



IRAN PETROLEUM CONTRACT ("IPC")  
EXPLORATION, DEVELOPMENT AND PRODUCTION SERVICE CONTRACT (E&P)

BETWEEN

NATIONAL IRANIAN OIL COMPANY

AND

....XXX.....

IRAN PETROLEUM CONTRACT ("IPC")

FOR  
THE EXPLORATION, DEVELOPMENT AND PRODUCTION SERVICE CONTRACT (E&P)

BETWEEN  
NATIONAL IRANIAN OIL COMPANY

AND

.....XXX.....

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In the Name of Allah  
Iranian Integrated Petroleum Contract (IPC)

This Iranian Integrated Petroleum Contract (hereinafter referred to as the "Contract") is made and entered into in Tehran, the Islamic Republic of Iran (hereinafter referred to as "Iran"), on the .....2015, (corresponding with ...) by and between:

**The National Iranian Oil Company**, a company incorporated under the laws of the Islamic Republic of Iran (hereinafter referred to as "N.I.O.C.") with the address of ..... on the one part;

AND,

An Incorporated/Unincorporated Joint Venture/Joint Operating Company (JOC) of (A) ..... a foreign company incorporated under the laws of .....with the address of ..... (B) ..... an Iranian company incorporated under the laws of Islamic Republic of Iran with the address of ..... and/or (C) ..... a company incorporated under the laws of ..... with the address of ..... (hereinafter referred collectively to as the "Contractor") on the other part;

N.I.O.C. and Contractor are hereinafter referred to either individually as "Party" or collectively as "Parties".

**WITNESSETH**

**WHEREAS**, the Government of Islamic Republic of Iran has exclusive rights and ownership over the Petroleum resources of Iran and wishes to promote and encourage the exploration, appraisal, development and production operations of Petroleum resources in the Contract Area; and

**WHEREAS**, N.I.O.C. in its role as the national oil company of the Islamic Republic of Iran, is exclusively entrusted with and authorized by the Ministry of Petroleum of Iran to enter into this Contract for the Petroleum Operations of the Field;

**WHEREAS**, Contractor represents and warrants herein that it has the technical competence and professional skills necessary for carrying out the Petroleum Operations hereinafter defined, by virtue of its extensive experience in Petroleum Operations in similar reservoirs/field in other countries; and;

**WHEREAS**, Contractor represents and warrants herein that it has the financial sources and ability, and has expressed its willingness to provide the funding for and to carry out the Petroleum Operations set out in the Contract;

**WHEREAS**, Contractor acknowledges that it has entered into this Contract in the capacity of an incorporated or an unincorporated joint venture or joint operation entity that had been established between foreign and Iranian competent companies; and

**WHEREAS**, Contractor undertakes to provide the funding for and carry out the Petroleum Operations in the name and on behalf of N.I.O.C. in accordance with the Contract.

**NOW, THEREFORE**, in consideration of the undertakings and covenants herein contained, the Parties hereby agree as follows:

## PART I - DEFINITIONS AND SCOPE

### 1. DEFINITIONS

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

- 1.1. **"Accounting Procedures"** means the accounting principles, procedures, practices, methods and requirements to be followed by the Parties for proper recording of expenditures and credits and keeping Project Accounts as set out in Appendix "B" attached hereto and made a part hereof;
- 1.2. **"Affiliate"** means any company or legal entity which (i) controls a Party, or (ii) is controlled by a Party, or (iii) is controlled by a company or legal entity which controls a Party. "Control" means the power to dictate and conduct the policy of a company through the control, directly or indirectly, of more than fifty percent (50%) of the shares or voting rights in such company;
- 1.3. **"Amortization Period"** means the duration of which that has been prescribed in Clause 25 of the Contract;
- 1.4. **"Appraisal Operations Expenditure (AOE)"** means all costs and expenditures incurred and paid by Contractor under this Contract to carry out the Appraisal Operations in accordance with the Appraisal Operations Plan (AOP) and this Contract. Appraisal Operations Expenditures (AOE) constitute Direct Capital Costs (DCC) and Indirect Costs (IDC), as determined in accordance with the Accounting Procedures.
- 1.5. **"Appraisal Operations"** means any and all activities to be carried out and works and services to be rendered by Contractor related to and connected with the Appraisal Operations in accordance with the Appraisal Operations Plan (AOP) and as may be required under this Contract, including but not limited to geological, geophysical, aerial and any other surveys and any interpretation of data relating thereto and the drilling of such shot-holes, core holes, stratigraphic tests, holes for the appraisal of Petroleum and other related holes and wells, the production testing, PVT and core analyses and estimating the reserve(s) and Production rates; and the purchase or acquisition of such supplies, materials and equipment thereof;
- 1.6. **"Appraisal Operations Phase"** means the period of time commencing from the completion of the Explorations Operations and/or from the end of Exploration Operation Phase until the commencement date of the Development and Production Operations (DPO) of the Field, carried out by Contractor in accordance with the Appraisal Operations Plan and under the Contract;
- 1.7. **"Appraisal Operations Plan (AOP)"** means any and all works and services to be carried out during the Appraisal Operations that are defined in the Appraisal Operations Plan (AOP) and any adjustments thereof, as proposed by Contractor and approved by N.I.O.C.. Appraisal Operations Plan (AOP) shall include the activities and obligations to be performed by Contractor such as those obligations and activities related to the time, volumes of works and services, the required area of the Appraisal Operations, and Appraisal costs and expenditures;

- 1.8. "Associated Gas" means Natural Gas, occurring as gas-cap gas, which overlies and is in contact with Crude Oil in a reservoir and/or solution gas dissolved in Crude Oil in a reservoir;
- 1.9. "Barrel" means a quantity or unit of Crude Oil, equal to 158.9074 liters (forty-two (42) United States gallons) at the temperature of sixty (60) degrees Fahrenheit and under one atmosphere pressure (fourteen point seven (14.7) pounds per square inches at sea level);
- 1.10. "Barrel of Oil Equivalent" ("BOE") means one (1) Barrel of Crude Oil or one (1) Barrel of NGLs, or .... Barrel of Condensate or six thousand (6,000) SCF of Natural Gas;
- 1.11. "Bscf" means billion standard cubic feet measured at the temperature of sixty degrees (60°) Fahrenheit and a pressure of fourteen and seven tenths (14.7) pounds per square inch absolute;
- 1.12. "Bscfd" means billion standard cubic feet per day;
- 1.13. "Best International Petroleum Industry Practices" means all those uses and practices that are, at the time in question, generally accepted in the international petroleum industry as being good, safe, economical, environmentally sound and efficient in exploring, appraising, developing, producing, maintaining, processing and transporting Petroleum. They should reflect standards of works, services and technology oriented operations that are either state-of-the-art or otherwise appropriate to the operations in question and should be applied using standards in all matters that are no less rigorous than those in use by the international oil companies (IOC) in other global operations;
- 1.14. "BOD" means the Board of Directors formed pursuant to .....
- 1.15. "BOPD" means Barrels of Crude Oil per day;
- 1.16. "BOEPD" means Barrels of Oil Equivalent per day;
- 1.17. "BTUs" means British Thermal Units. A British Thermal Unit is the amount of heat equal to 1,055.06 (one thousand fifty five decimal zero six) Joules;
- 1.18. "Budget" means the estimates of the costs and expenditure expected to be incurred and paid by Contractor for implementing an approved annual Work Program & Budget for any Calendar Year or part thereof;
- 1.19. "Calendar Day" means a day according to the Gregorian calendar starting at 0000 hours and ending at 23.59 hours;
- 1.20. "Calendar Month" means any month in the Gregorian calendar, starting with the first day and ending with the last day of such month according to such calendar;
- 1.21. "Calendar Quarter" means a period of three consecutive Calendar Months commencing on the first day of January, April, July, or October of any Calendar Year;
- 1.22. "Calendar Year" means a period of twelve (12) consecutive Months commencing with the first day of January and ending on the last day of December, both dates being inclusive, according to the Gregorian calendar;
- 1.23. "Capacity Maintenance Operations for Oil" ("CMOO") means as part of the Development and Production Operations, proposed by Contractor and approved by N.I.O.C. and performed by



Contractor including infill drilling, construction and installation of additional facilities, replacements of any part of the production facilities and other works and services as may be required under the CMOO plan, in order to, as the case may be:

- a. Economically maintain the Crude Oil production of the production facilities at the level required to fulfill reservoir requirements and/or N.I.O.C.'s expectations of the production of the Field.
- b. Economically achieve maximum Crude Oil production of the production facilities at the level required to fulfill reservoir requirements and/or N.I.O.C.'s expectations of the production of the Field.

