contract
for the exploration, development
and production of petroleum
between
the government of the syrian arab republic
and
syrian petroleum company
and
loon energy, inc.
عقد
للتنقيب عن البترول و تنميتاه وإنتاجه
بين حكومة الجمهورية العربية السورية
و الشركة السورية للنفط
و
لون إنرجي إنك

C O N T R A C T
FOR THE EXPLORATION, DEVELOPMENT
AND PRODUCTION OF PETROLEUM
Between
THE GOVERNMENT OF THE SYRIAN ARAB REPUBLIC
And
SYRIAN PETROLEUM COMPANY
And
LOON ENERGY Inc.

Lattakia Contract
<table>
<thead>
<tr>
<th>ARTICLE</th>
<th>PAGE</th>
<th>صفحة</th>
</tr>
</thead>
<tbody>
<tr>
<td>Preamble</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Definitions</td>
<td>15</td>
<td>15</td>
</tr>
<tr>
<td>Annexes to the Contract</td>
<td>16</td>
<td>16</td>
</tr>
<tr>
<td>Grant of Rights and Term</td>
<td>21</td>
<td>21</td>
</tr>
<tr>
<td>Work Program and Expenditures During Exploration Period</td>
<td>28</td>
<td>28</td>
</tr>
<tr>
<td>Reclamation</td>
<td>29</td>
<td>29</td>
</tr>
<tr>
<td>Operations after Commercial Discovery</td>
<td>33</td>
<td>33</td>
</tr>
<tr>
<td>Royalty, Recovery of Cost and Expenses and Production Sharing</td>
<td>42</td>
<td>42</td>
</tr>
<tr>
<td>Gas</td>
<td>56</td>
<td>56</td>
</tr>
<tr>
<td>Office and Service of Notice</td>
<td>57</td>
<td>57</td>
</tr>
<tr>
<td>Saving of petroleum and Prevention of loss</td>
<td>59</td>
<td>59</td>
</tr>
<tr>
<td>Customs Exemptions</td>
<td>63</td>
<td>63</td>
</tr>
<tr>
<td>Books of Accounts: Accounting and Payment</td>
<td>65</td>
<td>65</td>
</tr>
<tr>
<td>Records, Reports, &amp; Inspections</td>
<td>69</td>
<td>69</td>
</tr>
<tr>
<td>Responsibility for Damage and Insurance</td>
<td>70</td>
<td>70</td>
</tr>
<tr>
<td>Privileges of Official Representatives</td>
<td>72</td>
<td>72</td>
</tr>
<tr>
<td>Employment Rights and Training of Syrian Personal</td>
<td>75</td>
<td>75</td>
</tr>
<tr>
<td>Local Contractors and Locally Manufactured Materials</td>
<td>76</td>
<td>76</td>
</tr>
<tr>
<td>Laws and Regulations</td>
<td>80</td>
<td>80</td>
</tr>
<tr>
<td>Right of Requisition</td>
<td>82</td>
<td>82</td>
</tr>
<tr>
<td>Assignments</td>
<td>84</td>
<td>84</td>
</tr>
<tr>
<td>Breach of Agreement and Power to Cancel</td>
<td>86</td>
<td>86</td>
</tr>
<tr>
<td>Force Majeure</td>
<td>88</td>
<td>88</td>
</tr>
<tr>
<td>Disputes and Arbitration</td>
<td>91</td>
<td>91</td>
</tr>
<tr>
<td>Legal Status of Parties</td>
<td>92</td>
<td>92</td>
</tr>
<tr>
<td>General</td>
<td>94</td>
<td>94</td>
</tr>
<tr>
<td>Title to Assets</td>
<td>96</td>
<td>96</td>
</tr>
<tr>
<td>Pipelines and Facilities</td>
<td>97</td>
<td>97</td>
</tr>
<tr>
<td>Signature Bonus and Production Bonuses</td>
<td>98</td>
<td>98</td>
</tr>
<tr>
<td>Arabic and English Text</td>
<td>99</td>
<td>99</td>
</tr>
</tbody>
</table>

| ANNEXES |  |
|----------|------|--------|
| "A" Description of the Area | 100 |
| "B" Map of the Area | 101 |
| "C" Letter of Guarantee | 102 |
| "D" Operating Company Charter | 105 |
| "E" Accounting Procedure | 110 |

عقد اللاذقية

Lattakia Contract -1-
CONTRACT FOR THE EXPLORATION, DEVELOPMENT AND PRODUCTION OF PETROLEUM

between

THE GOVERNMENT OF THE SYRIAN ARAB REPUBLIC

And

SYRIAN PETROLEUM COMPANY

And

LOON ENERGY Inc.

This Contract is signed on this 20th day of J.E.P.Z......... 2007 by the GOVERNMENT of the SYRIAN ARAB REPUBLIC (hereinafter referred to as the "GOVERNMENT"), represented by the Minister of Petroleum and Mineral Resources, SYRIAN PETROLEUM COMPANY, a legal entity created by Legislative Decree No. 9 of 1974 (hereinafter referred to as "COMPANY") represented by its General Manager, who is duly authorized to sign this Contract, and the company of LOON ENERGY INC., a company incorporated under the laws of Canada which is qualified under the decision of companies qualification committee in its minutes Number 14 dated 2005 represented by Mr. Timothy M. Elliott who is duly authorized to sign this contract.

تم التوقيع على هذا العقد في اليوم
الـ ٢٠ جمادي من شهر جمادى... ١٤٢٩ هـ، فيما بين
حكومة الجمهورية العربية السورية (المشار إليها فيما
يأتي "الحكومة") ممثلًا بوزير النفط
والثروة المعدنية، وبين الشركة السورية
للنفط وهي شخصية اعتبارية تأسست بموجب المرسوم
التشريعي رقم ٩ لعام ١٩٧٤ (المشار إليها فيما يلي "الشركة")
ممثلة بمديرها العام، وشركة لون اترجمي انك (وهي شركة
مؤسسة وقائمة بموجب قوانين كندا) المؤهلة بموجب قرار
لجنة تسهيل الشركات رقم ١٤ تاريخ ١٤٥٩ الممثلة بالسيد
تيموثى إيليوت المفوض، بالتوقيع على هذا
العقد.

عقد اللاذقية
(Hereinafter referred to "CONTRACTOR").

WITNESSETH

WHEREAS Article 1 of law No. 7 of 1953 considers that all minerals in the Syrian territories on the surface, under the surface or under the waters of Syria are the property of GOVERNMENT,

and WHEREAS "COMPANY" is authorized, pursuant to the Legislative Decree No. 9 of 1974 to carry out all Petroleum operations in the country, including exploration development and production,

and WHEREAS SYRIAN GAS COMPANY is authorized, pursuant to the Decree No. 50 of 2003 to carry out all operations related to Exploitation, Transportation and Marketing of the Natural Gas,

and WHEREAS "CONTRACTOR" desires to undertake all operations for the exploration, development and production of petroleum in and throughout the area described in Annexes A and B of this Contract and fulfill all the obligations and enjoy all the rights provided for in this Contract as a contractor to "COMPANY" in accordance with the terms and conditions contained herein, and

WHEREAS "GOVERNMENT" agrees to this request and has authorized the Minister of Petroleum and Mineral Resources to enter into a contract with "COMPANY", and with LOON ENERGY INC, LOON ENERGY LIMITED, LOON LATTAKIA LIMITED as a CONTRACTOR, for activities prescribed in this Contract,

NOW THEREFORE THE PARTIES AGREE AS FOLLOWS:

العهد والمشار إليه فيما يلي بالمقاولاً.

بقر هذا العهد ما يلي:

حيث أن المادة 1 من القانون رقم 7 لعام 1953 تعتبر من أملاك الدولة جميع المواد المنجمية التي توجد ضمن حدود الأراضي السورية، سواء كانت على سطح الأرض أم في باطنها أم في المياه السورية،

و حيِّث أن "الشركة" مخالفة بمقتضى المرسوم التشريعي رقم 9 لعام 1974 بالقيام بجميع الأعمال الرامية إلى اكتشاف الثروات النفطية في البلاد بما في ذلك التنقيب والتجهيز والإنتاج

وحيث أن الشركة السورية للغاز مخالفة بمقتضى المرسوم رقم 50 لعام 2003 بالقيام بجميع الأعمال الرامية إلى استثمار ونقل وتسويق الغاز الطبيعي،

وحيث أن "المقاولاً" يرغب في أن يتعهد جميع العمليات الخاصة بالتثبيت أو التنقيب والتفريغ في المنطقة المحددة في الملحقين "أ" و "ب" من هذا العقد وان يتحمل جميع الالتزامات ويتمتع بجميع الحقوق المنصوص عليها في هذا العقد بوصفه ممقاولاً للشركة وفقاً للشروط والاحكام المبينة فيه،

حيث أن "الحكومة" توافق وافقت على هذا الطلب وقبول وزيادة التنقب وتوقيع عقد مع "الشركة" ومقابل ذلك يتوقف على ما يلي:

وقد تم الاتفاق بين الأطراف على ما يلي:
ARTICLE 1
DEFINITIONS

1.1 "Affiliated Company" means a subsidiary company, a parent company, or a sister company to a party hereto. For the purposes of the foregoing definition:

1.1.1 "A subsidiary company" is a company controlled by a party hereto.

1.1.2 "A parent company" is a company that controls a party hereto.

1.1.3 "A sister company" is a company that is controlled by the parent company of a party hereto. "Control" or "Controlled" means that either a company owns share capital directly or through other companies, which confer upon it a majority of the votes at the stockholders meetings of the company, which is controlled.

1.2 "Area" means the area where CONTRACTOR may carry out activities under this Contract, as described in Annexes A and B of this Contract and as it may be changed by relinquishments by CONTRACTOR pursuant to Article 5 of this Contract.

1.3 "Available Petroleum" means the volume of daily production of Petroleum measured at the Metering Point after deducting the Royalty pursuant to Article 7. Available Petroleum may be "Available Petroleum" or "Available Gas", as appropriate.

1.4 "Average Daily Production" means that volume of Petroleum measured in BPD calculated after the end of each Calendar Quarter by dividing the total volume of Petroleum produced and saved from the Area at the Metering Point during the preceding Calendar Quarter by the number of Days in that Calendar Quarter, or by the number of Days following and
inclusive of the Date of Initial Commercial Production until the quarter end, as the case may be, all determined in accordance with Article 7 hereof.

1.5 "Barrel" means forty-two (42) United States gallons (equivalent to approximately 158.984 liter), liquid measure, corrected to a temperature of sixty degrees (60°) Fahrenheit.

1.6 "BOPD" means Barrels of Petroleum Per Day.

1.7 "BPD" means Barrels Per Day, and shall include BOPD as well as Gas converted to Barrels of Oil Equivalent ('BOE') pursuant to Article 8.

1.8 "Budget" means the budget ascribed to a Work Program and prepared by the CONTRACTOR pursuant to Article 4 or by the Operating Company pursuant to Article 6.

1.9 "Calendar Month" means a month according to the Gregorian Calendar and "Month" means a period counted from and including any Day of a Calendar Month ending at the end of the corresponding Day of the following Calendar Month or, if such a Day does not exist, on the last Day of such Calendar Month.

1.10 "Calendar Quarter" means a period of three consecutive Calendar Months beginning 1st January, 1st April, 1st July or 1st October and ending 31 March, 30 June, 30 September or 31 December, respectively.

1.11 "Calendar Year" means a period of twelve (12) consecutive Calendar Months according to the Gregorian Calendar starting on 1 January and ending on 31 December, both dates inclusive and "Year" means a period of twelve consecutive Months.
1.12 "CM" means a quantity of Gas which in the dry state at a temperature of fifteen (15) degrees Celsius and an absolute pressure of one decimal zero one three two five (1,01325) bar occupies a volume of one (1) cubic meter.

1.13 "Commercial Discovery" means either of the following:

1.13.1 "Commercial Oil Discovery" means a discovery made by CONTRACTOR which may consist of one or more Petroleum reservoirs or a group of Petroleum reservoirs which is considered by CONTRACTOR worthy to be Developed commercially and in respect of which the CONTRACTOR may give Notice of Commercial Discovery to COMPANY in accordance with Article 3.2.4 of this Contract.

1.13.2 "Commercial Gas Discovery" means a discovery or discoveries of Gas made by CONTRACTOR which is considered by COMPANY and CONTRACTOR worthy to be Developed commercially and in respect of which the CONTRACTOR may give Notice of Commercial Discovery to COMPANY in accordance with Article 3.1.4 of this Contract.

1.14 "Commercial Well" shall mean either of the following:

1.14.1 "Commercial Petroleum Well" means the first well drilled underthis Contract on any geological feature which after testing in accordance with sound and accepted industry production practices, and verified by COMPANY, is found by CONTRACTOR to be capable of producing at the average rate of not less than 3,000 BOPD over a period of thirty (30) consecutive Days if produced from a producing interval, the top of which is

[Signature]

Lattakia Contract
located not more than 3,400 meters below the surface, or 4,000 BOPD over a period of thirty (30) consecutive Days if the top of the producing interval is located at a depth greater than 3,400 meters below the surface.

1.14.2 "Commercial Gas Well" means a well under this Contract which after testing in accordance with sound and accepted industry production practices prevalent in international petroleum industry, is found to be capable of production of Gas at the average rate of not less than fifteen (15,000,000.00) million standard cubic feet of Gas per day (MMSCFD).

1.15 "Contract" means this contract and its Annexes as may be amended from time to time.

1.16 "Cost Recovery Petroleum" means all costs and expenses recoverable by CONTRACTOR in respect of all the Exploration, Development and related operations as more fully described in Article 7.2.

1.17 Crude Oil" means any hydrocarbons produced from the Area which are in a liquid state at the wellhead or separator or which are extracted from gas or casing head gas, such term includes distillate and condensate.

1.18 "Date of Commercial Discovery" means the date on which the Minister agrees in writing on the coordinates of the Development Area relating to the applicable Notice of Commercial Discovery given by CONTRACTOR in accordance with Article 3.2.4 hereof.

1.19 "Date of Initial Commercial Production" means the date thirty (30) days after Petroleum has been produced on a continuous commercial
daily basis in the Area from permanent production facilities but excluding any Petroleum produced as a result of tests performed for the purpose of determining a Commercial Discovery.

1.20 "Day" or "day" means a period commencing at 00:00 (zero) hours and ending at 24:00 (twenty-four) hours, local time.

1.21 "Delivery Point" means the point at which the Parties will take their respective shares of Petroleum and which shall be the same point as the Metering Point.

1.22 "Development" means and shall include, but not be limited to, all the operations and activities pursuant to approved Work Programs and Budgets under this Contract with respect to:

1.22.1 the drilling, plugging, side-tracking, and completing and equipping of wells for the purpose of Production from a Development Area and the changing of the status of any such well, and

1.22.2 The design, construction, installation, operation, servicing and maintenance of equipment, pipelines, roads and other infrastructure, water, electrical and other systems, facilities (including office-, storage-and port facilities), and plants, as needed to produce from wells, to take, save, treat, handle, store, flare, transport and deliver Petroleum for export and for local market and to undertake injection or reinjection and other enhanced recovery projects.

and use of the term "Development" in this Contract shall include Production as defined herein, when appropriate to the context and circumstances. The verb "Develop" means conducting Development

Lattakia Contract
1.23 "Development Area" means with respect to each Commercial Discovery the extent of the surface projection of the whole of any Petroleum reservoir (the corner points of which should be, where possible, coincident with three (3) minutes latitude by three (3) minutes longitude divisions according to the International Grid System (or with the existing boundaries of the Area) as mutually agreed between COMPANY and CONTRACTOR and approved by the Minister, in accordance with Article 3.2.5 hereof.

1.24 "Development Expenditures" shall mean all costs and expenses for Development operations in the Area with the exception of "Operating Expenses" and "Intangible Drilling Costs".

1.25 "Development Period" means the period during which rights to Develop and Produce exist with respect to a Development Area or Development Areas, commencing at the Date of Initial Commercial Production in such respective Development Area or Development Areas, all as provided for in Article 3.2.5 hereof.

1.26 "Development well" means any well other than an Exploration well.

1.27 "Effective Date" means the effective date of the Legislative Text ratifying this Contract after having been signed by GOVERNMENT, COMPANY and CONTRACTOR following its publication in the Official Gazette of S.A.R.

1.28 "Exploration" means and shall include all operations for such geological, geophysical, aerial and other surveys as may be contained in the approved Work Programs and Budgets, and the drilling of such up-holes, core holes, stratigraphic tests, holes for discovery of Petroleum or appraisal of Petroleum discoveries and other related holes and wells, and the carrying out of testing and production.
testing and the purchase of such supplies, materials and equipment therefore all as may be contained in the approved Work Programs and Budgets, and the related activities in support of such operations. The verb "Explore" means conducting Exploration.

1.29 "Exploration Expenditures" shall mean all costs and expenses for Exploration operations in the Area other than "Intangible Drilling Costs".

1.30 "Exploration well" means:
   a) The first well in any geological feature.
   b) Any appraisal well drilled under Article 4 of this Contract.
   c) Any well, having as its objective a formation other than any formation proved to be Petroleum bearing by a well drilled in the same geological feature.
   d) All the above mentioned wells should be drilled during the exploration period.

1.31 "Financial Year" means the financial year starting on 1 January and ending 31 December, both dates inclusive.

1.32 "Gas" means natural gas, both associated and non-associated, and all of its constituent elements produced from any well in the "Area" and all non-hydrocarbon substances therein. Said term shall include residue gas after processing.

1.33 "Gas Reserves" means the quantity of Gas which relevant data indicates is the most likely estimate of economically recoverable volume of Gas.

1.34 "Gas Sales Contract" means an instrument which would include the COMPANY and the CONTRACTOR as sellers of Gas containing the obligations of and undertakings by parties with regard to the sale and purchase of Gas produced and saved under the Contract.
35 "Initial Exploration Period" means the period of forty-eight (48) Months starting as of the Effective Date of this Contract.

36 "Intangible Drilling Costs" shall mean all expenditures incurred during Exploration and Development for well drilling and completing operations related to items which themselves do not have a salvage value, as for example, labor, geological, design, engineering and other technical assistance supervision, amounts paid to drilling and other contractors, material and equipment consumed or lost, perforating, formation testing, cementing, well logging and transportation.

"LPG" means propane and butane as defined according to S.A.R. standards.

"MCF" means one thousand (1,000) standard cubic feet ("SCF"). One SCF is the amount of gas necessary to fill one cubic foot of space at atmospheric pressure of 14.65 psi at a base temperature of sixty (60) degrees Fahrenheit.

"Metering Point" means the place or places at or about the Production facilities mutually agreed by COMPANY and CONTRACTOR, where appropriate equipment and facilities will be located for the purpose of performing all volumetric measurements and other determinations, temperature and other adjustments, determination of water and sediment content and other appropriate measurements, to establish for the various purposes of this Contract, the net volumes of Petroleum (less any amounts lost, used in operations, flared or reinjected) produced and saved from Development Areas. The Metering Point will also be the Delivery Point.

"Minister" means the Minister of Petroleum and Mineral Resources of the Syrian Arab Republic.

1-37 غاز البتروال المعبّر عنه بالبروكان والبوتانا كما هو معروف حسب مقاييس ج.ع.س. (SCF)

1-38 1 الف (1,000) قدم مكعب جياس (MCF)

1-39 نقطة القياس تعني المكان أو الأمكنة عند أو بجوار تسهيلات الإنتاج التي يتم اتفاق متبادل عليها بين الشركة والمقاول، حيث تتركز المعدات والتسهيلات المناسبة بعرض القيام بجميع القياسات الحجمية والتحديات الأخرى، وتحديد درجات الحرارة و غيرها من التحديات ولتحديد نسبة الماء والراسب و غيرها من القياسات اللازمة لذي، و التي تجري لأغراض هذا العقد المختلفة من أجل تحديد الكميات الصافية من البترول (نافقة منها أي الكميات فقدت أو استندت في العمليات، أو أحرقت عند رأس البتر أو أعد حقها في الآبار) والتي تستخرج و يحتفظ بها من مناطق التنمية. وتكون نقطة القياس هي أيضاً نقطة التسليم.

1-40 "الوزير" هو وزير النفط والثروة المعدنية في الجمهورية العربية السورية.

Lattakia Contract

-11-

عقد اللاناقية
"Notice of Commercial Discovery" means the notice that CONTRACTOR shall give COMPANY upon deciding that any discovery is considered by CONTRACTOR to be worthy of Commercial Development as more fully described in Article 3.2.4 and Article 8.1 hereof.

"Operator" shall mean CONTRACTOR or Operating Company, as specified in Article 6. When CONTRACTOR is Operator, Operator shall always mean all companies comprising CONTRACTOR.

"Operating Expenses" shall mean all direct and indirect Production costs, expenses and expenditures made after the first Date of Initial Commercial Production in the Area, which costs, expenses and expenditures are not normally depreciable including operation maintenance and servicing of all types of facilities required for Development or Production. Operating Expenses shall include workover, repair and maintenance of assets but shall not include side-tracking, redrilling and changing the status of a well, replacement of assets or part of an asset, additions, improvements, renewals or major overhauling that extend the life of the asset.

"Parties" means the GOVERNMENT, COMPANY and CONTRACTOR, and "Party" means any one of the Parties, including their respective successors and assigns.

"Petroleum" means liquid Petroleum of various densities, asphalt, Gas and all other hydrocarbon substances of a liquid or gaseous nature that may be found in, and produced, or otherwise obtained, and saved from the "Area" under this Contract and all substances that may be extracted therefrom.

"The Government" and "the Government's" means the Syrian Arab Islamic Republic and its government respectively.
1.46 "Production" means every type of operation to produce Petroleum and operate Development wells, and the taking, saving, treating, handling, sorting, transporting, metering, and delivering of Petroleum, injection or re-injection, lifting and every type of operation to obtain primary and enhanced recovery of Petroleum, and transportation, storage and any other work or activities necessary or ancillary to such operations. The verb "Produce" means conducting Production.

1.47 "Qualifying Sales" means the arm's length sales of Petroleum by COMPANY and CONTRACTOR to non-Affiliated Companies under this Contract as more fully described in Article 7.6.1.

1.48 "Royalty" means the twelve and one-half per cent (12.5%) entitlement of the GOVERNMENT more fully described in Article 7.

1.49 "S.A.R." means the Syrian Arab Republic.

1.50 The term "Syria "means, in accordance with international law, the territories of the Syrian Arab Republic including its internal waters, territorial sea, the subsoil thereof and the airspace above them to which Syria has sovereign rights and other maritime areas to which Syria has the right to exercise sovereign rights for the purposes of exploration, exploitation and conservation of natural resources.

1.51 "Tax Year" means the period of twelve (12) months according to the Gregorian Calendar starting 1 January and ending 31 December, both dates inclusive, for which tax returns or reports are required according to any applicable income, profits or other tax law or regulations of the S.A.R.

1-46 "الإنتاج" يقصد به كل نوع من عمليات إنتاج البترول وتشغيل أبار التنقيب واستخراج البترول والإحتفاظ به ومعالجته وإعداده وتخبيزه ونقله وقياسه وتسلمه، وحفظه وإعادة حله وتحميته، وكل نوع آخر من العمليات لتحقيق استهداف أساسي ومعزز من البترول وعمليات التنقيب والتخزين وأي عملا آخر أو أنشطة تكون ضرورية أو مساعدة لتلك العمليات، ويقصد من الفعل 'ينتج' القيام بعمليات الإنتاج.

1-47 "التسامح الملاحظة وتعني العمليات من البترول في السوق الحر من قبل الشركة والموافق إلى شركات غير تابعة لأي منهما بموجب هذا العقد، كما هو مبين بمزيد من التوضيح في المادة 7-6.1

1-48 "حق الحكومة" تعني النسبة المحسومة للحكومة وهي الثمن عشر ونصف بالمائة (12.5%) والوضعية بشكل تام في المادة 7.

1-49 "جمهورية سوريا العربية" تعني كلمة سوريا وفقاً للقانون الدولي أراضي الجمهورية العربية السورية بما فيها مياهها الداخلية وبحرها الإقليمي، وسن هذه الأراضي والقضاء الجوي الذي يعولها، والتي لسورية حقوق سيادية عليها، والمناطق البحرية الأخرى، والتي لسورية الحق في ممارسة حقوق سيادية عليها لأغراض استكشاف واستغلال، وحفظ الموارد الطبيعية.

