Contract #

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This Contract is made, signed and entered into, on this \_\_ day of \_\_ 200\_ by and between:

(PART 1), (State Body of State X) (hereinafter referred to as "State Body") of the one part, and

(PART 2) being a legal entity, established and existing under the laws of the (Y) with office in \_\_\_\_\_\_\_\_\_\_\_\_\_\_,

(PART 3) being a legal entity, established and existing under the laws of the (Z) with office in \_\_\_\_\_\_\_\_\_\_\_\_\_\_

being collectively referred to hereinafter as "Contractor", of the other part.

State Body and Contractor are referred to hereinafter either individually as "Party" or collectively as "Parties".

WHEREAS, (State X) is the sole owner of all natural resources within its territory and offshore areas and has the exclusive right to explore, develop, extract, exploit and utilize the natural resources there from; and

WHEREAS, the State Body of Oil is the Governmental body concerned and entrusted with 9 exploration, development and production of Petroleum within (State X): and

WHEREAS, the Contractor is of sound financial standing and possesses technical competency to can out development and production and generally all and any Petroleum Operations as hereinafter defined: and

WHEREAS, the Parties mutually declare that they have the power authority and desire to enter into this Development and Oil Production Contract in relation to the Second Stage of (X oilfield) as defined herein.

NOW THEREFORE, and in consideration of the premises and the mutual covenants hereinafter set out, the Parties agreed as follows:

## ARTICLE 1. DEFINITIONS

Except as specifically provided otherwise herein, any reference to an Article, Sub-Article, Annex or Addendum shall be construed as reference to an Article, Sub-Article, Annex or Addendum of this Contract.

In this Contract words in the singular include the plural and vice versa, and except where the context otherwise requires, the following terms shall have the meanings set out as follows:

1.1 "Accounting Procedure" means the accounting procedures and requirements set out in Annex X.

1.2 "Affiliate" means, with respect to any Company, any legal entity which:

Controls that Company;

is controlled by that Company;

or is controlled by a legal entity which in its turn controls or is controlled by that Company.

To "control" means to determine and pursue the policy of an organization, enterprise or legal entity by way of direct or indirect control over 50% (fifty per cent) or more of the shares or votes in such organization.

1.3 "Appraisal" or "Appraisal Operations" shall include (but not be limited to) such geological, geophysical, aerial and any other surveys and any interpretation of data relating thereto and the drilling of such shot-holes, core holes, stratigraphic rests, holes for the appraisal of Petroleum and other related holes and wells, the production testing and the purchase or acquisition of such supplies, materials and equipment therefore.

1.4 "Approval" or "Approved" means the approval of the State Body in written form.

1.5 "Average Daily Production" means the total cumulative production of Crude Oil for a certain period of time divided by the number of calendar days in that period of time.

1.6 "Barrel" means a quantity consisting of forty-two (42) United States Gallons under one (1) atmosphere of pressure and temperature of sixty (60) degrees Fahrenheit.

1.7 "Budget" means itemized expenditures and costs of Petroleum Operations related to an Annual Work Program.

1.8 "Calendar Year" means a period of twelve (12) consecutive months commencing with the first day of January and ending the last day of December, according to the Gregorian calendar.

1.9 "Contract Area" means the development and production area covered by this Contract, as described in Annex X and outlined in the map which constitutes Annex Y. In case of difference between Annex X and Annex Y the coordinate description in Annex X shall prevail.

1.10 "Contractor" means, at the Effective Date, (PART 1) and (PART 2), and at any time thereafter shall include their legal successors and permitted assigns.

1.11 "Crude Oil" means all hydrocarbons regardless of gravity which are produced and

saved from the Field in liquid state at atmospheric pressure, including asphalt, tar and the liquid hydrocarbons known as distillates and condenses obtained from Natural Gas.

1.12. "Commercial Oil" means part of the Net Production transported, commingled with other crudes, measured at the Delivery Measurement Point (DMP) and delivered to the Contractor at the Delivery Point in accordance with the provisions of Articles 18 and 19 and Addendum Two.

1.13. "Commercial Oil Price" means the price of one Barrel of Commercial Oil Free on Board (FOB, Incoterms-2000) at the Delivery Point, computed in accordance with the provisions of Article 19.

1.14. "Delivery Point" or "DP" means the point(s) at the loading flanges of the (X) loading terminal(s) in the Arabian Gulf where Contractor's entitlement of Commercial Oil under this Contract shall be delivered.