1.24. **"Capacity Maintenance Operations for Gas" ("CMOG")** means as part of the Development and Production Operations, proposed by Contractor and approved by N.I.O.C. and performed by Contractor including infill drilling, construction and installation of additional facilities, replacements of any part of the production facilities and other works and services as may be required under the CMOO plan, in order to, as the case may be:

- a. Economically maintain the Natural Gas production of the production facilities at the level required to fulfill reservoir requirements and/or N.I.O.C.'s instructions of the production of the Field.
- b. Economically achieve maximum Natural Gas production of the production facilities at the level required to fulfill reservoir requirements and/or N.I.O.C.'s expectations of the production of the Field.

1.25. **"Commerciality Date"** means the date when the Commerciality of the Field is approved in writing by N.I.O.C. and duly announced to the Contractor;

1.26. **"Commercial Field" or "Commerciality of the Field"** means, pursuant to Clause(s) of 17 and 20, a discovery of Petroleum or an accumulation of discoveries of reserves in the Contract Area, which establishes that such Field shall produce sufficient net income to make it worth developing, as a result of successful execution of the Exploration Operations Plan (EOP) and Appraisal Operations Plan (AOP) by Contractor, declared by Contractor and approved in writing by N.I.O.C. as a Commercial Field, while taking into account all technical, operational, financial, economical, commercial and other parameters and method of calculation that are prescribed in the Appendix "J" "Parameters and Calculation of Commerciality";

1.27. **"Condensate"** means all liquid hydrocarbons, regardless of gravity, produced and recovered from the Contract Area as a liquid during all processes to reach the commercial specifications of Natural Gas;

1.28. **"Contract"** means this agreement between the Parties, comprising 41 Clauses and Appendices "A" to "P" attached hereto and made an integral part hereof, together with any amendments thereto made in accordance with the provisions hereof;

1.29. **"Contract Area"** means the area covered by this Contract for Petroleum Operations, as described in Appendix "A";

1.30. **"Contractor"** means an incorporated or unincorporated joint venture or joint operation of A) .....; B)..... and/or C)..... and at any time thereafter and shall

include their legal successors and permitted assignee(s) of any rights and obligations of Contractor under this Contract;

- 1.31. "**Contractor's In House Special Services**" means special services awarded by Contractor, with the prior approval of Steering Committee (SC) as the case maybe, to an Affiliate and/or Subsidiary of Contractor to carry out certain services relevant to the Petroleum Operations as per Clause 16.17 of the Contract and in accordance with Accounting Procedures to be exclusively performed in house by such Affiliate and/or Subsidiary;
- 1.32. "**Coordination Procedure**" has the meaning ascribed to such term as stipulated in the Appendix "I" attached to the Contract;
- 1.33. "**Cost of Money ("COM")**" means LIBOR plus ..... percent (.....%) solely applicable to a) Indirect Costs (IDC) incurred and paid by Contractor prior to First Production Date of Crude Oil and/or First Production Date of Natural Gas and b) Petroleum Costs and Remuneration Fee only in the event of the delay and/or late payment (for reason attributable to N.I.O.C.), pursuant to Clause 8.4 of the Accounting Procedures;
- 1.34. "**Costs Recovery Year**" means twelve (12) consecutive Calendar Months commencing from the first day of the first month following the achievement of the 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, where the recovery of the Petroleum Costs plus the payment of the FPB/FPMscf during the Amortization Period shall commence in accordance with the Contract;
- 1.35. "**Crude Oil**" means all hydrocarbons regardless of gravity which may be produced and saved from the Contract Area in the liquid state at absolute pressure of fourteen decimal six nine six (14.696) pounds per square inch and sixty (60) degrees Fahrenheit, including asphalt and tar, but excluding NGL that is not blended with Crude Oil;
- 1.36. "**Current Basis**" means recovery of Indirect Costs (IDC) and Operating Costs (Opex) incurred and paid during Production Operations, without calculation and payment of the Cost of Money (COM), within the first Quarter following the Quarter in which such costs are incurred and paid by Contractor in relation to the Production Operations;
- 1.37. "**Data**" means records obtained as a result of Petroleum Operations including, but not limited to, geological, geophysical, geochemical, petrophysical, engineering, well logs, maps, magnetic tapes, cores, cuttings and production data as well as all interpretative and derivative data, including reports, analyses, interpretations and evaluation prepared in respect of Petroleum Operations;
- 1.38. "**Date of Commerciality**" means the first day of the month following the date on which N.I.O.C. confirms that a Commercial Field has been established in accordance with Clause 20 and Appendix "J" of the Contract;
- 1.39. "**Day(s)**" means a Calendar day;
- 1.40. "**Delivery Point**" means the point(s) of delivery as envisaged in the Development and Production Plan(s) (DPP) where N.I.O.C. shall receive the Petroleum and where the Contractor may lift and/or offtake the Petroleum in lieu of recovery of Petroleum Costs and payment of Remuneration Fee;

- 1.41. "Deemed Revenue of Crude Oil" means (a) the plateau production of the Field for the purpose of Commerciality of the Field in any given Calendar Year; (b) the Net Production of the Field for the purpose of Costs Recovery and Remuneration Fee Per Barrel in any given Calendar Quarter or equivalent to Iranian blended crude oil, multiplied by the Export Oil Price in accordance with Appendix "Ca" Long Term Crude Oil Sale and/or Delivery Agreement;
- 1.42. "Deemed Revenue of Natural Gas" means, (a) the plateau production of the Field for the purpose of Commerciality of the Field in any given Calendar Year; (b) the Net Production of the Field for the purpose of Costs Recovery and Remuneration Fee Per Thousand Standard cubic Feet (FPMscf) in any given Calendar Quarter, multiplied by the average export gas price in accordance with Appendix "Cc" Gas Revenue Calculation Agreement;
- 1.43. "Development Operations" means any and all activities to be carried out and works and services to be rendered by Contractor related to and connected with the Development Operations in accordance with the Development and Production Plan(s) (DPP) required under this Contract, including but not limited to drilling of wells, deepening, construction and installation of equipment, pipelines, facilities and all facilities required to be installed for production, pressure maintenance, evaluation and development wells, the engineering, building and erecting or laying of the Production Operations and facilities (such as, without limitation, separators, compressors, generators, pumps and tankage, gathering lines, systems, , in the Contract Area as well as any activities related to decommissioning and abandonment operations, pre-commissioning, commissioning, tests and start-up and hand over; which are required for achieving production, treatment, transport, storage and lifting of Petroleum, and all related planning management and administrative works and services;
- 1.44. "Development and Production Operations ("DPO")" means any and all activities and works and services to be carried out by Contractor related to and connected with the Development Operations and Production Operations in accordance with the Development and Production Plan(s) (DPP) respectively and as may be required under this Contract;
- 1.45. "Development and Production Operations Expenditures" means all expenditures incurred and paid by Contractor necessary to carry out the Development and Production Operations (DPO) in accordance with the Development and Production Plan(s) (DPP) and this Contract. Development and Production Operations Expenditures constitute Direct Capital Costs (DCC), Indirect Costs (IDC), Cost of Money and Operating Costs (Opex) as determined in accordance with the Accounting Procedures;
- 1.46. "Development and Production Operations Phase" means the period of time, as set out in Clause 3.15, commencing from the completion of the Exploration Operations and Appraisal Operations and ending when all Development and Production Operations (DPO) have been carried out by Contractor in accordance with the Contract;
- 1.47. "Development and Production Plan(s) (DPP)" means the agreed plan(s) of the Development and Production Operations (DPO) as determined in the Development and Production Plan(s) (DPP) and any adjustments thereof, as approved by N.I.O.C., including but not limited to the Project works and services and scope of works , Project duration and schedules, Project estimated costs and expenditures, quantity and quality of the production from the Field, reservoir development and management and any other activities including Capacity Maintenance Operations for Oil or Capacity Maintenance Operations for Gas, where applicable, to be carried out by Contractor during the Development and Production Operations under the Contract;