1-50 تعني كلمة "السنة الضريبية" تعني فترة أتيت شرحاً حسب التقويم الغريغوري الميلادي، وتعني في كل حالة أول من كانون الثاني وتنتمي في 31 كانون الأول كلا التاريخين ضمناً، يتم تقسيم إقرارات أو بيانات ضريبية عنها وذلك بمثابة القوانين والأنظمة الضريبية وغير ذلك من القوانين والأنظمة السارية في "ج.ع.س." بشأن عمليات الضريبة على الدخل أو الأرباح.

Lattakia Contract

عدد اللذاقية
"Work Program and Budget" means a program of work and the budget ascribed thereto and prepared by the CONTRACTOR pursuant to Article 4 or by Operating Company pursuant to Article 6 hereof and "Work Program" means the program of work alone.

"Working Day" means for the purposes of Article 6.3 a day on which the Commercial Bank of Syria is normally open for business, and for the purposes of Article 8.4.4 a day in which the Bank of England is normally open for business.

1-52 برنامج العمل والميزانية يعني برنامج العمل والميزانية المخصصة له والتي يعد المقاول عملاً بالمادة 4 أو الشركة العامة بمقتضى المادّة 6 من هذا العقد وبرنامج العمل يعني برنامج العمل وحده.

1-53 يوم عمل " يعني الأغراض المادّة 6-3 يوماً يفتح فيه عادة المصرف التجاري السوري أبوابه للعمل ولالأغراض هذه المادة 8-4 يعني يوماً يفتح فيه عادة بنك أوف إنكلاند أبوابه للعمل.
ANNEXES TO THE CONTRACT

2.1 "Annex A" is a description of the Area at the Effective Date hereof.

2.2 "Annex B" is a map indicating the Area at the Effective Date hereof.

2.3 "Annex C" is the form of a letter of Guarantee to be confirmed by a Syrian Bank and to be submitted by CONTRACTOR to the COMPANY at the time of signature of this Contract, for the sum of US. Dollars 7.5 million (Seven and a Half million U.S. Dollars only, guaranteeing the execution of the CONTRACTOR's minimum exploration obligations hereunder for the Forty-Eight (48) Months Initial Exploration Period stated under Article 3 of this Contract. Such guarantee shall remain in effect for six (6) Months after the expiry of the aforesaid Forty-Eight (48) Months except as it may be released prior to that time in accordance with the terms hereof. Guarantees similar in form will be submitted by CONTRACTOR at least seven (7) days before the commencement of each extension of the Exploration Period, modified, however, to reflect the obligations related to the specific Exploration Period as stated in Article 4 of this Contract.

2.4 "Annex D" is the form of a Charter of the Operating Company to be formed as provided for in Article 6 hereof.

2.5 "Annex E" is the Accounting Procedure.

2.6 Annexes A, B, C, D and E to this Contract are hereby made part hereof shall be considered as having equal force and effect with the provisions of this Contract but in the event of a conflict between the terms of an Annex and the main body of the Contract, the main body of the Contract shall prevail.
ARTICLE 3
GRANT OF RIGHTS AND TERM

3.1 The GOVERNMENT hereby grants COMPANY and CONTRACTOR the exclusive right for Exploration, Development and Production of Petroleum in the Area described in Annexes A and B, and subject to the terms, covenants and conditions set out in this Contract.

3.2 The total Exploration Period shall be divided as follows:

3.2.1 An Initial Exploration Period of forty eight (48) Months starting as of the Effective Date of this Contract (the "Initial Exploration Period").

CONTRACTOR shall be granted two extensions to the Initial Exploration Period, the first extension is Thirty-Six Months (36 Months), and the second extension is Twenty-Four Months (24 Months), upon CONTRACTOR giving at least thirty (30) Days written notice to COMPANY prior to the expiration of the Initial Exploration Period or the first extension period subject to the provisions of Article 3.2.2; provided that CONTRACTOR has fulfilled its obligations hereunder for the preceding period.

3.2.2 If the Exploration period is not extended at the end of the Initial Exploration Period or at the end of any extension thereof obtained pursuant to Article 3.2.1 above, and a well is then currently being drilled or tested outside a Development Area then such period shall be extended and this Contract shall not expire during the time that such drilling or testing is actually taking place plus a period of sixty (60) Days after such operations are completed; provided however, that such added period shall not exceed six (6) Months, unless extended with the approval of COMPANY.

Lattakia Contract
In the event CONTRACTOR does not extend the Initial Exploration Period into any extension period, CONTRACTOR shall not be obliged to carry out the work or expenditure obligations set out in Article 4.1.2 or 4.1.3 but notwithstanding the expiry of the Initial Exploration Period, or any extension thereof CONTRACTOR shall have the right to proceed with the Development and/or appraisal of any potential Commercial Discovery resulting from any Commercial Well drilled during the Exploration period which the CONTRACTOR has entered into and proceed with its full Development in accordance with the applicable provisions of the Contract. In such case, the Area covered by this Contract shall be limited to that part or parts of the Area for which appraisal work is being conducted and/or which shall be covered by one or more Development Areas resulting from any previous Commercial Discovery, and this Contract shall terminate with respect to the remainder of the Area.

3.2.3 Subject to Article 3.2.2 above, this Contract shall be terminated if no Notice of Commercial Discovery is given by CONTRACTOR by the end of One Hundred and Eight Months (108 Months) after the Effective Date.

3.2.4 After drilling of a Commercial Well, CONTRACTOR will undertake, as part of its Exploration Work Program, the appraisal of the discovery by the drilling of such additional wells as in the CONTRACTOR's opinion may be necessary to determine whether such discovery is worthy of commercial Development, taking into consideration the estimated recoverable reserves, production, pipeline, terminal and other facilities required, estimated Petroleum prices and all other relevant technical and economic factors.

3-2-4 يتعهد المقاول كجزء من برنامج العمل التقنيي بأن يقوم بعد حفر بئر تجاري بتقييم الاكتشاف وذلك بحفر عدد من الأبار الإضافية حسبما يراه المقاول ضروريا من أجل تحديد ما إذا كان ذلك الاكتشاف جدياً بالتنمية تجاريًا، أخذًا بالاعتبار الاحتياطي المقدر الذي يمكن الحصول عليه، والإنتاج، وخطط الأبار وبيع المنتجات والمواقع اللازمة للمصادر، الأسعار المقدرة للنفط الخام، وكافة العوامل الفنية والاقتصادية الأخرى المتعلقة بالموضوع.

Lattakia Contract
Such additional wells shall count towards the Exploration Work Program and expenditures for the relevant Exploration period set out in Articles 4.1, 4.1.2, and 4.1.3.

CONTRACTOR shall give ("Notice of Commercial Discovery") to COMPANY promptly upon deciding that any discovery is considered by CONTRACTOR to be worthy of Commercial Development, but in no event later than sixty (60) Days after the completion of the third (3rd) Exploration/appraisal well in respect of the discovery, or eighteen (18) Months following the date of discovery of a Commercial Well, whichever is earlier.

Within three (3) Months following such Notice of Commercial Discovery, CONTRACTOR shall provide the GOVERNMENT and the COMPANY with a report on the technical and economic factors considered in determining that the discovery is worthy of Commercial Development. The GOVERNMENT and COMPANY acknowledge that reports of this nature contain estimates based on available data and that CONTRACTOR will not guarantee the correctness of either its data or its conclusions.

CONTRACTOR shall also have the right to give such Notice of Commercial Discovery with respect to any reservoir or reservoirs, even if the well or wells thereon are not Commercial Wells if, in its opinion, such reservoir or a group of reservoirs considered collectively, could be worthy of Commercial Development.

Following the Notice of Commercial Discovery and the technical and economic report in connection therewith, COMPANY and CONTRACTOR shall meet and review all relevant data with a view to mutually agreeing upon the existence of a Commercial Discovery and the coordinates of the Development.

...
Area in accordance with the technical practices applicable in the petroleum industry and in accordance with this Contract. The Date of Commercial Discovery shall be the date as defined Article 1.18 hereof.

If COMPANY does not agree to the existence of a Commercial Discovery CONTRACTOR is entitled to refer this issue to arbitration in accordance with Article 23.1.2 hereof.

If Petroleum is discovered but is not deemed by CONTRACTOR to be a Commercial Discovery under the above provisions of this Article 3, then if after eighteen (18) Months following completion of the well not considered a Commercial Well, COMPANY notifies CONTRACTOR in writing that COMPANY proposes to develop an area surrounding that well (the coordinates of which shall be agreed between COMPANY and CONTRACTOR) at its sole cost, risk and expense, CONTRACTOR shall within sixty (60) Days of receipt of such notice, either relinquish the specific area covering the geological structure in which Petroleum has been discovered but not considered a Commercial Discovery or agree to commence Development operations according to this Contract, in both cases delineating such structure as agreed upon by COMPANY and CONTRACTOR.

3.2.5 Subject to the approval of the Minister to the coordinates of the area capable of commercial production, such area shall be automatically converted into a Development Area without the issuance of any additional legal instrument or permission. Development operations, thereafter, shall be started promptly by the Operating Company (defined in Article 6 hereinafter) on behalf of COMPANY and CONTRACTOR.

Subject to the Development Work Program for any Commercial Discovery, in the event that

ممارسات الفنية المطبقة في صناعة النفط العالمية وفي هذا العقد. و يكون تاريخ الاكتشاف التجاري هو التاريخ المعلّق في المادة 1-18 من هذا العقد.

إذا لم توافق الشركة على وجود اكتشاف تجاري، يحق للمالك اللجوء إلى التحكيم وفق المادة 23-1-2 من هذا العقد. إذا تم اكتشاف البترول ولكن لم يعتبر الموقف اكتشافا تجاريا وفقا لما هو وارد أعلاه في المادة 3، وإذا أعلنت الشركة الموقف خطأ بعد ثمانية عشر (18) شهرا من إتمام بئر لم تعتبر بئرا تجاريا، عن عزمها على القيام بمهمة منطقية تحويض بحث البئر (التفحص الشركه والمقال) على إحداثيات تلك المنطقة وذلك على نقفة الشركه، وحددوا ومسؤوليها وتكثيفتها، بترتيب على المقال خلال ستين (60) يوما من استلام الإخطار إما أن يخلي عن المساحة المحددة التي تنتفي التكرر الجيولوجي الذي اكتشف فيه البئر ولكن لم يعتبر اكتشافا تجاريا وإما أن يوافق على مباشرة عمليات التنمية وفق هذا العقد، وفي حالة الحالتين يكون تحديد ذلك التكرر حسب اتفاق الشركة والمقال.

5-2-3 و بعد موافقة الوزير على إحداثيات المنطقة المكلفة على الإنتاج التجاري فإن هذه المنطقة تحول تلقائيا إلى منطقة تنمية دون حاجة إلى إصدار أي مستند قانوني أو ترخيص آخر. ومن ثم يتم تبدأ الشركة العامة المعرفة في المادة 6 فيما بعد عمليات التنمية فوراً بناءً على الشركة والمقال.

مع مراعاة برنامج عمل التنمية لأي اكتشاف تجاري، فإنه في حالة عدم تحقق أي نقية بئر من أي منطقة تنمية في غضون أربع

Lattakia Contract
Commercial Production of Petroleum takes place from any Development Area within four (4) Years from the date of the Minister's approval of that Development Area, such area shall be surrendered, upon demand from COMPANY.

The Development Period of any Development Area shall be Twenty Years (20 Years) from the Date of Initial Commercial Production from such Development Area. Subject to the approval of COMPANY (not to be unreasonably withheld) this period may be extended for an additional period of Five Years (5 Years) at the option of CONTRACTOR upon six (6) Months written notice by CONTRACTOR to COMPANY being given prior to the expiration of the Development Period. Such extension shall be under the terms, conditions and provisions of this Contract.
WORK PROGRAM AND EXPENDITURES DURING EXPLORATION PERIOD

4.1 CONTRACTOR shall be bound during the Initial Exploration Period of Forty-Eight Months (48 Months) from the Effective Date to carry out all Exploration operations in the Area, which shall include geological and geophysical work, comprising of the acquisition of a minimum of Six hundred kilometers (600 km) of 2D seismic or equivalent of 3D seismic in US$, and the drilling of Two (2) Exploration Wells.

4.1.1 CONTRACTOR shall spend during such period on Exploration operations and other activities related thereto a minimum of Seven and a Half (7.5) million U.S. Dollars.

4.1.2 During the first extension of the Initial Exploration Period, which shall be Thirty-Six (36) Months, CONTRACTOR shall complete the drilling of at Two (2) Exploration wells and acquire a minimum of Two Hundred kilometers (200 Kilometers) of 2D seismic or 3D seismic equivalent in US$. CONTRACTOR shall spend during this first extension on Exploration operations and other activities related to such operations, a minimum of Seven million U.S. Dollars (7 million USD).

4.1.3 During the second extension of the Initial Exploration Period, which shall be Twenty-Four Months (24 Months), CONTRACTOR shall complete the drilling of One (1) Exploration well and acquire a minimum of One Hundred kilometers (100 Kilometers) of 2 D seismic or 3D seismic equivalent in U.S. Dollars. CONTRACTOR shall spend during this second extension on Exploration operations and other activities related to such operations a minimum of Two and a Half million U.S. Dollars (2.5 USD).
4.1.4 Should CONTRACTOR drill more Exploration wells and spend more than the minimum amount required to be drilled and spent during the Initial Exploration Period or during any extension thereof, the excess expenditures (not more than Two million U.S. Dollars and one (1) Exploration Well per period may be credited against or subtracted from the minimum number of wells to be drilled or amount of money required to be spent, by CONTRACTOR during the succeeding Exploration Period.

4.1.5 All wells committed by CONTRACTOR under this Article 4.1 to 4.1.3 will be designed to achieve a bonafide objective as determined by CONTRACTOR and drilled in a workmanlike manner in accordance with good oil field practice.

4.2 In case CONTRACTOR surrenders its Exploration obligations under this Contract, as set forth above, during or upon the termination of the Initial Exploration Period or any extension thereof, having spent on Exploration operations amounts less than his minimum expenditure obligations until the end of the period in which he surrendered his obligations, CONTRACTOR shall pay to COMPANY an amount equal to the difference between the amount actually spent on Exploration activities and his minimum expenditure obligations, for such period. CONTRACTOR shall be entitled to recover any payments as may be made under this Article 4.2 as Exploration Expenditure in the manner provided for under Article 7 in the event of commencement of production of Petroleum. In case no Commercial Discovery is established by the end of One Hundred and Eight Months (108 Months) from the Effective Date of this Contract plus such additional time as may be added under Article 3.2.2 or in case CONTRACTOR surrenders this
Exploration obligations under this Contract prior to that date, COMPANY will not bear any of the aforesaid expenses spent by CONTRACTOR.

4.3 CONTRACTOR shall pay all the costs and expenses required in carrying out all the operations under this Contract. Such costs and expenses shall be recoverable as provided in Article 7 of this Contract, but shall not include financing fees, charges or interest on investment. During the term of this Contract and its extensions, the volume of Petroleum produced and saved after the deduction of the Royalty and Cost Recovery Petroleum shall be shared between COMPANY and CONTRACTOR in accordance with the provisions of Article 7-8 while any Petroleum produced in testing operations before the Date of Commercial Discovery shall be wholly owned by GOVERNMENT.

4.4 As soon as practicable after the Effective Date, CONTRACTOR shall prepare an Exploration Work Program and Budget for the Area setting forth the Exploration which CONTRACTOR proposes to carry out during the remainder of the then current Calendar Year. At least three (3) Months prior to the beginning of each Calendar Year thereafter or at such times as otherwise mutually agreed to by COMPANY and CONTRACTOR, CONTRACTOR shall prepare an Exploration Work Program and Budget for the Area setting forth the Exploration operations which CONTRACTOR proposes to carry out during the ensuing Calendar Year. The Exploration Work Program and Budget shall be reviewed by a joint committee to be established by COMPANY and CONTRACTOR after the Effective Date of this Contract. This committee, hereinafter referred to as the "Exploration Advisory Committee", shall consist of six (6) members, three (3) of whom shall be appointed by COMPANY and three (3) by CONTRACTOR. The Chairman of the Exploration Advisory Committee shall be designated by COMPANY from among

أيا من المصروفات المتمثلة الذكر التي تكون قد
لفتت من قبل المقاول.

4-3 يدفع المقاول جميع التكاليف والنفقات التي يتعلق بها
 القيام بجميع المهام المذكورة في هذا العقد.

4-4 يتطلب أي تكاليف ونفقات على النحو المنصوص
 عليه في المادة 7 من هذا العقد، ولكن دون أن يدخل
 فيها مصروفات التمويل أو أية أعباء أو فوائد على
 الاستيراد. وطيلة مدة سريان هذا العقد
 متضمنة في تفعيل كمية البترول المنتج
 والمحتفظ به، بعد حسم حق الحكومة ويتولى
 استرداد التكلفة بين الشركة والمقاول
 وفقا لأحكام المادة 7-8 بينما يبقى جميع البترول
 المنتج خلال عمليات الاختبار الجارية قبل تاريخ
 الاكتشاف التجاري ملكاً بالكامل للحكومة.

يتطلب على المقاول وبأسلوب وقت ممكـن
من الناحية العملية بعد تاريخ النفاذ إعداد برامج
عمل وميزانية تلتقي لمنطقة ميناء” فيه
أعمال التنقيب التي يتعزز القيام بها خلال
مثابِقى من السنة التقويمية الجارية. قبل
ثلاثاء (3) أشهر على الأقل من بداية كل سنة
تقويمية تالية أو في المواعيد الأخرى التي يتم الاتفاق
عليها بين الشركة والمقاول، يقوم المقاول بإعداد
برنامج عمل وميزانية لأعمال التنقيب في المنطقة
بينهما عمالات التنقيب الذي يتعزز القيام بها
خلال السنة التقويمية التالية. وتَرْتَبِع لجنة
مشتركة، تعنين الشركة والمقاول بعد تاريخ نفاذ
هذا العقد، برنامج العمل والميزانية المتعلقين
بأعمال التنقيب. وتتكون هذه اللجنة التي يترأس إليها
فيما يلي عضواً رئيس لجنة التنقيب
الأساسيّة من ستة (6)
أعضاء، ثلاثة (3) منهم تعينهم
الشركة، والثلاثة (3) الآخرون تعينهم
المقاول. وتخترد الشركة رئيس لجنة
التنقيب الأساسيّة من بين الأعضاء

Lattakia Contract

عقد اللاذقية
4.4.1 CONTRACTOR may revise or modify said Work Program and Budget after consultation with COMPANY as may be required for operational reasons or as a result of Exploration activities, it being understood that the approved budgeted expenditure will not be reduced without the approval of COMPANY.

4.4.2 In the event of emergencies involving danger to, or potential or actual loss of, lives or property, CONTRACTOR may expend such additional unbudgeted amounts as may be required to prevent or alleviate such danger or loss. Such expenditures shall be considered in all respects as deemed approved Exploration expenditures and shall be recovered pursuant to the provisions of Article 7 hereof, it must be presented to the first possible advisory exploration committee.

4.5 CONTRACTOR shall advance all necessary funds for all materials, equipment, supplies, personnel and operations as required for Exploration and related operations pursuant to the Exploration Work Program and Budget.

4.6 CONTRACTOR shall be responsible for the preparation and performance of the Exploration Work Program, which shall be implemented in an efficient manner consistent with internationally recognized good oil field practices. CONTRACTOR

Lattakia Contract
shall entrust the management of Exploration operations in the S.A.R. to a General Manager and one or two Deputy General Managers, at least one of either the General Manager or the Deputy General Managers, shall be competent technically, and shall, upon appointment, notify GOVERNMENT and COMPANY of the names of the General Manager and his Deputy or Deputies. The General Manager and, in his absence, a Deputy General Manager shall be entrusted by CONTRACTOR with sufficient powers to be subject to all lawful written directions of local application given to them by the GOVERNMENT or its representative under the terms of this Contract or any lawful regulations issued or hereafter to be issued which are applicable hereunder and not inconsistent with the provisions of this Contract.

4.7 CONTRACTOR shall supply COMPANY within thirty (30) Days from the end of each Calendar Quarter a statement of Exploration activity showing costs incurred by CONTRACTOR during such quarter. CONTRACTOR's records and necessary supporting documents shall be available for inspection by COMPANY at any time during regular working hours for three (3) Months from the date of receiving each statement.

Subject to the Pre-auditing and Approval Requirements contained in Article 6 of Annex E, COMPANY shall within three (3) Months from the date of receiving such statement, advise CONTRACTOR in writing with necessary supporting reasons, if it considers that one or more of the following may apply to a cost item in the above-mentioned statement:

4.7.1 Record of costs is not correct;

4.7.2 Costs of goods or services supplied are not in line with the international market prices for goods or services of similar quality supplied on similar terms prevailing at the time such goods or services were purchased by COMPANY.
4.7.3 condition of the materials furnished by CONTRACTOR does not tally with their prices; or

4.7.4 costs incurred are not reasonably required for operations and other activities related thereto (other than those in respect of a contract entered into in accordance with Article 4.4.2 hereof); or

4.7.5 Invoices issued to CONTRACTOR and supporting documents are incomplete, or unavailable, or, with respect to invoices rendered by subcontractors, are not original.

4.8 CONTRACTOR shall confer with COMPANY in connection with any audit problems thus presented, and these two parties shall attempt to reach a settlement which is mutually satisfactory. If CONTRACTOR and COMPANY fail to reach such a settlement the issue shall be referred to an expert appointed by mutual consent, such expert being an internationally recognized firm of accountants/auditors, whose opinion shall be binding upon both Parties. Should those Parties fail to agree on the choice of such expert, the appointment shall be made on request of either Party by the President of the Institute of Chartered Accountants in England and Wales. If within the time limit of a three (3) Month period provided for in this Article, COMPANY has not advised CONTRACTOR of its objection on the above grounds to any cost item of any statement; such statement shall be considered as approved.
4.9 CONTRACTOR سليم جميع المبالغ اللازمة لعملياته في ج.ع.س. بموجب هذا العقد خلال فترة التقييم وبعد طرح الضرورات المالية. ودائم أن يلتزم العملة السورية كلياً. يُلزم بتحويل الأموال من خلال البنوك العامة في ج.ع.س. ويتم التحويل على أسس المصارف العامة في ج.ع.س. وعلي أساس أفضل سعر صرف متاح لأي نشاط تجاري كما هو منشور من قبل المصرف التجاري السوري في تاريخ التحويل. وفقاً خلال السنة التالية (60) يوماً لنهائي كل سنة المالية يُقدم المراقب إلى مراكز رقابة النقد المخصصة في ج.ع.س. بياناً مصدقاً عليه أصولاً من مكتب تدقيق الحسابات المسؤول ومرصَّف يوافق عليه الشركة والمقاول بين المبالغ المقدمة في الجانب الدائن للحساب المتوقع مع البنك التجاري السوري، والبالغ المصرف عليه الرصيد المتبقى في نهاية تلك السنة المالية.

4.10 Within thirty (30) Days after the Effective Date COMPANY سليم جميع البيانات الجيولوجية، والجيوفيزيائية وأية معلومات أخرى متصلة المعلومات السيوية والبئرية في المنطقة ومتقارير الآبار وكذلك تقارير القياسات البئرية فيما يتعلق بأي ماجرة خارج المنطقة. يسمح الشركة وفق قاهرة توقع عمال الشركة والمقاول وأن تضع في متناول المقاول جميع الصور وتحري أن تضع في متناول المقاول جميع الصور وغيرها من المهام التي في حوزتها.

Lattakia Contract

عدد اللاذقية: 27
5.1 Mandatory Relinquishment

If CONTRACTOR elects to enter into the first extension of the Initial Exploration Period, he shall relinquish to GOVERNMENT on the effective date of such extension twenty-five percent (25%) of the original Area less that converted to a Development Area or Areas.

If CONTRACTOR elects to enter into the second extension of the Initial Exploration Period, it shall relinquish to GOVERNMENT on the effective date of such extension an additional twenty-five percent (25%) of the original Area less that converted to a Development Area or Areas.

Unless otherwise agreed by COMPANY, each such mandatory relinquishment shall consist of not more than two parcels and shall not include any areas converted into Development Areas.

Subject to Article 3.2.2, at the end of the Initial Exploration Period plus any extensions thereof CONTRACTOR shall relinquish the remainder of the Area not then converted to a Development Area or Areas.

5.2 Voluntary Relinquishments

CONTRACTOR may voluntarily at any time relinquish all or any part of the Area provided that at the time of such voluntary relinquishment its financial obligations for Exploration under Article 4.1.1 have been satisfied. Any relinquishments hereunder shall be credited toward the mandatory provisions of the above Articles.