1.15 "Development Operations" means any and all operations, including primary and subsequent (secondary, tertiary or other) recovery projects and pressure maintenance, conducted with a view to developing the Field including, but without limitation: the drilling of evaluation, appraisal, production and injection wells; the engineering, building and erecting or laying of production plants and construction of the facilities (such as without limitation: separators;

Compressors; generators; pumps and tankage; gathering lines; pipelines; and all facilities required to be installed for production, pressure maintenance, and treatment, storing and transporting of Petroleum, and loading the same into seagoing tankers); the obtaining of such materials, equipment, machinery, articles and supplies as may be required or expedient for the above activities; and all auxiliary operations, activities; and services required or expedient for the better conduct or result of the above activities, all in accordance with sound oil field and economic practices.

1.16. "Development Plan" means scheduled programmer and cost estimate specifying the Development Operations required to develop and/or increase the production capacity of the Field, which includes Initial Field Development Plan, General Field Development Plan and subsequent revisions thereof.

1.17. "Local Currency" means the currency of (State X).

1.18. "Dollar" or "USD" means dollar of the United States of America.

1. 19. "Effective Date" means the date when this Contract comes into force according to Article 41

1. 20. "Excluded Risks": mean such events as war, foreign invasion, military actions (may be not connected with declaration of war), civil war, insurrection, revolution, rebellion, strikes, disturbances, confiscation, requisition, destruction - in case if such events:

take place on the territory of (State X);

are not a result of the Contractor's and/or the Operator's activities;

are not covered by insurance.

1.21. "Field" means the part of (X oilfield) limited to the reservoirs defined in Section X of Annex X, the area limits of which shall be defined as and when the Appraisal work is carried out, all within the Contract Area and subject to the provision of Article 5 hereof.

1.22. "Government" means the Government of (State X).

1.23. "Libor" - means the fixed interbank rate proposed for a three months deposits in US Dollars published by the London newspaper "Financial Times" on the date when the interests start accumulating.

In case such rate was not published by the "Financial Times" on the date when the interests start accumulating, the latest rate published within the seven working days prior to the required date shall be used.

In case Libor rate cannot be detected by the above method the London interbank rate proposed for a three months deposits in US Dollars indicated in article "The Monetary Market Rates" of the "Wall-Street Journal" (New-York) shall be applied.

1.24. "Measurement Point" means the place (s) at which volumes and qualities of Crude Oil produced, received, transmitted or delivered shall be measured.

1.25. "Minimum Work Obligations" means the minimum commitments undertaken by Contractor under Article 6 and Annex X.

1.26. "Natural Gas" or "Gas" means hydrocarbons that are in a gaseous phase at atmospheric conditions of temperature and pressure.

1.27. "Net Production" means Crude Oil, measured'at the PMP and transferred to the Transporter at the Transfer Point less transportation. losses, linefill and terminal dead stock computed in accordance with Addendum Two and the subsequent Transportation Agreement.

1.28. "Operator" means the entity designated pursuant to Article 9 hereof to conduct Petroleum Operations.

1.29. "Participating Interest" - means, with respect to (PART 1) and (PART 2) comprising Contractor, its percentage interest as defined in Article 27 and Addendum X in rights, privileges, obligations and liabilities under the Contract.

1.30. "Petroleum" means all hydrocarbons including liquid and gaseous hydrocarbons produced and saved from the Field under this Contract.

1.31. "Petroleum Costs" means all expenditures incurred and payments made by Contractor and/or Operator in connection with or in relation to Petroleum Operations preparing and their realization including but not limited to expenses (damage, loss, deterioration) caused by Excluded Risks, social expenses for the personnel, food and medicine purchases except as otherwise stipulated herein determined in accordance with the provisions of this Contract and Annex X.

1.32. "Petroleum Operations" means all operations in connection with Appraisal, Development, and Production Operations and other activities related thereto including technical documentation preparing, under this Contract.

1.33. "Production Operations" means any and all operations related to production of Petroleum including (but not limited to) workovers, stimulation's, operating, staffing, supervising, servicing, repairing and maintaining of any and all wells, plants, equipment, pipelines, tank farms, terminals. and all other installations and facilities.

1.34. "Quarter" means a period of three (3) consecutive months commencing with the ' first day of January, April, July or October, according to the Gregorian calendar.

1.35. "Sub-contractors" means the suppliers, contractors and sub-contractors of the Operator at whatever level.

1.36. "Transfer Pointer "TP" means the inlet flange(s), immediately after the Measurement Point at the Field, of the pipeline (s) through which Crude Oil is to be transported by the Transporter to the Delivery Point.