- 1.48. **"Direct Capital Costs ("DCC")"** means any and all costs and expenditures, incurred and paid by Contractor related to and connected with the Petroleum Operations, the achievement of the First Production of Crude Oil or First Production of Natural Gas and Final Production of Crude Oil or Final Production of Natural Gas, as the case maybe, of the Field, in accordance with EOP, AOP and DPP activities and all related Work Programs and Budgets). Such costs and expenditures illustrated and defined in the Accounting Procedures;
- 1.49. **"Dollar" or "US\$"** means the United States Dollar;
- 1.50. **"Effective Date"** means the date when this Contract becomes valid, binding and enforceable. This Contract becomes effective when it is signed by the Parties and the copies of this Contract are exchanged among the Parties;
- 1.51. **"Exploration Operations Expenditures (EOE)"** means all expenditures incurred and paid by Contractor necessary to carry out the Exploration Operations in accordance with the Exploration Operations Plan (EOP) and this Contract. Exploration Operations Expenditures (EOE) constitute Direct Capital Costs (DCC) and Indirect Costs (IDC) as determined in accordance with the Accounting Procedures;
- 1.52. **"Exploration Operations"** means any and all activities to be carried out and works and services to be rendered by Contractor related to and connected with the Exploration Operations in accordance with the Explorations Operations Plan (EOP) and as may be required under this Contract including but not limited to topographical, geological, geophysical, petrophysical, geochemical and other methods, including seismic acquisition, drilling well(s), reservoir evaluation for Petroleum and all other functions and activities associated with exploration in the Contract Area;
- 1.53. **"Exploration Operations Phase"** means the period of time, as set out in Clause 3.2 of the Contract, commencing from the Effective Date of the Contract to the starting date of the Appraisal Operations, carried out by Contractor in accordance with the Exploration Operations Plan and the Contract;
- 1.54. **"Exploration Operations Plan (EOP)"** means any and all works and services to be carried out during the Explorations Operations that are defined in the Exploration Operations Plan (EOP) and any adjustments thereof as proposed by Contractor and approved by N.I.O.C.. Exploration Operations Plan (EOP) shall include the minimum activities and obligations, optional and additional activities to be performed by Contractor such as those obligations and activities related to the time volumes of works and services, the required area of the Exploration Operations, and Minimum Exploration Expenditures;
- 1.55. **"Export Oil"** means export of the crude oil produced from Field under the Contract or a blended crude oil to meet the Iranian export blend criteria as determined in Appendix "Ca" Long Term Crude Oil Sale and/or Delivery Agreement;
- 1.56. **"Export Oil Price"** means the price per barrel of Export Oil (whether the price of the crude oil of the field or the price of the Iranian blended crude oil) Free on Board ("FOB"), determined in accordance with the Appendix "Ca" Long Term Crude Oil Sale and/or Delivery Agreement;
- 1.57. **"Euro"** means the official currency of the Eurozone countries of the European Union (EU);
- 1.58. **"Field"** means an area within the Contract Area, consisting of a single reservoir or multiple reservoirs all grouped on, or related to, the same individual geological structural features and/or

stratigraphic conditions from which Petroleum may be produced commercially in the Contract Area;

- 1.59. "Field Development Plan(s) ("FDP")" means the overall lifecycle forecast of the Development and Production Operations of the Field including initial and general assumptions, concepts, principles, procedures and presumed main activities related to the lifecycle development and production of the Field, which such FDP shall be the base for the preparation and submission of Development and Production Plan(s) (DPP) and any adjustment thereof for the entire Development and Production Operations of the Field proposed by Contractor and approved by N.I.O.C;
- 1.60. "Final Production of Crude Oil" means the achievement of the targeted Crude Oil produced from the Field as a result of the Development and Production Operations carried out by Contractor during the Development and Production Operations of the concerned phase and upon the completion of the production test as agreed in the Contract of ..... barrels of Crude Oil per day (excluding production for testing purposes) for at least twenty one (21) days out of any continuous twenty eight (28) days period and delivery of the same at the Delivery Point(s), as confirmed by the Steering Committee (SC) and approved by N.I.O.C., provided that all wells are drilled and completed and permanent facilities as described in the Development and Production Plan(s)(DPP) for the concerned phase are installed, commissioned, started-up and handed over to the Joint Operating Company (JOC), pursuant to the Contract;
- 1.61. "Final Production of Natural Gas" means the achievement of the targeted production of .....MMscfd of Natural Gas produced from the Field as a result of the Development and Production Operations carried out by Contractor during the Development and Production Operations of the concerned phase and upon the completion of the production test as agreed in the Contract of ..... MMscfd of Natural Gas per day (excluding production for testing purposes) for at least twenty one (21) days out of any continuous twenty eight (28) days period and delivery of the same at the Delivery Point(s), as confirmed by the Steering Committee (SC) and approved by N.I.O.C., provided that all wells are drilled and completed and permanent facilities as described in the Development and Production Plan(s) (DPP) for the concerned phase are installed, commissioned, started-up and handed over to the Joint Operating Company (JOC) pursuant to the Contract;
- 1.62. "Final Production Date of Crude Oil" means the first day of the month following the month in which Final Production of the Crude Oil has been achieved;
- 1.63. "Final Production Date of Natural Gas" means the first day of the month following the month in which Final Production of the Natural Gas has been achieved;
- 1.64. "Financial Year" means the Calendar Year;
- 1.65. "First Production of Crude Oil" means the achievement of the early Crude Oil produced from the Field as a result of the Development and Production Plan(s) (DPP) carried out by Contractor during the Development and Production Operations of the concerned phase and upon the completion of the production test as agreed in the Contract of ..... barrels of Crude Oil per day (excluding production for testing purposes) for at least twenty one (21) days out of any continuous twenty eight (28) days period and delivery of the same at the Delivery Point (s), as confirmed by the Steering Committee (SC) and approved by N.I.O.C., provided that all wells are drilled and completed and permanent facilities as described in the Development and Production Plan(s) (DPP) for the concerned phase are installed, commissioned, started-up and handed over, pursuant to the Contract;

- 1.66. "First Production of Natural Gas" means the achievement of the early production of .....MMscfd of Natural Gas produced from the Field as a result of the Development and Production Plan(s) (DPP) carried out by Contractor during the Development and Production Operations of the concerned phase and upon the completion of the production test as agreed in the Contract of ..... MMscfd of Natural Gas per day (excluding production for testing purposes) for at least twenty one (21) days out of any continuous twenty eight (28) days period and delivery of the same at the Delivery Point(s), as confirmed by the Steering Committee (SC) and approved by N.I.O.C., provided that all wells are drilled and completed and permanent facilities as described in the Development and Production Plan(s) (DPP) for the concerned phase are installed, commissioned and started-up and handed over, pursuant to the Contract;
- 1.67. "First Production Date of Crude Oil" means the first day of the month following the month in which First Production of Crude Oil has been achieved;
- 1.68. "First Production Date of Natural Gas" means the first day of the month following the month in which First Production of the Natural Gas has been achieved;
- 1.69. "Government" means the Government of the Islamic Republic of Iran;
- 1.70. "Hand Over" means as prescribed in the Clause 17.4 of the Contract;
- 1.71. "Hand Over Date" means the date on which Hand Over is completed;
- 1.72. "Indirect Costs ("IDC")" means any and all costs which are incurred and paid by Contractor, related to and connected with the Petroleum Operations of the Field, to Iranian governmental organizations and offices such as the Iranian Corporation Income Tax (CIT), Value Added Tax (VAT), withholding tax, social securities (SSO), customs duties, payment of any lawful Iranian levies, fees and charges imposed by the Government and/or Iranian authorities and officials (excluding any penalties, charges or fines due to the Contractor's fault or negligence), as classified in accordance with the Accounting Procedure. Such costs and expenditures, illustrated and defined in the Accounting Procedures;
- 1.73. "Iranian Charges" means as prescribed in Clause 7.1. of this Contract;
- 1.74. "Iranian Corporation Income Tax" means any taxes which are lawfully imposed by the Iranian Authorities (whether directly or by way of withholding) on Contractor's income or profit earned by Contractor as a result of Contractor's performance of this Contract;
- 1.75. "IOR/EOR" means (to be defined after consultation with the technical experts) .....
- 1.76. "IGR/EGR" means (to be defined after consultation with the technical experts) .....
- 1.77. "Joint Operating Company" ("JOC") means, in accordance with the Appendix "P" of the Contract an incorporated company established between/among (A) ".....Contractor....." and (B) ".....Iranian Private Company....." (C) ".....", to be incorporated inside Iran, for taking over the conduct of Development and Production Operations (DPO) in accordance with Development and Production Plan(s) (DPP) and carrying out Development and Production Operations under supervision and responsibility of Contractor;