Lattakia Contract

-28-
6.1 Following the first Date of Commercial Discovery, COMPANY and CONTRACTOR shall form in the S.A.R. an operating company, which shall be called LATAKIA petroleum company (referred to herein as "Operating Company") which shall conduct the operations necessary for Development and Production under this Contract also the operating company shall execute on behalf of the contractor, the exploration operations that the contractor has charged them with in accordance with approved Work Programs and Budgets. Operating Company shall be subject to the laws and regulations in force in the S.A.R. to the extent that such laws and regulations are not inconsistent with the provisions of this Contract or the Charter of the Operating Company; however, Operating Company shall for the purposes of this Contract, be exempted from the following laws and regulations as now or hereafter amended or substituted:

Presidential Decree No. 11 of 1961 embodying Exchange Control and its executive regulations, as amended;

Law No. 149 of 1949 embodying the law of Commerce in respect of certain provisions related to Joint Stock Companies, Limited Liabilities and its amendments;

Law No. 114 of 1961 embodying the formation of Boards of Directors in Companies and Establishments and its amendments;

Legislative Decree Law No 2 of 2005 related to Public Companies, Establishments and Institutions, as amended;
6.3 Not later than the twentieth (20th) Day of each Calendar Month, Operating Company shall furnish CONTRACTOR with a written estimate of its total cash requirements for the succeeding Calendar Month expressed in US Dollars, in accordance with the approved Budget. Such estimate shall take into consideration any cash expected to be on hand at Calendar Month's end. Payment for the appropriate period of each Calendar Month shall be made to the correspondent bank designated pursuant to Article 6.4 below on the first (1st) day and fifteenth (15th) day respectively or the next following Working Day, if such day is not a Working Day.

6.4 Operating Company is authorized to keep at its own disposal abroad, in an account opened with a correspondent bank to a Syrian public bank, the foreign funds advanced by CONTRACTOR. Interest or similar income generated by the account shall be credited to the account. Withdrawals from said account shall be used for payment of goods and services abroad and for transferring to a local public bank in the S.A.R. the required amounts to meet expenditures in Syrian Pounds for Operating Company in connection with its activities under this Contract, converted at the most favorable rate of exchange available for any commercial activity as published by the Commercial Bank of Syria on the date of conversion.
Within sixty (60) Days after the end of each Financial Year, Operating Company shall submit to the appropriate exchange control authorities in the S.A.R. a statement, duly certified by a recognized firm of independent auditors, agreed by COMPANY and CONTRACTOR, showing the funds credited to that account, the disbursements made out of the account and the balance outstanding at the end of such Financial Year.

6.5 Operating Company shall prepare a Development Work Program and Budget for the remainder of the Calendar Year in which the Commercial Discovery is made and not later than sixty (60) Days after the Commercial Discovery, unless otherwise agreed. On the fifteenth (15th) day of October in each Calendar Year thereafter, Operating Company shall prepare an annual Production schedule and a Development Work Program and Budget for the next Calendar Year to be submitted to COMPANY and CONTRACTOR for their comments.

6.6 Operating Company shall then make such revisions as it deems appropriate in the light of any such comments, and no later than the fifteenth (15th) November of each Calendar Year shall submit the said Production schedule, and said Work Program and Budget, to the Board of Directors of Operating Company for its approval which shall be given within thirty (30) days. Following such approval, Operating Company shall carry out the Work Program, and observe the schedules, in accordance with the agreed Budget and with this Contract.

Operating Company shall implement its work and conduct its activities, in an efficient manner consistent with internationally recognized good oil field practices.

Lattakia Contract

عقد اللاذقيه
6.7 After Operating Company comes into existence, CONTRACTOR shall continue to prepare, and obtain COMPANY's approval to, an annual Exploration Work Program and Budget in accordance with Article 4 of this Contract.

6.8 The Operating Company shall within ten (10) Days after the end of each Calendar Month after the Date of Initial Commercial Production prepare and submit to the Parties a detailed statement for the prior Calendar Month, setting forth the quantity of Average Daily Production. The Operating Company will deliver to each Party and each Party will take possession of its share of Petroleum, in accordance with Article 7 - 8 hereof at the Delivery Point, from which point each Party will bear the costs, risks and expenses pertaining to their Petroleum. The Royalty, Cost Recovery Petroleum and the shares of Production Sharing Petroleum, shall be composed of equal grades and quality of Petroleum produced from operations hereunder.
7-1 Royalty

The GOVERNMENT shall own and be entitled as hereinafter provided, to a Royalty in cash or in kind of twelve and one-half percent (12.5%) of all Petroleum produced and saved from the Area during the Development Period including any extension period (the "Royalty"). The remaining eighty-seven and one-half percent (87.5%) shall be divided between the COMPANY and the CONTRACTOR as provided in Article 7.2, through 7.7 (in the case of Petroleum) or Article 8 (in the case of Gas). The Royalty when taken in kind shall be delivered by Operating Company to the GOVERNMENT, which shall take possession thereof at the Delivery Point or any other point mutually agreed upon.

In the case of crude oil the GOVERNMENT may give written notice to the Operating Company at least three (3) Months prior to either the first day of January or the first day of July in each Calendar Year that it wishes to take the Royalty in cash, during the next succeeding six (6) Calendar Months. In such case the Operating Company shall forthwith advise CONTRACTOR, which shall take in kind the full quantity of the Royalty and pay in cash the value of this Royalty which shall be determined as far as Petroleum is concerned pursuant to Article 8.6 Marketing, sales, transportation and related costs in connection with the disposal of said Royalty shall be Operating Expenses hereunder.

7-2 Cost Recovery Petroleum

Subject to the auditing provisions under this Contract, CONTRACTOR shall recover all costs and expenses in respect of all the Exploration, Development and related operations under this Contract to the extent and

Lattakia Contract

33-
out of, Forty Percent (40%) per annum of all Petroleum produced and saved from the Area after deducting the Royalty due to the GOVERNMENT. Such Petroleum is hereinafter referred to as "Cost Recovery Petroleum" and CONTRACTOR shall take Cost Recovery Petroleum in kind as provided in Article 7.3 below. Any and all such costs and expenses shall be recovered from Cost Recovery Petroleum in the following manner:

7.2.1 Exploration Expenditures, including those accumulated prior to the first Date of Initial Commercial Production shall be recoverable in full, commencing in the Calendar Year in which such expenditures are incurred.

7.2.2 Development Expenditures, including those accumulated prior to the first Date of Initial Commercial Production shall be recoverable at the rate of twenty-five percent (25%) per annum based on amortization at that rate starting from the Calendar Year in which such expenditures are incurred, except that for Development Expenditures made during the last four (4) Calendar Years of the last Development Period under this Contract the rate of recovery shall be increased to allow for 100% amortization of such costs by the end of the Contract.

Therefore the applicable amortization rate for the first Calendar Year of that four (4) Calendar Year period shall be (25%), for the second Calendar Year (33%) 1/3%, for the third Calendar Year (50%) and for the last Calendar Year (100%). It is understood and agreed that solely with regard to the recovery of those costs and expenditures which may be amortized at the rates specified in this Article 7.2.2, such costs and expenditures may only be recovered pro rata basis in a Calendar Quarterly basis in the Calendar Year. Any costs

Lattakia Contract

عقد اللاذقية -34-
expenditures not recovered pro rata as aforesaid in a Calendar Year shall be carried forward and recovered in the first Calendar Quarter of the next Calendar Year.

7.2.3 All Intangible Drilling Costs including those accumulated prior to the first Date of Initial Commercial Production and all Operating Expenses, incurred after the first Date of Initial Commercial Production shall be recoverable in the Calendar Quarter in which such expenses are incurred.

7.2.4 Costs incurred in the purchase of land shall be recoverable in the Calendar Quarter in which such expenses are incurred.

7.2.5 To the extent that in a Calendar quarter, costs, expenses and expenditures recoverable per Article 7.2.1 to 7.2.4 inclusive above exceed the value of all Cost Recovery Petroleum for such Calendar Quarter, the excess shall be carried forward for recovery in the next succeeding Calendar Quarter or Calendar Quarters until fully recovered, but in no case after the termination of the Contract as to CONTRACTOR.

7.3 CONTRACTOR shall for each Calendar Quarter take in kind and separately, at its own expense, dispose of all Cost Recovery Petroleum produced, and its share of production sharing Petroleum as stipulated in Article 7.5 & 8-4-2 below.

7.4 The amount by which the value of Cost Recovery Petroleum in any Calendar Year exceeds the sum of all recoverable costs and expenditures under Article 7.2 (including any costs and expenditures carried forward under Article 7.2.5) shall be converted into a volume in Barrels (all values taken in accordance with Article 7.6 and / or 8-4-3) shall be called "Excess Cost Recovery Petroleum".
Fifty percent (50%) of the volume of Excess Cost Recovery Petroleum shall be due to the COMPANY. The remaining fifty percent (50%) of the volume of Excess Cost Recovery Petroleum shall be shared between COMPANY and CONTRACTOR in accordance with the provisions set out in Articles 7.5.1. to 7.5.6 & 8-4-2 inclusive, it being agreed that such volume shall be allocated to apply last tranche.

7.5 Production sharing

With respect to each Calendar Quarter the remaining Petroleum produced and saved from the Area, after deduction of Royalty and the volume of Cost Recovery Petroleum taken by CONTRACTOR and any Excess Cost Recovery Petroleum taken by COMPANY shall be taken in kind and disposed of separately and at their respective expenses by COMPANY and CONTRACTOR F.O.B. at the Delivery Point as follows:

7.5.1 That amount of annual Average Daily Production from one up to and including Fifteen Thousand (15,000) BPD shall be shared in the following proportion:

<table>
<thead>
<tr>
<th>COMPANY 'Share (includes taxes)</th>
<th>CONTRACTOR's (Share)</th>
</tr>
</thead>
<tbody>
<tr>
<td>71%</td>
<td>29%</td>
</tr>
</tbody>
</table>

7.5.2 That amount of annual Average Daily Production in excess of Fifteen Thousand (15,000) BPD up to and including Twenty-Five Thousand (25,000) BPD shall be shared in the following proportion:

<table>
<thead>
<tr>
<th>COMPANY's Share (Includes Taxes)</th>
<th>CONTRACTOR's Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>72%</td>
<td>28%</td>
</tr>
</tbody>
</table>

Lattakia Contract

-36-

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7.5.3 That amount of annual Average Daily Production in excess of Twenty-Five Thousand (25,000) BPD up to and including Fifty Thousand (50,000) BPD shall be shared in the following proportion:

**COMPANY**'s Share | **CONTRACTOR**'s Share
---|---
74% | 26%

7.5.4 That amount of annual Average Daily Production in excess of Fifty Thousand (50,000) BPD up to and including One Hundred Thousand (100,000) BPD shall be shared in the following proportion:

**COMPANY**'s Share | **CONTRACTOR**'s Share
---|---
76% | 24%

7.5.5 That amount of annual Average Daily Production in excess of One Hundred Thousand (100,000) BPD shall be shared in the following proportion:

**COMPANY**'s Share | **CONTRACTOR**'s Share
---|---
80% | 20%

In implementation of the foregoing, it is understood that Royalty and the Forty Percent (40%) which represents Cost Recovery Petroleum shall be deducted proportionately from each tranche of the respective annual Average Daily Production. During the Calendar Quarter.

Should Parties agree that calculation on a Monthly or Quarterly basis be required or agree that Monthly determination of Annual Daily Production tranches should otherwise be necessary, such calculation is effected for matters of convenience only and without prejudice to the

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Lattakia Contract

٣٧

عقد اللاذقية
principle that the Royalty, Cost Recovery and Production sharing is to be determined on the basis of a Calendar Quarter only.

7.6 The value of the Petroleum produced and saved from the Area and disposed of by CONTRACTOR shall for the purpose of determining the value of its portion of Cost Recovery Petroleum, the value of the Royalty Petroleum, the value of Excess Cost Recovery Petroleum, and for the calculation of CONTRACTOR's income and the payment of CONTRACTOR's income tax, always reflect the market value of such Petroleum.

For the purpose of determining the market value of such Petroleum the following shall apply:

7.6.1 The value of the Petroleum lifted and sold to non-Affiliated Companies shall be determined at the weighted average price(s) actually received in any Calendar Month in freely convertible currency on F.O.B. Delivery Point sales under this Contract by COMPANY and CONTRACTOR which ever is the higher under arm's length conditions, provided that these sales shall not include any special arrangement such as barter or involving or related to barter (such sales hereinafter referred to as "Qualifying Sales").

In the case of C.I.F. or C & F. sales or other sales not made on F.O.B. basis, appropriate deductions shall be made for transportation, insurance and further charges, actual or declared, whichever are the lowest, if any, to calculate the "Delivery Point price". It is understood that this paragraph 7.6.1. In no way prevents the CONTRACTOR to sell its Petroleum to an Affiliated Company.

Lattakia Contract
7-6-2 In the event CONTRACTOR and COMPANY have no Qualifying Sales of Petroleum, the value of CONTRACTOR's entitlement to Petroleum shall be determined by applying a Petroleum valuation method acknowledged in the international oil market. This valuation method shall mutually be agreed upon by COMPANY and CONTRACTOR.

This valuation method shall be mutually agreed upon by COMPANY and CONTRACTOR prior to the commencement of Initial Commercial Production of each Petroleum grade, and shall be used for at least one (1) Calendar Year. Thereafter it shall be reviewed upon the written request of COMPANY or CONTRACTOR, when in the opinion of either of them, changes in the international oil market so require. Any revised valuation method shall be used for at least one (1) Calendar Year. Prices of reference for Petroleum and/or hydrocarbon products used in a valuation method shall be the arithmetic average of the daily quotations as published in any agreed upon publication of international standard in the oil market for Petroleum similar in quality to the Petroleum to be valued hereunder, or as published for the hydrocarbon products included in the valuation method.

Should Qualifying Salesto either party (COMPANY or CONTRACTOR), then the Qualifying Sales of such party shall be adopted in determining the price of Petroleum of this Contract.

7-6-3 If either COMPANY or CONTRACTOR do not accept that the prices realized for Qualifying Sales reflect the market value and/or the amount of deduction applied for transportation, insurance and further charges, all as referred to under Article 7.6.1 above, and/or fail to agree (المفاوضات المشتركة) التفاوض على أسعار المبيعات أو المبيعات المؤهلة بناء على العقد أو الشركة) تفوت المبيعات المؤهلة لهذا الطرف كأساس في تحديد قيمة البترول موضوع هذا العقد.

If either COMPANY or CONTRACTOR do not accept that the prices realized for Qualifying Sales reflect the market value and/or the amount of deduction applied for transportation, insurance and further charges, all as referred to under Article 7.6.1 above, and/or fail to agree
valuation method as referred to under Article 7.6.2 above, then the dispute shall, at the written request of either COMPANY or CONTRACTOR, be referred to an expert (the "Expert") jointly appointed by COMPANY and CONTRACTOR, which Expert shall act as such and not as arbitrator.

The Expert shall be a person having no interest in the outcome of the matter. If and CONTRACTOR COMPANY fail to agree on such appointment within twenty-one (21) days, the Expert shall be appointed by the Director of the International Petroleum Institute London, Great Britain. The terms of reference given to the Expert shall be such as to require him to determine within twenty-one (21) days of the date when the question was referred to him (the method to apply for the period in question in accordance with the provisions and the spirit of this Contract).

7.6.4 It is understood and agreed that each lifting and/or sale of CONTRACTOR's Crude Oil and gas shall for purposes of Cost Recovery and for tax purposes be considered as consisting of a share of Cost Recovery Petroleum, Excess Cost Recovery Petroleum and Production Sharing Petroleum according to CONTRACTOR's shares under this Contract.

7.6.5 Unless otherwise agreed upon between GOVERNMENT, COMPANY and CONTRACTOR, the value of Petroleum subjected to requisition as provided for in Article 19 hereof or subject to pre-emption as provided for in Article 25 hereof, shall be determined in accordance with Articles 7.6.1 to 7.6.4 inclusive.
Operating Company shall prepare, not less than ninety (90) Days prior to the first day of January and the first day of July in each Calendar Year following the Date of Initial Commercial Production, and provide in writing to CONTRACTOR and COMPANY a forecast setting out the total quantity of Petroleum that Operating Company estimates can be produced, saved and transported hereunder during the succeeding half of the Calendar Year in accordance with good international oil industry practice.

Petroleum shall be run to storage tanks (if any) constructed, maintained and operated according to Government specifications by Operating Company in which said Petroleum shall be metered or otherwise measured according to good international oil industry practice.

7.8 CONTRACTOR shall have the right and shall be bound to separately take in kind at the Delivery Point and export or otherwise dispose of all Petroleum to which it is entitled in accordance with the provisions of Articles 7.2 to 7.5. Subject to payment of sums due to COMPANY under Article 7.4, CONTRACTOR shall have the right to remit and retain abroad all funds acquired.

7.9 At a reasonable time, prior to the Date of Initial Commercial Production, and from time to time thereafter, COMPANY and CONTRACTOR shall meet and agree upon a procedure for scheduling lifting of Petroleum from the Delivery Point in accordance with international petroleum industry practices.

وعقدان اللاذقية
8.1 Commercial Gas Discovery

If CONTRACTOR makes a discovery of Gas the provisions of Article 3 shall apply. However, if after evaluating the Gas Reserves and other relevant technical and economic factors, as contemplated by Article 3.2.4, CONTRACTOR and COMPANY agrees (and such agreement shall not be unreasonably withheld) that such discovery is worthy to be Developed commercially, CONTRACTOR will give COMPANY a Notice of Commercial Discovery in accordance with Article 3.2.4. Failing agreement by COMPANY to the existence of a Commercial Gas Discovery, Contractor is entitled to refer the issue to arbitration in accordance with Article 23, and the procedures for establishing the Date of Commercial Discovery pursuant to Article 3.2.4 shall apply.

8.2 Development Area

Following the Date of Commercial Discovery of Gas, the following shall apply:

8.2.1 The Development Area for the Commercial Discovery shall be established.

8.2.2 If additional Commercial Discoveries of Gas that are not in continuous hydrocarbon communication with the original Commercial Discovery are made in a Development Area and such additional Commercial Discoveries extend beyond the boundaries of the Development Area or the original Commercial Discovery, the Development Period specified in Article 3.2.5 for only that portion of the Development Area that is applicable to such additional Commercial Discoveries of Gas shall be extended by the time between the first Date of Commercial Discovery of Gas and said date for each additional Commercial Discovery provided that such additional Commercial Discovery is made within the Exploration period.

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Lattakia Contract

-42-

عدد اللاذقية
8.3 Gas Markets

8.3.1 Domestic Gas Market:

If CONTRACTOR gives Notice of a Commercial Discovery of Gas pursuant to Article 3.2.4, CONTRACTOR shall at the same time request GOVERNMENT to notify CONTRACTOR, within one hundred and twenty (120) days after the Date of Commercial Discovery of Gas thereafter whether it wishes to require that all or any portion of Gas Reserves should be utilized within the S.A.R. If GOVERNMENT elects to require Gas to be utilized within the S.A.R. within the one hundred and twenty (120) day period, GOVERNMENT, COMPANY and CONTRACTOR shall negotiate a Gas Sales Contract for the purpose designated by the GOVERNMENT and on the terms described in Article 8.3.2 below and COMPANY and CONTRACTOR shall allow their respective percentage shares of Gas produced and saved to meet the requirements of S.A.R. The possible uses for Gas in the S.A.R. shall include all economic alternatives as well as downstream projects which may be carried out by the COMPANY, CONTRACTOR, and a third party such as electrical power generation facilities, installations for liquefaction, feed stocks supply facilities, facilities for the manufacture of methanol, urea, ammonia, fertilizer and any other sales to installations whose operation relies on a supply of Gas.

8.3.1.1 Gas Sales Contracts

Any Gas Sales Contract for the sale of Gas within the S.A.R. shall be subject to the approval of the GOVERNMENT, and shall contain provisions generally used in the international Petroleum industry, including long-term purchase and delivery of a

Lattakia Contract

3-3-1-1

3-8

أسواق الغاز

سوق الغاز الداخلية:

عقد بيع الغاز

لجميع من البائع في الدول العربية بما يتوافق مع اقتراحات التجارة للغاز عضلة بطاقة 3-24، يمكن أن يتوافق بين المواقع بالوقت نفسه أن يتطلب من الحكومة أن تبلغ خلال مائة وعشرين يوماً (120) يوماً بعد تاريخ الانتشار التجارية للغاز فيما إذا كانت ترغب في استعمال جميع أحماض الغاز أو أي جزء منها داخل الجمهورية العربية السورية، وإذا احتلت الحكومة خلال مائة وعشرين يوماً (120) يوماً أم يتم استعمال الغاز في ج، س. يقوم المواقع والشركة والحكومة بمناقشة عند طول الأجل لبيع الغاز للغرض الذي تحدد الحكومة والمشروط الموصوف في المادة 8-3 أعلاه، وترك الشركة والمقابل حسبهما التناسبية من الغاز المنطلق والمحفوظ للمباشرة احتياجات الجمهورية العربية السورية. ويدخل في الاستمالة الممكنة للغاز في الجمهورية العربية السورية جميع الدائل الاقتصادية إضافة إلى المشاريع المتفرقة التي قد تنفذ الشركة والمقابل وطرف ثالث مثل منشأة توليد الطاقة الكهربائية، ومنشأة تسويل الغاز وتسبيبات التغذية والانتهاء المتعلقة بصناعة الميثانول واليورايا والدستور، والأسمنت العربية وأي ببور أخرى إلى المشاريع التي تحتم تشغيلها على إمدادات من الغاز.
minimum agreed daily volume in accordance with technical constraints (take or pay provisions) as well as Gas make-up provisions. The price that shall be paid to CONTRACTOR for its share of such Gas to be used in the S.A.R. under the Gas Sales Contract, shall be paid each Calendar Month in United States Dollars or in alternative Petroleum (valued in accordance with Article 8.5.4) for Gas delivered at the Metering Point in any Calendar Quarter.

8.3.1.2 Gas Price

The Gas will be priced as follows:

\[ PG = F \times (0.5 \times HSFO/39.69 + 0.3 \times LSFO/41.23 + 0.2 \times SLCO/43.52) \]

PG: Is the price of million British thermal units ("MMNTU") in United States Dollars (USD/MMBTU).

"British thermal unit", means that the quantity of heat required to raise the temperature of one (01) pound to water one degree Fahrenheit (1°) at the temperature of sixty degrees Fahrenheit of fourteen and seven tenths (14.7) pounds per square inch.

HSFO: Average price in a specific Month for one (01) metric tonne of Fuel with high sulphur content (3.5%) in Unites States Dollars according to Platts prices F.O.B for an Italian port.

(Oil Gram Price Report, European Bulk Cargos F.O.B Mediterranean Basis Italy).

LSFO: Average price in a specific Month for one (1) metric tonne of Fuel with low sulphur content (one percent (1%)) in United States Dollars according to Platts prices Italian F.O.B.

(Oil Gram Price Report, European Bulk Cargos F.O.B Mediterranean Basis Italy).

2.1.3.8 سعار الغاز

بالمصرة الغاز وفق الصيغة التالية:

\[ PG = F \times (0.5 \times HSFO/39.69 + 0.3 \times LSFO/41.23 + 0.2 \times SLCO/43.52) \]

PG = سعار واحد مليون وحدة حرارية بريطانية بالدولار الأميركي (USD/MMBTU).

"وحدة الحرارة البريطانية" تعني كمية من الحرارة المطلوبة لرفع حرارة واحد (1) باوند من الماء درجة حرارة 1 فهرنهايت (1) عند حرارة ستين (60) فهرنهايت تحت الضغط المطلق أربعة عشر وسبعة أضعاف (14.7) باوند لكل إنش مربع.

HSFO: السعر الوسطي في شهر معين لطن واحد (1) من الفيول عالي الكبريت (3.5%) بالدولار الأمريكي وفق أسعار البناط، فوب ميناء إيطاليا.

(Oil Gram Price Report, European Bulk Cargos F.O.B Mediterranean Basis Italy).

LSFO: السعر الوسطي في شهر معين لطن واحد (1) من الفيول منخفض الكبريت (1%) بالدولار الأمريكي وفق أسعار البناط، فوب ميناء إيطاليا.

(Oil Gram Price Report, European Bulk Cargos F.O.B Mediterranean Basis Italy).

Lattakia Contract
SLCO: Average sales price in a definite month for one (01) metric tonne of Syrian Light Petroleum in United States Dollars according to the price of the Syrian Petroleum Marketing Department.

39.69: The gross heating value in millions o British thermal units for one (01) metric tonne of HSFO.