1.37. "Transporter means the entity designated by State Body for transportation and storage of Crude/Commercial Oil beyond the Transfer Point pursuant to Article 17, Addendum X and the subsequent Transportation Agreement.

1.38. "Work Programmer" means an itemization and time schedule of the Petroleum Operations to be carried out under this Contract.

1.39. "Year" means the period of twelve (12) consecutive months according to the Gregorian Calendar.

1.40. Joint Operating Company (JOC) - means the organization designated, according to Article 9 of the Contract, to conduct Petroleum Operations as Operator's successor personate to Addendum X.

## ARTICLE 2. SCOPE OF CONTRACT

2.1 This Contract is a Contract for the Development and Production from the Field in accordance with the provisions herein contained. It includes Annexes X - Y and Addenda X - Y attached hereto and made part thereof.

In the event of conflict of the texts between the Contract and the Annexes or the Addenda, the provisions of the Contract shall prevail.

The Contractor, subject to the provisions herein contained, shall:

2.1.1 Carry out Petroleum Operations to develop and produce the relevant reservoirs of the Field with a view to achieving a sustained production level of (000) thousand Barrels per day by the end of (X) Years period from the Effective Date;

2.1.2 Provide all capital, machinery, equipment, and technology, personnel and services necessary for the carrying out of Petroleum Operations.

2.1.3 Incur all Petroleum Costs required for carrying out Petroleum Operations, in order to achieve the plateau set out in item 2.1.1 above.

2.1.4 Fulfill all-financial and other obligations of the Contractor and enjoy all rights and benefits, in accordance with the provisions of this Contract.

2.2 Notwithstanding the above, scope of this Contract does not include developed reservoirs defined in Section X of Annex X.

2.3 The Companies comprising the Contractor shall be jointly and severally responsible towards the State Body for the Contractor's obligations fulfillment within the limits of their joint Participating Interest.

## ARTICLE 3. TERM OF CONTRACT

The term of this Contract shall be \_\_ Years from the Effective Date.

The term may be extended for a further period up to Years upon written request of the Contractor and the State Body's approval. Such request shall be submitted by the Contractor to the State Body at least \_\_\_\_\_ Year prior to the expiry date of the Contract.

## ARTICLE 9 - CONDUCT OF PETROLEUM OPERATIONS

9.1 Contractor shall carry out Petroleum Operations on the Field on an exclusive basis subject to the provisions of tills Contract. State Body shall take necessary measures to ensure that third party and State Body's operations within the Contract Area shall no unreasonably obstruct, hinder, or unduly delay the Petroleum Operations.

9.2. OPERATORSHIP

9.2.1 (PART 2) on behalf of Contractor shall establish the Operating Company that shall perform Operator's functions before the Date of Transfer of the Operatorship to the Joint Operating Company (JOC) as defined hereunder. Contractor shall not change the Operator without the prior written consent of State Body.

9.2.2 The Date of Transfer of Operatorship shall mean, for the purpose of tills Article, the date occurring (X) years after the (Cost Recovery Date). For the purposes of this Contract Cost Recovery Date shall be the first Day of the Quarter, following the two consecutive Quarters, where for the first time no recoverable costs are carried forward from the previous Quarter in accordance with Sub-Article 18.1.2 of the Contract and subject to the provisions of Annex X.

9.2.3 On the Date of Transfer of Operatorship, Operator designated in accordance with Sub-article 9.2.1 shall transfer the conduct of Petroleum Operations to JOC which shall be established pursuant to the provisions of Addendum Three hereto between (PART 2) and an entity designated by State Body, at least (X) months prior to the Date of Transfer of Operatorship.

9.2.4 The principle terms of the Charter of the Joint Operating Company are stipulated in Addendum X.

9.2.5 The Operator and the Joint Operating Company shall conduct the Petroleum Operations in strict accordance with the provisions of the Contract. The Operator and the Joint Operating Company shall be granted the rights, privileges and authorities under the Contract for the purpose of carrying out Petroleum Operations.

9.3. Operator shall open and maintain a branch and office in (State X). The State Body shall assist the Operator in this respect.

9.4. Contractor and Operator shall diligently conduct the Petroleum Operations in compliance with good international petroleum industry practice.

9.5. Contractor's and Operators activities shall be designed to achieve the efficient and safe production of Petroleum from the Field. The Operator shall ensure that all materials, equipment and facilities used in Petroleum Operations comply with generally accepted engineering norms, are of proper and accepted construction and are kept in good working order throughout the term of the Contract.

