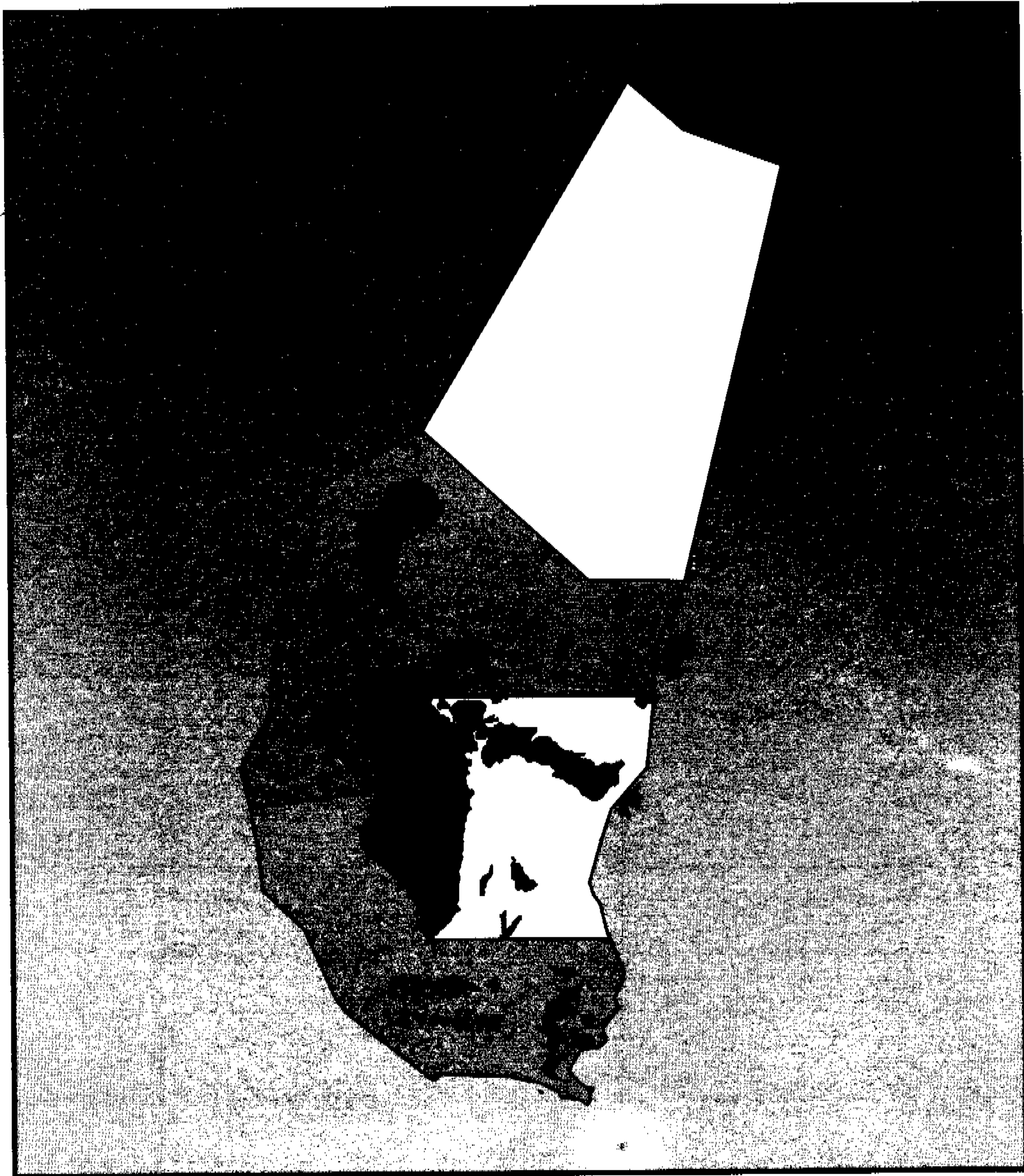
OCCIDENTAL OF BAHRAIN (OFFSHORE), LLC

Name:

Title:

APPENDICES

APPENDIX A	MAP OF THE CONTRACT AREA
APPENDIX B	CONTRACT AREA DESCRIPTION AND COORDINATES
APPENDIX C	ACCOUNTING PROCEDURE
APPENDIX D	PROCEDURE FOR EXPERT DETERMINATION
APPENDIX E	FORMAT FOR ANNUAL BUDGET AND ANNUAL PETROLEUM COST STATEMENT
APPENDIX F	FORM OF PARENT COMPANY PERFORMANCE GUARANTEE
APPENDIX G	ENVIRONMENTAL STANDARDS AND PRACTICES AND SAFETY GUIDELINES
APPENDIX H	FORM OF ASSIGNMENT NOTICE

APPENDIX A**Map of the Contract area**

APPENDIX B**CONTRACT AREA DESCRIPTION AND COORDINATES**

CONTRACT AREA DESCRIPTION & CO-ORDINATES

**For Converting the Geographic Coordinates into UTM, the following Reference
Coordinate System to be used:**

Datum : AIN el ADB ١٩٧٠, Bahrain Island

Ellipsoid : INT٢٤

Central Meridian : ٥١ degrees

Projection : UTM Zone ٣٩ Northern Hemisphere

Block ٤

Block-٤ comprises ١٤٧٨ sq. km. and is situated **South-East, South & South-West of the Kingdom of Bahrain Island** and is bounded by the lines joining the points listed hereunder:

Latitude (Deg-Min-Sec)	Longitude (Deg-Min-Sec)
٢٦ ٠٢ ٣٥,٠٠٠	٥٠ ٢٩ ٠٦,٠٠٠
٢٦ ٠٠ ٥٢,٠٠٠	٥٠ ١٦ ٤٤,٠٠٠
٢٥ ٥٧ ٠٩,٢٤٦	٥٠ ١٧ ٣٥,٤٣٨
٢٥ ٥٣ ٠١,٥٢٧	٥٠ ١٨ ٠٦,٦٢٢
٢٥ ٤٩ ٠٨,٤٦٨	٥٠ ٢٢ ٠٠,٧١٢
٢٥ ٤٢ ٢٧,٥٧٨	٥٠ ٢٥ ٠٣,١٨٠
٢٥ ٤٠ ٥٧,٠٠٠	٥٠ ٢٦ ٠٧,٧٥٤
٢٥ ٣٤ ٣٤,٠٠٠	٥٠ ٣٤ ٠٣,٠٠٠
٢٥ ٣٥ ١٠,٠٠٠	٥٠ ٣٤ ٤٨,٠٠٠
٢٥ ٣٤ ٥٣,٠٠٠	٥٠ ٤١ ٢٢,٠٠٠
٢٥ ٣٤ ٥٠,٠٠٠	٥٠ ٤١ ٣٥,٠٠٠
٢٥ ٣٤ ٢١,٠٠٠	٥٠ ٤٤ ٠٥,٠٠٠
٢٥ ٣٣ ٢٩,٠٠٠	٥٠ ٤٥ ٤٩,٠٠٠
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٢٥ ٣٢ ٥٥,٠٠٠	٥٠ ٤٦ ٤٨,٠٠٠
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٢٥ ٣٢ ٥٥,٠٠٠	٥٠ ٤٨ ٤٨,٠٠٠
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٢٥ ٣٣ ٤٩,٠٠٠	٥٠ ٤٨ ٣٢,٠٠٠
٢٥ ٣٤ ٣٣,٠٠٠	٥٠ ٤٧ ٣٧,٠٠٠
٢٥ ٣٥ ٣٣,٠٠٠	٥٠ ٤٦ ٤٩,٠٠٠
٢٥ ٣٧ ٢١,٠٠٠	٥٠ ٤٧ ٥٤,٠٠٠
٢٥ ٣٧ ٤٥,٠٠٠	٥٠ ٤٩ ٤٤,٠٠٠

٢٥ ٣٨ ١٩,٠٠٠	٥. ٥. ٢٢,٠٠٠
٢٥ ٣٨ ٤٣,٠٠٠	٥. ٥. ٢٦,٠٠٠
٢٥ ٣٩ ٣١,٠٠٠	٥. ٥. ٠٦,٠٠٠
٢٥ ٤٠ ١٠,٠٠٠	٥. ٥. ٣٠,٠٠٠
٢٥ ٤١ ٢٧,٠٠٠	٥. ٥١ ٤٣,٠٠٠
٢٥ ٤٢ ٢٧,٠٠٠	٥. ٥١ ٠٩,٠٠٠
٢٥ ٤٤ ٠٧,٠٠٠	٥. ٥١ ٥٨,٠٠٠
٢٥ ٤٤ ٥٨,٠٠٠	٥. ٥٢ ١٥,٠٠٠
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٢٥ ٤٦ ٠٠,٠٠٠	٥. ٥١ ٤٠,٠٠٠
٢٥ ٤٦ ٥٧,٠٠٠	٥. ٥١ ٢٣,٠٠٠
٢٥ ٤٨ ١٠,٧٥٠	٥. ٥. ٤٧,٥٠٠
٢٥ ٤٨ ١٠,٧٥٠	٥. ٣٣ ٥٤,٠٠٠

APPENDIX C**ACCOUNTING PROCEDURE**

ACCOUNTING PROCEDURE

The purpose of this Accounting Procedure is to establish a fair and equitable method for determining charges and credits to the Operating Account, and to provide a method for controlling expenditure against approved budgets.

SECTION 1 - GENERAL PROVISIONS

A. DEFINITIONS

The definitions set forth in Article 1 of the Agreement shall apply equally whenever used in this Accounting 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 Procedure.

"**Accrual Basis**" shall have the meaning assigned to it in this Section 1(B).

"**Commercial Rate of Exchange**" shall mean:

- (a) whenever the two currencies concerned are both other than the currency of the arithmetic average rate of buying and selling shall be as certified by the National Westminster Bank Plc. (or any other first class international bank mutually agreed by the Parties) in respect of telegraphic transfers for the currencies in question quoted by the bank at 10:30 AM London time; and
- (b) whenever the two currencies concerned include currency of the rate of exchange shall be the rate at which such currency was purchased by the CONTRACTOR.

"**Cost Control Report**" shall have the meaning assigned to it in Section 1(C)(2).

"**Cost Recovery and Profit Petroleum Report**" shall have the meaning assigned to it in Section 1(C)(3).

"**Expenditure Account**" shall mean the account or set of accounts maintained by the CONTRACTOR pursuant to Section 1(B) to record those legitimate expenditures incurred pursuant to the Annual Work Program and Budget which nonetheless do not qualify as Petroleum Costs, and hence qualify as "**Expenditures**".

"**Material**" shall mean any property, equipment, materials, machinery, articles and supplies whatever, acquired or held for us in or with respect to the Petroleum Operations hereunder.

