

their anticipated commencement and provide all means to ensure that N.I.O.C. will acquire all related know-how and technology.

5. ENVIRONMENTAL, SAFETY, SECURITY, SOCIAL AND HEALTH IMPACT ASSESSMENT (ESHIA) PLAN

- 15.1. Contractor shall be responsible for complying with all relevant laws, rules and regulations both offshore and / or onshore and as details stipulated in Coordination Procedure as Appendix "I", whether local, national or international, in respect of all necessary Environmental, Safety, Security, Social and Health Impact Assessment (ESHIA) and precautions relating to or arising out of the performance of the Contract in order to protect, including but not limited to, the works and services, the health and safety of the N.I.O.C.'s and Contractor's personnel and employees and general public, and to safeguard the concerned properties of N.I.O.C., Contractor and third parties, and to protect the security, social and environmental aspects of the Project in the Contract Area.
- 15.2. Contractor is under an obligation to conduct the Petroleum Operations: (a) in an environmentally sensitive manner so that people today, and future generations, may benefit from the wiser stewardship of the earth's resources; and (b) in a manner which ensures safety, security and health in the Contract Area for the benefit of personnel and employees of each Party, its subcontractors and the public at large; and (c) in line with the agreed ESHIA plan of the Project. Contractor, therefore, shall conduct the Petroleum Operations in accordance with the applicable rules and regulations and standards of safety, security, health and environmental sensitivity.
- 15.3. In order to propose and submit ESHIA plan to NIOC, Contractor shall (a) determine at the time of the studies the prevailing conditions relating to the environment, social, human beings, local communities, safety, security in the Contract Area and in the adjoining or neighboring areas; and (b) establish the likely effect on the environment, safety, security, human beings, social, local communities, and the flora and fauna in the Contract Area and in adjoining areas as a result of Petroleum Operations, and to submit, for consideration by the Parties, methods and measures contemplated thereto for minimizing environmental damage and carrying out site restoration activities.
- 15.4. Contractor shall adopt Best International Petroleum Industry Practices in conducting and monitoring Petroleum Operations and take necessary and adequate steps, inter alia to:
 - 15.4.1. install a culture of proactive commitment to ESHIA values among all personnel involved in Petroleum Operations and to operate according to performance standards which meet applicable international laws and regulations, including all applicable Iranian laws and regulations;
 - 15.4.2. make all efforts to prevent environmental damage and, should some adverse impact on the environment occur, to minimize such damage and the consequential effects thereof on people and property;
 - 15.4.3. ensure that its personnel and employees and its respective subcontractors are trained and thus that they perform in accordance with the policies and regulations regarding safety, security, health and the environment in accordance with the agreed ASHIA plan of the Project.
 - 15.4.4. take all necessary measures to prevent all injuries and occupational illnesses;

15.4.5. regularly review all practices and the Petroleum Operations for opportunities to continuously improve performance with the goal of correcting all deficiencies;

15.4.6. develop detailed guidelines for ESHIA in order to render environmental protection, carry on monitoring and maintain community interaction as a condition for Petroleum Operations. These guidelines should be in compliance with the rules and regulations of Iran and meet recognized international industry standards in the following areas, *inter alia*:

- i. air pollution;
- ii. protection of surface waters from leaks and spills, including the preparation of: (a) plans for re-injection of all produced water, and (b) Spill Prevention, Control and Countermeasures Plan;
- iii. protection of groundwater;
- iv. waste management of: (a) solid waste, and (b) hazardous waste, by minimize generation of waste, and treating or disposing of any generated waste in an environmentally responsible manner, with a focus on waste minimization, reuse and recycle of materials;
- v. prevention of harm to or degradation of livelihood or quality of life of surrounding communities and minimization of any impact, if some adverse impact occur;
- vi. Proper compensation for injury to persons or damage to property caused by the effect of Petroleum Operations;
- vii. minimization of footprint of drilling operations, especially in sensitive areas such as marshlands, by drilling several wellbores from the same drill pad and using directional, horizontal and multilateral drilling techniques;
- viii. making optimal use of spare available wellbores and spare production and transport capacity;
- ix. prevention of spills or leaks of oil and chemicals, and cleaning up of any which may occur;
- x. protection of flora and fauna (wildlife);
- xi. protection of archaeological and cultural sites;
- xii. plans for decommissioning and abandonment of petroleum facilities, and for the restoration of operational sites;
- xiii. land compensation and resettlement of local communities within the area of operations;
- xiv. implementation of a grievance procedure mechanism between the Contractor and communities impacted by Petroleum Operations;
- xv. preservation of local livelihoods from indigenous communities in the area of Petroleum Operations; and

- xvi. general well-being of the communities where Petroleum Operations, which shall be conducted in collaboration with local and central authorities, civil society and local investors to enhance the social benefits for national, regional and municipal governments; and
- xvii. take any other measures as agreed by the Parties in the ASHIA plan of the Project.

- 15.5. Contractor shall, in line with Clause 12 of this Contract, provide training courses related to the agreed ESHIA plan of the Project in accordance with rules and regulations of Iran and the international standards and practices.
- 15.6. If Contractor fails to comply with the provisions ESHIA requirements, as agreed thereto, or contravenes with any rules and regulations of the Country, and such failure or contravention results in any environmental, social, safety, security or health damage, Contractor shall, in accordance with an approved Work Program and Budget, take all necessary and reasonable measures to remedy the failure and the effects thereof.
- 15.7. Contractor shall draw up and implement a comprehensive and workable ESHIA plan to include, but not be limited to, the following elements:
- i. Worker Disease Prevention Program to be applied throughout the project life, and comprising education about personal hygiene and disease prevention measures, including immunization where appropriate, against infectious diseases, such as tuberculosis, malaria, dysentery, hepatitis and other transmitted diseases;
 - ii. regular testing of drinking water;
 - iii. training food handlers and testing them for communicable diseases; and
 - iv. prohibiting smoking, except in designated outdoor areas.
- v. Occupational Safety Program throughout the construction and operation periods, including:
- vi. initial and refresher safety and security training;
 - vii. tool-kit sessions at the start of each working day;
 - viii. giving a safety topic at the beginning of each meeting;
 - ix. traffic safety training for drivers and pedestrians;
 - x. special safety training for operators of industrial plants and mobile heavy equipment, e.g., cranes and bulldozers;
 - xi. furnishing personal protection equipment (hard hats, safety shoes and glasses, and hearing protection, where needed);
 - xii. providing emergency medical teams to administer urgent medical treatment on site, or to evacuate the injured to a hospital, and to supervise sanitation and health matters at construction camps; and
 - xiii. appointing monitors at construction and major operational sites to ensure adherence to safety and environmental protection rules.

15.8 If N.I.O.C. has good reason to believe that any works or installations erected by Contractor or any operations conducted by Contractor are not in accordance with the rules and regulations of Iran and are endangering or may endanger local communities or any property of any person, or are causing or may cause pollution, or are harming or may harm fauna or flora or the environment to a degree which NIOC deems unacceptable, NIOC may give notice to Contractor to promptly consider and develop for the Steering Committee (SC) confirmation and NIOC approval a remedial action plan and measures to mitigate such damage within a reasonable period as may be determined by NIOC and to repair any such damage. If NIOC deems it necessary, it may also require Contractor to suspend Petroleum Operations in whole or in part until Contractor have taken such remedial measures or have repaired any damage caused.

15.9 The ESHIA plan shall contain proposed environmental guidelines to be followed in order to minimize environmental damage and shall include, but not be limited to, the following, to the extent appropriate to the respective study taking into account the phase of operations to which the study relates:

- i. proposed access cutting;
- ii. clearing and timber salvage;
- iii. wildlife and habitat protection;
- iv. fuel storage and handling;
- v. use of explosives;
- vi. camps and staging;
- vii. health, security and safety;
- viii. social considerations and impacts;
- ix. liquid and solid waste disposal;
- x. cultural and archaeological sites;
- xi. selection of drilling sites;
- xii. terrain stabilization;
- xiii. protection of freshwater horizons;
- xiv. blow-out prevention plan;
- xv. flaring during completion and testing of wells;
- xvi. Abandonment of Wells;
- xvii. rig dismantling and site completion;
- xviii. site restoration;
- xix. noise control;

- xx. debris disposal; and
- xxi. protection of natural drainage and water flow.
- xxii. contingency plans for dealing with Crude Oil spills, fires, accidents and emergencies, designed to achieve rapid and effective emergency response

15.10 Contractor shall ensure that (a) the pertinent completed ESHIA studies and plan are made available to its employees and to its sub-contractors to develop adequate and proper awareness of the measures and methods of environmental, social, safety, security and health protection to be used in carrying out Petroleum Operations; (b) the contracts entered into between Contractor and sub-contractors relating to Petroleum Operations shall include the provisions stipulated herein and any established measures and methods for the implementation of Contractor's obligations in relation to the environment under this Contract.

15.11 In order to comply with the ASHIA requirements, Contractor shall take all necessary preliminary, executive and contingency plans when carrying out Petroleum Operations in the Contract Area in line with the Contract, rules and regulations of Iran, and in accordance with the Best International Petroleum Industry Practices.

15.12 Where the Contract Area is partly located in areas forming part of certain national parks, sanctuaries, mangroves, wetlands of national importance, biosphere reserves and other biologically sensitive areas, passage through these areas shall generally not be permitted. However, if there is no passage other than through these areas to reach a particular point beyond these areas, NIOC shall assist Contractor in obtaining permission from the appropriate authorities, subject to a biodiversity action plan.

PART V-

PETROLEUM OPERATIONS, WORK PROGRAMS AND BUDGETS AND STEERING COMMITTEE

(SC)

16. GENERAL PROVISIONS

- 16.1. Contractor shall carry out Exploration Operations and Appraisal Operations in accordance with the Exploration Operations Plan (EOP), Appraisal Operations Plan (AOP) and related annual Work Program and Budget ratified by Steering Committee.
- 16.2. JOC shall on behalf and under supervision and responsibility of Contractor carry out the Development and Production Operations (DPO) in accordance with the Development and Production Plan(s) (DPP), and related annual Work Program and Budget ratified by Steering Committee.
- 16.3. Establishment of JOC, and any changes thereon ; to conduct Development and Production Operations (DPO) of the Field on behalf of and under supervision and responsibility of Contractor, as the case may be, shall require the N.I.O.C.'s prior written approval.
- 16.4. Contractor shall no later than six (6) Calendar Month prior to the Development and Production Operations, establish JOC to conduct the Development and Production Operations of the Field under the supervision and responsibility of Contractor in

accordance with Appendix "P" - Joint Operating Company Principles and Procedure and Appendix "L" Operational Principles and Procedures. However, it is understood and agreed that :

- a. Notwithstanding this JOC arrangement, Contractor shall still continue to have the obligation Development and Production Operations in accordance with the Contract. Contractor shall have the same role in all the planning, decisions, surveillance, and day-to-day conduct of Field Development and Production Plan(s) (DPPs). In general, Contractor shall make available its managerial and technological skills and personnel to JOC to ensure that Development and Production Operations, are performed in accordance with the Development and Operations Plan(s) (DPP), Contract and Best International Petroleum Industry Practices. In particular, Contractor shall continue to prepare and submit annual Work Programs and Budgets for Steering Committee (SC) ratification. The establishment of the JOC shall in no way relieve Contractor of its obligations under this Contract.
- b. It is not the purpose or intention of this Contract to create, nor shall it be construed as creating, any partnership, joint venture, commercial partnership or other partnership between the Parties.

16.5. Contractor, as the case maybe, shall also be subject to the following responsibilities :

- 16.5.1. to explore, appraise, develop and produce from the Contract Area in accordance with good petroleum industry practices, the Contract, EOP, AOP, DPP, as the case may be.
- 16.5.2. to keep N.I.O.C. continuously informed in the course of all activities to be performed in connection with this Contract and to provide N.I.O.C. with progress reports on the Petroleum Operations carried out as well as with a comprehensive final report upon the completion of each specific operation.
- 16.5.3. to allow and facilitate representatives of N.I.O.C. to inspect at all times its operations under this Contract provided that N.I.O.C. provides a reasonable prior written notice to Contractor.
- 16.5.4. to maintain full records of all activities carried out by Contractor performed under this Contract.
- 16.5.5. to maintain necessary books and accounts of its operations in such a manner as to present a fair, clear and accurate record and report on a monthly basis of the Petroleum Costs, in accordance with the Accounting Procedures.
- 16.5.6. to be always mindful, in the conduct of its Petroleum Operations, of the rights and interests of Iran.
- 16.5.7. to ensure that N.I.O.C. shall be provided at the appropriate time, with, as and when it may so require, and within a reasonable time, any and all information in the form of accurate copies of maps, sections and reports relating to, geological, geophysical, geochemical, drilling and other similar matters relating to the operations authorized under this Contract as well as all scientific and technical data resulting from the said operations.