- 1.78. "Law" means Iranian laws, by-laws or regulations, as they may be changed from time to time;
- 1.79. "LIBOR" means the twelve (12) months London Inter Bank Offered Rate (as applied to US Dollars) that appears on REUTERS page 01 (or such other page as may replace page 01 on that service for the purpose of displaying London Inter Bank Offered Rates), or such other display provided by such other service or services as may be designated by the British Bankers' Association for the purpose of displaying London Inter Bank Offered Rates (collectively, "REUTERS page 01") at approximately 11.00 a.m. London time on the day that is two completed (2) Business Days prior to the first day of such monthly interest period. If such a rate does not appear on REUTERS page 01 on such date, then the rate appearing on REUTERS page 01 on the nearest preceding date shall be used. Should above sources of information on LIBOR not be available or to be changed, Contractor and N.I.O.C. would agree in another convenient source of information of such rate;
- 1.80. "Lifting Quarter" means the Quarter during which Export Oil is available for lifting by Contractor at the Delivery Point, under this Contract and Appendix "O" Lifting Procedures" and Appendix "Ca- Long Term Crude Oil Sales and/or Delivery Agreement/ Long Term Condensate Sales and/or Delivery Agreement", where any Lifting Quarter shall be the Quarter in which Petroleum Costs and Remuneration are due and payable;
- 1.81. "Maximum Efficient Rate" ("MER") means the MER of wells and/or reservoir the rate at which the ultimate economic recovery of Crude Oil or Gas (where applicable) is obtained from wells and/or a reservoir without excessive rate of decline in well and/or reservoir pressures, and consistent with this Contract and its Appendices particularly Development and Production Plan(s) (DPP) and in line with the Best International Petroleum Industry Practices;
- 1.82. "Minimum Exploration Expenditure Obligation" means that amount which shall be the minimum amount to be spent by the Contractor for the execution of the Exploration Operations in accordance with the Exploration Operations Plan (EOP) and Contract, as stipulated in Clause 3.2 of the Contract ;
- 1.83. "Minimum Exploration Works Obligation" means that works and services which shall be the minimum volumes of the works and services to be carried out by Contractor for the execution of the Exploration Operations in accordance with the Exploration Operations Plan (EOP) and Contract, as stipulated in Clauses 3.3 and 17.1.2 of the Contract ;
- 1.84. "MMscf" means million standard cubic feet measured at the temperature of sixty degrees (60°) Fahrenheit and a pressure of fourteen and seven tenths (14.7) pounds per square inch absolute;
- 1.85. " Month(s)" means a Calendar Month;
- 1.86. "Mscf" means thousand standard cubic feet measured at the temperature of sixty degrees (60°) Fahrenheit and a pressure of fourteen and seven tenths (14.7) pounds per square inch absolute;
- "Natural Gas" means any Hydrocarbons produced from the Contract Area which at a pressure of 14.7 psi and a temperature of sixty degrees Fahrenheit (60°F) are in a gaseous state at the wellhead, and includes both Associated and Non-Associated Natural Gas, and all of its constituent elements produced from any Well in the Contract Area and all non-hydrocarbon substances therein. Such term shall include residue gas;
- 1.87. "Net Cost" has the meaning ascribed to such term in the Accounting Procedures;

- 1.88. **"Net Production"** over a certain period of time, means the Net Production of the Barrels of Crude Oil, MMscf of Natural Gas, Condensate or other natural resources produced from the Field by Contractor, excluding the Production that is not used for the Petroleum Operations or production tests and commission, treated to certain specifications as per Development and Production Plan(s) as measured and delivered to the Delivery Point(s);
- 1.89. **"Net Production Rate" in BOPD** means the Net Production of the Crude Oil produced from the Field by Contractor per day for a certain period of time divided by the number of Calendar Days in that period of time;
- 1.90. **"Net Production Rate in MMscf"**, means the Net Production of the Natural Gas produced from the Field by Contractor per day for a certain period of time divided by the number of Calendar Days in that period of time;
- 1.91. **"Non-Associated Gas"** means Natural Gas, which is found in a reservoir that does not contain significant quantities of Crude Oil;
- 1.92. **"Operating Cost (Opex)"** means all costs and expenses incurred and paid by Contractor related to and connected with the Production Operations in accordance with the Development and Production Plan(s) (DPP) and respective Work Program and Budget, except Capital Costs (Capex), Indirect Cost (IDC) and Cost of Money (COM). Such costs and expenditures, illustrated and defined in the Accounting Procedures;
- 1.93. **"Operator"** means the entity that is designated to conduct Petroleum Operations under this Contract being the Contractor during Exploration Operations and Appraisal Operations and the Joint Operating Company (JOC) during Development and Production Operations, all in accordance with Clause 16 of the Contract;
- 1.94. **"Petroleum"** means all hydrocarbons including Crude Oil, Natural Gas, Condensate and other by products produced from the Field;
- 1.95. **"Petroleum Costs"** means Direct Capital Costs ("DCC"), Indirect Cost ("IDC"), Operating Costs (Opex) incurred and paid by Contractor under the Contract and accrued Cost of Money ("COM") solely applicable to IDC prior to First Production Date of Crude Oil and/or First Production Date of Natural Gas, all related to and connected with the Petroleum Operations as determined in accordance with the provisions of this Contract and Accounting Procedure;
- 1.96. **"Petroleum Operations"** means any and all activities to be carried out and works and services to be rendered by Contractor related to and connected with the Exploration Operations, Appraisal Operations, Development and Production Operations of the Field under the Contract;
- 1.97. **"Phase(s)"** means any and all phases defined by the Parties under the Contract during the Petroleum Operations of the Field;
- 1.98. **"Plateau Production Period"** means a period that is specified in the approved Development and Production Plan(s) (DPP) in respect of an Oil Field or a Gas Field;
- 1.99. **"Plateau Production"** means the Net Production rates of the Crude Oil or Natural Gas to be achieved and sustained for the Plateau Production Period as specified in the Development and Production Plan(s) (DPP);



- 1.100. **"Production Operations"** means any and all operations and activities conducted by Joint Operating Company (JOC) under supervision and responsibility of Contractor during the Production Operations in accordance with the Development and Production Operations Plan(s) (DPP) and this Contract, starting from the First Production of Crude Oil or First Production of Natural Gas /Final Production of the Crude Oil / Final Production of Natural Gas from the Field, including, but not limited to producing, maintaining and repairing of all wells, platforms, facilities, running wells and hydrocarbon production facilities, repairing, suspending, gathering production or subsurface data, construction and installation of equipment, pipelines, facilities, plants and systems, in and outside the Contract Area, which are required for achieving production, treatment, transport, storage, handling facilities, and lifting of Petroleum including but not limited to workover, stimulations, remediation, resoration and all other equipments and tools under the Contract;
- 1.101. **"Production Measurement Point"** means the point where the Net Production of Crude Oil or MMscf of Natural Gas produced from the Field is measured at the Delivery Point(s) for the purposes of the recovery costs and Remuneration payment in accordance with the Development and Production Plan(s) (DPP) and under the Contract;
- 1.102. **"Project"** means the Petroleum Operations of the Field to be carried out by Contractor under the Contract and its Appendices;
- 1.103. **"Project Accounts"** has the meaning ascribed to such term in the Accounting Procedures;
- 1.104. **"Quarter"** means a Calendar Quarter;
- 1.105. **"Remuneration Fee"** means the fee(s) referred to in the Contract as the RFPB/RFPMscf figure as an entitlement of Contractor under this Contract pursuant to Clause 25 and Appendix "K" attached hereto;
- 1.106. **"Remuneration Fee Per Barrel" ("RFPB")** means the fee payable to Contractor in US\$ per Barrel for Net Production of Crude Oil, produced from the Field by Contractor as a result of the Petroleum Operations of the Field under the Contract, on a Quarterly basis during the Production Operations in accordance with Clause 25 of the Contract;
- 1.107. **"Remuneration Fee Per Thousand Standard Cubic Feet" ("RFPMscf")** means the fee payable to Contractor in US\$ for Net Production of thousand standard cubic feet of Natural Gas, produced from the Field by Contractor as a result of the Petroleum Operations of the Field under the Contract, on a Quarterly basis during Production Operations in accordance with Clause 25 of the Contract;
- 1.108. **"R-Factor ("RF")"** means the ratio of cumulative Cash Receipts to cumulative costs and expenditures incurred and paid by Contractor in the conduct of the Petroleum Operations of the Field pursuant to Clause 25 of the Contract;
- 1.109. **"Risk Factor"** has the meaning as prescribed in Clause 25 of the Contract;
- 1.110. **"SCF"** means the standard cubic feet;
- 1.111. **"Steering Committee" ("SC")** means the committee consisting of the equal members of N.I.O.C. and Contractor to be established by the Parties for supervising and monitoring the execution of the Petroleum Operations including the Capacity Maintenance of Oil (CMOO) and EOR/ IOR operations for Crude Oil Field and IGR/EGR for Natural Gas/Condensate Field, in

accordance with Exploration Operations Plan (EOP), Appraisal Operations Plan (AOP), and Development and Production Plan(s) (DPP) of the Contract;

- 1.112. "Subsidiary" means a wholly owned company of a Party;
- 1.113. "Term" means the term of this Contract as defined in Clause 3.16;
- 1.114. "Work Program(s) and Budget(s)" means the annual work obligations and related Petroleum Costs planned for the Exploration Operations, Appraisal Operations, Development and Production Operations, subject to approval of Steering Committee, which includes but not limited to the works breakdown structure (WBS), costs breakdown structure (CBS), and time breakdown structure (TBS) to be carried out by Contractor under the Contract and related Exploration Operations Plan (EOP), Appraisal Operations Plan (AOP), Development and Production Plan(s)(DPP); and
- 1.115. "Year(s)" means a Calendar Year.