"**Operating Account**" shall mean the account or set of accounts maintained by the CONTRACTOR pursuant to Section 1(B) to record the Petroleum Costs incurred and revenues obtained in connection with the Petroleum Operations hereunder.

"**Technical Services**" shall have the meaning assigned to it in Section 3(E).

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 Procedure;

B. OPERATING ACCOUNT, EXPENDITURE 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 on a Commercial Discovery specific basis, the Petroleum Costs incurred and the revenues obtained by 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 received or paid.

(3) Availability for Inspection By NOGA

The CONTRACTOR shall, at all time, make available for inspection by NOGA or its authorized representatives all of its accounts and records in accordance with Article 27.

(4) Currency Exchange

The CONTRACTOR's accounts and records, including without limitation those relating to the statements of Petroleum Costs and statements of Expenditures referred to in Article 10, shall be kept in U.S. Dollars. Conversions of currency shall be recorded at the rate actually obtained for the relevant conversion. 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 four (4) decimal places, with the final results rounded to two (2) decimal places in case of currency and zero (0) 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 NOGA a profit and loss statement, balance sheet and cashflow statement for each calendar year and statements of Petroleum Costs, with appropriate classification and breakdown as outlined in Appendix E, with respect to each Calendar Quarter, under and in accordance with the provisions of Article 10.

(2) The CONTRACTOR will provide NOGA with a report within thirty (30) Business Days of the end of each Calendar Quarter ("**Cost Control Report**"), which shall include the following information for each approved Annual Work Programme and Budget:

- (a) each approved budget item;
- (b) cumulative expenditure to date for each budget item;
- (c) forecast of future expenditure to complete the Annual Work Programme and Budget; and
- (d) total Petroleum Costs anticipated to be incurred against the approved Annual Work Programme and Budget.

(3) The CONTRACTOR provide to NOGA within thirty (30) Business Days of the expiry of each Calendar Quarter with a report ("**Cost Recovery and Profit Petroleum Report**") which shall include the following information on a Commercial Discovery specific basis where appropriate:

- (a) unrecovered Petroleum Costs at the beginning of the Calendar Quarter;
- (b) Petroleum Costs incurred during the Calendar Quarter;
- (c) Expenditures incurred during the Calendar Quarter;
- (d) the value and volume of Costs Recovery Petroleum lifted by the CONTRACTOR during the Calendar Quarter;
- (e) unrecovered Petroleum Costs carried forward for recovery in succeeding Calendar Quarters;
- (f) the value and volume of Petroleum produced and used in Petroleum Operations, available for lifting and actually lifted by the CONTRACTOR and NOGA at the end of the Calendar Quarter; and

- (g) Profit Petroleum allocated to the CONTRACTOR and NOGA during the Calendar Quarter.

(4) The CONTRACTOR shall prepare and submit to NOGA the closing estimates of the approved Annual Work Programme and Budget, at least thirty (30) Business Days before the end of the fiscal year under consideration. Such estimates shall specify any part of the Work Programme not executed, if any, which is to be carried forward to the following Calendar Year.

D. CORRECTNESS OF STATEMENTS

(1) So long as the statement of Petroleum Costs and Expenditures reflects a clear and accurate account and record of such costs, which can be supported by the CONTRACTOR's records, and so long as such statements are prepared and supplied timely in accordance with Article 10, each such statement shall be conclusively presumed to be true and correct, subject to NOGA's right to audit pursuant to Section 1(E), below.

(2) For the avoidance of doubt, with regard to providing the CONTRACTOR's accounts for Expenditures in accordance with the procedures of this Appendix C, nothing shall prevent CONTRACTOR from subsequently submitting such Expenditure to the Management Committee for characterization as reimbursable Petroleum Costs if CONTRACTOR subsequently decides that such approved Expenditures have directly contributed to the declaration of a Commercial Discovery. Upon approval by the Management Committee, such Petroleum Costs shall be recovered and shall bear compound interest as stated in Article 13.4.

E. AUDIT

(1) Upon giving a thirty (30) day advance written notice to the CONTRACTOR, NOGA shall have the right to audit, at NOGA's own cost and expense, the CONTRACTOR's accounting books, records and files for any Calendar Quarter, until one (1) year after the expiry of the Calendar Year within which the relevant Calendar Quarter shall fall.

(2) NOGA shall make every reasonable effort to conduct its audits in a manner which will result in minimum of inconvenience to the CONTRACTOR. CONTRACTOR shall make every

effort to cooperate with the Ministry, and shall provide NOGA's representatives with reasonable facilities and assistance.

(3) Within thirty (30) days from the date of conclusion of its audit, NOGA shall give to the CONTRACTOR a detailed written notice, specifying all observations and/or claims arising from such audit and the reasons therefore.

(4) The Parties shall meet within thirty (30) days from the date of receipt by the CONTRACTOR of the notice referred to in Section 1(E)(3), 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 the Parties may agree to have the matter settled within a further period of thirty (30) days by a mutually accepted internationally recognized accounting firm (which shall be of a different nationality of that the Parties hereof) and the decision of such accounting firm shall be final and binding on the Parties. If the Parties cannot settle the matter as stated above, either party may at any time thereafter refer the matter for settlement pursuant to Appendix D. In the event the Expert determination sustains any of NOGA's objections to the account, the Operating Account (or Expenditure Account, if relevant) shall be adjusted accordingly.

(5) All information obtained by any Party under the provisions of this Accounting Procedure shall be confidential, and accordingly shall be subject to the provisions of Article 26.2.