- 16.6. Contractor, as the case maybe, shall use for Petroleum Operations all the properties acquired, created or used in connection with the Petroleum Operations notwithstanding Clause 10.2.
- 16.7. Contractor, as the case maybe, shall take all appropriate and necessary measures, in accordance with the applicable law of the Contract and international standards to uphold transparency, accountability and the strict observance of general business ethics and anti-corruption laws and regulations. Contractor shall develop procedures and guidance documents to secure compliance with the above.
- 16.8. Not later than three (3) Months from Effective Date of the Contract, Contractor shall, in coordination and agreement with N.I.O.C., maintain and develop a list of sub-contractors and suppliers ("Vendor List") of proven capability and professional experience in accordance with the maximum utilization of Iranian Content pursuant to Clause 27 of the Contract. The agreed Vendor List may be updated and modified from time to time by the Parties. No sub-contract(s) or purchase order(s) in excess Dollars (US\$.....) shall be awarded to a sub-Contractor or supplier that is not approved in the Vendor List.
- 16.9. Contractor, as the case may be, during the Petroleum Operations shall take appropriate action to award the subcontract(s) and purchase order(s) through tender-process in line with the agreed procurement procedure and contracting strategy all in accordance with Clause 16.
- 16.10. In the event that the result of tender process indicates that the number of the bid proposal received is less than three (3), the Parties shall decide for the award based on the bids received. The same procedures shall apply where there are three (3) or more bid proposals but less than three (3) proposals are valid and unqualified proposal.
- 16.11. Contractor, as the case may be, shall:
- 16.11.1. provide all personnel and employees required for the execution of the Petroleum Operations, giving first priority to the Iranian nationals, pursuant to Clause 12 of the Contract and in line with the Project organization plan envisaged in Appendix "I" "Coordination Procedures".
 - 16.11.2. utilize the Vendor List on a competitive basis and in accordance with the tendering procedures established pursuant to Clause 16.8 of the Contract. Any purchase order and sub-contract shall be placed and issued in accordance with approved annual Work Programs and Budgets;
 - 16.11.3. award any individual purchase order or sub-contract, in accordance with the Vendor List, up to million Dollars (US\$.....), provided that details of bids received and the basis for the award shall be submitted to N.I.O.C. with each Quarterly statement.
 - 16.11.4. recommend to N.I.O.C. for its approval to award any individual purchase order or sub-contract aboveDollars (US\$) in value, where such written approval shall not to be unreasonably withheld, provided if the total period taken by N.I.O.C. exceeds fourteen (14) Days then approval of any such purchase order or sub-contract is deemed to have been provided by N.I.O.C. If N.I.O.C.

communicates within the specified period its non-approval of the award in question, then the matter shall be promptly referred to the senior management of the Parties for resolution. The issue in dispute shall be settled by the Parties within fourteen (14) Days from such referral.

- 16.11.5. place fixtures and installations inside and outside the Contract Area as necessary to carry out Petroleum Operations, in accordance with DPP and approved annual Work Program and Budget.
- 16.11.6. Not later than (....) Calendar Months from the Effective Date of the Contract, the Parties shall, as per the recommendation of the Steering Committee (SC), prepare and finalize the employment procedures and procurement procedures as per Appendix "I" - Coordination Procedures.

16.12. The Parties agree on the following basis for definitions, standards, references and principles hereinafter referred to collectively as operational principles:

- a. Definitions: Technical and operational terms shall be deemed to have the meaning agreed upon by the Parties. In the event that the Parties do not agree on a common definition, the meaning shall be considered to be the one so assigned to such term in the EOP or as will be prescribed in the AOP and DPP as may be applicable.
- b. Standards: Operational standards shall be those as prescribed in the EOP or as will be prescribed in the AOP and DPP where applicable.
- c. References: The references shall be those as prescribed in the EOP or as will be prescribed in the AOP and DPP where applicable.
- d. Principles: The Maximum Efficient Rate; (M.E.R.) for each well ("MER well") and "MER Reservoir" has the meaning as will be prescribed in the DPP.

16.13. MER for each well, "MER well", shall be the maximum production from that well provided that:

- a. The flowing bottom hole/formation pressure does not go below bubble point pressure unless the reservoir requires otherwise, to be agreed in the DPP ;
- b. The water cut will be as per DPP.

16.14. MER for reservoir, "MER res.", shall be the most economic production rate, provided that it does not adversely affect the final recoverable oil and that it does not assume for any well a rate higher than the MER for that well as defined in above. The Field shall at no time be produced at a rate higher than the MER for the reservoir nor any well be produced at a rate higher than its "MER well".

16.15. No later than six (6) Calendar Months prior to the commencement date of the Production Operations , the Parties shall embark upon producing and agreeing on the following documents and procedures in accordance with the operational principles:

- 16.15.1. The organization chart for the operation of the Field, including full job descriptions with the required academic and experience qualifications of all positions in the organization chart and tests for evaluating candidates for each position;

- 16.15.2. Operating manuals for all types of activities relating to the production operations;
- 16.15.3. Operating manuals for all technical and financial software used or to be used in the Project;
- 16.15.4. The maintenance schedule for all facilities, installations, machinery and equipment;
- 16.15.5. Health, safety and environment guidelines; and
- 16.15.6. Field production test procedure for the Quarterly Production testing of the Field in accordance with the Development and Production Plan (DPP) and/or Appendix "L" - "Operational Principles and Procedures".
- 16.16. Contractor's activities shall be designed to achieve efficient and safe production of Petroleum from the Contract Area. Contractor shall ensure that all materials, equipment, and facilities used in Petroleum Operations comply with generally accepted engineering norms, are of proper and acceptable construction, and are kept in good working order throughout the Term. The Parties shall, at least one (1) Year before the expiry of this Contract, agree on a detailed procedure for handing-over Petroleum Operations and related facilities to N.I.O.C.
- 16.17. Certain services as envisaged in the EOP, AOP and DPP, may be conducted by Contractor's Affiliates through Contractor's In House Special Services (if any), the costs of such Contractor's In House Special Services shall not exceed those currently prevailing in the region (i.e. neighboring countries) on a competitive and comparable basis. The provision of such Affiliate's In House Special Services shall be subject to the ratification of annual Work Program and Budget by Steering Committee (SC)
- 16.18. For oil and gas common fields or structure, that are considered to be the new field for the petroleum operations, or are currently under the Development and Production Operations by the other side of the field ("the Adjacent Party), N.I.O.C. may, based on the Steering Committee (SC) recommendation, request Contractor to provide an engagement plan commonly discussed with the Adjacent Party for the joint unitization of the field, which shall be subject to review and approval of N.I.O.C..
- 16.19. Any such unitization plan of the field, recommended by Steering Committee (SC) and discussed by Contractor, shall be based on the principles, procedures and instructions of N.I.O.C. and in accordance with the delimitation of such common fields or structure that are determined or re-determined by N.I.O.C..
- 16.20. It is understood and agreed that any engagement with the Adjacent Party on the said unitization plan by Contractor or any failure of Contractor to engage with the Adjacent Party for the unitization plan, shall not prevent N.I.O.C. from direct negotiation with the Adjacent Party in order to jointly develop and operate the field.
- 16.21. Where such negotiation resulted to the joint unitization plan agreed with the Adjacent Party, then Contractor shall be obliged either to carry on with the petroleum operations based on the newly agreed unitization plan or relinquish from the petroleum operations of the field.

16.22. Based on the Contract and its Appendices, Contractor, as the case may be, shall :

- i. submit to N.I.O.C. for its review and approval within ninety days (90) Calendar Months from the Effective Date, *inter alia*, the details of the following items for Petroleum Operations of the Field:
 - a. Training program;
 - b. Employment Policy;
 - c. Contracts strategy and Procurement policy; and
 - d. Maximum utilization of Iranian Content Plan ;
 - e. Transfer of Technology Plan

- ii. submit to Steering Committee (SC) for its review and taking decision within ninety days (90) Calendar Months from the Effective Date, *inter alia*, the details of the following items for Petroleum Operations of the Field:
 - f. Work Program and Budget;
 - g. Personnel Policy;
 - h. Chart of Accounts;
 - i. Project definition;
 - j. Project Scope;
 - k. Project execution plan;
 - l. Organization and resource plans;
 - m. QA and HSE plans;
 - n. Accounting system; and
 - o. Project management system and reporting.

16.23. It is understood and agreed that the above items shall be completed by Steering Committee (SC) in line with the requirements of the Exploration Operations, Appraisal Operations, Development and Production Operations . However, in the event that any such items are not completed by Steering Committee (SC) within the said ninety (90) Days from the Effective Date, it shall not jeopardize the project execution or cause any delay in the performance of Exploration Operations and Appraisal Operations.

17. PETROLEUM OPERATIONS

Contractor shall conduct the Petroleum Operations under this Contract and shall be responsible for the conduct of such operations as per the following provisions:

17.1. Exploration Operations

17.1.1. For the purpose of exploring potential Crude Oil and/or Natural Gas within the Contract Area during the Exploration Operations, Contractor shall use latest Exploration Operations techniques and know-how, consistent with Best International Petroleum Industry Practices. The works and services necessary for the Exploration Operations shall include but not be limited to the:

- a. Objectives expected to be achieved;

- b. Geological, topographical, geophysical, petrophysical, geochemical surveys, 2D or/and 3D seismic studies and acquisition;
- c. drilling exploration well(s) operations (if any);
- d. Reservoir evaluation
- e. Proposed location maps for any seismic lines to be acquired;
- f. Proposed acquisition geometries and parameters for any seismic lines to be acquired;
- g. Detailed location maps and geological cross-sections for Exploration Operations wells and horizons of interest;
- h. Any ESHIA activities to be conducted;
- i. Any access, transportation or utility requirements.
- j.

17.1.2. The Minimum Exploration Works Obligations under the Exploration Operations Plan and Works Program and Budget shall include the followings:

- a. Geological, topographical, geophysical, geochemical surveys,
- b. 2D seismic studies and acquisition
- c. drilling exploration well(s) operations (if any);
- d. Reservoir evaluation (if any)
- e.

17.1.3. The Minimum Exploration Expenditure Obligations related to the Minimum Exploration Works Obligations is US\$ million.

17.1.4. Contractor shall, at least (.....) Calendar Months before the expiry of the Exploration Operations Phase, or any extension thereof, provide N.I.O.C. with a report evidencing that the Minimum Exploration Expenditure Obligation has been fully performed, or is in the course of being completed.

17.1.5. In the event that upon the expiry of the Exploration Operations Phase or any extension thereof, Contractor has not fulfilled the Minimum Exploration Works Obligations and has not expended the Minimum Exploration Expenditure Obligations, or if Contractor decided, for any reasons, not to continue the Exploration Operations, Contractor shall pay to N.I.O.C. within thirty (30) Calendar Days the remaining unexpended balance, by direct transfer to N.I.O.C.'s nominated account, in the manner provided for in the Clause 14 of the Accounting Procedures.

17.1.6. Notwithstanding the preceding paragraph, in the event that upon the expiry of the Exploration Operations Phase or any extension thereof, Contractor has fulfilled the Minimum Exploration Works Obligations to be confirmed by Steering Committee (SC), but has not expended the Minimum Exploration Expenditure Obligations, Contractor shall pay to N.I.O.C. within thirty (30) Calendar Days the remaining unexpended balance of such Minimum Exploration Expenditure Obligations, by direct transfer to N.I.O.C.'s nominated account, in the manner provided for in the Clause 14 of the Accounting Procedures.