Whenever these terms appear in the text with an initial capital letter, they shall have the meaning ascribed to them above.

## 2. SCOPE OF CONTRACT

- 2.1. This Contract is an integrated Exploration, Appraisal, Development and Production Service Contract for Contract Area in accordance with the provisions herein contained.
- 2.2. N.I.O.C. hereby authorizes Contractor to conduct the Petroleum Operations on the terms and conditions set forth in this Contract, within the Contract Area as described in Appendix "A" hereto, for the purposes of Exploration Operations, Appraisal Operations, Development and Production Operations of the Field within the Contract Area.
- 2.3. In accordance with the provisions contained in the Contract, Appendices and Best International Petroleum Industry Practices, Contractor shall:
- 2.3.1. be responsible to N.I.O.C. for the execution of the Petroleum Operations in the name and on behalf of N.I.O.C.;
- 2.3.2. conduct and perform all necessary and required works and services relating to the Exploration Operations and Appraisal Operations in the Contract Area. The Exploration Operations and Appraisal Operations shall be carried out according to provisions of Contract at full risks of the Contractor.
- 2.3.3. provide all capital and funding, new machinery, equipment, materials, technology and know-how, qualified skills and personnel and render any works and services that are necessary for the conduct of the Petroleum Operations under the Contract; and bear the risk that insufficient production of the Crude Oil and/or Natural Gas may be produced from the Field or insufficient revenues may be generated from the Field that such production or revenues from the Field may not be enough to recover such Petroleum Costs and the Remuneration Fee, within the Term of the Contract.

- 2.3.4. incur and make payments of all costs and expenses required for carrying out the Petroleum Operations in accordance with approved Exploration Operations Plan (EOP), Appraisal Operations Plan (AOP) Development and Production Plan(s) (DPP) , and related approved annual Work Programs and Budgets in order to achieve the objectives of the Petroleum Operations of the Field including the achievement of the First Production of Crude Oil or First Production of Natural Gas , Final Production of Crude Oil or Final Production of Natural Gas, as the case maybe, and plateau Production for the production of Crude Oil and Natural Gas, as the case may be.
  - 2.3.5. achieve the Net Production of the First Production of the Crude Oil or Natural Gas, as the case may be, at the time and the rate as stipulated in the approved Development and Production Plan(s) (DPP), proposed by Contractor and approved by N.I.O.C. and related annual Work Program and Budget(s);
  - 2.3.6. achieve the Net Production of the Final Production of the Crude Oil or Natural Gas at the time and rate as stipulated in the approved Development and Production Plan(s) (DPP) in line with the Plateau Production Period thereto;
  - 2.3.7. maintain and/or increase, pursuant to Clauses 2.3.5 and 2.3.6 above, the First Production of Crude Oil or First Production of Natural Gas, and Final Production of Crude Oil or Final Production of Natural Gas, as the case maybe, as the case may be, as a condition for the entitlement of the Remuneration Fee of the Project;
  - 2.3.8. conduct the approved further Development and Production Operations, including Capacity Maintenance Operations for Oil (CMOO) and EOR/IOR operations for Crude Oil Field and IGR/EGR for Natural Gas/Condensate Field, in accordance with the terms and conditions of the Contract and shall provide all Petroleum Costs required to implement such operations under the provisions of this Contract and in accordance with the annual Work Program and Budget approved by Steering Committee (SC).
  - 2.3.9. conduct all activities in order to achieve objectives of the Petroleum Operations under the Contract and its Appendix while observing the Maximum Efficient Rate (MER) of wells and reservoir, as may be applicable.
  - 2.3.10. In the event that an undiscovered potential reservoir(s) is discovered in the Contract Area by Contractor during the Petroleum Operations of the Field, such reservoir(s) may also be developed and produced under this Contract but shall be subject to the applicable fee(s) which the Parties will determine such RFPB/RFPMscf figure(s) in accordance with the Appendix "K" - Project Cash Flow, RFPB/RFPMscf Calculation and Index for RFPB/RFPMscf Factors . Accordingly, the terms and conditions of this Contract shall apply mutandis mutatis on the Petroleum Operations of the newly discovered reservoir(s)
- 2.4. At any time, Joint Venture or Joint Operation entities constituting the Contractor shall be jointly and severally liable to N.I.O.C. for all obligations and liabilities of Contractor under this Contract.
  - 2.5. Subject to the provisions herein, Contractor shall be entitled to the recovery of Petroleum Costs and the payment of Remuneration Fee.

## PART II - TERM OF CONTRACT AND RELINQUISHMENT

### 3. CONTRACT TERM AND DURARION

3.1. This Contract shall come into force from the Effective Date. The Term of the Contract shall consist of the following durations:

#### *A) Duration for Exploration Operations and Appraisal Operations:*

- 3.2. The duration of the Exploration Operations Phase shall be .....(.....) Years, commencing from the Effective Date of the Contract, such period may be extended by a maximum of ..... (.....) Years by mutual agreement of the Parties. The Minimum Exploration Expenditure Obligations required from Contractor to carry out the Exploration Operations is ..... USD.
- 3.3. The Exploration Operations Plan (EOP) and its Work Program and Budget, and any subsequent adjustments made thereto by the Parties, including the Minimum Exploration Works Obligation and Minimum Exploration Expenditure Obligation shall be carried out by Contractor during the above Exploration Operations Phase.
- 3.4. Contractor shall conduct such Exploration Operations in accordance with the provisions of this Contract, the Exploration Operations Plan (EOP) with due diligence and in a manner consistent with Best International Petroleum Industry Practices.
- 3.5. Appraisal Operations, if any, shall be carried out by Contractor where Contractor notifies N.I.O.C. that the discovery of Petroleum is potentially leading to the Commerciality of the Field. Contractor shall then prepare and submit to N.I.O.C. within ..... (.....) days of such notification, a proposed Appraisal Operations Plan (AOP) along with the related Work Program and Budget. The proposed Appraisal Operations Plan (AOP) shall include the shortest reasonable duration whether such a discovery is potentially leading to the Commercial Field and with reasonable precision, the boundaries of the area to be delineated as the Development and Production Operations area and minimum appraisal works and expenditures obligations pursuant to Clauses 3 and 17 of the Contract and Appraisal Operations Plan (AOP).
- 3.6. The Appraisal Operations Plan (AOP), proposed by Contractor and approved by N.I.O.C., shall include the agreed duration, minimum appraisal works obligations and minimum appraisal expenditure obligation.
- 3.7. Contractor shall carry out the Appraisal Operations in accordance with the provisions of this Contract, the Appraisal Operations Plan (AOP) and with due diligence and in a manner consistent with Best International Petroleum Industry Practices.
- 3.8. Work Program and Budge for the Appraisal Operations Plan (AOP) shall be discussed and agreed by the Steering Committee (SC).
- 3.9. Contractor shall bear the risks of non-Commercial Field or non-Commerciality of the Field. Accordingly, Contractor shall be discharged with no entitlement for the Petroleum Costs recovery and Remuneration Fee, if at the end of the Exploration Operations and/or Appraisal Operations, including any agreed extension thereof, the Commerciality of the Field is not established under this Contract.

### *B) Duration for Development and Production Operations*

- 3.10. Upon the establishment of the Commerciality of the Field and/or successful completion of the Appraisal Operations, Contractor shall carry out the Development and Production Operations in accordance with the Development and Production Plan(s) (DPP) and thereafter until Contractor recovers Petroleum Costs and Remuneration Fee in accordance with the Contract.
- 3.11. The duration for the execution of the Development and Production Operations to achieve the First Production of Crude Oil or First Production of Natural Gas from the Field will be ..... (.....) Years from the establishment of the Commerciality of the Field.
- 3.12. The duration for each separate Development and Production Plan(s) shall be determined by the Parties in accordance with the agreed Development and Production Plan(s). However, the maximum duration for the entire Field Development Plan(s) (FDP) including Development and Production Plan(s) to be carried out by Contractor under this Contract shall be from the date where the Development and Production Plan(s) is approved by N.I.O.C.. Any such Development and Production Plan(s), proposed by Contractor and reviewed and approved by N.I.O.C., shall be based on the duration agreed by the Parties which such duration shall be based for the schedule(s) of the Field Development and Production Operations and costs recovery plan(s).
- 3.13. The Production Operations shall commence upon the achievement of the First Production of Crude Oil or First Production of Natural Gas by Contractor and Final Production of Crude Oil or Final Production of Natural Gas respectively. The duration for the execution of the Development and Production Operations to achieve the Final Production of Crude Oil or Final Production of Natural Gas from the Field, as the case maybe, and the duration of the Production Operations shall be determined in the Development and Production Operations Plan(s), proposed by Contractor, reviewed and approved by N.I.O.C..