9.6. Contractor and Operator shall take all appropriate and necessary measures in accordance with international standards to safeguard the environment and prevent pollution, which may result from Petroleum Operations and minimize the effects of any pollution, which may occur.

9.7. Contractor and Operator shall conduct Petroleum Operations in accordance with the provisions of this Contract and under the general supervision and control of the Joint Management Committee (JMC) referred to in Article 13.

9.8. Pursuant to Sub-article 9.7., the Operator shall:

9.8.1. Provide the personnel required for the Petroleum Operations, giving first priority to (X) personnel, taking into consideration qualifications and experience.

9.8.2. Adhere to employment and training programmers, which shall aim at the (X) of the Operators manpower within a short period to be defined by the Joint Management Committee.

9.8.3. Utilize Sub-contractors of proven capability and professional experience on competitive basis. However, prior approval shall be obtained before signing for any purchase orders and/or sub-contracts exceeding the following limits:

JMC's approval for purchase orders and Sub-contracts exceeding USD (000.000.000).

State Body's approval for purchase orders and Sub-contracts exceeding USD (X00.000.000).

9.8.4. Prepare and issue reports pursuant to Article 15, and provide any further information as may be reasonably required by the State Body.

9.9. Contractor shall place fixtures and installations inside and outside the Contract Area, as shall be necessary to carry out Petroleum Operations in accordance with the approved Development Plans. Fixtures and installations outside the Contract Area relating to the transportation and export of Crude Oil shall be handed over upon completion and commissioning, to the Transporter designated by the State Body which will be responsible for the operation and maintenance of such fixtures and installations beyond the Transfer Point in accordance with the provisions of Addendum Two hereto and the subsequent Transportation Agreement.

9.10. Operator may exceed the Approved Annual Budget by an amount up to 10% for any item therein, as it may become necessary for fulfillment of the Work Programmer provided that the cumulative excess shall not exceed 5% of the total Annual Budget. The JMC approval shall thereafter be sought.

## ARTICLE 10. GAS

10.1. Associated Gas shall not be flared except in accordance with applicable \_\_\_\_\_ laws and the provisions of this Contract.

10.2. Contractor shall submit to State Body, as part of the Initial and General Field Development Plans, proposed economically and technically feasible schemes for utilization and/or disposal of Gas. For this purpose consideration shall be given to the following alternatives or combination thereof as applicable:

10.2.1 Gas re-injection into the reservoir(s), either for the purpose of pressure maintenance, enhanced recovery or temporary storage;

10.2.2 Gas treatment for delivery to State Body;

10.2.3 Gas processing at a () plant(s);

10.3. Contractor may use, free of charge, the quantity of Gas necessary for Petroleum Operations and for local utilities.

10.4. All Gas produced from the Field, which is neither used in Petroleum Operations and for local utilities nor re-injected in the Field, shall be delivered to State Body, at delivery point(s) and subject to specifications to be defined in the Initial and General Development Plans.

10.5. Quantities of Gas made available to but not received by State Body may be flared. Gas may also be flared in limited quantities for maintenance purposes and in emergency cases.

10.6. Fixtures and installations built by the Contractor outside the Contract Area related ro the utilization and/or disposal of Gas shall be handed over upon completion and commissioning to the relevant (X) entity designated by State Body, which shall be responsible thereafter for such fixtures and installations.

10.7. All costs and expenses incurred by Contractor in connection with the production. use, re-injection, treatment, delivery, and disposal of gas under tills Contract shall be recovered as Petroleum Costs.

## ARTICLE 14. DATA AND SAMPLES

14.1 All original data and samples obtained by Operator shall be the property of State Body.

14.2 Operator may remove and export, for the purpose of laboratory examination or analysis, petrologic specimens or samples of Petroleum or water encountered in a borehole or well and provide State Body, free of charge, with samples and specimens of equivalent size and quality, before such exportation.

14.3 Originals of technical data and records may be exported after providing State Body with copies of same, provided that Contractor guarantees their proper storage and keeping, and that such data and records shall be repatriated to (X) within a maximum period of (X) months from the date of completion of any smudgy, analysis or processing that they may have been used for.

14.4 Operator shall save and keep in \_\_\_\_\_, for a minimum of \_\_\_ Year period, representative portions of each sample of cores and cuttings taken from drilled wells, to be disposed of or forwarded to State Body in a manner directed by State Body.

14.5 Operator shall provide State Body with copies of any and all data (including bui not limited to geological and geophysical reports, logs and well surveys) reports, information, interpretation of data and all other information or work product pertaining to the Field in Contractors or Operators Affiliate's possession.