41.23: The gross heating value in millions of British thermal units for one (01) metric tonne of LSFO.

43.52: The gross heating value in millions of British thermal units for one (01) metric tonne of SLCO.

F: The reduction factor, and its value shall be specified according to DTD Brent price as per Platts FOB Italy (Oil gram price report) as follow:

<table>
<thead>
<tr>
<th>USD / BBL</th>
<th>Factor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Barrel price &lt; 16 USD</td>
<td>F = 0.74</td>
</tr>
<tr>
<td>Barrel price = 16-22 USD</td>
<td>F = 0.7</td>
</tr>
<tr>
<td>Barrel price &gt; 22 USD</td>
<td>F = 0.68</td>
</tr>
</tbody>
</table>

The Gas price shall be limited to:

- MAX: 2.5 USD/MMBTU
- MIN: 1.25 USD/MMBTU

8-3-1-3 L.P.G. pricing: L.P.G. price shall be calculated according to the rates: twenty-five (25%) weight of propane and seventy-five (75%) weight of butane in United States Dollars, according to the average preferred price to the metric tonne of propane and butane separately, for that Calendar Month as it occurred in Pilot leaflet for the liquefied petroleum gas price, F.O.B. west of the Mediterranean.
8.3.4 Condensate pricing: Equal to the Syrian light Petroleum price. SLCO shall be priced according to the Syrian Petroleum Marketing Department prices in United States Dollars per Barrel.

8.3.5 Oil pricing: Shall be according to the Petroleum Marketing Department prices for that month.

8.3.6 Where payment for Gas is to be made in the form of Petroleum the volume in Barrels of such Petroleum shall be calculated by dividing the amount of payment due to CONTRACTOR in United States Dollars by the average international price in United States Dollars per Barrel received for Qualified Sales of the Petroleum, to be given in payment during the Month preceding the Month when payment is due. Where there are no Qualified Sales for the Petroleum to be giving in payment under this Article 8.3.1.6 the Petroleum valuation shall be calculated in accordance with the provisions of Articles 7.5.2 and 7.5.3.

8.3.2 Gas Export

8.3.2.1 A decision by GOVERNMENT not to require Gas to be utilized within S.A.R. as stated under Article 8.3.1 or a failure by GOVERNMENT to give such notice shall constitute its decision not to require such Gas Reserves to be utilized within the S.A.R., and CONTRACTOR and COMPANY together shall agree on the disposition of the Gas by export sales.

If either COMPANY or CONTRACTOR objects, in good faith, to any Gas export plan, Parties shall take into consideration and accommodate the views of the objecting Party and attempt to put forward an acceptable alternate plan for the commercial exploitation of the subject Gas Reserves.

8-3-2-1 تصدير الغاز

8-3-2-1 يعتبر قرار الحكومة بعدم طلب الغاز لاستعماله في داخل الجمهورية العربية السورية كما ورد في المادة 8-3-1، أو عدم توجهها لمثل هذا الاحترام بمثابة اقرار منها بعدم طلب تلك الاحتياطي من الغاز لاستخدامه داخل الجمهورية العربية السورية، وعندئذ يتق من المفاوضات والشركة بشأن طريقة التصرف بالغاز بمبيعات للتصدير.

في حال اعتراف أي من الشركة أو المفاوض بنية حصة على أية خطة تصدير الغاز، تأخذ الأطراف آراء الطرف المعترض بين الاعتراب ويلائمها ويستعين تقدم خطة بناء مقولة تهدف إلى استمرار احتياجيا الغاز المعنى استثمارا تجاريا.
3.3.2.2 Notwithstanding the provisions of Article 3.3.2.1, GOVERNMENT may exercise its right under Article 3.3.1 during the period in which CONTRACTOR and COMPANY have not reached agreement with a buyer for the export sale of Gas, and COMPANY and CONTRACTOR shall have the right to enter into a Gas Sales Contract with a buyer in S.A.R. subject to the prior approval of the GOVERNMENT.

3.4 Cost Recovery and Production Sharing

3.4.1 Costs and expenses incurred in the Production, collection, treatment and transportation of associated and non-associated Gas shall be recovered in accordance with Article 7 and the production sharing and Royalty principles also contained in Article 7 and Article 8.4.2 shall apply to the Gas produced and saved and not used in operations, flared or reinjected.

All costs associated with the installation of gas pipelines which are required to transport the gas sold up to the consumer intake point or up to the tie-in point with existing gas transportation network, as the case may be, shall be paid by CONTRACTOR and recovered as Development Expenditures.

3.4.2 Gas that is produced from the Area and measured at the Metering Point for the purposes of sales, shall be converted to BOE in accordance with the provisions of this Article 8.4.2., and shall be shared in the following proportions:

<table>
<thead>
<tr>
<th>Gas cumulative production in Million BOE</th>
<th>Company's share (including taxes)</th>
<th>Contractor's share</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-25</td>
<td>68%</td>
<td>32%</td>
</tr>
<tr>
<td>25-50</td>
<td>68%</td>
<td>32%</td>
</tr>
<tr>
<td>50-100</td>
<td>69%</td>
<td>31%</td>
</tr>
<tr>
<td>&gt; 100</td>
<td>72%</td>
<td>28%</td>
</tr>
</tbody>
</table>

The government share is 32% and the contractor share is 68%.

The formula for calculating the government's share is as follows:

Government Share = 0.32 * (Gas Production in Million BOE)

Example:

- For 25-50 Million BOE: 0.32 * 25 = 8
- For 50-100 Million BOE: 0.32 * 50 = 16
- For > 100 Million BOE: 0.32 * 100 = 32

The government's share is then converted to million barrels of oil equivalent (MMBOE) by dividing the government's share by the government's share multiplier, which is 0.32.

Example:

- For 25-50 Million BOE: 8 / 0.32 = 25
- For 50-100 Million BOE: 16 / 0.32 = 50
- For > 100 Million BOE: 32 / 0.32 = 100
3.3 Gas (exclusive of LPG) shall be converted to BOE using the following formula:

\[ X = \frac{\text{Petroleum Price per Barrel}}{\text{Gas Price per MCF}} \]

Where:

"X" means the number of MCF of Gas equal to one BOE.

"Petroleum Price per Barrel" means the market value of Petroleum under Qualifying Sales or, in the event that there are no Qualifying Sales, as determined under Article 7.6.2.

"Gas Price per MCF" means the weighted average of the prices per MCF received by CONTRACTOR for the sale of Gas produced from the Area pursuant to this Contract, including both domestic sales in the S.A.R. under any Gas Sales Contract and export sales.

3.4.4 Both the Gas Price per MCF and the Crude Oil Price per Barrel shall be expressed in United States Dollars, and if conversion to such Dollars from another currency is required to achieve this purpose, it shall be effected at the average buying rate of exchange for that currency as quoted by the bank of England, at the close of business for each Working Day of that bank in each Calendar Month for which \( X \) is established. If that bank does not so quote the other currency then COMPANY and CONTRACTOR shall agree in writing on mutually acceptable alternative means of converting that other currency. In the event of a failure to agree on a mutually acceptable alternative, the matter may be referred to an Expert in accordance with the provisions of Article 7.6.3.

In case no Petroleum production is made under this Contract, the average price of Gulf of Suez Oil Blend for Spot Sales published in "Platt's European Market" shall be used for the purpose of determining "X" value.
4.5 X shall be established initially at the Date of Initial Commercial Production of Gas (excluding LPG) made for a commercial sale. X shall then be established for each Calendar Month thereafter utilizing the Petroleum Price per Barrel, as determined under Article 8.4.3 above and the Gas Price per MCF, as determined under the Gas Sales Contract entered into under Article 8.3.1.1 and export sales for that Calendar Month.

The number of BOE shall be determined for each Calendar Month by dividing the volume in MCF of the Gas (excluding LPG) that is produced from the Area and measured at the Metering Point for such Calendar Month, by X for that Calendar Month.

The BOE of Gas and any BOE of LPG (pursuant to Article 8.5.3) produced from the Area shall be added to the number of Barrels of Petroleum produced from the Area, (in the case of the Petroleum and Gas (excluding LPG) as measured at the Metering Point and in the case of LPG as measured at the outlet of the plant), for such Calendar Month, and the resulting total number of Barrels shall be used to calculate the average Daily Production in BOE for such Calendar Month for the purposes of this Contract.

8-5 LPG

8.5.1 COMPANY and CONTRACTOR shall consult together to determine whether to build an LPG plant for recovering LPG from a Commercial Discovery of Gas. The consideration to build an LPG plant shall be by COMPANY and CONTRACTOR, not only in respect of an independent LPG project, but also in regard to meeting the Pipeline Specifications Gas. Delivery of LPG for Royalty and other purposes required by this Contract shall be at outlet of the LPG plant.

Lattakia Contract

15.8 1.5.8 تتشاور الشركة والمقاول لتحديد أن كافاً سيقومان مملاً للغاز من أجل استرجاع الغاز البترولي المتمتع من استثمار تجاري للغاز. يتم النظر في إنشاء معمل للغاز البترولي المتمتع من قبل الشركة والمقاول ليس من ناحية تمويل مشروع مستقل، بل من حيث تحقيق موصفات خط أواب الغاز. يجري تسليم الغاز البترولي المتمتع لأغراض حق الحكومة والأغراض الأخرى التي يقتضيها هذا العقد عند مخرج معمل الغاز البترولي المتمتع.
The cost of any such LPG plant shall be recoverable by CONTRACTOR in accordance with the provisions of this Contract unless the Parties agree to mutually acceptable modifications so as to result, in the opinion of CONTRACTOR and COMPANY, in an LPG plant being economically and commercially viable, considering the investment required, markets for the LPG and prices to be obtained therefore. If COMPANY and CONTRACTOR agree to accept new third party Gas and LPG producers to join in an ongoing export project, such producers shall be obliged to contribute a fair and equitable share of investment made, as agreed by all parties concerned. Production sharing of LPG between COMPANY and CONTRACTOR shall be in accordance with article 8.4.2.

8.5.2 The Royalty, Cost Recovery and Production Sharing shares of LPG disposed of by CONTRACTOR and/or COMPANY shall be valued at the weighted average prices actually received therefore.

The price for LPG sold to the GOVERNMENT for local S.A.R. requirements shall be in United States Dollars per metric ton as calculated from the weighted average prices for such Calendar Month as reported in 'Platt's LPGaswire' for propane and butane, in the ratio of the actual delivery for LPG in the S.A.R. under this Contract, F.O.B. Ex. Ref/Stor. West Mediterranean, less a deduction of the actual cost per metric ton for transportation of the LPG from the Metering Point to the point of sale in the S.A.R., and of the actual cost per metric ton for the usual insurance against casualty loss during such transportation of the LPG from the Metering Point to the point of sale in the S.A.R., or in another manner to be agreed upon by the CONTRACTOR and GOVERNMENT and implemented if and when 'Platt's LPGaswire' ceases to be published or otherwise available.

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In the event CONTRACTOR is selling its LPG to the GOVERNMENT and the GOVERNMENT is exporting LPG from Syria, the price to be paid to CONTRACTOR therefore shall be the weighted average price of all such export sales for such Calendar Month, but excluding barter agreements government-to-government sales and spot sales not reasonably consistent with prevailing market prices for the LPG.

8.5.3 LPG shall be converted to BOE at the outlet of the LPG plant on the direct volumetric basis in the ratio of twelve and three-tenths (12.3) Barrels per metric ton for propane and ten and nine-tenths (10.9) Barrels per metric ton for butane, subject to adjustment for the actual specifications of the LPG.

8.5.4 Ninety (90) days prior to the beginning of each half Calendar Year, the GOVERNMENT shall inform CONTRACTOR whether it wishes to pay for LPG in United States Dollars or in an alternative Petroleum on an equivalent monetary value basis for the next succeeding half Calendar Year. The provisions contained in Article 7.6 hereof concerning the delivery, valuation, pricing, recovery of proceeds and obligations of CONTRACTOR and GOVERNMENT shall apply mutatis mutandis with respect to alternative Petroleum.

Should the price publications referred to in this Article fail to publish or fail to reflect the actual market conditions and/or prices in the opinion of either Party, Petroleum and product quotations will be taken from those tables published in another publication that continues to be published, adjusted as the Parties agree, so as to most nearly approximate to the results which would have been used if such failure had not occurred. If such publications cease publication, the Parties will agree on other price reference sources.

8.6

6.8 If the LPG is sold or otherwise disposed of to the GOVERNMENT the price to be paid shall be the average price paid for similar grades sold by the CONTRACTOR in the market for the same period. If the LPG is sold to the GOVERNMENT the price to be paid shall be the average price paid by the GOVERNMENT for similar grades of LPG sold in the market for the same period.

8.7

If the CONTRACTOR is selling LPG to the GOVERNMENT, the GOVERNMENT shall pay the CONTRACTOR the average price paid by the CONTRACTOR for similar grades of LPG sold in the market for the same period.

8.8

If the GOVERNMENT is exporting LPG from Syria, the CONTRACTOR shall be paid the average price paid by the GOVERNMENT for similar grades of LPG sold in the market for the same period.
Should any price reference source referred to either in Article 7 or in this Article 8 publish a retroactive change, either upwards or downwards, for any Petroleum or product price that is referred to either in Article 7 or in this Article 8 the effect of such change in calculating prices for any Calendar Quarter will be limited to the Month prior to the Month of publication of such retroactive change.

A failure to agree on a suitable alternative publication under this Article 8.6 may be referred by either Party to an Expert in accordance with the provisions of Article 7.6.3.

8.7 The COMPANY and CONTRACTOR agree to take the full stream of Petroleum if any associated with Gas production and such stream shall be valued in accordance with Article 7.3 of this Contract. However, CONTRACTOR may advise COMPANY that in its opinion the amount of such Petroleum is too small to justify the construction of facilities to lift its share of such Petroleum. The COMPANY shall make all reasonable, good faith efforts to take the full stream of Petroleum for COMPANY’s sole benefit, but if it is not practicable for COMPANY to take such Petroleum, or if the taking of such Petroleum would unreasonably interfere with operations for the recovery of Gas, CONTRACTOR and COMPANY shall cooperate to establish the best operational and economic way to dispose of such Petroleum.

8.8 Ninety (90) days prior to the beginning of each half Calendar Year, the GOVERNMENT shall inform CONTRACTOR whether it wishes to pay for Gas in United States Dollars or in an alternative Petroleum on an equivalent monetary value basis for the next succeeding half Calendar Year.

The provisions contained in Article 7.6 concerning the delivery, valuation, pricing, recovery of proceeds and obligations of CONTRACTOR and GOVERNMENT shall apply mutatis mutandis with respect alternative Petroleum.

Lattakia Contract

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8.9 COMPANY and GOVERNMENT irrevocably guarantee payment for Petroleum in United States Dollars or alternative Petroleum in any circumstances under this Contract in which such payments are to be made by COMPANY and/or GOVERNMENT to CONTRACTOR hereunder, and GOVERNMENT shall make sufficient United States Dollars or alternative Petroleum available to COMPANY for that purpose as well as for any purchases by GOVERNMENT of Petroleum under this Contract.

8.10 Gas Suspension

8.10.1 If there is a discovery of Gas which COMPANY and CONTRACTOR agree could be a Commercial Discovery, but there is a lack of or inadequacy of an available commercially viable market for the Gas Reserves, this Contract shall be suspended insofar as it applies to the area of such discovery (the "Gas Suspension Area") for a period of seven (7) Years after the date of such above agreement or until such time as COMPANY and CONTRACTOR secure a buyer of the Gas or any portion thereof, whichever first occurs ("Gas Suspension Period"). If no Gas Sales Contract is executed within the seven (7) Year period as aforesaid, the CONTRACTOR shall relinquish the Gas Suspension Area.

During the Gas Suspension Period, for each discovery, the Parties shall use their reasonable, good faith efforts to investigate and consider the markets which could be developed commercially for such Gas Reserves, either for export from, or for domestic use in, the S.A.R., and also consider whether mutually agreeable modifications to this Agreement or actions could be taken to result in it being a Commercial Discovery, including, but not limited to, modification of the Gas price described in Article 8.3.1.2 and the production sharing and cost recovery percentages referred to in Article 7 and Article 8.4.2 hereof.

8-10-1-1 8-10-2-8

إذا حدث اكتشاف الغاز واتفق الشركة والمقاول على أنه من الممكن أن يكون اكتشافاً تجارياً، إلا أنه لاتتفق ما مجموعه رائحة تجارية قابلة للإستمرار أو أن هذه السوق غير كافية للاحتفاظ الغاز، عندما يجري تعليق هذا العقد على فترة ست سنوات (منطقة تعليق الغاز) لمدة من الزمن، وست سنوات بعد تاريخ الانتهاء المشار إليه أعلاه، إلى أن تتمكن الشركة والمقاول من تأمين مشتر للغاز لأي جزء منه، أي التاريخين يقع أولًا (فترة تعليق الغاز). وإذا لم يبرم عقد لبيع الغاز خلال هذه ست سنوات المذكورة أعلاه، يترتب على المقاول أن يخلى عن منطقة تعليق الغاز.

During the Gas Suspension Period, for each discovery, the Parties shall use their reasonable, good faith efforts to investigate and consider the markets which could be developed commercially for such Gas Reserves, either for export from, or for domestic use in, the S.A.R., and also consider whether mutually agreeable modifications to this Agreement or actions could be taken to result in it being a Commercial Discovery, including, but not limited to, modification of the Gas price described in Article 8.3.1.2 and the production sharing and cost recovery percentages referred to in Article 7 and Article 8.4.2 hereof.

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If the CONTRACTOR and COMPANY identify commercially viable marketing possibilities for such Gas Reserves during any Gas Suspension Period, or there are other mutually agreed modifications to this Agreement or actions to be taken so as to result, in the opinion of both CONTRACTOR and COMPANY, in the discovery being a Commercial Discovery, CONTRACTOR will give COMPANY Notice of Commercial Discovery in accordance with Article 3.2.4 and 3.2.5.

The Gas Suspension Area shall be determined in the same manner as a Development Area, and shall not be subject to mandatory relinquishment pursuant to Article 5 hereof.

8.10.2 During any Gas Suspension Period, if COMPANY proposes to CONTRACTOR as permitted by Article 3.2.4, that COMPANY will Develop the discovery which is the subject of the Gas Suspension Period at COMPANY’s sole cost risk and expense, and provided that the question of it being a Commercial Discovery has not been referred to arbitration under Article 23 nor is it under current discussion by COMPANY and CONTRACTOR, CONTRACTOR shall either relinquish the Gas Suspension Area or agree to commence its Development pursuant to this Contract, as hereafter provided.

Any such Development proposal by COMPANY to CONTRACTOR shall contain full and complete technical and economic factors considered by COMPANY in determining that the discovery appears worthy of being commercially Developed. Upon receipt of such information, CONTRACTOR may, within ninety (90) days of receipt of such notice, either

8.10.2.1 give notice that it does not wish to participate in the Development, and relinquish the Gas Suspension Area, or

وإذا تبين للمقاول والشركة احتمالات ممكنة لتسويق احتياطي هذا الغاز تجاريا بصورة مجدية خلال أي فترة تعليق الغاز، أو إذا وجدت تعديلات أخرى لهذه الاتفاقية وافق على الأطراف أو اتخذت إجراءات متفق عليها بصورة مشتركة من شأنها أن تؤدي، حسب رأي الشركة والمقاول إلى اعتبار الاكتشاف اكتشافا تجاريا، يتعين على المقاول عندئذ أن يوجه إلى الشركة إخطارا بالاكتشاف التجاري عملا بالمادة 3-2-4 والمادة 5 من هذا العقد.

8-10-2 خلال أي فترة تعليق الغاز، إذا اقترحت الشركة على المقاول وفق ما تسمح به المادة 3-2-4 أنها سوف تتمي الاكتشاف موضوع فترة تعليق الغاز على حساب الشركة وحدة وعلى مسؤوليتها وفنفتها الخاصة، شريطة إلا يكون موضوع طلبها اكتشافا تجاريا قد اخذت للتحكم بموجب المادة 23 وشرط إذا تكون المسألة قد البحث في حينه من قبل الشركة والمقاول، عندئذ يترتب على المقاول إما أن يتخلى عن منطقة تعليق الغاز أو يوافق على البدء بتمتيعها وفقا لهذا العقد على نحو ماهو منصوص عليه فيما يلي.

يشترط في أي اقتراح تنمية تقدمه الشركة إلى المقاول أن يضم العوامل الفنية والتجارية التامة والكاملة التي أحدثها الشركة بالاعتبار حين قررت أن الاكتشاف جدير بالتنمية التجارية. وله تسلم المقاول هذه المعلومات يمكنه في غضون تسعة يوما (90) من تسلمه هذا الإخطار، إما

8-10-2-1 أن يوجه إخطارا بعدم رغبته في المشاركة بالتنمية ويتخلى عن منطقة تعليق الغاز، أو

Lattakia Contract

عقد اللاقغة

-54-
8.10.2.2 Accept the Development proposal or recommend additions and/or modifications to the Development proposed by COMPANY and, if agreed with COMPANY, in either case proceed with the Development pursuant to this Contract.

If CONTRACTOR agrees to proceed with the Development in any of the previously mentioned circumstances, the date of this agreement shall be deemed the Date of Commercial Discovery for the subject Gas discovery. If CONTRACTOR does not elect to participate in the development and relinquishes the Gas Suspension Area, COMPANY may then Develop the Gas at its sole cost, risk and expense. CONTRACTOR shall not be obligated to relinquish a Gas Suspension Area as aforesaid if a Commercial Discovery of Petroleum has been made therein and CONTRACTOR has made Development Expenditure in respect thereof. In such case, the Development of each may proceed independently, subject to Article 8.4 hereof.

8.11 Relinquishment

If no Development of Gas commences within seven (7) Years from the Date of Commercial Gas Discovery the CONTRACTOR shall relinquish the respective Development Area.

8.11 التخللي

إذا لم تبدأ تفكيك الغاز خلال سبع سنوات من تاريخ الاكتشاف التجاري للغاز عندئذ يترتب على المقاول أن يتخلل عن منطقة التنمية المعنية.
OFFICE AND SERVICE OF NOTICE

9.1 Any notice or other communication to be given or made to any Party hereunder shall be in writing and in English and Arabic and delivered personally by hand, or sent by registered mail, to the office of such Party located in Damascus as may be notified by such Party to the other Parties from time to time for such purposes.

9.2 Notwithstanding the provisions of Article 9.1, notices given or made under Articles 3.2.4, 7.6.3, 8.3.2, 19.2, 20.2, 20.3, 21.2, 22.4, and 23.1.3, and under the Letter of Guarantee shall not be served other than personally by hand, including registered mail, and any other purported means of service shall not be effective.

9.3 The effective date of any communication under this Article 9 shall be the date upon which it is received at the address of the Party to whom it is addressed as evidenced in the case of hand delivery, including registered mail, by a signed receipt or in the case of facsimile.
ARTICLE 10

SAVING OF PETROLEUM AND PREVENTION OF LOSS

10.1 Operator shall take all proper measures, according to generally accepted methods in use in the international oil industry to prevent loss or waste of Petroleum above or under the ground in any form during drilling, producing, gathering and distributing or storage operations. The GOVERNMENT has the right to prevent any operation on any well that it might reasonably expect would result in loss or damage to the well or the Petroleum field.

10.2 Upon completion of the drilling of a well in which Petroleum is encountered Operator shall inform the GOVERNMENT or the COMPANY and CONTRACTOR, when it is not Operator, or their representatives, of the time if and when the well will be tested and of the production rate when ascertained.

10.3 Except in instances where multiple producing formations in the same well can only be produced economically through a single tubing string, Petroleum shall not be produced from multiple Petroleum bearing zones through one string of tubing at the same time, except with the prior approval of the COMPANY or its representative, which approval shall not be unreasonably withheld.

10.4 Operating Company shall record data regarding the quantity of Petroleum and water produced from each Development Area. Such data shall be sent to the GOVERNMENT or its representative on the special forms provided for that purpose within (30) Days after it is obtained. Daily or weekly statistics regarding the production from the Development Area or Areas shall be available at all reasonable times for examination by authorized representatives of the GOVERNMENT.
10.5 Daily drilling records and the graphic logs of wells must show the quantity and type of cement, and the amount of any other materials used in the well for the purposes of protecting Petroleum bearing, or fresh water strata. Any substantial change of mechanical conditions of the completed condition of a well should be subject to COMPANY authorization, which shall not be unreasonably withheld.