(6) Notwithstanding that the said period of one (1) year referred to in Section 1(E)(1) may have expired, if evidence exists that the CONTRACTOR has been guilty of fraud or Willful Misconduct, NOGA shall have the right to conduct further audits in respect of any earlier period.

(7) Without derogating from any provision within any law in force that requires a longer retention period, all accounting records, returns, books and accounts relating to Petroleum Operations shall be maintained by the CONTRACTOR for a minimum of five (5) years following the end of the Calendar Year to which they relate or, in the case where NOGA alleges fraud or Willful Misconduct, the later of: (a) a minimum of five (5) years following the end of the

Calendar year to which they relate; and (b) a minimum of one (1) year after resolution of the objections to the accounts made in respect of such fraud or Willful Misconduct.

F. LIMITATIONS FOR NON-BUDGETED ITEMS

NOGA may authorise the CONTRACTOR to make expenditures for any items of work not included in the Annual Work Programme and Budget at the recommendation of the Management Committee.

G. PREVALENCE OF THE AGREEMENT

In the event of any inconsistency or conflict between any provision of this Accounting Procedure and the Articles of the Agreement, the Articles shall always prevail.

H. REVISION OF THIS ACCOUNTING PROCEDURE

By mutual agreement between NOGA and the CONTRACTOR this Accounting Procedure may be revised from time to time.

SECTION 2 – PETROLEUM OPERATIONS CHARGES

Subject to the provisions of this Agreement and of this Accounting Procedure, the CONTRACTOR shall charge the Operating Account with all Petroleum Costs and the Expenditure Account with all Expenditures (but no item shall be charged more than once), which shall include but shall not be limited to the following items:

A. LABOUR

(1) The salaries, wages and related costs of:

- (i) employees of the CONTRACTOR,
- (ii) employees of the CONTRACTOR's Affiliates and/or entities comprising the CONTRACTOR temporarily or permanently assigned in the Kingdom of Bahrain; and
- (iii) 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 Operating Account.

(2) Costs for salaries, wages and related costs may be charged to the Operating 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 Operating Account or for which expenses the employees are reimbursed under the usual practice of the CONTRACTOR shall be chargeable to the Operating Account.

B. MATERIAL

Material purchased for or furnished to the Petroleum Operations shall be charged to the Operating Account (or the Expenditure Account) as inventory, until used in operations. The basis for this charge is contained in Section 3. So far as is reasonably practical and consistent with efficient and economical operation, only such Material and equipment shall be purchased or transferred for use in Petroleum Operations as may be required for immediate use or to maintain prudent contingent stock. The accumulation of surplus stocks shall be avoided.

C. TRANSPORTATION

Transportation of employees and Material necessary for the performance of Petroleum Operations, including costs of packaging, brokerage, insurance and other related costs. Employee transportation costs, to the extent covered by the established policy of the CONTRACTOR, shall include travel expenses for employees and their immediate dependent families to and from employees' point of origin, at the time employment commences, at the time of final departure and for vacations, as well as domestic travel expenses in the Kingdom of Bahrain for employees and their immediate dependent families, incurred as a result of transfer from one location to another, and travel expenses relating to the periodic recuperation leaves of field personnel.

D. BUILDINGS

Building costs, maintenance and reflected costs and rents paid for all offices, houses, warehouses and other types of buildings, and cost of equipment, installations, furniture, fixtures and supplies necessary for the operations of such buildings and facilities, all in the Kingdom of Bahrain.

E. SERVICES

(1) The cost of services of consultants, contract services, utilities and other services procured from outside sources, rentals or compensation paid or incurred 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 pursuant to Article 13.

(2) The cost of Material owned by the CONTRACTOR and/or its Affiliates and services rendered by the CONTRACTOR and/or its Affiliates. The basis for charging the Operating Account (or the Expenditure Account) is contained in Section 3.

F. DAMAGES AND LOSSES

All costs and expenses necessary to indemnify NOGA, its Affiliates and their servants or to replace or repair damages or losses in connection with Petroleum Operations, which have not been paid out of insurance proceeds, provided however, that costs resulting from risks which any reasonable and prudent operator would cover with insurance in accordance with Good International Petroleum Industry Practices, but the CONTRACTOR in the sole adjustment elected not to cover, shall be excluded. The exclusion in the preceding sentence shall not include insurance deductibles. The CONTRACTOR must notify NOGA as soon as possible in writing of any damages or losses exceeding fifty thousand Dollars (\$50,000).

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 judgments 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 Operating Account (or to the Expenditure Account). For the avoidance of doubt, any costs and expenses incurred by the CONTRACTOR relating to litigation or arbitration between the Parties shall be characterized as Expenditures.

H. 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 NOGA in the Kingdom of Bahrain for the benefit of the Petroleum Operations hereunder.

I. 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 25.3 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 Operating Account (or the Expenditure Account).

(2) All actual expenditures incurred and paid by the CONTRACTOR in settlement of any and the losses, claims, damages and judgments and any other expenses, including legal services, shall be charged as aforesaid, provided however, that the CONTRACTOR shall procure and maintain insurance coverage against such losses, claims, damages and judgments in accordance with insurance coverage that a reasonable and prudent operator would normally hold. If the CONTRACTOR does not comply with the terms of this Section 2(I), the CONTRACTOR shall not in any event charge the Operating Account for such expenditures.

(3) For the avoidance of doubt, the Operating Account shall be credited with the proceeds of all settlements and payments received from insurers or others in relation to Petroleum Operations.