- 17.1.7. In the event that the Exploration Operations are resulted to a discovery of Petroleum or Commerciality of the Field, then the Parties shall, if required, discuss and agree on the Appraisal Operations for the establishment of the Commerciality of the Field in the former or carrying out with the Development and Production Operations of the Field in the latter, pursuant to Clause 17.2 of the Contract.
- 17.1.8. If by the end of the Exploration Operations Phase and any extension thereof, no Commerciality of the Field has been established based on the Contract, this Contract shall be deemed as discharged by the Parties and there shall be no repayment obligation whatsoever by N.I.O.C. with respect to any expenditures or any costs incurred by Contractor.
- 17.1.9. Contractor shall deliver to N.I.O.C. upon signing the Contract a performance bank guarantee in accordance with the specimen provided in Appendixfrom a prime bank acceptable to N.I.O.C. for an amount equal to twenty percent (20%) of the total Minimum Exploration Expenditure Obligation for Minimum Exploration Works Obligation. Such guarantee shall be annually adjusted base of Contractor's performance of Minimum Exploration Works Obligation.

17.2. Appraisal Operations

- 17.2.1. In the event of the discovery of Petroleum in the Field, Contractor shall, for the purpose of Commercial Field, submit the Appraisal Operations Plan (AOP) to Steering Committee (SC) for its review and to N.I.O.C. for its approval which shall not be withheld by N.I.O.C. more than thirty (30) Days. However, if such proposed plan is not approved by N.I.O.C. within the aforesaid period, Contractor shall revisit and amend such plan based on the N.I.O.C.'s recommendation, and re-submit it for N.I.O.C approval no later than thirty (30) days from the day when the N.I.O.C.'s recommendation is submitted to Contractor.
- 17.2.2. During the Appraisal Operations pursuant to Clause 17.2 of the Contract, Contractor shall be obliged to provide or arrange to provide all required works and services necessary to execute Appraisal Operations as defined in the Appraisal Operations Plan ("AOP") for the works and services including but not limited to the geological, geophysical, aerial and any other surveys and any interpretation of data relating thereto and the drilling of such shot-holes, core holes, stratigraphic tests, holes for the appraisal Petroleum and other related holes and wells, the production testing, PVT and core analyses.
- 17.2.3. During the Appraisal Operations Phase, Contractor shall carry out the works and services as detailed in the AOP to appraise the extent of the reservoir(s) or the volume of the hydrocarbon reserves if the appraisal concerns an existing discovery in the Contract Area.
- 17.2.4. Where time is insufficient to complete the Appraisal Operations on a discovery of Petroleum made shortly before the end of the Appraisal Period or any extension thereof, Contractor may request N.I.O.C. to grant an extension in order to

complete such Appraisal Operations for the achievement of the Commerciality of the Field.

- 17.2.5. If by the end of the Appraisal Operations Phase, no Commercial Field has been established based on the Contract, this Contract shall be terminated by the Parties and there shall be no repayment obligation whatsoever by N.I.O.C. with respect to any expenditures or any cost incurred by Contractor.
- 17.2.6. In the event that the Commerciality of the Field is established at the end of the Appraisal Operations Phase, then only those parts of the Contract Area shall remain at the disposal of Contractor for Development and Production Operations which are specified in the Development and Production Plan(s) ("DPP").
- 17.2.7. As soon as Contractor comes to the conclusion that its Appraisal Operations have resulted in the discovery of Petroleum reserves capable of commercial production, it shall submit to Steering Committee (SC) and N.I.O.C. a notice of the discovery and its commerciality together with a detailed report evidencing such conclusion both technically and commercially. To the extent available, Contractor shall provide all information and reports which may be required to satisfy Steering Committee (SC) and N.I.O.C. that the criteria concerning commerciality of the discovery are duly observed and fulfilled.
- 17.2.8. Contractor's reports that to be submitted to Steering Committee (SC) and N.I.O.C. under this Clause shall clearly set out the relevant technical data and information including, but not limited to, the followings:
- a. geological and geophysical information; thickness of the producing zones, depth of different fluid contacts, petrophysical properties of reservoir rock, PVT analysis data of reservoir fluids, and potential annual production capacity of each well, the characteristics and the relevant analysis of the Petroleum discovered, and the depth, pressure, temperature and other characteristics of the reservoir and the fluids contained therein;
 - b. any other relevant facts relied upon by Contractor and conclusions drawn therefrom; and
 - c. opinion(s) expressed by the expert(s) entrusted with the relevant operations.
- 17.2.9. Steering Committee (SC) shall review and examine the said reports and, if it determines that such reports evidence fulfillment of the provisions of Clauses 17 and 20, it shall confirm that a Commercial Field has been established. The decision of Steering Committee (SC) shall be submitted to N.I.O.C. for its approval. If N.I.O.C. does not reply to Contractor within thirty (30) Calendar Days of the submission of the SC confirmation, the Steering Committee (SC) decision shall be deemed approved by N.I.O.C. and thereupon the Appraisal Operations shall be closed.
- 17.2.10. Exploration and Appraisal Expenditures shall be reimbursed to Contractor only if a Commercial Field as specified in Clause 20 is established and Contractor carried out Development and Production Operations, in which event such reimbursement shall be made in the manner laid down in Clause 25 hereof.

17.3. Development and Production Operations (DPO)

- 17.3.1. Upon confirmation of establishment of a Commercial Field by N.I.O.C., Contractor shall submit to N.I.O.C. for its review and approval, a Field Development Plan (FDP) based on the overall lifecycle forecast of the Development and Production Operations of the Field. Such FDP shall include initial and general assumptions, concepts, principles, procedures and presumed main activities related to the lifecycle development and production of the Field and shall be the base for the preparation and submission of the Development and Production Plan(s). Field Development Plan shall be subject to the revision and updates from time to time as per the information and data to be obtained from the Field subject to N.I.O.C. approval.
- 17.3.2. However, no later than (.....) Calendar Months from confirmation of establishment of a Commercial Field by N.I.O.C., Contractor shall prepare and submit the Development and Production Plan(s) (DPP) to N.I.O.C. for review and approval. Such Development and Production Plan(s) (DPP) shall be presented to N.I.O.C. base on available data, information and knowledge of reservoir(s) within Contract Area. The Development and Production Plan(s) (DPP) shall include the following:
- a. a program designed to achieve First Production of Crude Oil or First Production of Natural Gas as soon as possible but no later than (.....) Years from approval of the Development and Production Plan(s) (DPP); and
 - b. an annual Work Program and Budget for the remainder of the current Calendar Year.
- 17.3.3. Not later than the twentieth (20th) day of first Calendar Month of each Calendar Quarter, the JOC shall provide Contractor with a detailed written estimate of its total financial requirements necessary for the Development and Production Operations to be available for the succeeding Calendar Quarter expressed in US Dollars, in accordance with ratified annual Work Programs and Budgets. Such estimate shall take into consideration any budget required for the Development and Production Operations in the succeeding Calendar Quarter. Payment by Contractor for the succeeding Calendar Quarter shall be made to JOC on the first (1st) day of the third Calendar Month of each Quarter.
- 17.3.4. Pursuant to 17.3.2., Contractor shall submit Development and Production Plan(s) (DPP) to be reviewed by Steering Committee (SC) and approved by N.I.O.C. within (.....) Days. However, if such proposed plan is not approved by N.I.O.C. within the aforesaid period, Contractor shall revisit and amend such plan based on the N.I.O.C.'s recommendation, and re-submit it for N.I.O.C. approval no later than thirty (30) Days following the day when the N.I.O.C.'s recommendation is submitted to Contractor.
- 17.3.5. Following submission to Steering Committee (SC) and N.I.O.C. of the proposed DPP, Contractor shall provide such further information as is reasonably available to it and as Steering Committee (SC) or N.I.O.C. needs to evaluate the proposed DPP.

- 17.3.6. The proposed DPP submitted by Contractor to Steering Committee (SC) and N.I.O.C. shall include but not limited to the phasing Development and Production Operations, objectives of the Development and Production Operations, production targets and plateau rates, investment required plan, acceptable levels of the work-break down structure, cost-break down structure and time break down structure. Once DPP is ratified by Steering Committee (SC), then it shall be considered as an Appendix to this Contract.
- 17.3.7. In the event that the proposed Development and Production Operations Plan(s) (DPP) has not been approved by N.I.O.C. or in the event that any instructions issued by N.I.O.C. have not been accepted by Contractor for incorporation in the DPOP, the matter shall be referred to the Parties' senior management with the aim of finding proper a solution.
- 17.3.8. Contractor's activities shall be designed to achieve efficient and safe production of Petroleum from the Contract Area. Contractor shall ensure that all materials, equipment, and facilities used in Development and Production Operations comply with generally accepted engineering norms, are of proper and acceptable construction, and are kept in a sound and good working order throughout the Term of the Contract.
- 17.3.9. Contractor shall propose further Development Operations during the Production Operations for the Capacity Maintenance Operations for Oil ("CMOO"), IOR and EOR operations for Crude Oil Field and IGR/EGR operations for Natural Gas/Condensate Field to Steering Committee (SC) for its review and N.I.O.C. for its approval. In the event any such proposal is approved by N.I.O.C., Contractor shall be obliged to carry out the approved such plan. The actual cost of such performance by Contractor and relevant Remuneration Fee shall be payable to Contractor in accordance with Clause 25 of the Contract.

17.4. Hand Over of the Contract Area, the Field and JOC to N.I.O.C.

- 17.4.1. The Contract Area and the Field as well as the JOC, which has been established for the purpose of the Development and Production Operations of the Field, shall be Handed Over by Contractor to N.I.O.C. upon the expiry date of the Term of this Contract. In order to arrange and facilitate the smooth, easy and gradual transfer of the Contract Area, the Field and JOC to N.I.O.C., the Parties shall, at least one (1) Year before the expiry of this Contract, agree on a detailed procedure for the Handing-Over of the Contract Area, the Field, JOC and any other related facilities and operations under this Contract to N.I.O.C..

18. WORK PROGRAM AND BUDGET

- 18.1 The first exploration Work Program and Budget shall be provided in the Exploration Operations Plan, detailing the duration and activities to be performed and the cost to be incurred during the current Calendar Year of the Exploration Operations Phase ending on December 31. For the aftermath Calendar Year, and for subsequent Calendar Years, Contractor shall submit an annual exploration Work Program and Budget to Steering Committee (SC) by no later than the end of October for its decision and ratification.

- 18.2 Any revision in the proposed Exploration Operations Plan referred to in Clause 3.3 shall be ratified by Steering Committee and finally approved by N.I.O.C., and the related revised annual exploration Work Program and Budget shall be subject to the ratification of Steering Committee (SC).
- 18.3 No later than thirty first (31st) October of each Calendar Year, Contractor shall propose and submit the annual Work Program and Budget for the Petroleum Operations to Steering Committee (SC), as the case may be, for its review and ratification for which Contractor shall carry out during the next Calendar Year. Each annual Work Program and Budget proposed by Contractor for the Petroleum Operations of the current Calendar Year shall be accompanied by a proposed notional work program and budget as estimated by Contractor for the succeeding Year. In the event that the Parties shall not be able to update or finalize the succeeding Year work program and budget, then, such notional work program and budget will be used by the Parties for the purpose of the Petroleum Operations.
- 18.4 The Steering Committee (SC) shall review the Contractor's proposed annual Work Program and Budget within thirty (30) Calendar Days of the receipt of the annual Work Program and Budget. The Steering Committee (SC) shall either agree and ratify the proposed annual Work Program and Budget by Contractor or return the same to the Contractor with recommended clarifications and revisions within the aforesaid period.
- 18.5 Contractor shall, within fourteen (14) Calendar Days from the receipt of the recommendation from Steering Committee (SC), revise and re-submit the annual Work Program and Budget to Steering Committee (SC) for review and ratification within fourteen (14) Calendar Days from the receipt of the revised version of the annual Work Program and Budget.
- 18.6 The Steering Committee (SC) shall discuss and ratify the Contractor's annual Work Program and Budget and its revision (if any) prior to December 1st of the current Calendar Year, and shall immediately furnish the annual Work Program and Budget to Contractor for its implementation of the Petroleum Operations.
- 18.7 The Steering Committee (SC) shall make their best endeavor to conclude and ratify the Contractor's proposed annual Work Program and Budget in accordance with the provisions of the Contract and the relevant EOP, AOP and DPP through close interaction and consultation and, if necessary, through the intervention of the Parties' senior management.
- 18.8 After ratification of the annual Work Program, it shall be implemented by Contractor in accordance with the Contract and under the supervision and control of the Steering Committee (SC). Contractor may make minor changes to that annual Work Program and Budget if those changes have no effect on the objectives of the Petroleum Operations, as described in the EOP, AOP and DPP, provided that such changes shall not change the total approved Budget for any Calendar Year by more than ten percent (10%). Contractor shall provide Steering Committee (SC) the reasons and justifications underlying such changes for Steering Committee (SC) review and ratification.
- 18.9 Should Contractor anticipate, at any point during a Calendar Year, that an increase or decrease of the total Budget for any Calendar Year will, as a result of the said changes, exceed such percentage, Contractor shall immediately advise the Steering Committee (SC) of the issue.