10.6 In the performance of the operations hereunder Operator shall be subject to the laws, decrees and regulations on health and safety of the personnel involved in operations or exposed to it and on environmental protection prevalent in the S.A.R. Operator shall give due regard to the protection of the environment which may be affected by the development of its activities and aim at progressive reduction over time of emissions, effluents and discharges of waste materials from its operations which are known to have a negative impact on the environment.

10-6 أنشاء أداء العمليات بموجب هذا العقد يكون المشغل خاضعاً للقوانين، والمراسيم، والأنظمة المتعلقة بالسلامة وصحة الأفراد العاملين في هذه العمليات أو المعرضين لها ولحماية البيئة في ج.م.س. يعطي المشغل الاهتمام الواجب لحماية البيئة، التي قد تتأثر نتيجة لتطوير عملياته وتهدف إلى التقليل المطرد من المواد المنطلقة والمتدفق، وتصرف مواد النفايات الناتجة من عملياته، المعروف بأن لها آثاراً سلبيةً على البيئة.
ARTICLE 11

CUSTOMS EXEMPTIONS

11.1 CONTRACTOR, Operating Company and their contractors and their non-Syrian subcontractors engaged in carrying out operations under this Contract shall be exempted from Customs Duties and import license fees with respect to the importation of such machinery and equipment of whatsoever nature as may be required to be used by CONTRACTOR or its subcontractors and the Operating Company, including but not limited to, radio equipment, computers and accessories and software, air conditioners for offices and houses and field facilities and electrical equipments, vehicles of all kinds and number including but not limited to buses and cars using petroleum or diesel, necessary aircraft and helicopters, materials, supplies of food and drink items for expatriates and their families use, consumable items, movable property, and spare parts for any of the above, when certified by a responsible representative of COMPANY to be used solely in carrying out or supporting operations under this Contract. With respect to such items CONTRACTOR, Operating Company and their contractors and their non-Syrian subcontractors shall have the right of "Direct Withdrawal" from customs.

CONTRACTOR, Operating Company, and their contractors and their non-Syrian subcontractors shall be exempt from the provisions of the Foreign Trade Regulations, concerning prohibition, limitation, and restriction of import, and country of origin.

11.2 Each expatriate employee of CONTRACTOR and Operating Company and the said contractors and subcontractors shall be permitted to import and shall be exempted from all Customs Duties with respect to the reasonable importation of household goods, items and personal effects.

Lattakia Contract

-59-
including one automobile which can be imported directly by the expatriate employee himself or imported by CONTRACTOR for his benefit; provided, however, that such properties are imported for the personal use of the employee and his family and provided that no such property imported by the employee shall be resold by him in the S.A.R. except subject to GOVERNMENT regulations and if resold to another entity which is also enjoying similar exemptions.

11.3 The exemption provided in Article 11.1 shall not apply to any imported items, when COMPANY and CONTRACTOR agree that items of substantially the same kind and quality are manufactured locally and are available for purchase and timely delivery in the S.A.R. under substantially the same terms and conditions and at a price not higher than fifteen percent (15%) more than the cost of the imported items before Customs Duties, but after transportation and insurance costs have been added.

11.4 Any of the items imported into the S.A.R. either exempts or non-exempt from Customs Duties, taxes or impost under this Article may be exported by the importing party at any time without the payment of any export duty, taxes, fees or impost.

11.5 New or used, but serviceable, material, equipment and goods imported for, in support of or resulting from operations hereunder may be sold within the S.A.R. provided that the purchasers pay the applicable Customs Duties, taxes or impost, if any.
Material, equipment and goods imported under the Contract and sold within the S.A.R. shall be exempted from Customs Duties, taxes or imposts if:

11.6.1 Sold to COMPANY or companies affiliated with the Ministry of Petroleum and Mineral Resources,

11.6.2 CONTRACTOR assigns such material, equipment and goods to COMPANY,

11.6.3 Sold to any entity which is enjoying similar exemption.

Material, equipment and goods so damaged or used as to be unserviceable and which are classified by Operating Company and/or CONTRACTOR as scrap or as junk (any assessment of this kind if made by CONTRACTOR shall be subject to the agreement of COMPANY and shall be subject to the agreement of COMPANY and CONTRACTOR if made by Operating Company without the need to the approval of any other direction ) may be sold as scrap or junked without payment of Customs Duties, taxes or imposts by CONTRACTOR, Operating Company, their contractors or subcontractors.

11.8 In the event of a sale under Article 11.5 to 11.7 inclusive above, the proceeds from such sales shall be divided in the following manner:

CONTRACTOR shall be entitled to receive the proceeds, which proceeds when received shall reduce the unrecovered cost, if any, which CONTRACTOR is entitled to recover pursuant to Article 7.2 and 8.4.1 thereof. If no costs remain to be recovered by CONTRACTOR, then the entire proceeds of such sale, if any, shall be paid to COMPANY.
11-9 “Customs Duties” as used herein, shall include all duties, taxes, tax fees or any other financial imposts of whatsoever nature, which may be due as a result of the importation of the above mentioned item or items, except charges to be paid to GOVERNMENT for actual services rendered.

11.10 CONTRACTOR and COMPANY shall not require any license or other consent whatsoever and shall be exempted from any duty, tax, fee or any other financial impost in respect of the export of Petroleum from the S.A.R. hereunder.
ARTICLE 12
BOOKS OF ACCOUNT:
ACCOUNTING AND PAYMENT

12.1 COMPANY, CONTRACTOR and Operating Company shall each maintain at their business offices in the S.A.R. books of account, in accordance with the Accounting Procedure in Annex E and accepted accounting practices generally used in the international petroleum industry, and such other books and records as may be necessary to show the work performed under this Contract, including the amount, and value of all Petroleum produced and saved hereunder. CONTRACTOR and Operating Company shall keep their books of account and accounting records in United States Dollars. Operating Company shall furnish to the GOVERNMENT or its representative Monthly returns showing the amount of estimated Average Daily Production of Petroleum produced and saved hereunder. Such returns shall be prepared in the forms required by the GOVERNMENT or its representative and shall be signed by the Chairman and General Manager or by a Deputy General Manager or their duly authorized representatives and delivered to the GOVERNMENT or its representative within thirty (30) days after the end of the Month covered in the returns.

12.2 The aforesaid books of account and other books and records referred to above shall be kept in the English language and shall be available at all reasonable times and upon notice for inspection by duly authorized representatives of the GOVERNMENT.

Lattakia Contract

-63-
CONTRACTOR shall submit to COMPANY a profit and loss statement for each Calendar Year not later than March 15 of the following Calendar Year to show its net profit or loss from the Petroleum operations under this Contract for such Calendar Year.

CONTRACTOR shall at the same time submit a Calendar Year end balance sheet for the same Calendar Year to the COMPANY.
ARTICLE 13
RECORDS, REPORTS AND INSPECTION

13.1 Operator shall prepare and, at all times while this Contract is in force, maintain accurate and current records of its operations in the Area hereunder. Operator shall furnish the GOVERNMENT or its representative, subject to applicable regulations of local application or such as the GOVERNMENT or its representative may reasonably require information and data concerning its operations in the S.A.R. under this Contract.

13.2 Operator shall save and keep for a reasonable period of time a representative portion of each sample of cores and cuttings taken from drilling wells, to be disposed of with the GOVERNMENT's knowledge or forwarded to the GOVERNMENT or its representative in the manner directed by the GOVERNMENT. All samples acquired by Operator for its own purpose shall be considered available for inspection at any reasonable time by the GOVERNMENT or its representative. Any such samples which Operator has kept for a period of twelve (12) Months without receipt of instructions to forward them to the GOVERNMENT or its representative or elsewhere may be disposed of by Operator at its discretion. Operator shall submit to GOVERNMENT or its representative accurate copies of test results of samples whenever available.

13.3 Unless otherwise agreed to by COMPANY, in case of exporting any rock samples outside S.A.R. samples equivalent in size and quality, shall before such exportation be delivered to COMPANY as representative of GOVERNMENT.

Lattakia Contract -65-
13.5 Operator shall permit COMPANY at COMPANY's sole risk through COMPANY's duly authorized representatives or employees to have full and complete access to the whole Area at all reasonable time with the right to observe the operations being conducted and to inspect all assets, records and data kept by Operator. COMPANY's representative in exercising this right under this Article 13.5 shall take care that the operations are not hindered or delayed. Operator shall formally advise COMPANY representatives about safety rules and regulations applicable in the field, and also shall advise them of any dangerous or hazardous conditions that are not apparent, and which are known to Operator. The COMPANY representatives shall acknowledge in writing that they have been advised as aforesaid, as a condition to admittance to the field operations. Operator shall offer such representatives all privileges and facilities accorded to its own employees in the field and shall provide them, free of charge, the use of reasonable office space and of adequately furnished housing while they are in the field for the purpose of facilitating the objectives of this Article 13.
13.6 Operator shall supply COMPANY with copies of all technical data (including, but not limited to, geological and geophysical reports, logs and well surveys, sample tests, and all information and interpretation related thereto) obtained from the Area. When Operating Company is Operator, CONTRACTOR shall have the same rights as COMPANY under this Article.

13.7 All such data and information shall be deemed to be strictly confidential and shall not be divulged by COMPANY without the consent of CONTRACTOR, except to Affiliated Companies administered by the Ministry of Petroleum and Mineral Resources, nor by the Ministry of Petroleum and Mineral Resources, without the consent of CONTRACTOR, nor by CONTRACTOR except to Affiliated Companies or an intended assignee(s), professional consultants, banks or financial institutions from whom the CONTRACTOR is seeking or obtaining finance (provided always that such Affiliated Companies, intended assignee(s), consultants, banks and financial institutions are bound by a strict undertaking of confidentiality), or to the extent required by any stock exchange on which the shares of any company comprising CONTRACTOR or an Affiliated Company of any company comprising CONTRACTOR, are, or are intended to be quoted, without the consent of GOVERNMENT, while this Contract remains in force.
13.8 Notwithstanding the foregoing, for the purposes of obtaining new offers for exploration rights from third parties in respect of areas adjoining, but wholly outside the Area, GOVERNMENT may show any other party geophysical and geological data (but well logs and other well data only by mutual agreement) with respect to the Area adjacent to the area of such new offer. Should this Contract be terminated in the Initial Exploration Period or any extension thereof, CONTRACTOR shall be bound not to divulge, except to Affiliated Companies, the data and information obtained by him and not to disclose them in any manner whatsoever during at least five (5) Years from the termination of the Contract.
ARTICLE 14

Responsibility for Damages and Insurance

14.1 CONTRACTOR shall be entirely and solely responsible in law towards third parties for any damage caused solely by Exploration operations performed by CONTRACTOR and shall indemnify the GOVERNMENT against all damages for which it may be held liable on account of any such operations.

14.2 CONTRACTOR shall exercise reasonable skill, care and diligence in the discharge of its obligations under this Contract, but its liability to COMPANY or Operating Company for any damage or loss of whatsoever nature sustained by COMPANY or Operating Company arising out of the performance or non-performance by CONTRACTOR shall be limited to cases of death by mistake on the part of CONTRACTOR and shall extend solely to the proper re-performance of the obligation in question.

14.3 For the avoidance of doubt, CONTRACTOR shall in no event be liable for indirect or consequential damages, including loss of production or loss of profits.

14.4 Operator shall establish an insurance plan for its operations hereunder and obtain the insurance contracts in accordance therewith. Such insurances shall cover the types of exposure that are normally covered in the international oil industry, including but not limited to damages to equipment, installations, third party liabilities, costs of blow outs and removal of debris and the like. Operator shall endeavour to ensure that its subcontractors adequately insure their risks under the relevant subcontracts.
ARTICLE 15

PRIVILEGES OF OFFICIAL REPRESENTATIVES

15.1 Duly authorized representatives of the GOVERNMENT shall have access to the Area covered by this Contract and to the operations conducted therein. Such representatives may examine the books, registers and records of COMPANY, CONTRACTOR and Operating Company and make a reasonable number of surveys, drawings and tests for the purpose of enforcing this Contract. They shall for such purposes, be entitled to make reasonable use of the machinery and instruments of CONTRACTOR and Operating Company on the condition that no danger or impediment to the operations hereunder shall arise directly or indirectly from such use. The GOVERNMENT indemnifies and shall reimburse CONTRACTOR or Operating Company for any loss or damage which may in fact result from any such use of said machinery and instruments. Such representatives shall be given reasonable assistance by the agents and employees of CONTRACTOR or Operating Company so that none of their activities shall endanger or hinder the safety or efficiency of the operations. Operator shall formally advise representatives of the GOVERNMENT about safety rules and regulations applicable in the field, and also shall advise them of any dangerous or hazardous conditions that are not apparent, and which are known to CONTRACTOR or Operating Company, as the case may be.
The GOVERNMENT representatives shall acknowledge in writing that they have been advised as aforesaid, as a condition to admittance to the field operations. Operator shall offer such representatives all privileges and facilities accorded to its own employees in the field and shall provide them, free of charge, the use of reasonable office space and of adequately furnished housing while they are in the field for the purpose of facilitating the objectives of this Article. Any and all information obtained by the GOVERNMENT or its representatives hereunder shall be kept confidential with respect to the Area and shall not be disclosed during the term of this Contract without the prior written consent of COMPANY and CONTRACTOR.
ARTICLE 16
EMPLOYMENT RIGHTS AND TRAINING OF SYRIAN PERSONNEL

16.1 It is the desire of the Parties that operations hereunder be conducted in a businesslike and efficient manner, therefore, GOVERNMENT agrees that:

16.1.1 Expatriate administrative professional and technical personnel employed by CONTRACTOR and employed by or assigned to Operating Company in accordance with Article 16.2 below and the expatriate personnel of its contractors and subcontractors for the conduct of the operations hereunder, on application shall be granted residency in accordance with rules and amendments of Law No. 29 of 1970 and shall be granted the work permit for aliens the Ministry of Interior’s Decision No. 159 of 1970 in accordance with the rules and amendments of the Ministry COMPANY shall use its best endeavours to cause such work permits and/or residency to be granted within three (3) Months from the date of application and shall continue throughout the period of each expatriate’s employment or assignment in the S.A.R.

16.1.2 A minimum of twenty-five percent (25%) of the combined gross salaries and wages of the expatriate administrative, professional and technical personnel employed by CONTRACTOR or Operating Company shall be paid in Syrian currency. On final repatriation such personnel shall have the right to remit abroad in US. Dollars or other freely convertible currencies the unused portion of such Syrian currency payment in excess of twenty-five percent (25%) of such personnel’s salary.
CONTRACTOR and Operating Company shall each, for their respective operations, select the employees and determine the number thereof, to be used for all operations hereunder, including operations during and after the Exploration Periods for CONTRACTOR.

CONTRACTOR shall, after consultation with COMPANY, prepare and carry out specialized training programs for all of its S.A.R. employees engaged in operations hereunder with respect to applicable aspects of the petroleum industry. CONTRACTOR and Operating Company shall undertake to replace gradually their expatriate personnel, particularly administrative staff and technicians by qualified S.A.R. citizens whenever available.

The CONTRACTOR shall dedicate an amount of Fifty Thousand U.S. Dollars (50,000 USD) as "Training Budget" for the purpose of internal and external training of COMPANY’s employees and to support the specialized training centers in the field of gas and oil during the contract period, commencing from the first Calendar Year after the Effective Date. To expend the Training Budget, CONTRACTOR shall cooperate with COMPANY in giving qualified COMPANY employees an opportunity to attend and participate in training programs in Exploration, Development, and technical, financial and legal fields related to petroleum offered by CONTRACTOR or Affiliated Companies of CONTRACTOR or third parties, which are acceptable to both CONTRACTOR and COMPANY. Except as otherwise provided herein, Training Budget costs and expenditures shall not be cost recoverable.

The COMPANY has the right to request paying this sum specified for training directly for this purpose and the mentioned sum will not be considered from the recoverable expenditures.

16.4 The CONTRACTOR shall dedicate an amount of Fifty Thousand U.S. Dollars (50,000 USD) as "Training Budget" for the purpose of internal and external training of COMPANY’s employees and to support the specialized training centers in the field of gas and oil during the contract period, commencing from the first Calendar Year after the Effective Date. To expend the Training Budget, CONTRACTOR shall cooperate with COMPANY in giving qualified COMPANY employees an opportunity to attend and participate in training programs in Exploration, Development, and technical, financial and legal fields related to petroleum offered by CONTRACTOR or Affiliated Companies of CONTRACTOR or third parties, which are acceptable to both CONTRACTOR and COMPANY. Except as otherwise provided herein, Training Budget costs and expenditures shall not be cost recoverable.

The COMPANY has the right to request paying this sum specified for training directly for this purpose and the mentioned sum will not be considered from the recoverable expenditures.
6.5 CONTRACTOR shall not be obliged to expend more than the Training Budget on such programs, but in the event of any according expenditure in any Calendar Year the Training Budget for the next Calendar Year only shall be added with the amount of the under expenditure. Any under expenditure carried forward to the succeeding Calendar Year as provided for herein shall not be cost recoverable, however, any Training Budget expenditures in excess of Fifty thousand US Dollars (50,000 USD) shall be cost recoverable by CONTRACTOR under the provisions of Article 7.

16-5 لا يلزم المقاول بأن يفق أكثر مما هو مخصص في الميزانية على برامج التدريب، ولكن في حال عدم إتفاق كامل المبلغ المخصص في ميزانية التدريب لأية سنة تقويمية فيضاف المبلغ المخصص فقط في ميزانية تدريب السنة التقويمية التالية بنفس المبلغ غير المنفق. لن يعتبر أي مبلغ غير منفق ومدور من السنة التقويمية السابقة، كما هو منصوص عليه في هذا المادة، من التكاليف القابلة للاسترداد، غير أن أي نفقات تزيد عن خمسين ألف دولار أمريكي في ميزانية التدريب ستدفعت نفقات مستردة من قبل المقاول تحت أحكام المادة 7.
17.1 CONTRACTOR or Operating Company, as the case may be and their contractors shall:

17.1.1 Give priority to local contractors as long as their prices and performances are comparable with international prices and performances for the type of work to be performed.

17.1.2 Give preference to locally manufactured materials, equipment, machinery and consumables so long as their technical specifications, quality and time of delivery and service facilities (including service and spare parts supply) are comparable to internationally available materials, equipment, machinery and consumables. However, such materials, equipment, machinery and consumables may in any event be imported for operations conducted hereunder if the local price of such items at CONTRACTOR’s or Operating Company’s operating base in the S.A.R. is more than fifteen percent (15%) higher than the price of such imported items before Customs Duties, but after transportation and insurance costs have been added.
ARTICLE 18

LAWS AND REGULATIONS

18.1 CONTRACTOR and Operating Company shall be subject to all laws and regulations of local application in force in the S.A.R. provided that CONTRACTOR and Operating Company shall not be subject to any laws, regulations or modifications thereof which are contrary to or inconsistent with the provisions of this Contract.

18.2.1 CONTRACTOR shall be subject to the laws in force in the S.A.R. and the administrative sub-divisions thereof which impose taxes, duties, levies and other financial charges on or measured by income or profits (hereinafter referred to as S.A.R. Income Taxes). Except as otherwise provided in the Contract, CONTRACTOR shall comply with the requirements of such laws with respect to the filing of returns, the assessment of taxes and the keeping for review by authorized persons of books of account and records. For these purposes, any S.A.R. Income Taxes shall be assessed at the rates applicable on the Effective Date of this Contract.

Notwithstanding any provision of this Contract to the contrary CONTRACTOR shall be entitled to deduct for the purposes of S.A.R. Income Taxes all its costs and expenses with respect to the Area and without regard to Forty Percent (40%) per annum Petroleum limitation specified in Article 7.2. Hereof. To the extent that in a Tax Year costs and expenses described in Article 7.2.1 to 7.2.4 inclusive exceed the value of all Petroleum accruing to CONTRACTOR for such Tax Year, the excess shall be carried forward for recovery in the next succeeding Tax Year or Years until fully recovered, but in no case after the termination of the Contract as to CONTRACTOR. COMPANY's share of

عقد الانتفاعية
Petroleum determined under Article 7 & 8 includes an amount equal in value to all of CONTRACTOR's S.A.R. Income Taxes. And will be discounted from the CONTRACTOR's share.

18.2.2 CONTRACTOR shall deliver to COMPANY a copy of its tax returns at least thirty (30) Days prior to the official date of filing with the tax authorities, for COMPANY's review. COMPANY will have twenty (20) Days to give comments to CONTRACTOR.

18.2.3 COMPANY shall pay on behalf of CONTRACTOR and shall indemnify CONTRACTOR against the imposition of all S.A.R. Income Taxes and any additional amount payable under S.A.R. law (including penalties for reasons not caused by CONTRACTOR), out of the sums received by COMPANY from the sale or other disposition of its share of the Petroleum as determined under Article 7 – 8.

18.2.4 COMPANY shall deliver to CONTRACTOR the proper official receipts evidencing the payment of CONTRACTOR's S.A.R. Income Taxes, within thirty (30) Days of payment of taxes. Such receipts shall be issued by the proper Tax Authorities and shall state the amount and other particulars customary for them. A copy of either the Collection Order or such other document(s) that will officially evidence the basis for payment shall be provided to CONTRACTOR by COMPANY when available to COMPANY.

18.2.5 In calculating its S.A.R. Income Taxes, COMPANY shall be entitled to deduct the S.A.R. Income Taxes of CONTRACTOR paid by COMPANY on CONTRACTOR's behalf from its taxable income.

Signed:

Lattakia Contract

[Signature]

[Annotation]

[Stamp: Lattakia Contract]

[Stamp: مكتبة اللاذقية]
Each of the companies comprising CONTRACTOR shall be separately subject to S.A.R. Income Taxes with respect to the income derived by such company from Petroleum operations in the S.A.R.

Non-Syrian subcontractors, with whom CONTRACTOR entered into Contracts, with the approval of COMPANY, shall be exempted from S.A.R. income taxes, duties, and Stamp Duty during the Exploration period(s) of this Contract. This exemption shall also apply to non-Syrian subcontractors of Operating Company in respect of Exploration activities. CONTRACTOR shall, in addition to the exemptions contained in Article 18.3.2 below, be exempted from duties and Stamp Duty during the Exploration periods of this Contract.

COMPANY and each company comprising CONTRACTOR shall be exempted from all taxes, except as provided in Article 18.2.1 for S.A.R. income taxes, with respect to the extracting, producing, exporting or transporting of Petroleum hereunder. Each company comprising CONTRACTOR shall also be exempted from any tax on capital, if any. CONTRACTOR and the shareholders of CONTRACTOR shall also be exempted from all taxes, fees and charges with respect to interest, dividends and other distributions paid to them in connection with activities under this Contract. Moreover, no tax, fee or charge shall be payable by any company comprising CONTRACTOR with respect to interest, fees, charges or other payments made in connection with borrowings, services performed or property sold to CONTRACTOR outside the S.A.R., or for purposes of registration taxes, fees or charges, documents executed outside of the S.A.R. in connection with activities covered by this Contract.

Lattakia Contract
-78-
18.4 The rights and obligations of COMPANY and CONTRACTOR under, and for the duration of this Contract, shall be governed by and in accordance with the provisions of this Contract, and can only be altered or amended by the mutual agreement of the Parties.

18.5 The contractors and subcontractors of CONTRACTOR and Operating Company shall be subject to the provisions of this Contract applicable to them, and they shall be also subject to all laws and regulations of local application and their amendments but without prejudice to the provisions of this Contract.

18.6 The principles of national sovereignty and security of the S.A.R. as established by laws, rules and regulations of local application shall apply to the performance of the CONTRACTOR's operations in the.
ARTICLE 19

RIGHT OF REQUISITION

19.1 In case of national emergency due to war or imminent expectation of war or internal causes, the GOVERNMENT may requisition all or parts of Petroleum produced hereunder in the Area and require COMPANY and CONTRACTOR to increase such production to the maximum possible. The GOVERNMENT may also requisition the oil field itself and, if necessary, related facilities.

19.2 In all cases, such requisition shall not be effected except after inviting COMPANY and CONTRACTOR or their representatives by registered letter, with acknowledgment of receipt, to express their view with respect to such requisition.

19.3 The requisition of the production shall be effected by Ministerial order. Any requisition of the oil field itself, or any related facilities, shall be effected by a Presidential Decree duly notified to COMPANY and CONTRACTOR.

19.4 In the event of any requisition as provided above, the GOVERNMENT shall indemnify COMPANY and CONTRACTOR in full, for the period during which the requisition is maintained, including:

19.4.1 All damages which result from such requisition though any damage resulting from enemy attack are not within the meaning of this Article 19.4.

19.4.2 Full payment each Calendar Month for all Petroleum extracted by the GOVERNMENT less the Royalty share of such Petroleum.