J. TRAINING COSTS

The costs of the provision of all training in accordance with Article 24.1 shall be included as Petroleum Costs and shall be cost-recoverable.

K. GENERAL AND ADMINISTRATIVE EXPENSES

(1) The costs of the personnel, and related office costs, performing administrative, legal, accounting, purchasing, treasury, employee relations, computer services and other similar

functions in the CONTRACTOR'S offices in the Kingdom of Bahrain shall not be charged under the preceding provisions of this Accounting Procedure. In the event such personnel and office costs are not fully attributable to the Petroleum Operations carried out under this Agreement, the charges shall be treated as follows:

- personnel costs to be charged to the Operating Account or the Expenditure Account shall be determined according to the actual time spend by such personnel for Petroleum Operations as evidenced by "time sheets" adopted by the CONTRACTOR; and
- other office costs will be charged to the Operating Account or the Expenditure Account pro-rata to the direct costs of personnel as determined pursuant to Section 2(K).

(2) The calculation of such charges referred to above shall be outlined separately in the statement of Petroleum Costs, with sufficient supporting documentation, if requested by NOGA.

L. ECOLOGICAL AND ENVIRONMENTAL

Costs incurred as a result of statutory regulations for archaeological and geophysical surveys relative to identification and protection of cultural resources and/or other environmental or ecological surveys as may be required by any regulatory authority shall be chargeable to the Operating Account. Also, costs to provide or have available pollution containment and removal equipment plus, except in the event of CONTRACTOR's Willful Misconduct, costs of actual control, clean up and remediation resulting from responsibilities associated with hydrocarbon contamination as required by the EPSA and by applicable law. Costs related to safety, health and industrial hygiene shall also be chargeable to the Operating Account.

M. OTHER EXPENDITURE

Any other legitimate costs and expenses, other than those covered by the foregoing provisions of this Section 2 incurred by the CONTRACTOR for the performance of the Petroleum Operations will be charged to the Operating Account (or the Expenditure Account), provided such charges are approved by NOGA, such approval not to be unreasonably withheld.

N. 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 2 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) 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) 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.

SECTION 3 – BASIS OF CHARGES TO OPERATING ACCOUNT**A. MATERIALS PURCHASED BY THE CONTRACTOR**

Material purchased shall be charged at the price paid by the CONTRACTOR or its Affiliates after deduction of all discounts actually received. The said price shall include such costs as (without limitation): procurement fees; inspection and expediting charges; export broker's fees; transportation charges; insurance charges; loading and unloading fees; import duties and license fees associated with the procurement of material and equipment; and applicable taxes, if any.

B. MATERIAL FURNISHED BY THE CONTRACTOR

Material required for Petroleum Operations shall be purchased for direct charge under Section 3(A) whenever practicable, except that the CONTRACTOR may furnish such Material from its stocks under the following conditions:

١. New Material transferred from the CONTRACTOR's warehouse or other property shall be charged at the original purchase price.
٢. Material which is equal to new, but superficially worn and is suitable for re-use, shall be charged at seventy five percent (75%) of the original purchase 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.
٣. Material which cannot be classified in accordance with Sections 3(B)(1) and 3(B)(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 original purchase price.
٤. 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.

- o. Handling charges, import duties, applicable taxes and transportation costs shall be added to the costs mentioned in Sections 3(B)(1) to 3(B)(4), upon submittal of the supporting documents.

C. WARRANTY OF MATERIAL PURCHASED OR FURNISHED BY THE CONTRACTOR

- ١. In the event that any Material purchased by the CONTRACTOR or its Affiliates pursuant to Section 3(A) is defective and in respect of which there exists a manufacturer's or supplier's guarantee or warranty, express or implied, the CONTRACTOR shall use its reasonable endeavours to recover from the manufacturer or supplier in question under such guarantee or warranty, and any adjustment received by the CONTRACTOR from such manufacturer or supplier shall be credited to the Operating Account, if such Material constitutes a Petroleum Cost.
- ٢. In the event that any Material purchased, (but covered by Section 3C(1)), or furnished by the CONTRACTOR pursuant to Sections 3(A) or 3(B) is defective at the time it was purchased or furnished or is determined to be defective shortly thereafter, then the CONTRACTOR shall credit the Operating Account with the costs thereof, if such Material constitutes a Petroleum Cost.

D. PREMIUM PRICES

Whenever immediately required Material is not readily obtainable at the customary supply points and at prices specified in this Appendix due to of 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.

E. TECHNICAL SERVICES, EQUIPMENT AND FACILITIES RENDERED BY THE CONTRACTOR OR ITS AFFILIATES

١. Unless otherwise agreed upon by both Parties, Technical Services, including but not limited to laboratory analysis, drafting, geophysical interpretation, engineering, and related data processing, performed by the CONTRACTOR or its Affiliates for the benefit of the Petroleum Operations shall be charged at its cost amount if not otherwise provided for in Article 13. Such cost shall be determined according to the cost account 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 international cost for services of similar quality on similar terms, prevailing at the time such Technical Services are rendered.
٢. Equipment and facilities owned by the CONTRACTOR or any of its Affiliates may, with the prior written approval of NOGA (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.