19. STEERING COMMITTEE (SC)

- 19.1 In order to monitor, control and supervise of the Petroleum Operations, the Parties shall, within thirty (30) Calendar Day from the Effective Date, establish the Steering Committee (SC), which shall function under this Contract until the end of the Term of the Contract.
- 19.2 The Steering Committee (SC) shall have the following duties and authorities related to the Petroleum Operations under the provisions of the Contract:
- a. recommendation of Exploration Operations Plan (EOP), Appraisal Operations Plan (AOP) and Development and Production Plan (DPP), as proposed by Contractor, and any revisions thereof for N.I.O.C.'s approval;
 - b. recommendation of Commerciality of the Field, as declared by Contractor, for N.I.O.C.'s approval ;
 - c. ratification of annual Work Programs and Budgets, and any revisions thereof;
 - d. recommendation of training programs for integrating Iranian personnel nominated by N.I.O.C. into various aspects of Petroleum Operations, pursuant to Clause 12 of the Contract, for N.I.O.C.'s approval;
 - e. recommendation of employment and personnel policy, contracting strategy and procurement procedures for N.I.O.C.'s approval;
 - f. carrying out technical and commercial evaluation of bids received pursuant to Clause 16 of the Contract;
 - g. Taking decision on the award of contracts to sub-contractors and purchase orders as the case may be, pursuant to Clause 16 of the Contract if any;
 - h. general monitoring, control and supervision of the implementation of the approved EOP and AOP and the relevant Work Program and Budget;
 - i. taking decision on organization chart of Contractor;
 - j. monitoring, controlling and supervising technical, technological, financial, operational, commercial, contractual, environmental, legal and managerial aspects of the Petroleum Operations in line with the EOP, AOP and DPP and related annual Work Program and Budget respectively.
 - k. recommendation of the appointment of the independent auditor pursuant to Article 26.3. for N.I.O.C.'s approval
 - l. confirmation of the Petroleum Costs incurred and paid by Contractor and CoM accrued if any, in accordance with the audit report pursuant to Clause 26.3 of the Contract;
 - m. monitoring, controlling, supervising and assess the Iranian local content requirements and the amounts of such content achieved by Contractor under the Contract;

- n. establishment of the sub-committees of the Steering Committee (SC), as may be necessary, to review and provide recommendations regarding technical, technological, financial, operational, commercial, contractual, environmental, legal and managerial aspects and any other matters assigned to by Steering Committee (SC) in respect of the Petroleum Operations; and
- o. Confirmation of Quarterly the Petroleum Costs recovery and Remuneration Fee in accordance with Claus 25 of the Contract.

19.3 The following rules shall apply with respect to the Steering Committee (SC) and meetings thereof:

- a. The Steering Committee (SC) shall be comprised of six (6) members during the Petroleum Operations. N.I.O.C. and Contractor shall each nominate three (3) members equally;
- b. Each Party shall appoint and advise the other Party in writing of the names of its members and up to an equal number of alternates simultaneously;
- c. Each Party shall have the right at any time to substitute other persons as its Steering Committee (SC) members or alternates by notifying the other Party in writing;
- d. Each Party shall be entitled to cast one vote per member on matters to be decided by the Steering Committee (SC);
- e. In the absence of a member, an alternate shall represent the Party in question and shall have full power to act for the said member, including casting such member's vote; and
- f. The quorum required for valid meetings of Steering Committee (SC) during the Exploration Operations Phase, Appraisal Operations Phase, Development and Production Operations shall be collectively (.....) members, that is (.....) members (or their alternates) of each Party.

19.4 The chairman of the Steering Committee (SC) (the "Chairman") shall be one of the Contractor's members from the Effective Date until the end of the first full Calendar Year following the Effective Date. Thereafter, the chairmanship shall rotate between N.I.O.C. and Contractor annually during Petroleum Operations, unless otherwise agreed by the Parties.

19.5 The secretary to the Steering Committee (SC) (the "Secretary") shall be one of the Contractor's members until the end of the first full Calendar Year following the Effective Date. Thereafter, the secretary shall rotate between Contractor and N.I.O.C. annually during the Petroleum Operations, unless otherwise agreed by the Parties. The Secretary shall be responsible for the preparation and circulation of minutes following each meeting. Such minutes shall be agreed by Steering Committee (SC)

19.6 The secretary to the Steering Committee (SC) (the "Secretary") shall be one of the Contractor's members until the end of the first full Calendar Year following the commencement date of Development and Production Operations. Thereafter, the secretary shall rotate between Contractor and N.I.O.C. annually during Development and

Production Phase, unless otherwise agreed by the Parties. The Secretary shall be responsible for the preparation and circulation of minutes following each meeting. Such minutes shall be agreed by Steering Committee (SC).

- 19.7 The Steering Committee (SC) shall meet in Iran or other place(s) as decided by the members of such committees. All meetings and written notices as well as minutes of the meetings shall be in the English language. The Steering Committee (SC) shall hold regular meetings four (4) times per Calendar Year, but may meet more often by mutual agreement of the Parties. N.I.O.C. and Contractor shall be free to suggest items for the agenda for such meetings. The Chairman shall through Secretary will distribute the agenda to the Parties at least fourteen (14) Calendar Days before the meeting for perusal and comments. Prior to adjournment of any meeting the Secretary shall prepare a record of any and all decisions taken at the meeting, which shall be signed by all the members or alternates present. Within fourteen (14) Calendar Days after the closing date of the meeting, the Secretary shall distribute complete minutes of the meeting. The cost of Steering Committee (SC) shall be included and recorded as DGC in accordance with Clause 8.1.13 of Accounting Procedure.
- 19.8 All decisions of the Steering Committee (SC) must be made by unanimous vote of all members to be valid and binding upon the Steering Committee (SC). In the event that the Steering Committee (SC) is unable, after exhausting all avenues of discussion and review, to reach a unanimous decision on any matter under the Contract, the Parties shall agree to seek the guidance and counsel of their respective senior management, and said management shall endeavor to resolve the issue within thirty (30) Calendar Days.
- 19.9 At the request of N.I.O.C. or Contractor, a decision may be made by correspondence in respect of issues which require urgent decision of the Steering Committee (SC). In such a case, N.I.O.C. or Contractor shall send to the Chairman of the Steering Committee (SC) a written notice requesting a particular decision to be urgently taken by the Steering Committee (SC). The Chairman shall serve all members of the Steering Committee (SC) with a notice containing the issue to be considered and the decision to be taken by the Steering Committee (SC). Within two (2) Calendar Days, the Chairman shall confirm that every member has received his notice. When all members of the Steering Committee (SC) have informed the Chairman in writing of their agreement to the decision requested, the decision is considered as taken by the Steering Committee (SC). If, within ten (10) Calendar Days from the time of confirmation of receipt of the notice, no response has been received from one or more members, it is deemed that such member or members have agreed to the decision requested. Within two (2) Calendar Days from receiving the agreement of the members or from the elapse of the above ten (10) Calendar Days, the Chairman shall inform the members of the decision taken by the Steering Committee (SC). Such a decision taken by correspondence shall be regarded as valid Steering Committee (SC) decision.

20. COMMERCIAL FIELD

- 20.1 Within thirty (30) Calendar Days of completion of approved Exploration Operations and/or Appraisal Operations referred to the Clauses 3 and 17, Contractor shall submit to Steering Committee (SC) a written commercial report which indicates that the Exploration Operations and/or Appraisal Operations have resulted in a discovery of Petroleum, thus the Field can be declared as a Commercial Field. In the event that one field alone cannot be declared as commercial but two or more Fields together, then such fields within the Contract Area will be collectively declared as a Commercial Field. Steering Committee

(SC) shall further submit a detailed report on its conclusion to N.I.O.C. not later than ninety (90) Calendar Days for its review and approval.

- 20.2 The Contractor's commercial report to be submitted to Steering Committee (SC) and N.I.O.C. under Clause 20.1 above shall clearly set out the relevant technical data as the following:
- a. Geological and geophysical information, thickness of producing zones, depth or depths of different fluid levels, petrophysical properties of reservoir rock, PVT analysis data of reservoir fluids and annual potential productive capacity of the reservoir, anticipated production, the daily potential productive capacity of each well, the depth, pressure and other characteristics of the reservoir and the fluids contained therein. Any other relevant facts and data relied upon by the Contractor and conclusions drawn therefrom.
 - b. Opinions expressed by the expert(s) entrusted with the relevant operations.
 - c. Economic analysis to support commerciality, operationality and marketability in accordance with the example provided in Appendix "J" hereof.
- 20.3 N.I.O.C. shall examine the report referred to in Clause 20.1 within thirty (30) Calendar Days to determine whether a Commercial Field within the meaning of this Contract as defined in Clause 20.4 or Clause 20.5 has been established.
- 20.4 For the purpose of this Contract, a Crude Oil Field shall be considered as a Commercial Field only if the quantity of the marketable Crude Oil (and its Associated Gas, where applicable) is sufficient enough to make the Petroleum Operations of the Field technically, operationally and commercially viable in accordance with the following criteria:
- 20.4.1. Series of cash outflows (negative) composed of the followings shall be taken into account for the purpose of establishing a Commercial Field during the lifecycle of the Project, i.e. during (.....) Calendar Years:
- a. Exploration Operations Expenditures and Appraisal Operations Expenditures as actually incurred and paid in each Calendar Year during the Exploration and Appraisal Phases under this Contract up to the establishment of a Commercial Field;
 - b. The necessary expenditures to be incurred and paid for the completion of the Exploration and Appraisal Operations;
 - c. Development Operations expenditures expected to be incurred and paid during the Development Operations;
 - d. Production Operations expenditures expected to be incurred and paid during the Production Operations including the Operating Costs;
 - e. Further Development and Production Operations expenditures (if any) expected to be incurred and paid during the further Development and Production Operations including Capacity Maintenance, EOR and IOR; and
 - f. any other costs and expenditures to be incurred and paid as may be necessary for the Petroleum Operations of the Field.

- 20.4.2. For the purpose of the establishment of the Commercial Field pursuant to Clause 20.4.1., the Petroleum Costs, comprising of the Direct Capital Costs ("DCC"), Indirect Costs ("IDC"), Cost of Money (CoM) and Operating Costs ("Opex"), and the relevant Remuneration Fee Per Barrel (RFPB) shall be taken into account.
- 20.4.3. A series of cash inflows (positive) composed of the annual Deemed Revenue of Crude Oil from the sales of the volume of Crude Oil and Associated Gas (if applicable) to be produced from the Field shall be calculated in accordance with Long Term Crude Oil Sales/Delivery Agreement during (.....) Calendar Years.
- 20.4.4. The series of cash flows so obtained shall be added and algebraically summed up year by year to calculate a series of net cash flow values at a discount rate ofpercent (.....%).
- 20.4.5. If the result of the algebraic sum of the discounted values is a positive quantity, N.I.O.C. shall review and approve that a Commercial Field is established.
- 20.5 For the purpose of this Contract, a Natural Gas Field and/or Condensate Field shall be established as commercial when the quantity of Natural Gas and/or Condensate foreseen as producible there from is such that delivery of Natural Gas (and Non associated Gas, If applicable) to the Delivery Point(s) is sufficient enough to make the Petroleum Operations of the Field technically, operationally and commercially viable in accordance with the following criteria:
- 20.5.1. Series of cash outflows (negative) composed of the followings shall be taken into account for the purpose of establishing a Commercial Field during the lifecycle of the Project, i.e. during (.....) Calendar Years:
- a. Exploration Operations Expenditures and Appraisal Operations Expenditures as actually incurred and paid in each Calendar Year during the Exploration and Appraisal Phases under this Contract up to the establishment of a Commercial Field;
 - b. The necessary expenditures to be incurred and paid for the completion of the Exploration and Appraisal Operations;
 - c. Development Operations expenditures expected to be incurred and paid during the Development Operations;
 - d. Production Operations expenditures expected to be incurred and paid during the Production Operations including the Operating Costs;
 - e. further Development and Production Operations expenditures (if any) expected to be incurred and paid during the such operations including Capacity Maintenance, EGR and IGR operations; and
 - f. any other costs and expenditures to be incurred and paid as may be necessary for the Petroleum Operations of the Field.