### *C- Total Duration of Exploration to Production Operations and Term of Contract*

- 3.14. The total duration of the Exploration Operations Phase and/or Appraisal Operations Phase will be ..... five (5) Years from the Effective Date. Such duration may be extended by the mutual agreement of the Parties for up to a maximum of two (2) Years.
- 3.15. The total duration of Development and Productions Phase will be twenty (20) Years from the Commerciality Date. Such duration may be extended by the mutual agreement of the Parties for up to a maximum of five (5) Years.
- 3.16. The total duration of the Contract ("Term of Contract") will be twenty five (25) Years from the Effective Date. Such Term of Contract may be extended for up to a maximum of seven (7) Years by mutual agreement of the Parties respectively (i.e. maximum two Years for the Exploration Operations and/or Appraisal Operations and maximum five (5) Years for the Development and Production Operations).

### *D- Discharge of the Contract*

- 3.17. This Contract will be deemed to have been discharged:

- a. Where during the Exploration Operations Phase, Contractor declares and N.I.O.C. accepts that the Exploration Operations of the Field is unsuccessful or shall not be commercial,
- b. Where at the end of the Exploration Operations Phase, there has been no declaration of Commercial Field by Contractor;
- c. Where any such declaration made by Contractor is rejected by N.I.O.C.;
- d. Where, pursuant to the rejection of such declaration by N.I.O.C., Contractor refers the case in dispute to the international neutral expert, and such referral resulted to the rejection of such declaration and in favor of N.I.O.C. to an expert pursuant to Clause ..... or any such referral was unsuccessful in causing a declaration of Commercial Field to be approved.
- e. Where the Term of Contract is ended.
- f. Where for any other reasons this Contract is terminated or rescinded as per the terms and conditions of this Contract.

#### 4. RELINQUISHMENT

- 4.1. During and/or at the end of the Exploration Operations Phase and/or Appraisal Operations Phase, the Contractor shall relinquish to N.I.O.C. any part of the Contract Area that are not included in future exploration/appraisal plans in which no exploration works have started, and/or no Commerciality of the Field is declared; and/or no development plan is established. Such relinquishment shall be made without prejudice to Contractor's Minimum Exploration Works Obligations defined in this Contract.
- 4.2. The following areas shall be excluded for the purpose of relinquishment calculation during and/or at the end of Exploration Operations Phase and/or Appraisal Operations Phase:
  - a. areas designated for the Appraisal Operations within the Contract Area as agreed by the Parties under the Contract;
  - b. areas designated for the Development and Production Operations within the Contract Area as agreed by the Parties under the Contract;
  - c. areas for which the approval of a Development and Production Plan is pending, until finally decided by the Parties;
  - d. any area reserved for a possible Appraisal Operations of non-associated Natural Gas in relation to which the Contractor is engaged in discussions with N.I.O.C.
- 4.3. Contractor, during the Development and Production Operations, shall relinquish to N.I.O.C., not later than ..... year(s), any reservoir that is not included in the Development and Production Plan(s), or any part of the Contract Area where the related Development and Production Operations has not been started in accordance with that Development and Production Plan(s).
- 4.4. N.I.O.C. shall have the right to explore, appraise, develop or produce any relinquished part of the Contract Area and/or reservoirs without hindering or unduly interfering with the Development and Production Operations carried out by Contractor in the Field.
- 4.5. Upon relinquishment of any part of the Contract Area as per Clauses 4.1. and 4.2, Contractor shall perform all necessary site restoration, remove all equipment, materials and installations

from the relinquished area and take all actions necessary to prevent any Health, Safety and Environmental (HSE) hazards.

### PART III - RIGHTS AND ASSISTANCE OF N.I.O.C.

#### 5. RIGHTS AND ASSISTANCE OF N.I.O.C.

- 5.1. N.I.O.C. has the right to exercise necessary control and supervision, in accordance with the terms and conditions of the Contract, required to ensure that Contractor is in full compliance with its obligations under the Contract. N.I.O.C. has all rights to utilize the Contract Area for purposes not related to the Contract, provided that such utilization shall not prevent or hinder the carrying out of the Petroleum Operations within the Contract Area.
- 5.2. In order to implement N.I.O.C.'s supervision and control set out in Clause 19, N.I.O.C. has the right hereunder to appoint representative(s) authorized by N.I.O.C. in writing to monitor, control and supervise the Petroleum Operations in the Contract Area and any records of Contractor relating thereto. In such an event, Contractor shall provide to N.I.O.C.'s representative(s) facilities similar to those provided to its own or to its subcontractors, staff for transport, subsistence and accommodation. N.I.O.C. and Contractor shall coordinate with each other and agree on an appropriate scheduling of such monitoring, control and supervision.
- 5.3. N.I.O.C. shall provide Contractor with such pertinent technical data, if any, (in addition to information provided to Companies prior to the conclusion of the Contract) which may become available from time to time, to be used by Contractor exclusively for Petroleum Operations, in order to allow Contractor to develop and propose an appropriate Work Programs and Budgets. N.I.O.C. shall, as and to the extent necessary and reasonable, give Contractor access to copies of all relevant technical data relating to the Contract Area, including geological maps and sections, well logs, reports, cores and drill stem tests data, data of all seismic surveys, such as prints, films, tapes and seismic profiles and base maps and PVT and other reservoir fluid data, as well as infrastructure drawings and equipment layouts for all N.I.O.C. facilities to be utilized in connection with the Petroleum Operations. Contractor shall utilize all data and information relating to the Petroleum Operations within Iran except as authorised by N.I.O.C. N.I.O.C. will assist the Contractor in securing access to the Contract Area to conduct Petroleum Operations.
- 5.4. Land within the Contract Area and water, including water for injection within or outside the Contract Area, reasonably required by Contractor for the purpose of Petroleum Operations hereunder shall be provided by N.I.O.C. and put at the disposal of Contractor, provided that all installations for off-take, treatment, distribution, and disposal of water shall be the responsibility of Contractor, the costs of such acquisition of land and water, including the prices or rents and other expenditures incurred in connection therewith upon the written request of N.I.O.C., shall be paid by Contractor and included in the Petroleum Costs and charged to the Project Account as Direct Capital Costs (DCC).
- 5.5. N.I.O.C. shall provide assistance to Contractor in order to access to the Contract Area including the existing roads and bridges leading to it and other areas where Petroleum Operations are required;
- 5.6. N.I.O.C. shall provide assistance to Contractor to secure and renew all entry or work permits for employees of Contractor or its Affiliates or its subcontractors and their dependents, all permits and registrations required to open and maintain a branch office or a company in Iran,

and all customs clearances required for imports and exports of equipment and supplies solely required for the Petroleum Operations under the Contract.

- 5.7. Should any emergency situation arise where the N.I.O.C.'s assistance is duly required, then N.I.O.C. shall assist Contractor accordingly.