F. INVENTORIES

١. At reasonable intervals, at least once annually, inventories shall be taken by the CONTRACTOR of the Material entered in the Operating Account (and the Expenditure Account) which shall include all such Material as is ordinarily considered controllable. Written notice of intention to take an inventory shall be given by the CONTRACTOR to NOGA at least sixty (60) days before any such inventory is to begin, and NOGA shall have the right to appoint one or more representatives to witness the taking of the inventory. If NOGA does not exercise this right, NOGA shall accept the inventory taken by the CONTRACTOR, it being understood that the CONTRACTOR shall in all cases promptly furnish

NOGA with a copy of any inventory taken, regardless of whether or not NOGA is present at the inventory.

٢. A reconciliation shall be made between the inventory and the records of stock held in the Operating Account (and the Expenditure 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.
٣. If the CONTRACTOR determines it is appropriate to dispose of any surplus Material, it must advise NOGA of proposed disposals having a value in the Operating Account or Expenditure Accounts of one hundred thousand Dollars (\$100,000) or more.

APPENDIX D**PROCEDURE FOR EXPERT DETERMINATION**

PROCEDURE FOR EXPERT DETERMINATION

The purpose of this Procedure for Expert Determination 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 which case the I.C.C. Centre for Expert Appointment in Paris (the "CEA") shall, at the request of either Party, appoint the Expert according to the procedure set out under Section 2 hereof. 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 CEA shall appoint the Expert according to Sections 1 or 4(d) of this Appendix D, both Parties shall submit to the CEA 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 CEA shall appoint the Expert from the list submitted by the other Party. If the Parties each submit a list, the CEA 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 CEA 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 hereof.
4. Wherever in these Procedures 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 to 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 fail to do so within this period, such appointment shall be made, at the request of the other Party, by the CEA.
 - (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 CEA according to the procedure set out under Section 2 hereof.
 5. No person shall be appointed to act as an Expert under this Procedure 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 D 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(s) and to the other Party, provided that a Party receiving such confidential material may have an internationally recognised 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(s) 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 shall bear the costs and expenses for the Expert appointed by it or on its behalf and also the costs and expenses of all counsel, witnesses and employees retained by it. The costs and expenses of the third Expert or the Expert, if only one (1) Expert is appointed, shall be borne by the Parties equally, each as to fifty percent (50%) of the total cost.
12. Experts appointed pursuant to this Procedure may not be a citizen or permanent resident of the Kingdom of Bahrain, nor employed by NOGA or the CONTRACTOR or any of their Affiliates.

APPENDIX E**FORMAT FOR SUBMISSION OF ANNUAL BUDGET AND
ANNUAL PETROLEUM COST STATEMENT**

BAHRAIN BLOCK

ANNUAL BUDGET

EXPLORATION

GEOLOGICAL & GEOPHYSICAL
DRILLING
INVENTORY

TOTAL EXPLORATION

DEVELOPMENT

DEVELOPMENT ENGINEERING
DEVELOPMENT DRILLING
PROJECT MANAGEMENT COST

TOTAL DEVELOPMENT

MANPOWER & GENERAL ADMINISTRATION
EPSA TRAINING
OVERHEAD

SUB-TOTAL

FIXED ASSET

TOTAL CAPEX ('000 USD)

**FORMAT FOR ANNUAL BUDGET AND
PETROLEUM COST STATEMENT**

NOTE: Annual Work Programmes should be submitted in the same format to allow comparison with the Annual Budgets and Statement of Petroleum Costs

EXPLORATION AND APPRAISAL COSTS (\$US)

1.1 **For Each Well to be Drilled**

NOTE: The Statement of Petroleum Costs is issued every 3 months and thus if the well is finished within that period the cost will normally be reported only after the well is completed.

Tangibles
Casing Programme
Specifications
Tubing Programme
Specifications
Wellhead Equipment.

Intangibles
Fuel, Water (Rig)
Fuel, (Boats)
Site Survey
Drilling rig
Mob/demob
Move in rig up
Day-work rate
Supply vassal
Bits
Mud
Cement & Cement Services
Non-Controllable Materials
Tool Rental
Coring
Conventional
Sidewall samples

Quantity	Unit Price	Budget	Actual Cost	Variance	Exploration For Variance

Analysis
 Testing
 Drillstem
 Wireline
 Formation
 Production
 Perforating
 Acidising/Fracturing
 Stimulation Service
 M2S Service
 Logging
 Elect/induction
 Density
 Velocity
 Sonic
 Neutron
 SNP
 Mud
 Other
 Helicopter
 Company Labour
 Contractor Labour
 Company Supervision
 Shore-base Facilities
 Warehouse rental & Services

**Allocation of Administration
 Costs**
 Administration overhead
 Charge

Quantity	Unit Price	Budget	Actual Cost	Variance	Exploration For Variance

1.2 **For Each Seismic Project**

NOTE: For each project specified on the Annual Work Programme

- Acquisition Programme Specification
- Processing
- Interpretation (man-hours)
- External Manpower (man-hours)
- Allocation of Administration Costs
- Administration Overhead Charge

1.3 **For Each Geology and Geophysics Project**

NOTE: For each project specified on the Annual Budget and Work Programme

- In-house Manpower (man-hours)
- External Manpower (man-hours)
- Rental and Services
- Allocation of Administration
- Administration Overhead Charge

Approved Budget	Actual For Quarter	Cost Year To date	% of Completion	Variance	Reasons For Variance

Production Platforms

- Company Labour
- Contract Labour
- Company Supervision
- Shore-base Facilities
- Warehouse rental and Services
- Consumable materials
- Rental Equipment
- Support Vessels
- Helicopter
- Fuel and Water
- Allocation of Administration Costs
- Administration Overhead Charge