- 20.5.2. For the purpose of the establishment of the Commercial Field pursuant to Clause 20.5.1., the Petroleum Costs, comprising of the Direct Capital Costs ("DCC"), Indirect Costs ("IDC"), Cost of Money (CoM) and Operating Costs ("Opex"), and the relevant Remuneration Fee Per Thousand Standard Cubic Feet (RFPMscf) shall be taken into account.
- 20.5.3. A series of cash inflows (positive) composed of the annual Deemed Revenue of Natural Gas and/or Condensate from the sales of the volume of Condensate and non Associated Gas (if applicable) in accordance with the Gas Revenue Calculation during (.....) Calendar Years.
- 20.5.4. The series of cash flows so obtained shall be added and algebraically summed up year by year to calculate a series of net cash flow values at a discount rate ofpercent (.....%).
- 20.5.5. If the result of the algebraic sum of the discounted values is a positive quantity, N.I.O.C. shall review and approve that a Commercial Field is established.
- 20.6 In the event that the Commercial Field is established by less than a twenty (.....) Calendar Year production of Crude Oil and/or Natural Gas as stated in Clauses 20.4 and 20.5 above, then such period may be proportionately reduced with the mutual agreement of the Parties, but for no less than fifteen (15) Calendar Years, provided that all technical, operational and commercial viabilities and criteria, as stated in Clauses 20.4 and 20.5, are met and accepted by N.I.O.C.
- 20.7 In the event that more than one Crude Oil or Natural Gas Fields are discovered by Contractor in the Contract Area, as a result of the Exploration Operations and/or Appraisal Operations by Contractor, but the Commerciality of the Fields would not be established collectively, however, if it is evident to Contractor that such Commerciality could only be established for one or more Fields, then Contractor shall propose to N.I.O.C. to relinquish one or more Fields or to waive the whole or part of the Exploration Operations Expenditures ("EOE") and Appraisal Operations Expenditures ("AOE") related to those Fields, in order to reduce the level of expenditures and make the rest of the Field(s) commercial.
- 20.8 Should such proposal pursuant to Clause 20.7, is accepted by NIOC, such expenditures related to the relinquished field(s) or the whole or part of the expenditures waived by Contractor, could not be incorporated in the commercial report and shall not be recovered by Contractor. Upon the establishment of the Commerciality of the said Field(s) accordingly, Contractor shall continue the Petroleum Operations with the Development and Production Operations of the Field(s).
- 20.9 In the event that there is a dispute between Contractor and N.I.O.C. related to the establishment of the Commerciality of the Field, then such dispute shall be referred to the managerial level of the Parties for the settlement of such dispute. Failing to achieve the dispute settlement within ninety (90) days, then such dispute will be referred to a third party neutral expert (whether individual or corporate) to be mutually agreed by the Parties to settle such dispute. Any decision made by such third party to settle such dispute shall be final and binding upon the Parties.

21. ASSOCIATED NATURAL GAS

- 21.1 In accordance with the Petroleum Operations and the Work Programs and Budgets approved by N.I.O.C., Contractor may consume the Associated Natural Gas, produced from the Contract Area, as a fuel gas, lift gas or injection gas.
- 21.2 The Associated Natural Gas, produced from the Contract Area, shall be delivered to the Redelivery Point as stipulated in the Development and Production Plan(s) (DPP).
- 21.3 The Petroleum Operations under this Contract is based on the "no gas flare" policy. Accordingly, the objectives of the facilities are not to flare Associated Natural Gas during the Petroleum Operations of the Field.
- 21.4 The Associated Natural Gas may be flared only on an emergency event if it is proven that such flare is acceptable in accordance with the Best International Petroleum Industry Practices and the laws and regulations of Iran.

22. PRODUCTION LEVELS

- 22.1 Contractor shall produce Petroleum at the Maximum Efficient Rate ("MER") of wells and reservoir in accordance with the rules and regulations of Iran, Petroleum Operations of the Field and Best International Petroleum Industry Practices during the Term of the Contract.
- 22.2 Contractor shall produce in each Calendar Year the level of Crude Oil/ Natural Gas quantity of production as stipulated in the Development and Production Operations Plan(s) (DPP) and annual Work Program and Budget.
- 22.3 Petroleum shall be run to storage and metered or otherwise measured as required to meet the purpose of the Contract in accordance with Clause 23.
- 22.4 At a reasonable time prior to the scheduled date of First Production of Crude Oil or First Production Of Natural Gas or Final Production of Crude Oil or Final Production of Nature Gas, as the case may be, the Parties shall agree on procedures covering the scheduling, storage and lifting of such production.
- 22.5 It is understood that production from the Field during the Term of the Contract shall not be restricted to any amount less than the MER, for any reasons other than physical or technical limitations or if required under the laws of Iran. In the event N.I.O.C. decides to restrict production for any other reason(s), such restriction shall not affect Contractor's entitlement to recover Petroleum Costs and the Remuneration Fee under the Contract.

23. MEASUREMENT OF PETROLEUM

- 23.1 The volume and quality of Petroleum produced, saved and/or transferred from the Contract Area shall be measured in accordance with the methods and procedures prescribed in the Development and Production Operations Plan(s) (DPP), Appendix L-Operational Principles and Procedures and in line with the API manual of petroleum measurement standards as amended or supplemented from time to time.
- 23.2 N.I.O.C. and Contractor may inspect the equipment used for measuring the volume and determining grade gravity, the quality of Petroleum and may appoint an inspector, at such Party's expense, to observe the measurement of volume and determination of quality.
- 23.3 Where the method of measurement or the equipment used has caused an overstatement or understatement of the production, the error shall be presumed to have existed since the date of the last calibration of the measurement devices unless the contrary is shown, and an appropriate adjustment shall be made accordingly for the period of error.
- 23.4 Types and the location(s) of the metering equipment shall be determined in the Development and Production Plan(s) (DPP). The Petroleum production shall be measured accordingly.

24. NON-ASSOCIATED NATURAL GAS AND CONDENSATE

- 24.1 The provisions of this Contract applicable to Crude Oil shall apply, mutatis mutandis, to non-associated Natural Gas and Condensate unless otherwise specified herein or agreed to in writing by the Parties.

PART VI

PETROLEUM COST RECOVERY AND REMUNERATION FEE

25. COST RECOVERY AND REMUNERATION FEE

25.1 Petroleum Costs

25.1.1. Exploration Operations Expenditures (EOE) and Appraisal Operations Expenditures (AOE)

Exploration Operations Expenditures (EOE) and/or Appraisal Operations Expenditures (AOE) incurred and paid by Contractor as confirmed by N.I.O.C. shall be recognized and charged into the Project Accounts in accordance with the Contract and Accounting Procedures from the Effective Date of the Contract. Such Expenditures shall only be recoverable as Petroleum Costs if the Commerciality of the Field is established and be recovered under this Clause of the Contract.

25.1.2. Development and Production Operations Expenditures

Direct Capital Costs (DCC), Indirect Costs (IDC) and Operating Costs incurred and paid by Contractor during the Development and Production Operations, as the case may be, shall be charged to the Project Accounts in accordance with the Contract and

Accounting Procedures and shall be recoverable as Petroleum Costs. Such costs as reviewed and confirmed by N.I.O.C., shall be recovered subject to the achievement of the First Production of Crude Oil/ First Production of Natural Gas or Final Production of Crude Oil/ Final Production of Natural Gas the Field and other provisions of this Contract.

25.2. Recovery of Petroleum Costs

Subject to the provisions of the Contract and N.I.O.C.'s rights under Clause 26, Contractor shall recover Petroleum Costs, duly entered into the Project Accounts in accordance with the Accounting Procedures as follows:

25.2.1. Direct Capital Costs (DCC) and Indirect Costs (IDC) incurred and paid by Contractor during the Petroleum Operations and prior to the First Production Date of Crude Oil/First Production Date of Natural Gas pursuant to the Contract, together with accrued Cost of Money (CoM) as defined in the Contract, shall be amortized in equal monthly installments and payable to Contractor Quarterly and based on the Contractor's Quarterly invoice as per Clause 10 of the Accounting Procedures, over (.....) Calendar Month ("Amortization Period") during the Cost Recovery Years commencing from the First Production Date of Crude Oil/ First Production Date of Natural Gas. However any payment of the above costs shall be paid to Contractor as on account basis, thus, not be legally due unless Contractor has achieved the Final Production of Crude Oil/Final Production of Natural Gas, as the case maybe.

25.2.2. Direct Capital Costs (DCC) incurred and paid by Contractor for carrying out the Development and Production Operations (DPO) in each Calendar Year and after First Production Date of Crude Oil and/or First Production Date of Natural Gas, shall be amortized on equal monthly installment and payable to Contractor Quarterly and based on the Contractor's Quarterly invoice pursuant to Clause 10 of the Accounting Procedures over the Amortization Period during Cost Recovery Year, commencing from the first Month of the succeeding and subsequent Calendar Year following the Calendar Year in which the First Production of Crude Oil and/or First Production of Natural Gas, as the case maybe, has been achieved by Contractor.

25.2.3. Indirect Costs (ICC) incurred and paid by Contractor under the Contract, commencing from the First Production Date of Crude Oil/ First Production Date of Natural Gas and/or Final Production Date of Crude Oil/First Production Date of Natural Gas, as the case may be, and ending at the expiry of the Term of the Contract shall be recovered by Contractor at cost, without Cost of Money (CoM), on the Current Basis upon the submission of the Quarterly invoices together with the other related supporting documents confirmed by N.I.O.C..

25.2.4. Notwithstanding the above Clauses related to the recovery of Indirect Costs, Iranian Corporate Income Tax recoverable under the Contract (except for any incidental income may be earned by Contractor in accordance with the Clause 12 of the Accounting Procedures that shall not be recovered under this Contract) shall apply to this Contract during the Production Operations, i.e. when revenues generated from the Field and Cost Recovery and Remuneration Fee payment commenced. Iranian Corporate Income Tax will be reimbursed by Contractor on the Current Basis without Cost of Money (COM) in accordance with submission of

the related Quarterly and/or Yearly invoice(s) and substantial supporting documents confirmed by N.I.O.C.

25.2.5. Iranian Corporate Income Tax shall be subject to reconciliation based on Iranian Income Tax Return and the final tax clearance settlement issued by the Iranian Ministry of Finance and Economics. Any underpayment or overpayment of Iranian Corporate Income Tax shall be paid or collected respectively by Contractor to or from the Iranian tax authorities. Any payment made by Contractor for the case of underpayment shall be reimbursed by N.I.O.C. to Contractor on the Current Basis "as is" or any payment made by Contractor in the case of overpayment shall be credited to the Project Account in favor of N.I.O.C./paid to N.I.O.C. by Contractor within one (1) Calendar Month from the receipt of the final clearance letter and settlement of such overpayment by the Iranian tax authorities.

25.2.6. Operating Costs, as determined in accordance with the Development and Production Plan(s) ("DPP"), Accounting Procedures and approved annual Work Program and Budget, incurred and paid by Contractor under the Contract, commencing from the First Production Date of Crude Oil/ First Production Date of Natural Gas and/or Final Production Date of Crude Oil/First Production Date of Natural Gas, as the case may be, and ending at the expiry of the Term of the Contract shall be recovered by Contractor at cost, without Cost of Money (COM), on the Current Basis upon the submission of the Quarterly invoices together with the other related supporting documents confirmed by N.I.O.C.