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Lattakia Contract

-80-

عقد اللاذقية
19.5 Payment hereunder shall be made to CONTRACTOR in US. Dollars remitted abroad, to a bank account nominated by CONTRACTOR (which shall be with a correspondent bank to a Syrian bank), not later than twenty (20) Days after delivery of CONTRACTOR's invoice. The price paid to CONTRACTOR for such Petroleum taken shall be calculated in accordance with Article 7.6 in paragraph (8-3-1-2) as the case requires.
20.1 Neither COMPANY nor any company comprising CONTRACTOR may assign to a person, firm or corporation which is not a Party hereto, in whole or in part, any of its rights, privileges, duties or obligations under this Contract without the written consent of the GOVERNMENT. However, either COMPANY or any company comprising CONTRACTOR shall be free without the written consent of the GOVERNMENT to assign its rights, privileges, duties and obligations under this Contract to each other or to an Affiliated Company which shall be as qualified as the assignor with respect to its technical and financial competence. In the case of assignment to any of the affiliated companies the assigner remains continually responsible in association with the assignee.

20.2 In the event that COMPANY or any company comprising CONTRACTOR wishes to assign in whole or in part, any of its rights, privileges, duties or obligations hereunder as aforesaid, the written consent thereto of the GOVERNMENT, if required under this Article, shall not be unreasonably withheld. To enable consideration to be given to any request for such consent, the following conditions must be fulfilled:

20.2.1 CONTRACTOR must not be in breach of any of its material obligations deriving from this Contract as of the date such request is made.

20.2.2 The proposed assignee or assignees must produce reasonable evidence to the GOVERNMENT of its or of their financial and technical competence.
20.2.3 The document of assignment must include provisions stating precisely that the assignee is bound by all covenants contained in this Contract and any modifications or additions in writing that up to such time may have been made. A draft of such document of assignment shall be submitted to the GOVERNMENT, for review and approval before being formally executed.

20.3 Every executed, authenticated and delivered document of assignment assigning any of the rights, privileges, duties or obligations hereunder of COMPANY or CONTRACTOR shall be submitted to the GOVERNMENT, within thirty (30) Days after the GOVERNMENT approves the assignment, or should said approval not be required, within thirty (30) Days after execution of the instrument of assignment.

20.4. Any assignment made pursuant to the provisions of this Article shall be free of any transfer or other taxes, duties, charges or fees of any kind.

20-3 كل صك تتنازل مبرم ومقدم تتنازل فيه الشركة أو المقاول عن أي من حقوقهما أو استثماراتها أو واجباتهما أو الالتزاماتها بمقتضى هذا العقد يجب تقديمها للحكومة خلال ثلاثين (30) يوما تلي تاريخ موافقة الحكومة على التنازل. وفي حال عدم الحاجة لهذه الموافقة ففي خلال ثلاثين (30) يوما تلي إيراد صك التنازل.

20-4 أي تنازل يجري وفقا لأحكام هذه المادة يغلى من أي رسم إقراض أو ضرائب أخرى أو رسم من أي نوع كان.

Lattakia Contract

عقد اللاعفية
ARTICLE 21

BREACH OF AGREEMENT AND
POWER TO CANCEL

21.1 Subject to Article 21.2 hereof, GOVERNMENT shall have the right to abrogate this Contract by a Presidential Decree with respect to CONTRACTOR in the following instances. If CONTRACTOR:

21.1.1 has knowingly submitted any false statements to the GOVERNMENT which were a material consideration for the execution of this Contract;

21.1.2 assigns any interest hereunder contrary to the provisions of Article 20;

21.1.3 is adjudicated bankrupt by a court of competent jurisdiction;

21.1.4 Does not comply with any final decision reached as the result of court proceedings conducted under Article 23.1.1.

21.1.5 intentionally extracts any mineral other than Petroleum not authorized by this Contract or without the authority of the GOVERNMENT except such extraction as may be unavoidable as the result of operations conducted hereunder in accordance with accepted Petroleum industry practice and which shall be notified to the GOVERNMENT or its representative as soon as possible; and

21.1.6 Commits any material breach of this Contract or of the provisions of Law No. 7 of 1953 which do not expressly contradict the provisions of this Contract.

Lattakia Contract

-84-
Such cancellation shall take place without prejudice to any rights which may have accrued to the GOVERNMENT against CONTRACTOR in accordance with the provisions of this Contract, and in the event of such cancellation, CONTRACTOR shall have the right to remove from the Area all its personal property after settling all claims due to GOVERNMENT against CONTRACTOR, including any damages resulting therefrom.

21.2 If the GOVERNMENT deems that a cause (other than a force majeure cause referred to in Article 22 hereunder) exists to cancel this Contract, the GOVERNMENT shall give the CONTRACTOR written notice, personally served on CONTRACTOR's General Manager in the legally official manner and receipt of which is acknowledged by him or by his representatives to remedy and remove such cause within ninety days but, if for any reason such service is impossible due to unnotified change of address, publication in the Official Gazette for the GOVERNMENT shall be considered as validly served upon CONTRACTOR at the date of publication.

21.3 If at the end of said ninety (90) Days notice period, such cause has not been avoided or the situation remedied, this Contract may be abrogated forthwith by Presidential Decree as stated above. However, if this cause or failure to remedy the situation, ensues from carrying out any work or withholding from carrying out any work by CONTRACTOR or any company comprising CONTRACTOR, abrogation of this Contract shall be applicable to that party only and not to the other parties to the Contract.

لغاية التسعين (90) يوما، وفي فترة الإخطار، فإنه يجوز إلغاء هذا العقد على الفور برسوم جمهوري على نحو ما سلف ذكره أعلاه. على أنه إذا كان هذا السبب أو عدم إزالته أو عدم تصحيح الوضع ناتجا عن القيام بعمل أو الانتظار عن عمل من جانب المقاول أو أي شركة تكون المقاول فإن إلغاء هذا العقد يسري على ذلك الطرف فقط، ولا يسري في مواجهة الأطراف الأخرى في العقد.
ARTICLE 22

FORCE MAJEURE

11 The non-performance or delay in performance by COMPANY and CONTRACTOR or either of them, of any obligation under this Contract shall be excused if and to the extent that such non-performance or delay is caused by force majeure. The period of any such non-performance or delay, together with such period as may be necessary for the restoration of any damage done during such delay, shall be added to the time given in this Contract for the performance of such obligations dependent thereon and to the term of this Contract but only with respect to the part or parts of the Area affected.

12.2 "Force Majeure" within the meaning of this Article 22 shall be any order, regulation or direction of the GOVERNMENT whether promulgated in the form of a law or otherwise or any act of God, insurrection, riot, war (whether declared or undeclared) strike and other labor disturbances, fires, floods, or any other cause not due to the fault or negligence of COMPANY and CONTRACTOR or either of them, whether or not similar to the foregoing, provided that any such cause is beyond the reasonable control of COMPANY and CONTRACTOR or either of them.

12.3 Without prejudice to the above and except as may be otherwise provided for herein, the GOVERNMENT shall incur no responsibility whatsoever to COMPANY and CONTRACTOR or either of them for any damages, restrictions or loss arising in consequence of such case of force majeure, except a force majeure caused by any order regulation or direction of the GOVERNMENT whether promulgated in the form of a law or otherwise.

Lattakia Contract

-86-
If the force majeure event occurs during the Initial Exploration Period or any extension thereof and continues in effect for a period of one (1) Year, CONTRACTOR shall have the option upon ninety (90) Days prior written notice to COMPANY to terminate its obligations hereunder, without further liability of any kind, and if the Guarantee contained in Annex C hereto is still in force, it shall be automatically cancelled as of the date of receipt of the notice by COMPANY and COMPANY shall notify the Bank to release said Guarantee as of that date.

Subject to Article 22.4 above if notice of an event of Force Majeure is given under this Article 22, the Letter of Guarantee contained in Annex C hereto shall not be called during such period of Force Majeure and CONTRACTOR shall extend the term of the Letter of Guarantee to cover the additional time.
ARTICLE 23
DISPUTES AND ARBITRATION

23.1 The Parties base their relations with respect to this Contract on the principles of goodwill and good faith and good oil business practice.

23.1.1 Any dispute, controversy or claim arising between GOVERNMENT and CONTRACTOR or Operating Company with respect to the interpretation or application of or performance under this Contract, if not resolved amicably, shall be referred to the jurisdiction of the appropriate S.A.R. Courts under the jurisdiction of Syrian law.
Any other dispute between CONTRACTOR and COMPANY (other than with the GOVERNMENT) shall be resolved, if not resolved amicably, in accordance with the Swiss law and referred to the international arbitration.

23.1.2 Except to those matters which are expressly agreed hereunder to be settled by an expert, any dispute, controversy or claim arising between CONTRACTOR and COMPANY in connection with this Contract shall be finally settled by arbitration by three arbitrators. The arbitration shall be held at Geneva, Switzerland and conducted in accordance with UNICITRAL RULES. The language of the arbitration shall be English.

23.1.3 The arbitration shall be initiated by either Party giving notice to the other Party that it elects to refer the dispute to arbitration and that such Party (hereinafter referred to as the First Party) has appointed an arbitrator who shall be identified in said notice. The other Party (hereinafter referred to as the Second Party), within thirty (30) Days from receiving notice, shall notify the First Party in writing, identifying the arbitrator that it has selected.

المادة الثالثة و العشرون
المنازعات والتحكيم

23-1 تقيم الأطراف المعاهدة علاقاتها فيما يختص بهذا العقد على أساس من حسن النية وسلامة القصد ووقاية لمبادئ العمل في أمور النفط.

1- أي نزاع أو خصوم أو مطالبة تنشأ بين الحكومة والمقاول أو الشركة العملية يتعلق بинтерпрétation هذا العقد أو تطبيقه أو تنفيذه تنص على القضاء في محكمة جمهورية العربية السورية المختصة قضائياً للفصل فيه. أي نزاع آخر ينشأ بين المقاول والشركة (بما عدا الخلافات المتعلقة بالحكومة) تنص على القضاء في محكمة دولية وفقًا للقوانين السويسرية.

2-1-2 باستثناء الأمور المتفق عليها مراجعة بموجب هذا العقد على تسويتها عن طريق خبير، يفصل نهائياً في أي نزاع أو خصوم أو مطالبة تنشأ بين المقاول والشركة فيما يتعلق بهذا العقد بطرق التحكيم الذي يجري بوساطة ثلاثة محكّم. يترأس متحكّم في جنيف، في سويسرا، وفقًا لقواعد تحكّم برونزتال. يجري التحكيم باللغة الإنجليزية.

3-1-3 لأي من الطرفين أن يطلب بالتحكيم عن طريق إخطار الطرف الآخر يبلغه في حالة النزاع إلى التحكيم وأن هذا الطرف (ويشار إليه فيما يلي بالطرف الأول) قد عين محكمة بمثابة هذه الإخطار، وعلى الطرف الآخر (ويشار إليه فيما يلي بالطرف الثاني) أن يخطئ الطرف الأول كتابة خالصة ثلاثين (30) يوماً من تاريخ تسليمه الإخطار بالمحكمة الذي اختياره هو أيضاً.

Lattakia Contract
23.1.4 If the Second Party does not appoint its arbitrator as aforesaid, the First Party shall have the right to apply to the secretary of the Permanent Court of Arbitration in The Hague, Netherlands, to appoint a second arbitrator.

23.1.5 The two arbitrators shall, within thirty (30) Days, elect a third arbitrator. Failing this, the third arbitrator shall be appointed by the Secretary of the Permanent Court of Arbitration in The Hague, Netherlands, at the request of either party.

23.1.6 The third arbitrator must be a citizen of a country, other than the SYRIAN ARAB REPUBLIC, or Canada, or the country of incorporation of any company comprising CONTRACTOR but must be a citizen of a country which has diplomatic relations with the SYRIAN ARAB REPUBLIC and Canada and the countries of incorporation of each company comprising CONTRACTOR, and shall have no economic interest in the petroleum business of either the SYRIAN ARAB REPUBLIC, or Canada or the Parties hereto their successors or their assigns.

23.1.7 The Parties shall extend to the arbitration panel all facilities (including access to the Petroleum operations), to obtain any information requested for the proper determination of the dispute. The absence or default of any Party to the arbitration shall not be permitted to prevent or hinder the arbitration procedure in any or all of its stages.

23.1.8 During the arbitration period and pending the decision, determination or award, the operations or activities which have given rise to the arbitration need not be discontinued. In the event the decision or award recognizes that the complaint was justified, provision may be made therein for such reparation as may appropriately be made in favor of the complainant.

23-1-4 إذا لم يقم الطرف الثاني بتعيين المحكم على نحو ماسلف ذكره، فإن فإيه يحق للطرف الأول أن يطلب من أمين سر محكمة التحكيم الدائمة في لاهاي في هولندا أن يعين محكم ثانيا.

23-1-5 يعتبر المحكمة الاثنان محكما ثانيا خلال ثلاثين (30) يوما، فإذا اختلفا في ذلك يجري تعيين المحكم الثالث من قبل أمين سر محكمة التحكيم الدائمة في لاهاي في هولندا بناء على طلب أي من الطرفين.

23-1-6 يجب أن يكون المحكم الثالث من غير مواطني ج.ع.س، أو كندا أو أي دولة تأسست فيها شركة من الشركات التي تتألف منها المقاول ولكن يجب أن يكون مواطنا لدولة لها علاقات دبلوماسية مع كل من ج.ع.س، و كندا و الدول التي تأسست فيها كل شركة تؤلف المقاول، كما يشترط ألا يكون للمحكمة الثالث مصالح اقتصادية في أعمال البترول في ج.ع.س، أو كندا و لدى الأطراف الموقعة على هذا العقد أو من يخلفهم أو المنازل لهم.

23-1-7 يتعين على الطرفين أن يقدما لهيئة التحكيم جميع التسجيلات (بما في ذلك الدخول إلى مكان عمليات النظم) للحصول على آية معلومات يطلبهما البت في النزاع على الوجه السليم، ولا ي يؤدي غياب أو تخلف أي طرف عن التحكيم إلى منع أو تعطيل إجراءات التحكيم في جميع مراحله أو في أي مرحلة منها.

23-1-8 خلال الفترة التي يجري فيها التحكيم ولحين الفصل أو صدور قرار أو حكم، يجب أن لا توقف، العمليات أو النشاطات التي دعت إلى التحكيم. وفي حال صدور القرار أو الحكم أو الفصل بالتحكيم لصالح المدعى، فإن يجوز أن ينص فيه التحكيم تعويض مناسب عن الضرر الذي أصاب المدعى.
23.1.9 The Parties agree that for matters submitted to arbitration, the decision, determination or award of the tribunal will be the sole and exclusive remedy between them regarding any and all claims and counterclaims presented to the tribunal. Judgment on the award rendered may be entered in any court having jurisdiction or application may be made to such court for a judicial acceptance of the award and an order of enforcement, as the case may be.

23.1.10 The Parties desire that, wherever appropriate, decisions and awards shall specify a time for compliance therewith.

23.1.11 The provisions of this Contract relating to arbitration shall continue in force notwithstanding the Termination of this Contract.
ARTICLE 24

LEGAL STATUS OF PARTIES

24.1 The rights, duties, obligations and liabilities in respect of COMPANY and CONTRACTOR hereunder shall be several and not joint or collective, it being understood that this Contract shall not be construed as constituting an association, corporation, or partnership.

24.2 Each company comprising CONTRACTOR shall be subject to the laws of its incorporation, regarding its legal status or creation, organization, charter and by-laws, share holdings and ownership. The shares of capital of each company comprising CONTRACTOR, which are entirely held outside the S.A.R. shall not be negotiable in the S.A.R. and shall not be offered for public subscription in the S.A.R.

24.3 All companies comprising CONTRACTOR shall be jointly and severally liable for the performance of CONTRACTOR's obligations under this Contract.

Undated
ARTICLE 25

GENERAL

25.1 Notwithstanding any provision to the contrary, the GOVERNMENT shall have the right to pre-empt all or part of the Petroleum to which COMPANY and CONTRACTOR are entitled. In this case the GOVERNMENT shall pay to COMPANY and CONTRACTOR in full for the period during which preemption is exercised each Calendar Month to COMPANY and CONTRACTOR the value of all preempted Petroleum.

An agreement will be concluded between GOVERNMENT, COMPANY and CONTRACTOR for the necessary procedures to determine the value of CONTRACTOR's preempted entitlement to Petroleum.

Payment shall be made on a monthly basis to CONTRACTOR in US Dollars remitted abroad not later than twenty (20) Days after delivery of CONTRACTOR's invoice. The price paid to CONTRACTOR for such preempted Petroleum shall be calculated in accordance with Article 7.6 or 8 hereof.

25.2 The headings or titles to each of the Articles in this Contract are solely for convenience of the Parties hereeto and shall not be used with respect to the interpretation or construction of said Articles.

25.3 If any accumulation of Petroleum extends beyond the Area into one or more adjacent areas held by COMPANY or CONTRACTOR or one or more contractors, or is otherwise "open acreage", the parties concerned shall meet and endeavor to agree on the most efficient method of, under the supervision of COMPANY, appraising the accumulation and on possible joint development, production storage, and

Lattakia Contract
if appropriate, transportation of Petroleum from such accumulation and on the manner in which the costs and proceeds deriving therefrom shall be equitably apportioned. Any agreement entered into between such parties shall be subject to the approval of the Minister.

25.4 Wherever it is mentioned in this contract and its Annexes United States Dollar (USD), the parties agree that such references shall be deemed to also mean an amount in Euros (or any amount in other freely convertible foreign currency agreed by the company) such that any payment, receipt or calculation to be made pursuant to this Contract shall be satisfied where Euros (or another agreed freely convertible currency) are used in substitution for USD. Where Euros (or another agreed freely convertible currency) are so used, at the exchange rate of the European Central Bank, on the last business day in the calendar month prior to the calendar month in which the relevant payment, receipt or calculation is made.

25-4 توافق الأطراف على أنه حينما يشار في هذا العقد وملاحظه إلى الدولار الأمريكي فإن هذه الإشارة تعتبر أيضاً "بأنها تعني مبلغ باليورو (أو مبلغ) بأي عملة أجنبية قابلة للتحويل الحر توافق عليها الشركة حيث يكون أي دفع أو استلام أو حساب يتم بموجب هذا العقد متوسطياً لشروطه حينما يتم استخدام اليورو (أو اي عملة أجنبية أخرى قابلة للتحويل الحر) كديم للدولار الأمريكي، ولما يتم استخدام اليورو (أو اي عملة أجنبية قابلة للتحويل الحر) حسب سعر الصرف المنشور في المصرف الرسمي الأوروبي بأي يوم عمل في الشهر التقويمي الذي يسبق الشهر التقويمي الذي تتم فيه الدفعة أو الاستلام أو أجريت فيه الحسابات.
ARTICLE 26

TITLE TO ASSETS

26.1. COMPANY shall become the owner of all assets purchased and owned by CONTRACTOR in connection with the operations carried out by CONTRACTOR or Operating Company for and on behalf of COMPANY and CONTRACTOR in accordance with the following:

26.1.1 Land shall become the property of COMPANY as soon as it is purchased. The cost of this land will be recovered by CONTRACTOR according to Article 7.

26.1.2 Title to other fixed and moveable assets shall be transferred automatically and gradually from CONTRACTOR to COMPANY, as their costs become subject to recovery in accordance with the provisions of Article 7. However, the full title to each fixed and moveable asset shall be transferred automatically from CONTRACTOR to COMPANY only at the end of the Year when their total cost has been recovered by CONTRACTOR in accordance with the provisions of Article 7, or at the time of termination of this Contract, whichever first occurs. It is understood that if at the time of such termination no Petroleum has been discovered, the title to fixed assets and those moveable assets which CONTRACTOR does not re-export, shall be transferred to COMPANY without any compensation to CONTRACTOR therefor.

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Lattakia Contract
The Book value of the assets created during each Calendar Quarter shall be communicated by CONTRACTOR to COMPANY or by Operating Company to COMPANY and CONTRACTOR within forty-five (45) Days of the end of each Calendar Quarter.

26.2 During the term of this Contract and any extension period thereof CONTRACTOR and Operating Company are entitled to the full use in the Contract Area, or any other area approved by COMPANY of all fixed and moveable assets. COMPANY and CONTRACTOR shall not dispose of the same except with agreement of the other.
ARTICLE 27
PIPECINES AND FACILITIES

1. During the term of this Contract and any extension period thereof CONTRACTOR and Operating Company shall be entitled, for the purpose of transporting Petroleum or Gas from any Development Area to the Delivery Point to make use of spare capacity of any Production facility, pipeline or terminal which is at the disposal of COMPANY any other such facilities, pipelines or terminals which are at the disposal of the Ministry of Petroleum and Mineral Resources or the companies supervised by said Ministry or COMPANY, and not firmly committed for other Petroleum operations.

2. If CONTRACTOR wishes that use shall be made of pipelines, facilities or terminal capacities which are at the disposal of the COMPANY, CONTRACTOR shall meet and agree on mutually satisfactory conditions for the use thereof based on reasonable commercial terms. The use of third party pipelines, facilities or terminal capacity by CONTRACTOR shall be on fair commercial terms, including tariff if reasonable commercial terms cannot be mutually agreed between all concerned parties, the issue shall be referred to an expert on the same basis mutatis mutandis, as is provided in Article 7.6.3 hereof.

Any payment made by CONTRACTOR for the use of pipelines facilities or terminal capacity shall be recoverable as Operating Expenses under Article 7.2.

27.3 CONTRACTOR and Operating Company may continue using those operating facilities it has constructed or it is constructing for the purpose of this Contract in areas that CONTRACTOR may have relinquished or that may be outside a Development Area. CONTRACTOR or Operating Company may also construct and operate any facility required for the operations hereunder, including pipelines, inside or outside the Area.

27-3 يجوز للمقاول والشركة العامة الاستمرار في استخدام تسهيلات التشغيل التي أنشأها أو التي هي في حي الإنشاء لأغراض هذا العقد في مناطق يكون المقاول قد تخلى عنها أو التي قد تتبع خارج منطقة التنمية.

ون jegز للمقاول أو الشركة العامة أن ينشئ
ويشغله أي مشروعًا يضمنها العمليات بموجب هذا العقد، بما في ذلك خطوط الأنابيب من خارجها.

Lattakia Contract -96-
ARTICLE 28

SIGNATURE BONUS AND PRODUCTION BONUSES

CONTRACTOR shall pay to Company a signature bonus for One Million U.S. Dollars (1,000,000 USD) within 30 days after the effective date.

28.1 Subject to Article 28.3 CONTRACTOR shall pay to COMPANY the following production bonuses in respect of the total production of Petroleum from the Area:

28.1.1 Five Hundred Thousand U.S. Dollars (500,000 USD) within twenty (20) Days after production reaches Twenty-Five Thousand (25,000) BPD and is continued at an average of at least that rate over thirty (30) consecutive Days for the first time.

28.1.2 One million U.S. Dollars (1,000,000 USD) within twenty (20) Days after production reaches Fifty Thousand (50,000) BPD and is continued at an average of at least that rate over thirty (30) consecutive Days for the first time.

28.1.3 One hundred thousand U.S Dollars (100,000) social assistance after two years from Commercial announcement.

28.2 Each of the above referred-to production bonuses shall be paid once only by the CONTRACTOR in respect of the Production of Petroleum from the Area and shall neither be recovered nor amortized by CONTRACTOR.

28.3 The production bonuses set out in Article 28.1 shall not be payable by CONTRACTOR in circumstances where the relevant rates of production are achieved as a result of a GOVERNMENT requisition made under Article 19.1.
ARTICLE 29

ARABIC AND ENGLISH TEXT

9.1 The Arabic version of this Contract shall, before the Courts of the S.A.R., be referred to in construing or interpreting this Contract; in case, however, of any arbitration pursuant to Article 23 hereof and for day-to-day administration and other general purposes between COMPANY and CONTRACTOR, the English and Arabic versions shall both be used to construe or interpret the Contract, and shall have equal weight and validity.

The Arabic version of this Contract shall, before the Courts of the S.A.R., be referred to in construing or interpreting this Contract; in case, however, of any arbitration pursuant to Article 23 hereof and for day-to-day administration and other general purposes between COMPANY and CONTRACTOR, the English and Arabic versions shall both be used to construe or interpret the Contract, and shall have equal weight and validity.
ARTICLE 30

APPROVAL OF THE GOVERNMENT

30.1 This Contract shall not be binding upon any of the Parties hereto unless and until a Legislative Text is published in the Official Gazette of the S.A.R. approving and ratifying the Contract and giving it full force and effect of law notwithstanding any countervailing governmental enactment in the S.A.R.