Approved Budget	Actual For Quarter	Cost Year To date	% of Completion	Variance	Reasons For Variance

3. OPERATING COSTS (\$US)

- Company Labour (man-hours)
- Contract Labour (man-hours)
- Company Supervision (man- hours)
- Consumable Materials
- Shore-base Facilities
- Warehouse Rental and Services
- Rental Equipment
- Shuttle Tanker
- Marketing Costs
- Allocation of Administration Costs
- Administration Overhead Charge

Approved Budget	Actual For Quarter	Cost Year To date	% of Completion	Variance	Reason For Variance

APPENDIX F**FORM OF PARENT COMPANY PERFORMANCE GUARANTEE**

GUARANTEE LETTER

FORM OF PARENT COMPANY PERFORMANCE GUARANTEE

١. An Exploration and Production Sharing Agreement (hereafter the "Agreement") in respect of Petroleum Operations relating to Bahrain Offshore Blocks ---- was executed on2007 between The National Oil and Gas Authority of the Kingdom of Bahrain (hereafter "NOGA") and _____ (hereafter the "COMPANY"), a company incorporated under the laws of _____.
٢. This performance Guarantee is hereby given as of _____ to NOGA by _____, a company incorporated under the laws of _____ and having its registered office at _____, being the parent company of the Company ("Parent Company").
٣. Parent Company represents and warrants to NOGA that Parent Company is the ultimate parent company of the Company and ultimate beneficial owner of all of the issued and outstanding equity share capital of the Company.
٤. Parent Company, by this Performance Guarantee, irrevocably and unconditionally guarantees to NOGA, as principal obligor and not merely as surety, the due, timely, prompt, full, and complete performance by the Company of all terms, provisions, conditions, obligations, and agreements to be performed by it in accordance with the Agreement, as well as any and all amendments to the Agreement which may subsequently be executed by NOGA and the Company (collectively hereafter "Obligations").
٥. If the Company 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 therefore contained in the Agreement, Parent Company shall, upon receiving NOGA's written request, forthwith perform or cause to be performed the unfulfilled Obligations of the Company in accordance with the Agreement, free of offsets, without restriction or conditions not otherwise contained in the

Agreement, and notwithstanding any contestation or objection by the Company. Parent Company waives any right it may have of first requiring NOGA to proceed against or enforce any other rights or other guarantee or security with respect to or claim payment from Parent Company before making a demand against or claiming from Parent Company hereunder. In the event and to the extent that Parent Company performs the Obligations of the Company, Parent Company shall be entitled to and shall receive all of the rights and benefits to which the Company is entitled under the Agreement, and shall procure the settlement of all liabilities, losses or damages arising out of the Company's failure to perform the Obligations.

٦. Parent Company shall indemnify and hold NOGA harmless against all costs, liabilities, losses and/or damages resulting from or arising out of the Company's breach of its Obligations, and/or Parent Company's breach of this Performance Guarantee.
٧. NOGA shall have the right, at its option, in the event of default by Parent Company to perform this Performance Guarantee, to engage another party, other than Parent Company or the nominee of Parent Company to perform the unfulfilled Obligations of the COMPANY, and Parent Company hereby undertakes to pay any and all reasonable additional costs thereby incurred by NOGA.
٨. This Performance Guarantee shall ensure to the benefit of NOGA and its successors and assigns. NOGA may at any time assign or otherwise transfer any or all of its rights hereunder to an Affiliate of NOGA, provided that NOGA shall promptly notify Parent Company of such assignment. Parent Company shall not, without the prior written consent of NOGA, assign or transfer any or all of its obligations hereunder, but may cause others to perform its obligations hereunder.
٩. This Performance Guarantee is a continuing guarantee and shall be effective as of the Effective Date of the Agreement, and remain in force so long as the Company has Obligations and/or Parent Company has obligations pursuant to or arising out of Sections 4, 5, 6 and/or 7 of this Performance Guarantee.
١٠. 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 NOGA:

- (a) any amendment, modification, extension, indulgence, time, waiver, or concession granted to the Company, 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 NOGA;
 - (c) any legal limitation, disability, incapacity or other similar circumstances relating to the Company;
 - (d) any unenforceability, invalidity, or frustration of any Obligations of the Company, with the intent that Parent Company's obligations hereunder shall remain in full force and this Performance Guarantee shall be construed accordingly as if there were no such unenforceability, invalidity, or frustration; and/or
 - (e) the bankruptcy or insolvency of the Company.
١١. No failure to exercise, and no delay in exercising on the part of NOGA, 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 NOGA shall be effective unless it is in writing.
 ١٢. The rights and remedies of NOGA herein provided are cumulative and not exclusive of any rights or remedies provided by law. The Performance Guarantee shall not pertain to any obligations, liability or loss for which NOGA receives other compensation.
 ١٣. If any provision of this Performance 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.

١٤. Terms defined in the Agreement shall have the same meanings in this Performance Guarantee, except as otherwise defined herein.
١٥. This Performance Guarantee shall be governed by, subject to, and construed and interpreted in accordance with the existing 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 by reference to applicable international laws and Good International Petroleum Industry Practices.
١٦. Any dispute between NOGA and Parent Company regarding this Performance 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*.

By: _____

APPENDIX G

**ENVIRONMENTAL STANDARDS AND PRACTICES
AND SAFETY GUIDELINES**

ENVIRONMENTAL STANDARDS AND PRACTICES AND SAFETY GUIDELINES

The following are general and specific guidelines relating to discharges associated with oil and natural gas exploration and production activities.