25.2.7. In the event of any delay in the payment of Petroleum Costs and/or Payment of Remuneration Fee to Contractor for reasons attributable to N.I.O.C, then Cost of Money (CoM) shall be calculated and applied to unpaid amount in accordance with Clause 8.4 of the Accounting Procedure. Such Cost of Money (CoM) shall be recovered by Contractor over the **Amortization Period** during Cost Recovery Year, commencing from the first Month of the succeeding and subsequent Calendar Year if any, following the Calendar Year in which the Cost of Money (CoM) has been accrued.

25.2.8. Recovery of Indirect Costs (IDC) and Operating Costs incurred and paid by Contractor after First Production Date of Crude Oil or First Production Date of Natural Gas and/or Final Production Date of Crude Oil or Final Production Date of Natural Gas, as the case may be, which are recoverable on Current Basis, shall have precedence over the recovery of Direct Capital Costs (DCC), Indirect Costs (IDC) incurred and paid prior to the First Production Date of Crude Oil or First Production Date of Natural Gas and/or Final Production Date of Crude Oil or Final Production Date of Natural Gas, as the case may be, Cost of Money (COM) if any, and Remuneration Fee.

25.2.9. Subject to the provisions of the Contract and N.I.O.C.'s audit rights under Clause 26, all recoveries of Petroleum Costs and Remuneration Fee related to the Petroleum Operations shall be considered as on account basis.

25.3. Payment of Remuneration Fee

25.3.1. Contractor shall become entitled to Remuneration Fee and shall start charging to the Project Account for any Quarter commencing from First

Production Date of Crude Oil or First Production Date of Natural Gas and / or Final Production Date of Crude Oil or Final Production Date of Natural Gas as the case may be.

25.3.2. Remuneration Fee shall be calculated for any Quarter Following the Quarter in which the First Production of Crude Oil or First Production of Natural Gas is achieved based on the actual Quarterly Net Production produced from the Field as a result of Development and Production Operations multiple to applicable Remuneration Fee Per Barrel ("RFPB") or Remuneration Fee Per Thousand Standard Cubic Feet ("RFPMscf") and payable to Contractor in succeeding Quarter pursuant to Clause 25.3.3. of the Contract.

25.3.3. The applicable Remuneration Fee Per Barrel (RFPB) for any Quarter following the Quarter in which the First Production Date of Crude Oil and / or Final Production Date of Crude Oil produced from the Field, shall be determined and payable based on the R-Factor ("RF") function as follows: -

	R- Factor				
	Less than 1	1=<RF<2	2=<RF<3	3=<RF<4	RF=>4
RFPBB (US\$)	A1	A2	A3	A4	A5

The applicable Remuneration Fee Per Thousand Standard Cubic Feet ("RFPMscf") for any Quarter following the Quarter in which the First Production Date of Natural Gas and / or Final Production Date of Natural Gas produced from the Field, shall be determined and payable based on the R-Factor ("RF") function as follows:

	R- Factor				
	Less than 1	1=<RF<2	2=<RF<3	3=<RF<4	RF=>4
RFPMscfB (US\$)	B1	B2	B3	B4	B5

25.3.4. The R-Factor ("RF") shall be calculated by dividing the cumulative "Cash Receipts" by Contractor from the Effective Date up to end of any Calendar Quarter during the Production Operations by the cumulative Petroleum Costs, excluding COM, incurred and paid by Contractor under the Contract from the Effective Date of the Contract up to end of the same Calendar Quarter as below:

$$RF = \frac{\text{Cumulative Cash Receipts by Contractor from Effective Date up to end of any Calendar Quarter}}{\text{Cumulative Petroleum Costs, incurred and paid by Contractor from Effective Date up to end of same Calendar Quarter}}$$

- a. Accordingly, the cumulative Cash Receipts by Contractor from Effective Date of the Contract up to end of any Calendar Quarter shall constitute the followings:
 - i. Petroleum Costs received by Contractor under the Contract;
 - ii. Remuneration Fee received by Contractor under the Contract; and
 - iii. Any other incidental income that Contractor may receive under the Contract as further illustrated in Clause 12 of the Accounting Procedure.
- b. The cumulative Petroleum Costs, excluding COM, incurred and paid by Contractor for the Petroleum Operations from the Effective Date of the Contract up to end of the same Calendar Quarter.

25.3.5. The Remuneration Fee, for any given Calendar Quarter commencing with the Quarter following the Quarter in which the First Production Date of Crude Oil / First Production Date of Natural Gas occurred, shall be paid to Contractor not later than..... Calendar Days from the end of last Calendar Month of preceding Calendar Quarter during the Production Operations based on the Contractor's Quarterly invoice(s) in accordance with Clause 10 of the Accounting Procedure.

- 25.4. Petroleum Costs and the Remuneration Fee shall be paid to Contractor out of i) maximum of fifty percent (50%) of Deemed Revenue of Crude Oil or ii) delivery of maximum of fifty percent (50%) of Crude Oil produced from the Field or iii) delivery of Iranian blended crude oil equivalent to the maximum of fifty percent (50%) of Field's Crude Oil production allocated for the recovery of Petroleum Costs and Remuneration Fee pursuant to the Appendix Ca (Long Term Crude Oil Sales and Delivery Agreement).
- 25.5. Petroleum Costs and the Remuneration Fee shall be paid to Contractor out of i) percent (.....%) of Deemed Revenue of Natural Gas or ii) delivery of percent (.....%) of Condensate and any by products produced from the Field allocated for recovery of Petroleum Costs and Remuneration Fee pursuant to the Appendices Cb and Cc Long Term Condensate Sales and Delivery Agreement and Gas Revenue Calculation Agreement respectively.
- 25.6. In the event that the Petroleum Costs and Remuneration Fee are not fully paid to Contractor in any Calendar Quarter, the unpaid Petroleum Costs and Remuneration Fee shall be carried forward in the succeeding Quarter for the payment of the unpaid amount.
- 25.7. In the event that Petroleum Costs and Remuneration Fee are not fully recovered by Contractor during the First Amortization Period and/or the Final Amortization Period, but the Term of the Contract remains still valid, then the Final Amortization Period shall be proportionately extended until the Contractor fully recovers the unpaid Petroleum Costs and Remuneration Fee.

- 25.8. In the event that Petroleum Costs and Remuneration Fee are not fully recovered by Contractor during the Term of the Contract, provided that such unpaid amount of the Petroleum Costs and Remuneration Fee is not attributable directly or indirectly to the Contractor, then the Term of the Contract shall be proportionally extended until the Contractor fully recovers the unpaid Petroleum Costs and Remuneration Fee.
- 25.9. It is understood and agreed that any relevant payments to the Contractor under this Clause shall only become due and payable upon Contractor achieving the Project objectives of the Development and Production Operations, First Production of Crude Oil or First Production of Natural Gas and/or Final Production of Crude Oil or Final Production of Natural Gas, as the case maybe, and Final Production of Crude Oil or Final Production of Natural Gas, as the case maybe, as set out in the Development and Production Plan(s) (DPP) and the Contract.

PART VII

BOOKS, ACCOUNTS, VERIFICATION, AUDITING, IMPORTS, EXPORTS AND FOREIGN EXCHANGE

26. BOOKS, ACCOUNTS, VERIFICATION, AUDITING

- 26.1 Contractor shall maintain in at their business offices in Iran books and accounts of Petroleum Costs in connection with the Petroleum Operations pursuant to the Accounting Procedures and accepted accounting practices generally used in the international petroleum industry, as well as such other books, records and substantiated supporting documents as to be submitted to N.I.O.C. for its review and audit, such as but limited to the book and accounts and substantiated documents related to the Petroleum Costs incurred and paid; Remuneration Fee earned including the quantity and value of all Petroleum produced, saved and delivered to the Delivery Point. Such annual books, accounts and substantiated documents shall be submitted to N.I.O.C. in accordance with Clauses 3 and 13 of Appendix "B".
- 26.2 Pursuant to the provisions set out in the Accounting Procedures and particularly Clauses 3 and 13 for the purpose of review, examination, verification and audit of the costs and expenditures of the Petroleum Operations by N.I.O.C., Contractor shall provide to N.I.O.C. monthly statements of costs, expenditures, credits and accounts, as well as any substantiated documents required by N.I.O.C., not later than the twentieth (20th) Calendar Day from the end of each Calendar Month, containing for example the categorized listings of debits and credits for each account. Furthermore, Contractor shall provide to N.I.O.C. the Quarterly Petroleum Cost and Remuneration Fee recovery statement and related invoice no later than thirty (30) Calendar Days from the end of each Calendar Quarter. N.I.O.C. shall review and examine such statements for any Quarter and issue the differences and exceptions of the Quarterly costs statements. Such notification will be issued to Contractor in writing.
- 26.3 N.I.O.C. shall appoint its own auditor(s) to audit the books and accounts of the Project. Such auditor(s) shall have complete and comprehensive access to all invoices, documents, records and accounts of Contractor in relation to the Petroleum Operations, and through the invoices, documents, records and accounts of Contractor, its subcontractor(s) and its subsidiaries and Affiliate(s), during normal business hours in Contractor's office in Iran, in order to review, examine and verify all charges and credits relating to the Petroleum Operations. Such documents shall include, but not be

limited to the books and accounts, accounting system and entries, material records and inventories, vouchers, payrolls, statements of accounts and invoices. N.I.O.C.'s auditor(s) shall accomplish such review, examination and verification within sixty (60) Calendar Day from the end of each Calendar Year. Such period for N.I.O.C. auditor(s)' review, examine and verification shall be extended for a thirty (30) Calendar Days (i.e. the total of 90 Calendar Days).

- 26.4 However, if N.I.O.C.'s appointed auditor(s) failed to complete the required examination, verification and audit within the prescribed ninety (90) Calendar Days period, then the Parties shall, within less than one (1) Calendar Month from the expiry of the aforesaid ninety (90) Calendar Days, jointly appoint an independent standing and internationally qualified audit firm registered (whether as a main company or branch) in Iran to review, examine and audit (whether annually or interim) the Petroleum Costs, expenditures, books and accounts, invoices, cost statements and quantity and value of Petroleum produced; subcontract(s) costs and expenditures through the Contractor's books and accounts and related documents, invoices and evidences related to the Petroleum Operations; and the Contractor's subsidiary(ies) or Affiliate(s), books, accounts, invoices, costs statements and documents related to the Petroleum Operations. Such audit performance shall be completed and reported to N.I.O.C. within sixty (60) Calendar Day from such referral of the Parties to the independent standing and internationally qualified audit for N.I.O.C.'s review and approval, a copy of which shall be submitted to Contractor simultaneously. N.I.O.C. shall review and approve such audit report no later than thirty (30) Calendar Day from the date of submission of independent standing and internationally qualified auditor's report. Any review and approval of the submitted audit report not completed by N.I.O.C. at the end of the aforesaid thirty (30) Calendar Days period shall be deemed to have been performed and all of the Contractor's books and accounts shall be deemed correct and recognized as such by N.I.O.C.
- 26.5 The auditor's report (whether to be carried out by N.I.O.C.'s auditor(s) or such independent standing and international qualified audit) shall include and confirm, *inter alia*, that:
- a. the books, accounts, invoices and substantiated documents are in compliance with provisions of the Contract and its Appendices;
 - b. the record of Petroleum Costs incurred and paid are in conjunction with Petroleum Operations and Objectives of the Contract and correctly booked by Contractor based on the Contract and its Appendices;
 - c. Petroleum Costs recovery, Remuneration Fee payment and other incidentals received by Contractor under the Contract are properly booked and recorded as per the Accounting Procedures;
 - d. the Petroleum Costs are properly classified and itemized in compliance with the agreed classification method(s) and details;
 - e. Petroleum Costs incurred and paid, booked and recorded based on the original and substantiated documents to justify such costs and expenditures;
 - f. Remuneration Fee calculation and payment, pursuant to Clause 25, are in compliance with the provisions of the Contract and its Appendices;
 - g. Contractor's achievement of the First Production of Crude Oil or First Production of Natural Gas and the Final Production of Crude Oil or Final Production of Natural Gas, as the case maybe, is in line with the provisions of Contract and Appendices;