In witness whereof this Contract has been duly signed by the respective Parties hereto on the date set out above.

GOVERNMENT OF THE SYRIAN ARAB REPUBLIC

By: Eng. Sufian Al-Alao
Minister of Petroleum & Mineral Resources

SYRIAN PETROLEUM COMPANY

By: Eng. Omar Al Hamad
Acting General Manager

LOON ENERGY INC.

By: Timothy M. Elliott
President & CEO

Lattakia Contract

-99-
ANNEX A

DESCRIPTION OF THE AREA

The area covered and affected by the contract comprises land of approximately 10039.139 km².

As represented in the map (Annex B), it is bounded by geodetic line connecting successively the points 1 to 8 with the coordinates further down:

<table>
<thead>
<tr>
<th>Point No.</th>
<th>Easting</th>
<th>Northing</th>
<th>Block IX</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>2 km to the East of Mediterranean onshore</td>
<td>163697</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>2 km to the East of Mediterranean onshore</td>
<td>156751</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>2 km to the East of Mediterranean onshore</td>
<td>163697</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>2 km to the East of Mediterranean onshore</td>
<td>260000</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>2 km to the East of Mediterranean onshore</td>
<td>260000</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>2 km to the East of Mediterranean onshore</td>
<td>344972</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>2 km to the East of Mediterranean onshore</td>
<td>345000</td>
<td></td>
</tr>
</tbody>
</table>

**Remarks**

The west side of block IX is 2 km away from the onshore.
ANNEX B

Area = 1003.139 km²

The west side of block IX is 2 km away from the onshore toward east.

Mediterranean

Larnaka Development
Area = 43,376 km²
ANNEX "C"

FORM OF LETTER OF GUARANTEE

TO: THE SYRIAN PETROLEUM COMPANY

DAMASCUS

LETTER OF GUARANTEE NO. { 181/07 }

With reference to the Contract concluded in Damascus on .................., 2007 between the GOVERNMENT OF THE SYRIAN ARAB REPUBLIC and the SYRIAN PETROLEUM COMPANY (the "COMPANY") and LOON ENERGY INC (the "CONTRACTOR") which stipulates that CONTRACTOR shall carry out Exploration, Development and Production of Petroleum in the Area described in Annexes "A" and "B" of the Contract.

Article 4.1.1 of the Contract makes it incumbent upon CONTRACTOR to spend during the Forty-Eight Months (48 Months) of the initial Exploration Period the sum of Seven and a Half million U.S. Dollars (7.5 million USD) in his fulfillment of his Exploration work obligations according to article 4-1 for that period.

We hereby inform you that we guarantee in favor of the COMPANY the sum of Seven and a Half million U.S. Dollars (7.5 million USD) for performance by CONTRACTOR of its obligations to spend the above mentioned amount in fulfillment of its Exploration work obligations during the Forty-Eight Months (48 Months) Initial Exploration Period in the Area specified and described in Annexes "A" and "B" of the Contract.

The Guarantee shall come into force as from the Effective Date of the Contract provided we are notified by you in writing that it has become effective pursuant to the provisions therein, such notification to include the number and the date of the Official Gazette in which the Legislative Text is published approving and ratifying the Contract.

Lattakia Contract -102-
The value of this Guarantee shall be reduced in accordance with the execution requirement within the range of amount spent so long as the amounts do not exceed:

Two Million (2.0 MM) USD when the first Well is completed.
Two Million (2.0 MM) USD when the second well is completed.
Four Hundred Thousand (400,000) USD Interpretations.
Seven Hundred and Fifty Thousand (750,000) USD Reprocessing Seismic.
One Million Seven Hundred and Fifty Thousand (1,750,000) USD Seismic Acquisition.
Six Hundred Thousand (600,000) USD Setup Cost.

The validity of this Guarantee shall automatically cease after Fifty-Four (54) Months from the Effective Date of the Contract or when the total amount spent in accordance with the quarterly statements prepared by your COMPANY and CONTRACTOR become equal to or greater than the above mentioned guaranteed amount, or, in event CONTRACTOR should exercise its option under Article 22.4 upon termination of CONTRACTOR's obligations under the Contract, whichever date is earlier.

The reductions under the above provisions of this Guarantee shall be effected upon receipt by us of a written statement requesting such reductions, signed by you and CONTRACTOR.

If you maintain that CONTRACTOR has not performed his obligations in accordance with Article 4 of the Contract, you should request the implementation of the Guarantee before its expiry by a letter confirming:

[Signature]

Lattakia Contract
That CONTRACTOR has failed to perform its expenditure obligations referred in this guarantee specifying the amount that has not been spend out of the amount of the obligation.

The CONTRACTOR has failed to pay the expenditure of deficiency to you.

That you have given CONTRACTOR seven (07) Day’s notice of your intention to claim under this Guarantee.

That no state of Force Majeure exists under the Contract.

We hereby undertake to pay in Syrian Pounds an amount equivalent to the unspent or unpaid if applicable) balance of the amount of the obligation upon receipt of your above mentioned request, and declare that we elect our Head Office in Damascus as our domicile for all matters concerning the execution of this Guarantee.

Words and phrases used in this Guarantee shall have the same meanings as those attributed to them in the Contract.

Bank Audi Syria

Damascus on ................................2007.

بنك عودة سوريا
دمشق في................................2007

Lattakia Contract
ANNEX D

OPERATING COMPANY CHARTER

Article 1

A joint stock company having the nationality of
the SYRIAN ARAB REPUBLIC shall be formed
with the authorisation of GOVERNMENT in
accordance with the provisions of the Contract
referred to below and of this Charter.

The company shall be subject to all laws and
regulations in force in the S.A.R. to the extent
that such laws and regulations are not
inconsistent with the provisions of the Charter
and the Contract.

Article 2

The name of the Company is LATAKIA
OPERATING COMPANY, abbreviated as
(LKPC) and hereinafter to as "Operating
Company".

Article 3

The Head Office of Operating Company shall
be in the City of Damascus in the S.A.R.

Article 4

The object of Operating Company is to act for
and on behalf of the SYRIAN PETROLEUM
COMPANY on the one hand, and
CONTRACTOR on the other, carrying out and
conducting the Development operations
required in accordance with the provisions of
the Contract signed on ______________ (hereinafter
called "Contract") by and between the SYRIAN
ARAB REPUBLIC, the SYRIAN PETROLEUM
COMPANY ("COMPANY"), and
CONTRACTOR, covering Petroleum operations
in the Area described therein. Words used in
this Charter shall have the same meaning as
ascribed thereto in the Contract.

[Signature]

Lattakia Contract
Operating Company shall also act for and on behalf of CONTRACTOR in carrying out and conducting Exploration operations after the first date of Commercial Discovery pursuant to the Work Program and Budget of CONTRACTOR, approved in accordance with the Contract. Operating Company shall keep account of all costs, expenses and expenditures for such operations under the terms of the Contract and Annex E thereto. Operating Company shall not engage in any business or undertake any activity beyond those conducted for and on behalf of CONTRACTOR and/or COMPANY, unless otherwise agreed by COMPANY and CONTRACTOR.

Operating Company shall, in view of the differing nationalities of its stockholders, record its business operations (and conduct its routine business correspondence where appropriate) in the Arabic and English languages jointly.

Operating Company shall be organised, staffed and managed in accordance with internationally recognised standards in the oil industry.

At the time that Operating Company is formed, CONTRACTOR and COMPANY shall agree its organisational structure and those managerial and senior staff positions to which each shall have the right to assign its staff. Operating Company may request CONTRACTOR and COMPANY to assign to it additional expert staff as it may require.

Article 5

The authorised capital of Operating Company is (200,000) Two Hundred Thousand Syrian Pounds divided into (4,000) Four Thousand shares of common stock with a value of (50) Fifty Syrian Pounds per share having equal voting rights, fully paid up and non-assessable. COMPANY and CONTRACTOR shall each pay for, hold and own throughout the life of Operating Company referred to above one half (1/2) of the capital stock of Operating Company.

No Party may relinquish all or part of Operating Company’s shares except if either Party

Lattakia Contract

-106-
Article 6

Operating Company shall not own any right, title, interest or estate in or under the Contract or in any of the Petroleum produced from any Development Area thereunder or in any of the assets, equipment or other property obtained or used in connection therewith, and shall not be obligated as a principal for the financing or performance of any of the duties or obligations of either COMPANY or CONTRACTOR under the Contract. Operating Company shall not make any profit from any source whatsoever.

Costs, expenses and expenditures incurred by Operating Company are recoverable by the CONTRACTOR in accordance with the Article 7 of the Contract.

Article 7

Subject to Article 4 hereof, Operating Company shall act for and on behalf of COMPANY and CONTRACTOR. Whenever it is indicated herein that Operating Company shall decide, take action or make a proposal and the like, it is understood that such decision or judgement has been made by CONTRACTOR or by COMPANY and CONTRACTOR, as may be required by the Contract and Operating Company is merely implementing such direction.

Article 8

Operating Company shall have a Board of Directors comprising eight (8) members, four (4) of whom shall be designated by COMPANY and the other four (4) by CONTRACTOR. The Chairman shall be designated by COMPANY and shall also be a Managing Director. CONTRACTOR shall designate the General Manager who shall also be a Managing Director.
The management shall have such authority as required to conduct petroleum operations in accordance with internationally recognised standards in the international oil industry and with good oil field practice.

Article 9

Meetings of the Board of Directors shall be valid if a majority of the Directors is present and any decision taken at such meeting must have the affirmative vote of six (6) or more of the Directors provided that any Director may be represented by a substitute, according to provisions of the By-Laws.

Article 10

General Meetings of the shareholders shall be valid if a majority of the capital stock of Operating Company is represented thereat. Any decisions taken at such meetings must have the affirmative vote of shareholders owning or representing a majority of the capital stock.

Article 11

The Board of Directors shall approve the regulations covering the terms and conditions of employment of the personnel of Operating Company employed directly by Operating Company and not assigned thereto by CONTRACTOR and COMPANY.

The Board of Directors shall, in due course, draw up the By-Laws of Operating Company which shall be in accordance with the Contract and this Charter and such By-Laws shall be effective upon being approved by a General Meeting of the shareholders, in accordance with the provisions of Article 10 hereof. No provision in the By-Laws may contradict or conflict with the provisions of this Charter.

The salaries and qualities of staff assigned to Operating Company by CONTRACTOR shall be determined by CONTRACTOR, and of staff assigned by COMPANY by COMPANY.
Operating Company shall come into existence within thirty (30) Days after the first Date of Commercial Discovery as provided for in Article 3 of the Contract.

The Operating Company shall continue in existence for a period equal to the remaining duration of the Contract.

Operating Company shall be wound up and liquidated if the Contract is terminated for any reason as provided for therein.

SYRIAN PETROLEUM COMPANY

By: Eng. Omar Al Hamad
Acting General Manager

LOON ENERGY INC.

By: Timothy M. Elliott
President & CEO

Lattakia Contract
ANNEX E
ACCOUNTING PROCEDURE

Article 1

General provisions

1.1 Definitions:

1.1.1 The definitions contained in Article 1 of the Contract shall apply to this Accounting Procedure and have the same meaning.

1.1.2 "Non-Operator" mean the Parties to the Contract other than Operator and GOVERNMENT.

1.1.3 "LIBOR" means the thirty-Day rate for US Dollar deposits as published by DOW JONES Telerate on behalf of the British Bankers Association for offer to prime banks in the London Interbank Market at 11:00 a.m. London time.

If such rate does not appear on Telerate for a period of seven consecutive business Days, then the rate published by the Financial Times, London, shall be applied.

1.2 Statement of Activities:

1.2.1. CONTRACTOR shall pursuant to Article 4 of the Contract render to COMPANY within thirty (30) Days of the end of each Calendar Quarter a statement of Exploration activity reflecting all charges and credits related to the Exploration operations for that Calendar Quarter summarised by appropriate classifications, indicative of the nature thereof.

Lattakia Contract -110-
1.2.2 Operating Company shall render to COMPANY and CONTRACTOR within thirty (30) days of the end of each Calendar Quarter a statement of Exploration activity reflecting charges and credits for Exploration operations for that Calendar Quarter, similarly summarised as for CONTRACTOR's Exploration activity statement.

1.2.3 Operating Company shall render to COMPANY and CONTRACTOR within thirty (30) days of the end of each Calendar Quarter a statement of Development activity reflecting all charges and credits related to the Development operations for the Calendar Quarter summarised by appropriate classifications indicative of the nature thereof. This statement should be supported by a detailed list reflecting all debit and credit transactions. The form of the statement shall be subject to approval by COMPANY and CONTRACTOR.

1.3 Adjustments and Audits

1.3.1 Subject to Article 6 of this Annex E, each cost item in a statement of Exploration activity rendered by CONTRACTOR shall be conclusively deemed to be an Approved Cost after three (3) months following the receipt of that statement by COMPANY unless within the said three (3) months COMPANY takes written exception thereto pursuant to Article 4.7 of the Contract. During the said three (3) months period, supporting documents will be available for inspection by COMPANY during all normal working hours.

Should written exceptions occur, as per Article 4.7 of the Contract, COMPANY and CONTRACTOR shall confer with each other in a timely manner and attempt to reach a settlement.

1-1 تقدم الشركة العامة للشركة والمقاول خلال ثلاثون (30) يومًا من نهاية كلربع تقسيم بيانًا بنشر النتائج التقديرية المتبقي من القبض المدفوع والدائني للمملكة بعملية التقسيم عن الربع التقسيمي المعين مخصصًا على نحو مماثل لبيان نشاط التقسيم الذي يقدمه المقاول.

1-2 تقدم الشركة العامة للشركة والمقاول خلال ثلاثون (30) يومًا من نهاية كلربع تقسيم بيانًا بنشر النتائج التقديرية المتبقي من القبض المدفوع والدائني للمملكة بعملية التقسيم عن الربع التقسيمي المعين مخصصًا على نحو مماثل لبيان نشاط التقسيم الذي يقدمه المقاول.

1-3 مع مراعاة أحكام المادة 6 من هذا الملحق "هـ، يعتبر كل بنك كلفة وارد في بيان نشاط التقسيم المتبقي من قبل المقاول كثقة معتددة بشكل نهائي بعد ثلاثة (3) أشهر للانتهاء الشركة وذلك البيان إلا إذا اعترضت عليه الشركة خلال الأشهر الثلاثة (3) المذكورة اعتراضاً حтя وفقاً لأحكام المادة 4-7 من العقد، وخلال فترة الأشهر الثلاثة (3) المذكورة، يجب أن توضع الوثائق المؤيدة تحت تصرف الشركة لتلقيها أثناء جميع ساعات العمل العادية.

و في حال حدوث اعترافات خطيئة، وفقاً لأحكام المادة 4-7 من العقد تتشارر الشركة مع المقاول في الوقت المناسب ويستعمل إلى التواصل إلى تسوية.
1.3.2 Subject to Article 6 of this Annex E, all statements of Exploration and Development activity rendered by Operating Company for any Calendar Quarter shall conclusively be deemed to be sound and correct after twelve (12) Months following the end of any such Calendar Quarter unless COMPANY or CONTRACTOR objects thereto in writing during the said twelve (12) Months on the grounds set out in Article 4.7 of the Contract. During this period COMPANY or CONTRACTOR or both of them shall have the right to audit Operating Company accounts, records and supporting documents for such Calendar Quarter in accordance with generally accepted accounting principles of the international oil industry. Should written exceptions occur, COMPANY and CONTRACTOR shall confer with Operating Company in a timely manner and attempt to reach a settlement.

1.3.3 If within the time limit of the twelve (12) Month period provided in Article 1.3.2 of this Annex E, COMPANY or CONTRACTOR has not advised Operating Company of its objection on the grounds set out in Article 4.7 of the Contract to any cost item of any statement; such statement shall be considered as approved.

1.3.4 If CONTRACTOR, COMPANY and/or Operating Company fail to reach a settlement under Article 1.3.1 or 1.3.2 of this Annex E on any issue, the issue shall be referred to an Expert appointed by mutual consent, such Expert being an internationally recognised firm of accountants/auditors, whose opinion shall be binding upon the parties. Should the parties fail to agree on the choice of Expert, the appointment shall be made on request of any party referred to above by the President of the Institute of Chartered Accountants of England and Wales.

1-3-2 مع مراعاة أحكام المادة 6 من هذا الملحق،

تعتبر جميع بيانات تشغيل التنقيم والتكتل المقدمة من قبل الشركة العامة عن أي ربع تقويمي سليمة وصحبة بصورة نهائية بعد اثني عشر (12) شهرا من نهاية أي ربع تقويمي، إلا إذا اعترضت الشركة أو المقاول عليها خطايا خلال الاثني عشر (12) شهرا المذكورة وفقًا للمادة 4-7 من العقد. وخلال فترة الاثني عشر (12) شهراً هذه يحق للشركة أو المقاول أو كليهما تقديم حسابات الشركة العامة وسجلاتها والمستندات المؤيدة لها عن الربع التقويمي المعني وفقًا للمبادئ المحاسبية المتبعة فيها في الصناعة النفطية العالمية. إذا حدثت اعترافات خطيرة، تشتّتّن الشركة و المقاول مع الشركة العامة في الوقت المناسب ويستحسن التوصل إلى تسوية.

1-3-3 وإذا لم تتعليم الشركة أو المقاول الشركة العامة خلال الفترة المحددة باثني عشر (12) شهرا المنصوص عليها في المادة 1-3-2 من هذا الملحق، باعتراضها استنادًا إلى المراعات المذكورة في المادة 4-7 من العقد على أي بنك تكاليف في أي بيان، يعتبر هذا البيان معتدًا من قبل الشركة.

1-3-4 إذا لم يتمكن المقاول أو الشركه أو الشركة العامة من التوصل إلى تسوية بشأن أي مشكلة وفق المواد 1-3-1 أو 1-3-2 من هذا الملحق، "هـ" تعرض المشكلة على خبير يتم تعيينه بموجب الأطراف. ويكون هذا الخبير شركة محاسبين/مدنيين معرفة عالمياً و يكون رأياً ملزمًا للأطراف. وإذا فشلت الأطراف بالإتفاق على اختيار مثال هذا الخبير يتم التعيين بناء على طلب أي طرف من رئيس مؤسسة المحاسبين القانونيين في إنكلترا وويلز.

Lattakia Contract

عقد اللاشقة

-112-
1.3.5. Pending completion of each audit and any settlement, Expert determination, or arbitration pursuant thereto under the Contract, CONTRACTOR shall be entitled to include all costs presented in each statement of Exploration, Development and Production operations (as provided by CONTRACTOR or Operating Company for each Calendar Quarter) in the statement of recovery of costs for Gas and of Cost Recovery Petroleum for that Calendar Quarter. All necessary adjustments that are consequent upon completion of audits and settlements (by whatever means) of audit exceptions shall be accounted for as they arise, and in accordance with the Contract, by their inclusion as debt or credit (as appropriate) in the next statement of recovery of costs for Gas and of Cost Recovery Petroleum to be prepared; however, no costs which COMPANY and CONTRACTOR agree to exclude shall be included in any such statement.

1.3.6. For the avoidance of doubt, any cost that COMPANY and CONTRACTOR agree to approve or to reject (whether by settlement, 1.3.6 Expert determination or by arbitration determined under the Contract) shall not again be subject to audit under this Contract.

1.3.7. If after adjustment, it appears that some costs have been wrongly recovered by CONTRACTOR, such costs will be deducted from future invoices on a percentage basis agreed by CONTRACTOR and COMPANY (which percentage shall not, in any event, exceed ten percent (10%) of the value of a single invoice) until they are completely repaid including any accrued interest calculated on the basis of the LIBOR rate as defined in Article 1.1.3 hereof and prevailing on the date of repayment plus two percent (2%) covering the period commencing on the date of wrongful payment and ending on the date the amount is repaid in full.
1.4 Currency Exchange

CONTRACTOR's accounting records and Operating Company's accounting records shall be kept in the S.A.R. in US Dollars. All US Dollar expenditures shall be entered in the same currency spent. Syrian Pounds expenditures shall be translated to US Dollars at the same rate as effective under Article 6.4 of the Contract, and all other non-US Dollars expenditure shall be translated to US Dollars at the buying rate of exchange for such currency as quoted by Bank of England at the close of business on the first Working Day of the Calendar Month in which expenditures are recorded in the CONTRACTOR's or Operating Company's accounting records. A record shall be kept of the exchange rate used in translating Syrian Pound or other non-US Dollars expenditures to US Dollars.

1.5 Precedence of Documents

In the event of any inconsistency or conflict between the provisions of this Accounting Procedure and the provisions of the Contract, then the provisions of the Contract shall prevail.

1.6 Revision of Accounting Procedure

By mutual agreement between COMPANY and CONTRACTOR this Accounting Procedure may be revised from time to time in the light of future arrangements or requirements.

1.7 No Charge for Interest on Investment

Interest on investment shall not, at any time, be charged as a recoverable cost under the Contract.
Article 2

Costs, Expenses and Expenditures

2.1 Subject to the provisions of the Contract, CONTRACTOR shall alone bear and, directly or through Operating Company, pay the following costs and expenses, which costs and expenses shall be, classified and treated in accordance with Article 7 - 8 of the Contract.

2.1.1 Surface Rights

All direct cost attributable to the acquisition, extension or relinquishment of surface rights acquired and maintained in force for the Area.

2.1.2 Labour

2.1.2.1 CONTRACTOR's Expatriate staff

2.1.2.1.1 CONTRACTOR's Expatriate staffs other than 2.1.2.1.2 below:

The salaries and benefits of CONTRACTOR's expatriate staff working for CONTRACTOR or assigned to Operating Company, other than under 2.1.2.1.2 below, shall be cost recoverable as follows:

- Contractual Salary in Syria as determined by CONTRACTOR, plus:
  - A percentage of the Contractual Salary in S.A.R. (to be agreed between COMPANY and CONTRACTOR) deemed to cover the costs, allowances and benefits attached to the assignment in S.A.R. Such percentage shall be reviewed from time to time by COMPANY and CONTRACTOR. After such review, if COMPANY and CONTRACTOR mutually agree to amend the agreed percentage, then such new percentage shall become effective from the date when such request was made in writing, plus
  - Income tax due in Syria

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Lattakia Contract

-115-

عدد اللاذقية
2.1.2.1.2 CONTRACTOR’s Expatriate Field-Based Staff (Rotating Staff)

The salaries and benefits of CONTRACTOR’s expatriate staff working for CONTRACTOR or assigned to Operating Company, who are field-based (Rotating Staff), shall be cost recoverable as follows:

Contractual Salary in Syria as determined by CONTRACTOR, plus:

Income tax due in Syria, plus:

Travel costs (which include business class air ticket, hotel accommodation, meals, and local travel expenses in base country between the airport and home) plus:

Education Assistance (children), plus:

Pension Fund (CONTRACTOR share), plus:

Medical Insurance (CONTRACTOR share), plus:

Base Country Social Insurance and Social Security (CONTRACTOR shares), plus:

Performance Bonus, plus:

Miscellaneous (which includes work clothing allowance, and visa costs).

2.1.2.1.3 The level of Contractual Salary, benefits and other allowances of CONTRACTOR’s expatriate staff determined by CONTRACTOR will be consistent with policies and practices generally applicable to CONTRACTOR’s international expatriate staff seconded to CONTRACTOR’s Affiliated Companies.
2.1.2.2 All staff other than staff provided for under 2.1.2.1 above.

2.1.2.2.1 The salaries and wages (including Syrian income tax) of CONTRACTOR’s and Operating Company’s staff (including staff assigned by COMPANY) directly engaged in the various activities under the Contract.

2.1.2.2 CONTRACTOR’s and Operating Company’s staff (including staff assigned by COMPANY) costs of holiday, vacation, sickness, disability benefit, living and housing allowance, travelling allowances, bonuses and other customary allowances applicable to the salaries and wages chargeable under paragraphs 2.1.2.2.1, 2.1.8, 2.1.10.1 and 2.1.10.3 of this Article 2.

2.1.2.2.3 Cost of expenditures or contributions made pursuant to law or assessments imposed by Governmental authority in S. A. R. which are applicable to labour cost or salaries and wages as provided under paragraphs 2.1.2.2.1, 2.1.2.2.2, 2.1.8, 2.1.10.1 and 2.1.10.3 of this Article 2.