#### PART IV - RIGHTS AND OBLIGATIONS OF CONTRACTOR

##### 6. RIGHTS AND OBLIGATIONS OF CONTRACTOR

- 6.1. N.I.O.C. hereby authorizes Contractor to enter the Contract Area and to carry out the Petroleum Operations under the Contract and in accordance with the Work Programs and Budgets approved pursuant to Clause 18 hereof.
- 6.2. Contractor upon establishment of the Joint Operating Company (JOC) pursuant to Clause 16 of the Contract and Appendix " P", shall delegate the Development and Production Operations to be executed by Joint Operating Company (JOC) under responsibility of Contractor. Accordingly, the obligations of Contractor under the Contract shall remain intact.
- 6.3. Contractor shall carry out the Petroleum Operations in compliance with Iranian laws, rules and regulations, and shall always remain mindful of the rights and interests of N.I.O.C. and Iran.
- 6.4. Contractor shall take full responsibility for the adequacy, stability and safety of all activities and methods necessary for the performance of the Contract. In order to expedite the performance of Petroleum Operations authorized hereunder, Contractor, without in any way diminishing its own responsibilities to N.I.O.C., may engage subcontractor(s), in accordance with the provisions of the Contract.
- 6.5. Such subcontractors shall be selected according to provisions of this Contract, contracting strategy and Coordination Procedure as set out in Appendix "I" on the basis of a prudent business judgment with due regard to the provisions of Clause 6.6 below, and provided that under comparable and competitive terms and conditions priority is given to Iranian qualify subcontractors.
- 6.6. Contractor shall always make every effort to ensure that the most economically advantageous cost for Petroleum Operations is obtained with due regard to the quality and level of the work and services necessary for the conduct of such Petroleum Operations.
- 6.7. Contractor shall provide all managerial services, supervision, labor, materials and equipment for the performance of the Contract, and shall, with all due care and diligence, execute the Contract and perform all of its obligations under the Contract.
- 6.8. Contractor shall settle all its Project Management, Project team and employees and shall establish office(s), work place, yard and warehouse in Iran for the purpose of carrying out the Petroleum Operations. Establishing such settlement and establishment (e.g. through purchase or rent) of any office, work place, yard, or similar premises outside Iran shall be subjected to Steering Committee (SC) recommendation and N.I.O.C. approval of Work Program and Budget ,



- 6.9. Contractor shall also establish a branch office or a company in Iran for the purposes of handling any and all of the Petroleum Operations in Iran including, *inter alia*, managing and carrying out the Petroleum Operations, maintaining necessary books and accounts, filing tax returns, and paying taxes, levies, fees and other relevant charges.
- 6.10. Contractor shall supply all funds necessary to carry out the Petroleum Operations. The Exploration Operations and Appraisal Operations shall be carried out at the sole risk of Contractor.
- 6.11. Contractor is entitled to Petroleum Costs recovery and to the Remuneration Fee pursuant to Clause 25 and/or the other relevant terms and conditions of this Contract.

## 7. LEVIES, CHARGES, FEES AND TAXES

- 7.1. To the extent any Iranian levies, charges, fees and taxes ("Iranian Charges") are imposed on and paid by the Contractor and in respect of the performance of the Contract (with the exceptions of any penalties due to Contractor's fault, personal income taxes generally imposed on all employees in Iran, employees portion of Social Security Charges and thereby payable by Contractor's employees themselves, taxes and levies imposed on foreign employees, and Contractor's employees training costs), Contractor shall pay same, and an amount representing such Iranian Charges shall be charged to the Project Account as Indirect Costs to be recovered in accordance with Clause 25 and Appendices "B" and "F".
- 7.2. In respect of Iranian Corporate Income Tax of the Contractor, the Clause 25.2.5 of the Contract applies. However, it is understood and agreed that N.I.O.C. is not responsible to reimburse any and all the Iranian Corporate Income Tax or any Iranian Charges, incurred and paid by the Contractor's subcontractor(s) or third parties and/or their respective employees and personnel.
- 7.3. Payment of Petroleum Costs and Remuneration Fee of the final Quarter of the Amortization Period pursuant to Clause 25 of the Contract to Contractor under this Contract is subject to the satisfactory fulfillment of the obligations of Contractor stipulated in Clause 7.1 and provision of the clearance certificates mentioned in Clause 7.5.
- 7.4. Contractor shall neither be entitled to recover as Petroleum Costs, any taxes, charges, fees and levies imposed outside Iran nor upon its income outside Iran nor any levies, taxes, charges, fees of any nature that are paid directly by N.I.O.C.
- 7.5. Contractor shall take legal responsibility to settle any and all Iranian Charges with the relevant authorities and obtain the necessary clearance certificates in accordance with the Clause 25.2.5 of the Contract and Law.

## 8. GENERAL STANDARDS OF CONDUCT

- 8.1. Contractor shall carry out the Petroleum Operations diligently and in a professional manner, and in accordance with good international petroleum industry practices, standards and procedures including but not limited to those referred to in the Exploration Operations Plan (EOP), Appraisal Operations Plan (AOP), Development and Production Plan(s) (DPP),

8.2. Subject to Clause 8.1, Contractor shall:

- 8.2.1. ensure that all machinery, plant and equipment used by Contractor in connection with the Petroleum Operations are new, proper and sound construction and workmanship, and are kept in good operating condition ;
- 8.2.2. purchase new machinery, plant, equipment and installations for all permanent facilities installed and used for the Petroleum Operations.
- 8.2.3. prevent damage to adjacent strata bearing Petroleum or water and prevent water entering through wells into strata bearing Petroleum, except where water injection methods are used for secondary recovery operations or to avoid pollution;
- 8.2.4. avoid pollution when disposing of drilling fluids, waste oil, salt water and refuse.

8.3. If Contractor fails to carry out any or all of the Petroleum Operations in accordance with the Contract, and consequently any loss or damage is incurred by N.I.O.C., Contractor shall be responsible to remedy such failure at its own account, and shall not recover such costs under Clause 25.

## 9. WELLS AND SURVEYS

- 9.1. The design of the wells and the conduct of drilling and/or work-over shall be in accordance with good international petroleum industry practices and standards.
- 9.2. Except in cases where there is an immediate hazard to life or a risk of substantial damage or loss to properties or the environment, Contractor shall not
  - 9.2.1. plug and/or abandon a well or remove any permanent form of casing therefrom without the approval of N.I.O.C. An abandoned well shall be securely plugged to prevent pollution or water entering or escaping from the strata penetrated; or,
  - 9.2.2. commence drilling, re-enter or plug a shut-in well, unless N.I.O.C. has been given reasonable notice of such operation and has approved same in the Work Program and Budget.
- 9.3. For the purposes of approving well plugging and abandonment, N.I.O.C. shall in a timely manner appoint a representative(s) available on a twenty-four (24) hour basis for receiving notice of any such proposed operation, and N.I.O.C. shall either approve or deny such proposals within twenty four (24) hours after from receipt thereof.
- 9.4. Contractor shall give N.I.O.C. thirty (30) Calendar Days' notice of any proposed geophysical survey. Such notice shall contain complete details of the program to be conducted.

## 10. FIXTURES AND INSTALLATIONS

- 10.1. Contractor shall, in accordance with the Contract and its Appendices, conduct surveys and place fixtures and installations necessary to conduct the Petroleum Operations including, but not limited to, exploration and appraisal activities, drilling of wells, work-over, facilities, storage tanks, separation and processing facilities, utilities, shipment installations, pipelines, cables, similar lines, or any other necessary equipment and infrastructure of the project.

- 10.2. All lands acquired and assets including properties and equipment acquired, created or used in the performance of Petroleum Operations shall be the sole property of N.I.O.C., except for property, machinery and equipment leased or imported on a temporary basis, pursuant to Clause 28 hereof.
- 10.3. N.I.O.C. may permit other persons to lay pipelines, cables and similar lines in the Contract Area, which shall not prevent or hinder the Petroleum Operations from being carried out by Contractor.
- 10.4. Contractor and N.I.O.C. shall cooperate and coordinate with each other in good faith to accomplish interconnection of facilities of N.I.O.C. based on cost effectiveness and the proper time schedule.

## 11. LIABILITY AND INSURANCE

- 11.1. Contractor shall, in coordination with N.I.O.C. and with its prior written approval, establish an insurance plan within six (6) Months from the Effective Date. An insurance coverage plan shall maintain insurance coverage in the types (including but not limited to the third party liability; construction all risks; damage to equipment, installations and environment; and pollution) and amounts required for the performance of the Contract under the laws, rules and regulations of Iran and consistent with good international petroleum industry practices. Contractor shall ensure that its Sub-Contractor(s) adequately insure their risks under their relevant sub-contracts.
- 11.2. Contractor may, with the prior written approval of N.I.O.C., provide and maintain such insurance coverage with an Affiliate of Contractor as may be appropriate and competent, provided that the insurance premium and the prevailing conditions are not greater than the market rates for obtaining equivalent insurance coverage and security.
- 11.3. Contractor shall, with the prior approval of N.I.O.C., provide and maintain insurance with respect to damage to wells, clusters, equipment, facilities, fixtures and installations as is reasonable and consistent with good international petroleum industry practice.
- 11.4. N.I.O.C. may exercise the option, in coordination with the Contractor, such insurance coverage at insurance premium rates not greater than market rates for obtaining equivalent insurance coverage and security. In the event N.I.O.C. selects to provide such coverage, N.I.O.C. shall notify Contractor of the said coverage in order to enable Contractor to arrange for substitute or additional policies to remedy any omissions.
- 11.5. Contractor shall indemnify and hold harmless N.I.O.C. in respect of any liability, claim, fine, penalty or expense of whatever nature arising out of or resulting from violation by Contractor or its employees and personnel of any laws, rules, regulations, measures or other conditions in relation to any matter or thing arising out of the Petroleum Operations or the performance thereof.
- 11.6. Contractor shall be liable to compensate N.I.O.C. for and against any and all loss or damage suffered as a result of the Petroleum Operations carried out by Contractor and/or its subcontractor(s), except for loss or damage caused by or attributable to N.I.O.C., for which loss or damage N.I.O.C. shall be liable.