- h. Contractor's performance of Plateau Production and Plateau Production Period are in accordance with the Contract and its Appendices;
 - i. no evidence exists for any fraudulent, mistaken and omission records for costs, expenditures and credits; and
 - j. Other issues as requested by N.I.O.C.
- 26.6 The audit report, approved by N.I.O.C. or deemed to be approved by N.I.O.C. for each Calendar Year, pursuant to Clauses 26.3 and 26.4., shall be used for the possible adjustment of the Petroleum Costs recovery and Remuneration Fee payment by the Parties.
- 26.7 Any discrepancy or *dispute* shall be amicably resolved by the Parties within two (2) Calendar Months from the view and approval date of audit report by N.I.O.C. Any failure to resolve such discrepancy or dispute shall be submitted to a mutually agreed international petroleum accountant/auditor located in Tehran/Iran within the above said two (2) Calendar Month from the review and approval date of audit report by N.I.O.C. N.I.O.C. shall have the right to withhold payment and remain the sum withheld of any such discrepancy or dispute costs, expenditures and items as disputed sum.
- 26.8 The international petroleum accountant/auditor shall complete and report to the Parties within sixty (60) Calendar Day from the date of such referral of the Parties. The international petroleum accountant / auditor report shall be binding upon the Parties and Parties shall act as follows:
- i. if all or part of the disputed sum was correctly withheld by N.I.O.C., the Project Accounts shall be corrected accordingly (including the correction of the related Cost of Money (COM) from the booking date of disputed sum to Project Accounts) before the end of the following Quarter, *exceptions*;
 - ii. if all or part of the disputed sum was incorrectly withheld by N.I.O.C. then the amount incorrectly withheld and accrued Cost of Money (COM) (if any) thereon shall be recoverable as Petroleum Cost in accordance with Clause 25; or
 - iii. if all or part of the sum was incorrectly paid to Contractor, then the amount incorrectly paid and its Cost of Money (COM) thereon (calculated from the date the amount was paid to Contractor) shall be repaid by Contractor to N.I.O.C within thirty (30) Calendar Days or credited to the Project Accounts before the end of the following Quarter with prior consent of N.I.O.C. pursuant to Clause 14 of the Accounting Procedure.
- 26.9 The fees of the independent standing and internationally qualified audit engaged pursuant to Clause 26.4, shall be charged to the Project Accounts as Direct Capital Costs (DCC) and shall be recoverable by Contractor as determined in accordance with the Accounting Procedures.
- 26.10 The fees of the international petroleum accountant/auditor engaged pursuant to Clause 26.7. shall be borne equally by Contractor and N.I.O.C. Contractor's portion of such fees shall be charged to the Project Account as Direct Capital Costs (DCC) and shall be recoverable by Contractor as determined in accordance with the Accounting

Procedure, if the international petroleum accountant/auditor rules in its favor on the exceptions.

- 26.11 If the international petroleum accountant/auditor rules in favor of N.I.O.C., Contractor shall reimburse N.I.O.C. for its portion of the fees, by making a deduction from the balance of Direct Capital Costs (DCC) as determined in accordance with the Accounting Procedure, and shall not recover the same as Petroleum Costs. If the international petroleum accountant's / auditor's findings involve several exceptions, the treatment of fees as recoverable/reimbursable shall be proportionate with the international petroleum accountant's / auditor's findings.

27. MAXIMUM UTILIZATION OF IRANIAN CONTENT

- 27.1 Contractor shall, in compliance with the laws, rules and regulations of Iran, utilize Iranian local content during the execution of this Contract, for instance to make provisions for supplies of equipment, articles, materials, works and services, as set out in Appendix "N" with respect to the maximum utilization of Iranian content. The utilization of minimum Iranian content to be achieved by Contractor under the Contract shall however not be less than fifty one percent (51%) of the Direct Capital Costs.
- 27.2 Contractor shall comply with the local content requirements and report Quarterly to SC the amount of the minimum and maximum utilization of the Iranian content, in accordance with Appendix "N".

28. IMPORTS AND EXPORTS

- 28.1 All materials, articles and equipment required for the efficient and economical conduct and performance of the Petroleum Operations which are not available in Iran, pursuant to and in accordance with the applicable customs regulations, shall be imported by Contractor in the name of N.I.O.C.. Any customs duties applicable to the Contract shall be paid by Contractor, and charged to the Project Accounts as Indirect Costs and shall be reimbursed pursuant to Clause 25 of the Contract, as determined in accordance with the Accounting Procedures.
- 28.2 Material, articles and equipment imported by Contractor for temporary use may, subject to the Iranian customs regulations, be exported with the prior written approval of N.I.O.C. Such request for approval shall be deemed to be granted if not rejected by N.I.O.C. within two weeks from the receipt of such request.
- 28.3 Material, articles and equipment imported temporarily pursuant to Clause 28.2 may be sold in Iran, subject to the prior written approval of N.I.O.C. It is understood and agreed that in such a case it will be the responsibility of Contractor to pay, at its own cost, applicable duties, if any, and to comply with any formalities prescribed by the current regulations and to provide N.I.O.C. with the relevant customs clearance documents.
- 28.4 Customs duties shall include all duties, fees, levies, charges and taxes imposed in Iran on the importation of materials, articles, supplies and equipment required for the Petroleum Operations (except those charges paid to N.I.O.C. for actual services rendered).

28.5 Payment of the last financial settlement to Contractor under the Contract is subject to the satisfactory fulfillment of the obligations of Contractor stipulated in this Clause 28.

29. CURRENCY EXCHANGE RATES

- 29.1 The calculation of recoverable Petroleum Costs under the Contract and entries in the Project Accounts shall be on the basis of U.S. Dollar.
- 29.2 All U.S. Dollars expenditures shall be charged in the Project as per the amount incurred and paid. Any Petroleum Costs incurred and paid in Iranian Rials shall be converted into the U.S. Dollar and booked in the Project Accounts, using the exchange rate declared by the Central Bank of Iran (CBI), when making payments in Iranian Rials.
- 29.3 All other non-U.S. Dollar expenditures, except Iranian Rials, shall be converted into US Dollars at the exchange rate published in the Financial Times on the last business day prior to the date making payments in such non-US Currency. Where such currency rate is not included in the Financial Times, then the conversion exchange rate shall be mutually agreed by the Parties.
- 29.4 A complete record of exchange rates used in converting Iranian Rials and other non-U.S. Dollars expenditures into U.S. Dollar shall be submitted to N.I.O.C..
- 29.5 Contractor shall, in respect of the Petroleum Operations under the Contract, comply with the foreign exchange rules and regulations of Iran.

PART VII- GENERAL

30. ASSIGNMENT

- 30.1 Any assignment of the whole or part of the Contract by Contractor to any third party, including Contractor's Affiliates, (including assignment through direct or indirect transfer of its shares that may assign the power of Control and voting rights of the Contractor to such assignee), shall require the prior written approval of N.I.O.C., which may be granted or refused within thirty (30) Calendar Days of receipt of the written request from Contractor that it intends to make such assignment. If N.I.O.C.'s approval is not issued within the said thirty (30) day period, the assignment shall be deemed to have been disapproved. Contractor, requesting for such assignment, shall submit to N.I.O.C. the detailed evidence of the technical and financial competence of the recommended assignee.
- 30.2 Any assignment to a Subsidiary of Contractor shall be notified to N.I.O.C as provided for in this Clause.
- 30.3 Any assignee which becomes a party to the Contract by virtue of such assignment by Contractor, while assigning its interest, shares, rights, privileges, duties or obligations under this Contract to such assignee, shall assume all obligations of Contractor hereunder and both the assignee and assignor shall thereafter be jointly and severally liable for the obligations of Contractor. It is understood and agreed that the obligations under the Guarantee Agreement attached hereto as Appendix "G" shall remain in effect after any assignment.

Majeure and shall keep the other Party informed of significant developments. The obligations of the affected Party shall only be suspended only during the period for which the performance of such obligations is prevented, hindered or delayed because of *Force Majeure*, provided that (i) the affected Party shall take all reasonable steps and due diligence to remove or overcome the *Force Majeure* situation as quickly as possible in a cost-effective manner as well as to take all necessary care and actions to protect the equipment and works completed and/or in progress and (ii) the concerned Party shall do all things reasonably within its power to mitigate, overcome or remove the *Force Majeure*.

- 33.3 The period during which the performance of the Contract by the affected Party is prevented, hindered or delayed shall be added to any relevant period fixed by the Contract. Upon cessation of the *Force Majeure* event, the Party no longer affected shall promptly notify the other Party, and immediately thereafter the Parties shall resume and perform their obligations under the Contract. During *Force Majeure*, each Party shall bear its own costs and/or losses arising as a result of *Force Majeure*.
- 33.4 Where performance of an obligation is suspended because of *Force Majeure* for more than eighteen (18) Calendar Months, either Party may elect to terminate the Contract by sending a written notice to the other Party. If the Contract is terminated due to *Force Majeure*, Contractor shall be entitled only to an amount of money comprising the total actual Petroleum Costs incurred and paid by Contractor until the date of such termination, to the extent that such Petroleum Costs are recoverable pursuant to Clause 25, and shall not include any amount for indirect and consequential losses or expenses.
- 33.5 In the case of Contract termination due to *Force Majeure*, N.I.O.C. shall, when *Force Majeure* ends, make its best efforts to complete the Petroleum Operations or to have the Petroleum Operations completed by another contractor in the manner set out in the Contract and conduct of Petroleum Operations in accordance with the practices and standards set forth in and as anticipated under the Contract. In any event, Contractor's outstanding Petroleum Costs will be paid out of the revenues generated from the production of Petroleum from the Field.
- 33.6 When the non-affected Party disputes the existence of *Force Majeure*, that dispute shall be referred to arbitration in accordance with Clause 38 of the Contract.

34. WAIVER OF RECOURSE

In the event that either Party does not perform any obligations required under the Contract, failure of the other Party to take action to enforce such obligations against the said non-performing Party under the Contract shall not be deemed an amendment to the Contract nor a waiver of recourse to the right to enforce such obligations in the future, unless otherwise provided in writing.

35. TERMINATION OF THE CONTRACT

- 35.1 N.I.O.C. may terminate the Contract by giving Contractor written notice, if Contractor, *inter alia*:

35.1.1 has failed to make necessary funding for carrying out the Petroleum Operations under the Contract, which may affect the performance of the

Contract, but aftermath of the written notice thereof, failed to make or continue for such funding;

35.1.2 has breached the obligations of the Contract, which may affect the performance of the Contract, but aftermath of the written notice thereof, failed to remedy such breach; or

35.1.3 has become insolvent or gone into liquidation or bankruptcy other than for reconstruction or amalgamation.

35.2 The period of notice required to be given to Contractor under Clause 35.1 shall be ninety (90) Calendar Days prior to the termination, but if Contractor has fulfilled its funding obligation or remedied the breach of its obligations within the said period, N.I.O.C. shall refrain from terminating the Contract. Where N.I.O.C. reasonably believes that Contractor is making its best endeavors to make or continue to make such necessary funding or to remedy the breach of its obligations, N.I.O.C. may extend the notice period accordingly.

35.3 In the event of a breach of any major obligation by N.I.O.C., which may affect the performance of the Contract, Contractor may terminate the Contract upon ninety (90) Calendar Days' written notice, and if N.I.O.C. has remedied the breach of its major obligations within the said period, Contractor shall refrain from terminating the Contract. Where it reasonably appears that N.I.O.C. is making its best endeavors to remedy the default, Contractor shall extend the notice period accordingly.

35.4 Should either Party terminate the Contract on the grounds of the aforementioned Clauses of Termination, the defaulting Party shall pay as compensation to the other Party any amounts awarded pursuant to Clause 35 which such compensation shall not include consequential or indirect damages or losses. However, in the event of a termination of the Contract by N.I.O.C. pursuant to Clause 35.1 and Clause 35.2, Contractor shall not be entitled to recover any Petroleum Costs and/or Remuneration Fee.

35.5 Notwithstanding anything to the contrary in this Contract, in the event of a termination of the Contract by Contractor as per Clause 36.3 above after a Commercial Field is established pursuant to Clause 20, N.I.O.C. shall have the option to complete the Development and Production Operations or to have the Development and Production Operations completed by another contractor. In such event, provided that N.I.O.C. avails itself of this option in a reasonably timely manner, payment of any amount to Contractor shall await completion of the Development and Production Operations and shall be paid out of the revenues generated from the production of Petroleum from the Field. Such payment shall not exceed the combined total of the Petroleum Costs incurred and actually paid by Contractor up to the date of termination.