A. General Guidelines

١. There shall be no discharge of waste oil, produced water and sand, drilling fluids, drill cuttings or other wastes from exploration and production sites except in accordance with the following guidelines.
٢. There shall be no unauthorised discharges directly to the surface of the sea. All discharges authorized by these guidelines shall be controlled by discharging into a caisson whose open end is submerged to a depth necessary to provide for evaluation in the environmental impact assessment.

B. Discharge Guidelines and Monitoring

١. Produced Water

- (a) The CONTRACTOR will endeavour to utilise produced water for reservoir pressure maintenance if, through standard compatibility testing with surrounding sea water, no damage to the reservoir resulting in reduction in overall hydrocarbon recovery would occur by mixing the two water streams. In the event that the two water streams are compatible, the CONTRACTOR may only discharge a volume of produced water after treatment to the sea that exceeds the total volume required for reservoir pressure maintenance or in the event of an emergency, accident or mechanical failure. In the event that the two water streams are not compatible, the CONTRACTOR may discharge produced water to the sea after treatment. Treatment of produced water will result in an oil and grease concentration that does not exceed 42 mg/l on a daily basis or 29

mg/l on a monthly average. The gravimetric (extraction) test method EPA 413.1 (79) shall be used to measure the oil and grease concentration.

٢. Drill Cuttings and Drilling Fluids

- a. There shall be no discharge of drilling fluids, other than low toxicity water based fluids.
- b. Drill cuttings shall be discharged offshore but shall be disposed of in an environmentally acceptable manner.
- c. Prior to the start of the drilling programme, a drilling mud system will be designed and laboratory tested under the U.S. EPA, 96-hour acute toxicity test using mycid shrimp. Those muds that achieve an LC50 value in concentrations of more than 30,000 ppm may be authorized for discharge during the drilling programme.
- d. During drilling operations with water-based muds, mud samples will be collected periodically to determine toxicity.
- e. The composition of the mud system may be altered as necessary to meet changes in the drilling operations. The modified mud system may be approved for discharge it has been shown to meet the above limit on toxicity.

٣. Other Wastes

- a. Sanitary waste may be discharged from a U.S. Coast Guard certified or equivalent Marine Sanitation Device (MSM) with total residual chlorine content greater than 0.5 mg/l but less than 2.0 mg/l as long as no floating solids are observable. The Hach method CN-66-DPD test shall be used to measure the residual chlorine.
- b. Domestic wastes and grey water may be discharged as long as no floating solids are observable.

- c. Monitoring of floating solids shall be accomplished during daylight by visual observation of the surface of the receiving water in the vicinity of the sanitary and domestic waste outfalls. Observations shall be made following either the morning or midday meals and at a time during daylight and maximum estimated discharge.
- d. Discharge of desalinisation unit wastes shall be permitted.
- e. Deck drainage and wash water may be discharged as long as no visible sheen is observable.
- f. Trash shall not be discharged offshore. Trash shall be transported to an appropriate land-based disposal facility.

٤. Monitoring

a. Produced water

- i. The volume of produced water discharged and concentration of oil and grease contained in the discharge will be monitored daily.
- ii. The daily maximum and monthly average oil and grease concentration will be reported monthly.

b. Drill Cuttings and Drilling Fluids

- i. An inventory of drilling fluids additives and their volumes or mass added to the drilling fluid system will be maintained for each well.
- ii. Drilling fluid properties, including volume percent oil and concentration of chlorides, will be monitored daily for each well.
- iii. The estimated volume of drill cuttings and drilling fluids accidentally discharged shall be recorded and reported immediately.

c. Other Wastes

The estimated volume of other wastes discharged shall be recorded daily and reported monthly to include:

- i. Sanitary waste
- ii. Domestic waste
- iii. Deck drainage and wash water

C. Air Emission Guidelines and Monitoring

The CONTRACTOR is authorized to discharge air emissions. Such discharges will be limited and monitored, calculated or estimated in accordance with Good International Petroleum Industry Practices.

D. Safety Guidelines

The CONTRACTOR shall work safely at all times and ensure the safe performance of its sub-contractors. The CONTRACTOR shall take into account the following international safety and industrial hygiene standards in conducting Petroleum Operations under this Agreement:

- i. International Association of Oil and Gas Producers (IAOGP) Reports – Safety;
- iv. International Association of Drilling Contractors (IADC) – Drilling Safety Manual;
- v. International Association of Geophysical Contractors (IAGC) – Operations Safety Manual; and

American Conference of Governmental Industrial Hygienists – Threshold Limited Values for Chemical Substances in the Work Environment.

APPENDIX H**FORM OF ASSIGNMENT NOTICE**

Form of Assignment Notice

To: The National Oil and Gas Authority
Attn: [name]

Date: [date]

Reference is made to an Exploration and Production Sharing Agreement dated [date] (the "EPSA") between The National Oil and Gas Authority and [name] ("CONTRACTOR").

CONTRACTOR hereby notifies you that it has assigned [portion of its interest/rights and obligations] under the EPSA to [name] (the "Assignee") on [date]. The Assignee hereby agrees to be bound by the terms and conditions of the EPSA.

This is the notice required under Articles 28.1(A) and 28.1(C)(1) of the EPSA.

CONTRACTOR

Name: [name]

ASSIGNEE

Name: [name]

Acknowledged by The National Oil and Gas Authority

Name: [name]

Date: [date]