- 11.7. Contractor shall also be liable for and indemnify and hold N.I.O.C. harmless from and against any and all loss or damage to the environmental, social, safety, security and health (as per the ESHIA plan requirements pursuant to Clause 15 of the Contract) resulted from or connected with the Petroleum Operations carried out by Contractor under the Contract.
- 11.8. Contractor shall also be liable for and indemnify and hold N.I.O.C. harmless from and against any and all loss or damage to the equipment, wells, clusters, facilities, fixtures, installations and properties, or any part thereof, except for loss or damage caused by or attributable to N.I.O.C., for which loss or damage N.I.O.C. shall be liable.
- 11.9. N.I.O.C. and Contractor shall indemnify and hold each other harmless from and against all loss or damage, including injury or death, suffered by third parties or by their respective representative(s), officers, personnel or agents.
- 11.10. Contractor shall indemnify, defend and hold N.I.O.C. harmless from any and all claims for loss or damage suffered by third parties as a result of the Petroleum Operations carried out by Contractor and/or its subcontractor(s).
- 11.11. It is understood and agreed that no costs and expenses associated with defending, paying, compromising or otherwise settling any claims in relation to loss or damage suffered by N.I.O.C. and/or third parties as a result of the Petroleum Operations carried out by Contractor and/or its subcontractor(s) and their respective representatives, personnel and agents caused by their negligence, shall be reimbursed by N.I.O.C.
- 11.12. The costs of insurance coverage obtained and maintained under this Contract for insurance premiums paid by the Contractor for obtaining such insurance coverage shall be recoverable under the Contract as Direct Capital Costs ("DCC").
- 11.13. Neither Party shall be liable to the other Party for any indirect or consequential loss or damage arising out of or resulting from the performance or breach of the Contract.

## 12. LOCAL EMPLOYMENT, TRANSFER OF TECHNOLOGY AND KNOW-HOW AND TRAINING

- 12.1 Contractor shall and require its subcontractor(s) and Affiliate(s) to, give priority to qualified and experienced Iranian citizens in the employment of personnel to carry out Petroleum Operations, in accordance with the laws of Iran limiting the employment of foreign nationals for only positions where qualified and experienced Iranian citizens are not available. The employment of foreign nationals to occupy such positions must always be done with the prior written consent of N.I.O.C. Moreover, it is the responsibility of Contractor to replace such foreign employees as soon as Iranian citizens have become available to occupy such positions. In accordance with this Clause, N.I.O.C. and Contractor shall jointly, within three (3) Calendar Months from the Effective Date of the Contract, prepare a scheme to set up a procedure for employment of personnel to carry out the Petroleum Operations. Such procedure, after approval of N.I.O.C., shall be the basis for employment under the Contract.
- 12.2 Contractor shall, during the Term of the Contract, transfer technology and know-how to Iran. The detailed procedures and schedules are to be agreed by Contractor and N.I.O.C. in accordance with the Appendix "N".
- 12.3 Contractor shall conduct and provide training for Iranian employees and trainees engaged in this Project as introduced by N.I.O.C. from time to time, and shall bear the costs of such

training in accordance with the EOP, AOP, DPP. The training costs shall be charged to the Project Account as Direct Capital Costs (DCC) in accordance with Clause 8.1.3 of the Accounting Procedures and related approved Work Program and Budget. The type and budget of training, as well as the level, duration, time and place of training shall be approved by N.I.O.C., respectively, in such a way that it shall result in the transferring of know-how and technology, the upgrading of the respective knowledge and skills of the Iranian employees and trainees, and the acquiring or upgrading the necessary know-how and technology to enable them to assume and perform the responsibilities and tasks for which they are being properly trained as required for the successful conduct of Petroleum Operations in the Contract Area. The approved training programs by N.I.O.C. shall be implemented by the Contractor.

12.4 The detailed principles and procedures related to the employment of Iranian citizens and training of N.I.O.C. personnel shall be agreed by the Parties within 3 month of the Effective Date of the Contract.

### 13. DATA AND SAMPLES

- 13.1. Contractor shall keep logs and records of the drilling, work over, deepening, plugging or abandonment of wells in accordance with good international petroleum industry practices. All such logs and records shall be the property of N.I.O.C. and Contractor shall provide such logs and records to N.I.O.C. Contractor may retain a copy of such logs and records until the last Quarter of the Term of Contract. The logs and records shall contain specifications and particulars of:
- 13.1.1. the strata and sub-soil through which the well has been drilled;
  - 13.1.2. the casing, tubing and down-hole equipment and alterations thereof inserted in a well; and
  - 13.1.3. Petroleum, water and workable mineral deposits encountered.
- 13.2. Contractor shall record in an original or reproducible form of good quality, and on seismic tapes, where relevant, all geological and geophysical information and data relating to the Contract Area obtained by Contractor, and shall deliver such information and data, interpretations thereof and the logs and records of wells to N.I.O.C. as soon as practicable after such information, interpretations, logs and records are obtained by Contractor. Contractor may retain a copy of such tapes, information and data until the last Quarter of the Term of Contract.
- 13.3. Contractor may collect and remove, for the purpose of laboratory examination or analysis, petrological specimens or samples of Petroleum or water encountered in a borehole or well and, as soon as practicable, and shall give N.I.O.C. a representative part of each specimen and sample collected, which shall be transferred free of charge. Contractor shall furnish to N.I.O.C. all laboratory reports concerning such specimens and samples. Contractor may retain a copy of such reports until the last Quarter of the Term of Contract. Contractor shall utilise all such specimens and samples within Iran except as authorised by N.I.O.C. in writing.
- 13.4. All costs associated with the collection, interpretation, use and copying of data, samples and information solely and reasonably required for the efficient and effective performance of the Petroleum Operations shall be included in Petroleum Costs to be recovered as Direct Capital Costs (DCC) pursuant to Clause 25.

## 14. REPORTS AND RECORDS

- 14.1. Contractor shall keep records of and supply to N.I.O.C. all documents pertinent to the engineering study and all other information concerning the Petroleum Operations progress in a format agreed with N.I.O.C., in accordance with good international petroleum industry practices. Contractor may retain copies for its own records until the last Quarter of the Term of Contract.
- 14.2. Contractor shall submit in writing to N.I.O.C. daily reports on drilling operations and production operations and weekly progress reports on geophysical operations.
- 14.3. Contractor shall submit to N.I.O.C. comprehensive statements for the expenditure and cost recovery statement regarding the Project in accordance with the Accounting Procedures.
- 14.4. Contractor shall report in writing to N.I.O.C. the progress of the Petroleum Operations according to the following schedule:
  - 14.4.1. within twenty (20) Calendar Days from the beginning of each month covering the previous month;
  - 14.4.2. within one (1) Month of the last day of March, June, September and December covering the previous Quarter;
  - 14.4.3. during the first Quarter of each Calendar Year covering the previous Calendar Year; and,
  - 14.4.4. during the last Quarter prior to the date of expiration or termination of the Contract, covering the whole Petroleum Operations.
- 14.5. In respect of the period it covers a report to be provided under Clause 14.4 shall, *inter alia*, contain the following information:
  - 14.5.1. details of the Petroleum Operations carried out and the factual information obtained;
  - 14.5.2. a description of the surface area and strata in which Contractor has operated;
  - 14.5.3. a map indicating locations of all wells and other fixed assets in the Contract Area;
  - 14.5.4. the type of all machinery and equipment purchased, and supplementary documents for future maintenance and inventory classification; and
- 14.6. Contractor shall furnish to the other Party a monthly report, no later than the twentieth (20<sup>th</sup>) day of the succeeding Month, indicating the amount of Crude Oil/ Natural Gas/ Condensate and water and sulphur produced and the amount of water and/or natural gas injected, as the case may be, as a result of its operations in the Field(s) for the preceding Month.
- 14.7. N.I.O.C. has the right to be present during any and all engineering works and studies, including but not limited to 2D and 3D seismic surveys, geological and reservoir modeling, drilling planning and operations, installation designs, and construction safety, health and environmental reviews, procedures, tenders and evaluations carried out under the Contract. Contractor shall provide N.I.O.C. with schedules of such engineering works and studies within a reasonable time before