36. ABANDONMENT AND SITE RESTORATION

36.1 Upon expiry or termination of this Contract or relinquishment of a part of the Contract Area, the Field, the well(s) or the reservoir (as the case may be), Contractor shall be liable for abandonment and site restoration in respect of the Contract Area, the relevant part of the Contract Area, the Field, reservoir or the well(s), the costs of which shall be Petroleum Costs. All Abandonment and site restoration activities, whether in the form of abandonment of Contract Area, reservoir, well(s) or the Field, shall be performed in

accordance with prevailing law of the Country and Best International Petroleum Industry Practices.

- 36.2 Prior to any abandonment that should take place in the Contract Area, the Field, reservoir or the well(s), Contractor shall propose and submit Abandonment Plan to Steering Committee (SC), as the case may be, for its review and agreement and to NIOC for its approval. Such plan could be incorporated as part of the Work Program and Budget
- 36.3 Any Abandonment plan proposed by Contractor shall be substantiated by the relevant justifications including technical, operational, economic, financial, contractual and environmental justifications, and will be implemented where accepted by Steering Committee (SC) and approved by NIOC.
- 36.4 Any Abandonment Plan, including what has been incorporated in the Work Program and Budget, shall include the following items, inter alia:
- i. technical and economic study to justify Abandonment of the Contract Area, the Field, reservoir or the well(s), as the case may be;
 - ii. the relative layout of the facilities, fixtures and installations to be abandoned;
 - iii. the relative location of the Contract Area, Field, and the Well(s), type and status of any other adjacent facilities (cables, pipelines, production and other facilities) which would have to be taken into consideration;
 - iv. a description, inclusive of diagrams, of items to be abandoned covering production facilities, pipelines, flow-lines and wells;
 - v. a description, costing and comparative evaluation of all feasible removal and disposal options, including details on the Abandonment plan, procedures for the safe removal of production facilities and related infrastructure, including details on how then-subsequent disposal or reuse is to be effected; and full details on plans for the restoration of the site. Where it is considered that items of recovered equipment have a re-sale value, this information shall be given;
 - vi. an outline for the proposed Abandonment plan, including an outline plan for managing the implementation and a schedule on which the various stages of the Abandonment are expected to commence and finish; and
 - vii. recommendations covering the post-Abandonment phase inspection and maintenance activities, including surveys to monitor the level of Hydrocarbon contamination, heavy metals and other contaminants in the Contract Area, where any such remains are to be left in place.

37. GOVERNING LAW

This Contract, its appendices and amendments shall be governed by, interpreted, construed, executed and any claims or disputes shall be settled in accordance with the laws, rules and regulations of Iran in every respect.

38. SETTLEMENT OF DISPUTES

- 38.1 The Parties shall make all reasonable efforts to settle amicably by referral to management level within ninety (90) Calendar Days, any dispute, controversy or claim ("Dispute") arising out of or in connection with the Contract, or the breach, termination or validity or invalidity thereof. This period may be extended by the mutually agreement of the Parties.
- 38.2 Where no such settlement is reached within ninety (90) Days of such referral to management, such Dispute shall be referred to the Alternative Disputes Resolutions (ADR), the procedures of which to be mutually agreed. The Parties shall settle such Dispute accordingly within ninety (90) Days of the referral of the Dispute to the ADR. In order to settle the Dispute, ADR may include negotiation, reconciliation, third party expert-determination or mediation as the Parties will mutually select. This period may be extended by the mutually agreement of the Parties.
- 38.3 Any Dispute not settled within the one hundred and eighty (180) Days, as per Clause 38.1 and Clause 38.2, unless extended by the Parties as above, shall be finally settled by arbitration by three (3) arbitrators, in accordance with the "Agreement on Procedures for Arbitration", as set out in Appendix "D" of even date herewith, which such Agreement shall survive the termination or suspension of the Contract.
- 38.4 The arbitration award shall be final and binding upon the Parties. Either Party may seek execution of the award in any court having jurisdiction over the Party against whom such execution is sought.

39. GENERAL BUSINESS ETHICS

- 39.1 Parties to this Contract shall act at all times in good faith when discharging their obligations and enforcing their rights under the Contract.
- 39.2 In the performance of this Contract, Contractor and its subsidiaries and affiliates shall ensure that they each strictly comply with general business ethics. Contractor shall assure that such requirements are accepted and complied with by its sub-contractor(s).
- 39.3 Parties to this Contract shall comply with all applicable laws, statutes, rules and regulations, and/or Best International Petroleum Industry Practices relating to anti-bribery and anti-corruption. Accordingly, each Party hereby undertakes that, at the date of the entering into force of the Contract, itself, its directors, officers or employees have not offered, promised, given, authorized, solicited or accepted any undue pecuniary or other advantage of any kind (or implied that they will or might do any such thing at any time in the future) in any way connected with the Contract and that it has taken reasonable measures to prevent subcontractors, agents or any other third parties, subject to its control or determining influence, from doing so.

- 39.4 Parties to this Contract and their Subsidiaries and Affiliates warrant that they have not made, offered, or authorized, requested, received, or accepted and will not make, offer, or authorize, request, receive or accept with respect to the matters which are the subject of this Contract, any payment, gift, promise or other advantage, whether directly or indirectly through any other person or entity, to or for the use or benefit of any public official (i.e., any person holding a legislative, administrative or judicial office, including any person employed by or acting on behalf of a public agency, a public enterprise or a public international organization) or any political party or political party official or candidate for office, or any other person where such payment, gift, promise or advantage would violate (a) the applicable law; (b) Best International Petroleum Industry Practices (c) the laws of the country of incorporation of such entity or such entities ultimate parent company and of the principal place of business of such ultimate parent company; or (d) the rules and regulations stipulated in those international conventions that Iran is a member state.
- 39.5 If a Party, as a result of the exercise of a contractually-provided audit right, if any, of the other Party's accounting books and financial records, or otherwise, brings evidence that the latter Party has been engaging in material or several repeated breaches of the provisions of the aforementioned laws particularly all applicable laws, it will notify the latter Party accordingly and require such Party to take the necessary remedial action in a reasonable time and to inform it about such action. If the latter Party fails to take the necessary remedial action, or if such remedial action is not possible, it may invoke a defence by proving that by the time the evidence of breach(es) had arisen, it had put into place adequate anticorruption preventive measures, adapted to its particular circumstances and capable of detecting corruption and of promoting a culture of integrity in its organization. If no remedial action is taken or, as the case may be, the defence is not effectively invoked, the first Party may, at its discretion, either suspend the Contract or terminate it, it being understood that all amounts contractually due at the time of suspension or termination of the Contract will remain payable, as far as permitted by applicable law.
- 39.6 Each entity shall defend, indemnify and hold the others harmless from and against any and all claims, damages, losses, penalties, costs and expenses arising from or related to, any breach by such first entity of such warranty. Such indemnity obligation shall survive termination or expiration of this Contract.

40. HEADINGS AND MISCELLANEOUS

- 40.1 The preamble to the Contract constitutes part of the Contract.
- 40.2 Headings are inserted in the Contract for convenience only and shall not affect the construction or interpretation hereof.
- 40.3 Should the Parties hereto wish to amend, modify or supplement the Contract, it shall be done in writing by an instrument signed by the Parties.
- 40.4 The Appendices to the Contract shall form an integral part of the Contract and shall be read and interpreted in conjunction therewith. In the event of any conflict, controversy or ambiguity between the Contract and the Appendices, the provisions of the Contract shall prevail.

- 40.5 All instructions, notifications, agreements, authorizations, approvals and acknowledgements shall be in writing.
- 40.6 No review, approval or acknowledgement by N.I.O.C. shall relieve Contractor from any liability or obligations under the Contract except as agreed in writing by the Parties.
- 40.7 Except as otherwise agreed in the Contract and its Appendices, in the event a decision, ratification, an approval or a confirmation is required in writing from either Party of the Contract in connection and performance with this Contract, the concerned Party shall inform the other Party in writing within fourteen (14) days of the receipt of a request for such decision, approval or confirmation of its positive or negative response. If the concerned Party does not respond to the other Party in writing up to the end fourteenth (14) day, such decision, ratification, approval or confirmation shall be deemed granted by the concerned Party in accordance with the other party's request. However, should the request of such decision, ratification, approval or confirmation require special attention as agreed by the Parties, it will be discussed by the Parties within a time and schedule to be determined by the Parties.

40.8

41. NOTICES

- 41.1 All notices and communications required or permitted under the Contract shall be in writing and shall be deemed to have been properly given and delivered to a Party when delivered by hand to an authorized representative of that Party, or when sent by registered post, telegram or telefax (to be confirmed in writing by registered mail) to the following address of that Party:

National Iranian Oil Company (N.I.O.C.):

P.O.Box1863,
Taleghani Avenue,
Tehran,
Islamic Republic of Iran

Contractor

-41.2 All notices, requests or instructions given in accordance herewith shall be deemed given (i) on the date of delivery, if hand delivered, provided that if the delivery is on a day that is not a Business Day or if delivery is made after 5.00 p.m., such delivery is deemed to have been made on the next Business Day, (ii) on the same Business Day when sent by facsimile during regular business hours at the place of delivery or on the next Business Day after transmission if sent by facsimile after regular business hours at the place of delivery, in each case if the facsimile machine generates a transmission confirmation report that the notice, request or instruction was successfully transmitted to the receiver's facsimile number, (iii) three (3) working days after the date of courier. 41.3 N.I.O.C. or Contractor may at any time and from time to time change its authorized representative or its address herein by giving the other Party ten (10) Calendar Days' notice in writing to such effect.

- 30.4 N.I.O.C may assign its rights, in whole or in part, and obligations under this Contract to its Subsidiary or Affiliates or successor, without the prior consent of the Contractor.

31. TITLE TO ASSETS

- 31.1 All assets and properties, whether movable or immovable, acquired and/or provided by Contractor in connection with or in relation to Petroleum Operations, the costs of which are subject to cost recovery in accordance with the provisions of this Contract, shall become the property of N.I.O.C.
- 31.2 Notwithstanding the above, Contractor shall be entitled to the full and free use of such assets and properties for the purpose and duration of this Contract. During the Term, N.I.O.C. and Contractor shall not assign, sell or otherwise dispose of such assets and properties, whether movable or immovable, except by mutual agreement.

32. CONFIDENTIALITY AND IP OWNERSHIP

- 32.1 All information and data obtained in connection with or in relation to this Contract, including any plans, maps, sections, reports, records, scientific and technical data, and other similar information relating to the Petroleum Operations, shall be treated by Contractor as confidential in the sense that their contents or effects shall not be disclosed by Contractor without the prior written consent of N.I.O.C., in accordance with the Confidentiality Agreement Appendix "H".
- 32.2 Should Contractor acquire license(s) on behalf of N.I.O.C. for use in the Petroleum Operations, both N.I.O.C. and Contractor shall agree to fully comply with any license restrictions relating to such technology contained in the applicable license(s). If the applicable license(s) extend beyond the Term of the Contract, this Clause 32.2 shall survive until such license(s) terminate.
- 32.3 Any technology developed and/or any intellectual property (IP) created, as a result of the Petroleum Operations and/or in the course of activities carried out by Contractor under this Contract, shall be owned by N.I.O.C., and may be used by NIOC in its own operations without the consent of the other Party.
- 32.4 The restrictions contained in this Clause shall survive termination of this Contract for whatever reason.

33. FORCE MAJEURE

- 33.1 *Force Majeure* shall mean any unforeseeable circumstance or event beyond the reasonable control of the Party concerned which prevents, hinders or delays the performance of the Contract by that Party. *Force Majeure* includes, but is not limited to, strikes, labor disturbances, Acts of God, unavoidable accidents and acts of war (declared or undeclared). No failure or omission by either Party to carry out or to perform any of the terms or conditions of the Contract shall give the other Party a claim against such Party or be deemed a breach of the Contract, if and to the extent that such failure or omission arises as a result of *Force Majeure*.
- 33.2 In the event of *Force Majeure*, the Party affected shall within fourteen (14) days give a written notice to the other Party stating the cause and the extent of effect of such *Force*

In witness whereof the Parties hereto have set their respective signatures on the day and the year first above written.

National Iranian Oil Company

Name:

Title:

Signature:

Contractor

Name:

Title:

Signature:

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