2.1.2.2.4 CONTRACTOR’s and Operating Company’s cost of established plans for employees group life insurance, hospitalisation, pension, retirement and other benefits of a like nature which shall be applicable to the salaries and wages of national employees, all as chargeable under paragraphs 2.1.2.2.1, 2.1.8, 2.1.10.1 and 2.1.10.3 of this Article 2. Severance pay will be charged at a fixed rate applied to payrolls which will equal an amount equivalent to the maximum liability for severance payments as required by the obligations of the Operator under the S.A.R. Labour Law.
2.1.3 Materials

Materials, equipment and supplies purchased or imported as such by CONTRACTOR or Operating Company.

2.1.3.1 Purchase

The actual costs, as incurred, of all materials, equipment and supplies purchased by CONTRACTOR or Operating Company, plus any related costs, after deduction of all discounts actually received.

2.1.3.2 Materials purchased by CONTRACTOR or Operating Company.

Material required for operations shall be purchased directly whenever practicable, except that CONTRACTOR or Operating Company may purchase such material from CONTRACTOR’s Affiliated Companies’ stocks outside the S.A.R. under the following conditions:

2.1.3.2.1 New Material (Condition "A"):

New material transferred from CONTRACTOR’s or CONTRACTOR’s Affiliated Companies’ warehouse or other properties shall be priced at cost, provided that the cost of material supplied is not higher than international prices for material of similar quality supplied on similar terms prevailing at the time such material was ordered.
2.1.3.2.2 Used Material (Condition B" and "C"):

(a) Material, which is in sound and serviceable condition and is suitable for reuse without reconditioning shall be classified as Condition "B" and priced at seventy-five percent (75%) of the price of new material.

(b) Material which cannot be classified as Condition "B" but which is serviceable for original function but substantially not suitable for reconditioning shall be classified as Condition "C" and priced at fifty percent (50%) of the price of new material.

(c) Material, which cannot be classified as Condition "B" or Condition "C", shall be priced at a value commensurate with its use.

(d) Tanks, buildings and other equipment involving erection costs shall be charged at applicable percentage of knocked-down new price.

(e) Warranty of Materials imported by CONTRACTOR:
CONTRACTOR does not warrant the material imported to any extent beyond those warranties that may be given in the dealer's or manufacturer's guaranty if any; and in case of defective material credit shall not be recorded until adjustment has been received by CONTRACTOR from manufacturers or their agents.
2.1.4 Transportation

Transportation of equipment, material and supplies necessary for the conduct of activities.

2.1.5 Services

2.1.5.1 Outside Services (the cost of consultants, contract services and utilities procured from third parties).

2.1.5.2 Cost of services performed by COMPANY or by CONTRACTOR or their Affiliated Companies in facilities inside or outside the S.A.R.

Regular, recurring, routine services, such as interpreting magnetic tapes, and/or other analyses shall be performed and charged by COMPANY and/or CONTRACTOR or their Affiliated Companies under a Contract to be approved under Article 6 of this Annex E. Specific identifiable tasks undertaken by or for geologists, geophysicists, engineers, lawyers, accountants and others shall be charged by COMPANY or CONTRACTOR or their Affiliated Companies at agreed rates per hour. Such rates shall be agreed by COMPANY and CONTRACTOR at the time of approval of the relevant Work Program and Budget and the total cost of such services shall not exceed the total included within such Work Program and Budget, unless otherwise agreed.

Each of the above personnel shall keep time sheets recording the amount of time spent by them on the project and copies of such time sheets shall be available for inspection upon reasonable notice. Said copies, and copies of any other documents that are normally retained by CONTRACTOR’s Affiliated Companies (on the grounds that they relate also to business other than CONTRACTOR’s) are deemed by the Parties to be originals when certified correct by the General Manager of CONTRACTOR.

نقل المعدات والمواد والتواردات اللازمة

لتلبية الطلب.

الخدمات

2-1-5-1 الخدمات الخارجية (تكاليف المستشارين وخدمات التعاونية وال منهجية التي تم الحصول عليها من الغير).

2-1-5-2 تكلفة الخدمات المقدمة من قبل الشركة أو المقاول أو الشركات التابعة لها في تسهيلات تقع داخل أو خارج

ج.ع.س.

تتولى وتحمل الخدمات المنتزعة والمذكورة والروتينية مثل تفسير الأشرطة المغناطيسية و/أو التحليل الأخرى من قبل الشركة أو المقاول أو الشركات التابعة لها، بموجب عقد

تتم الموافقة عليه وفقًا لأحكام المادة 6 من هذا الملحق "ه":

المهام المعدة ذات الطبيعة الخاصة التي تتولى من قبل جيولوجيين، أو جيوفيزيائيين، أو مهندسين، أو محاسبين وغيرهم، أو تتولى من أجل مهام وراء، يتم تحويل

تفاوتها من قبل الشركة أو المقاول أو الشركات التابعة لها

بأسعار سارية بتقى عليها. يتم الاتفاق على هذه الأسعار بين الشركة والمقاول لدى الموافقة على برنامج العمل والميزانية

المعنى على أن تزيد الكلفة الإجمالية لهذه الخدمات عن الإجمالي الموارد في برنامج العمل والميزانية المعني، ما لم

يتحدد الاتفاق على ذلك.

وعلى كل من العاملين الذين أعلانهم أن يحتفظ

بسجل دوام وعمل وسجل دوام وعمل ي哐 نسخ صاحب

تشهد عليه في المشروع، وجدد أن تكن

تتولى شركة معلومات الدوام والعمل هذه ماحتاه للتفاصيل

بموجب إطار مقبول، وتعتبر الأطراف أن هذه

النسخ نسخ أية تاثر أخرى مما تحظى به

وتشمل أيضاً أية أخرى خلاف أعمال

المقاول، مما نسخ أصلية عندما تكن ماحتاه

على صحتها من قبل مدير عام المقاول.

Lattakia Contract

-120-

عقد اللاذقية
Use of COMPANY's and/or CONTRACTOR's or their Affiliated Companies' wholly owned equipment, shall be charged at rental rate commensurate with the cost of ownership and operation, but not in excess of competitive rates currently prevailing in the S.A.R.

In respect of Exploration operations, CONTRACTOR's and its Affiliated Companies' recoverable rates agreed under this Article 2.1.5.2 shall not include administrative overhead costs that are subject to Article 2.1.10.2 of this Annex E.

2.1.6 Damages and Losses:

All costs or expenses necessary to replace or repair damages or losses incurred by fire, flood, storms, theft, accidents or any other cause not controllable by CONTRACTOR or Operating Company through the exercise of reasonable diligence. CONTRACTOR or Operating Company shall furnish Non-Operators with written notice of damages or losses incurred in excess of ten thousand US. Dollars (US $10,000) per occurrence, as soon as report of the same has been received by CONTRACTOR or Operating Company.

2.1.7 Insurance and Claims

The cost of any public liability, property damage and other insurance against liabilities of CONTRACTOR, Operating Company and/or the other Parties or any of them to their employees and/or outsiders as may be required by the laws, rules and regulations of GOVERNMENT or as the COMPANY and CONTRACTOR may agree upon. The proceeds of any such insurance of claim collected shall be credited against operations.

If no insurance is carried for a particular risk, all related actual expenditures incurred and paid by CONTRACTOR or Operating Company in settlement of any of losses, claims damages, judgements and any other expenses, including legal services.

وفي حال عدم التأمين على خطر معين، تسجل جميع النفقات الفعلية التي تتكبدها و يدفعها المقاول أو الشركة العامة في تسويـة أي من الخسائر والمطالبات والاضرار والأحكام القضائية مرتبة من المصاريف بما فيها الخدمات القانونية.
2.1.8 Indirect Expenses

Camp overhead and facilities costs such as shore base, warehouses, water systems, road systems, salaries and expenses of field supervisory personnel, field clerks, assistants and other general employees indirectly serving the Area.

2.1.9 Legal Expenses

All costs and expenses of litigation, or legal services otherwise necessary or expedient for the protection of the Area, including attorney's fees and expenses as hereinafter provided, together with all judgments obtained against Operator or Non-Operator or any of them on account of the operations under the Contract and actual expenses incurred by Operator or Non-Operator hereto in securing evidence for the purpose of defending against any action or claim prosecuted or urged against the operations or the subject matter of the Contract. In the event that there are actions or claims that prejudice the interests contained in the Contract and that are handled by the legal staff of one or more of the Operator or Non-Operator, appropriate charges may be borne by the operations for rendering such services as Operating Expenses.

2.1.10 Indirect Administrative Overhead and General Expenses

2.1.10.1 While CONTRACTOR is conducting Exploration activities, the cost of staffing and maintaining CONTRACTOR's head office in the S.A.R. and/or other offices established in the S.A.R. other than field offices which will be charged as provided in Article 2.1.8 of this Annex E above and CONTRACTOR who are temporarily assigned to and directly serving on the Area, which will be charged as provided in Article 2.1.2, of this Annex E.

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المصروفات العامة للمخيم والتسهيلات مثل المقر على الساحل والمستودعات وشبكات المياه وشبكات الطرق وروابط ومصاريض الموظفين المشرفين على الحقن وكتبة الحقن والمساعدين والموظفين المدنيين الآخرين الذين يخدمون المنطقة بطريق غير مباشر.

المصروفات القانونية.

جميع التكاليف والمصروفات التي تتعلق في القاضي أو الخدمات القانونية مما هو لازم أو مناسب لحماية المنطقة بما في ذلك أعمال المحاماة ومصروفاتها على نحو ما هو منصوص عليه فيما يلي، وكذلك جميع الأعمال التي صدرت ضد المشغل أو غير المشغل أو أي منهم بشأن العمليات المتصارع عليها في العقد، وكذلك المصروفات الفعلية التي يكون قد تحميل المشغل أو غير المشغل في هذا العقد، في سبيل الحصول على أذن الدفاع في أي دواء ترفع أو بشأن مطالبة توجه بشأن العمليات أو موضوع العقد، وإذا كانت هناك دعاوى أو مطالبات تمس المصالح الواقدة في هذا العقد، وتولاها الموظف القانوني العام لدى طرف أو أكثر من أطراف الشغل أو غير الشغل، يجوز تحميلها من قبل المصالحات بتكاليف مناسبة لقاء تقديم هذه الخدمات باعتبارها نفقات تشغيل.

- 1-2-10 النفقات الإدارية غير المباشرة والمصروفات العامة

- 1-2-10-1 التكاليف اللازمة أثناء قيام المقاول مباشرة

أنشطة التدقيق لتزود المكتب الرئيسي للمقاول في ج.ع.س. بالموظفين وإدارتهم، و/أو المكاتب الأخرى التي تؤسس في ج.ع.س. خلاف المكاتب المشتركة في الحقن التي تتحمل تكلفتها على نحو ما هو منصوص عليه في المادة 2-1-8 من الملحق "ه" أعلاه، وباستثناء مراتب موظفي المقاول المنتسبون مؤقتاً للعمل في المنطقة ويخصصون فيها مباشرة، إذ يتم تحملها على نحو ما هو منصوص عليه في المادة 2-1-2 من هذا الملحق "ه".

رغم الإضافات
2.1.10.2 CONTRACTOR's administrative overhead outside the S.A.R. applicable to the S.A.R. Exploration operations which will be charged each month at the rate of four percent (4%) of total Exploration Expenditures while CONTRACTOR is conducting Exploration activities.

No other direct charges as such for CONTRACTOR's administrative overhead outside the S.A.R. will be debited against the Exploration obligation. Examples of the type of costs CONTRACTOR is incurring and charging hereunder due to activities under the Contract and covered by said percentage are:

A) Executive Work - Time of executive officers

B) Treasury – Financial and Currency exchange matters.

C) Purchasing – Procuring materials, equipment and supplies.

D) Exploration and Production - Directing, advising and controlling the entire project.

E) Other departments such as legal, comptrollers and engineering, which contribute, time knowledge and experience to the operation.

The foregoing does not preclude charging for direct service under Article 2.1.5.2 of this Article 2.

2.1.10.3 While Operating Company is conducting activities, Operating Company's personnel engaged in general clerical and office work, supervisors and officers whose time is generally spent in the main office and not in the field, and all employees generally considered as general and administrative and not charged to other types of expense, will be charged to operations. Such expense shall be allocated each Calendar Month between Exploration operations and Development operations according to sound and practicable accounting methods generally applied in the international petroleum business.

ول لا نقيد على التزامات التحقيق أي مصادر مباشرة أخرى من هذا الفعل تنظر المصروفات الإدارية العامة للمقاول خارج ج.ع.س. وتعبير التكاليف التالية نموذجاً للتكلفة التي ينجم عنها المقاول بموجب العقد والتي تكون مخاطبة بالنصية المذكورة وهي:

أ) المتأت التحقيق - وقت الموظفين المختصين

ب) الخزينة – الأمور المالية وأمور تحويل النقود.

ج) المشتريات- الحصول على المواد والمعدات والإمدادات.

د) التحقيق و الإنتاج - الإدارة والاستشارات و الرقابة المتعلقة بكامل المشروع.

ه) الإدارات الأخرى كالإدارة القانونية وإدارة مراقبة الحسابات وإدارة الهندسية التي تساهم بوقتها و معلوماتها وخبرترها في العمليات.

و لا يجوز ما ذكر أعلاه دون تحميل تكاليف الخدمات المباشرة بموجب المادة 2-1-5-2 من هذه المادة 2.

2-1-10-3 أثناء مباشرة الشركة العامة لأشنطتها تحميل على العمليات تكاليف موظفي الشركة العامة الذين يشغلون في الأعمال الكتاتيبية والمكتبية العامة والمراقبين الموظفين الذين بدأون بصفة عامة في المركز الرئيسي دون الحق، وجميع الموظفين الذين يعتبرون بصفة عامة من الموظفين العاديين والإداريين ولم يتم تضمينهم على أي نوع آخر من المصروفات، وتم توزيع هذه المصروفات كل شهر تقريبي بين عمليات التحقيق وعمليات التنقيب وفق الطرق المحاسبية السليمة والعملية المتبعة بشكل عام في أعمال التنقيب العالمية.

Lattakia Contract
-123-
2.1.11 Taxes
All taxes, customs duties, levies or other fiscal imposts of whatever nature paid in S.A.R. by CONTRACTOR or Operating Company other than those covered by Article 18.2.1 of the Contract.

2.1.12 Continuing CONTRACTOR Costs
Costs of CONTRACTOR's activities required under the Contract and incurred exclusively in the S.A.R. after Operating Company is formed. No sales expense incurred outside the S.A.R. may be recovered as a cost provided that it is not exceeding one million USD annually.

2.1.13 Other Expenditures
Any costs, expenses or expenditures, other than those which are covered and dealt with by the foregoing provisions of this Article 2, incurred by CONTRACTOR or Operating Company under approved Work Programs and Budgets.

2.1.14 Training Costs
Costs and expenses by CONTRACTOR and Operating Company incurred pursuant to Article 16 of the Contract, except for the Training Budget, which will be treated in accordance with Article 16.4 of the Contract.
Article 3
Inventories

3.1 Periodic Inventories, Notice and Representation

At reasonable intervals as agreed upon by COMPANY and CONTRACTOR inventories shall be taken by Operating Company of the operations material, which shall include all such materials, physical assets and construction projects.

Written notice of intention to take inventory shall be given by Operating Company to COMPANY and CONTRACTOR at least thirty (30) Days before any inventory is to begin so that COMPANY and CONTRACTOR may be represented when the inventory is taken. Failure of COMPANY and/or CONTRACTOR to be represented at an inventory shall bind them to accept the inventory taken by Operating Company who shall in that event furnish the Party, not represented, with a copy thereof.

3.2 Reconciliation and Adjustment of Inventories

Reconciliation of inventory shall be made with the knowledge of CONTRACTOR and COMPANY, and a list of shortages and surpluses shall be jointly determined by Operating Company, CONTRACTOR and COMPANY, and the inventory list will be adjusted by Operating Company.

أصدرت الشركة العامة إخطاراً خطياً إلى كل من الشركة والمقاول مدة ثلاثين (30) يوماً على الأقل تشع فيه الشركة والمقاول بضرورة القيام بعملية الجرد بحيث يستطيع كل من الشركة والمقاول إرسال ممثلين عنهما لحضور الجرد. إن تخلف الشركة أو المقاول عن إرسال ممثل له في الجرد يلزم المخالب بقبول ما يشعر عنه الجرد الذي أجراه الشركة العامة وفي هذه الحالة يتولى الشركة العامة إرسال صورة عن الجرد إلى الطرف الذي لم يكن ممثلاً فيه.

تتم التسوية الخاصة بالجرد بمعارفة المقاول والشركة ويحدد الكشف المرتبط بالنقص والزيادة من قبل الشركة العامة والمقاول والشركة مجتمعتين، ويتم تعديل قوائم الجرد من قبل الشركة العامة.

Lattakia Contract

عقد اللاذقية

-125-
Article 4
Cost Recovery

4.1 Statement of Recovery of Costs and of Cost Recovery Petroleum

CONTRACTOR shall, pursuant to Article 7 of the Contract, render to COMPANY as promptly as practicable but no later than thirty (30) Days after receipt from Operating Company of the statement for Development and Exploration activity for the last Calendar Month of each Calendar Quarter, a statement for that Calendar Quarter showing:

(a) Recoverable costs carried forward from the previous Calendar Quarter, if any;

(b) Recoverable costs incurred during the Calendar Quarter;

(c) Total recoverable costs for the Calendar Quarter, (a) plus (b);

(d) Value of Cost Recovery Petroleum taken in kind and disposed of by CONTRACTOR for the Calendar Quarter;

(e) Amount of costs recovered for the Calendar Quarter;

(f) Amount of recoverable costs to be carried into the succeeding Calendar Quarter, if any;

(g) Excess, if any, of the value of Cost Recovery Petroleum taken in kind and disposed of by CONTRACTOR over costs recovered for the Calendar Quarter.
4.2 Payments

If such statement shows an amount due to COMPANY, payment of that amount together with any interest that may be due under Article 1.3.7 of this Annex E shall be made in US Dollars by CONTRACTOR to COMPANY within thirty (30) days of presentation of that statement.

4.3 Audit Right

COMPANY shall have a period of twelve (12) Months from receipt of any statement under this Article 4 in which to audit and raise objection to any such statement. COMPANY and CONTRACTOR shall agree on any required adjustments as a result of such audit. Supporting documents and accounts will be available to COMPANY during said twelve (12) Months period.

3.4 حق التدقيق

يحق للشركة فترة اثني عشر (12) شهرا من إستلامها أي بيان من البيانات المشار إليها في هذه المادة 4 تقوم فيها بتدقيق هذا البيان وتقدم اعتراض عليها. تتفق الشركة و المقاول على أية تعديلات لزمة نتائج ذلك التدقيق، و يجب أن توضع الحسابات والمستندات المؤيدة تحت تصرف الشركة خلال فترة الاثني عشر (12) شهرا المذكورة.
Article 5  
Control and Major Accounts  

5.1 Exploration Obligation Control Accounts

CONTRACTOR shall establish an Exploration Obligation Control Account and an off-setting contra-account to control therein the total amount of Exploration Expenditure reported in the statement of Exploration activity prepared per Article 1.2.1 of this Annex E, less any reductions agreed to by COMPANY and CONTRACTOR following written exceptions taken by a Non-Operator pursuant to Article 1.3.1 of this Annex E, in order to determine when minimum Exploration obligations have been met.

5.2 Cost Recovery Control Account

CONTRACTOR shall establish a cost recovery Control Account and an offsetting contra-account to record therein the value of Cost Recovery Petroleum or Gas.

5.3 Major Accounts

For the purpose of classifying costs, expenses and expenditures for cost recovery as well as for the purpose of specifying a date for the fulfillment of the Exploration Obligations, costs, expenses and expenditures shall be recorded in major accounts including the following:

(a) Exploration Expenditures other than Intangible Drilling Costs.

(b) Development Expenditures other than Operating Expenses and Intangible Drilling Costs.

(c) Operating Expenses.

(d) Intangible Drilling Costs. Necessary sub-accounts shall be used. Revenue accounts shall be maintained by CONTRACTOR to the extent necessary for the control of recovery of costs and the treatment of Cost Recovery Petroleum.

Lattakia Contract -128-

عقد اللاتيكية
Article 6
Pre-Auditing and Approval Requirements

6.1 All contracts for the supply of goods or services from local or international sources, to be entered into for the purpose of the Contract by CONTRACTOR or Operating Company with third parties, including Affiliated Companies, and contracts of employment with respect to employees of CONTRACTOR, including those assigned for employment with Operating Company, the cost of which contracts will or is likely to exceed one hundred and fifty thousand US. Dollars (US $150,000) equivalent, are subject to pre-auditing by COMPANY. COMPANY may withhold its prior approval in respect of any such contract, if it considers:

6.1.1 that the costs of goods or services to be supplied under the contract concerned are not in line with the international market prices for goods or services of similar quality supplied on similar terms prevailing at the time, provided however that locally manufactured purchases to be made and services to be performed by local contractors within the S.A.R. shall be subject to Article 17 of the Contract.

6.1.2 That the costs to be incurred by CONTRACTOR or by Operating Company under the contract concerned will not reasonably be required for the operations under the Contract.

6.2 In the case of contracts entered into by the Operating Company, this pre-auditing requirement by COMPANY will take into consideration Operating Company's purchasing procedures, its By-Laws and its Work Program as approved by its Board of Directors, which shall not conflict with provisions of the Contract.

6.3 All contracts referred to under Article 6.1 of this Annex E, but with costs not exceeding one hundred and fifty thousand US. Dollars (US $150,000) equivalent do not require pre-auditing by COMPANY.

6.4 In respect of contracts subject to pre-auditing according to Article 6.1 of this Annex E, CONTRACTOR or Operating Company, as the case may be, shall, before entering into such

Lattakia Contract
contracts, notify COMPANY to study the recommended contract. COMPANY shall agree the details of procedures concerning pre-auditing and relevant documentation requirements with CONTRACTOR or Operating Company as the case may be. Such procedures and documentation requirements may be reviewed and revised from time to time.

6.5.1 COMPANY shall notify CONTRACTOR and Operating Company in writing of its approval or refusal to approve such contracts within twenty (20) Days after receipt of the aforesaid notice. In case of absence of notice of approval by COMPANY or absence of its notice of refusal during this period, COMPANY shall be deemed to have approved the contract concerned, unless COMPANY asked for one further period in respect of contracts requiring longer period, provided that such further period should not exceed twenty (20) Days.

In case of absence of notice of approval or notice of refusal to approve by COMPANY within this additional twenty (20) Days, COMPANY shall be deemed to have approved the contract concerned.

6.5.2 In the case of contracts of employment with respect to employees of CONTRACTOR, including those assigned for employment with Operating Company, COMPANY shall notify CONTRACTOR and Operating Company of its approval or refusal to approve such contracts within three (3) Months of the aforesaid notice. In case of absence of this notice, COMPANY shall be considered to have approved the contract of employment.

6.6 If COMPANY shall notify CONTRACTOR or Operating Company, as the case may be, that it refuses to approve the proposed contract, it shall state in the notice the reason for its refusal in line with Article 6.1 and 6.2 of this Annex E, and as soon as possible after having received COMPANY’s notice, COMPANY and CONTRACTOR or Operating Company, as the case may be, shall confer with each other in connection with the problem thus presented, in order to reach a solution that is mutually satisfactory.
6.7 For all costs and expenses related to contracts which were subject to pre-auditing and which have not been objected to by COMPANY under Article 6.1 and 6.2 of this Annex E, and which have been incurred by CONTRACTOR or Operating Company, as the case may be, COMPANY shall advise CONTRACTOR in writing with the necessary supporting reasons and within the periods specified in the Contract, if it considers:

6.7.1 that any particular costs and expenses, recorded in the Statement concerned as having been incurred by CONTRACTOR or Operating Company, have not actually been so incurred;

6.7.2 that in the Statement concerned the recording and the classification of any particular costs and expenses incurred by CONTRACTOR or Operating Company, is not correct;

6.7.3 That the specification of the goods supplied and/or the executions of the services are not consistent with the provisions of the contract which obtained prior approval.

6.7.4 Invoices issued to CONTRACTOR and supporting documents are incomplete or unavailable or, with respect to invoices rendered by subcontractors, are not original.

6.8 After having received from COMPANY any written advice under Article 6.7 of this Annex E, CONTRACTOR or Operating Company, as the case may be, shall confer with COMPANY in connection with any objection thus presented, and both parties shall attempt to reach a settlement which is mutually satisfactory.

6.9 If COMPANY and CONTRACTOR or Operating Company (as the case may be) fail to reach agreement on an issue arising under Article 6.8, such issue shall be referred to an Expert appointed by mutual consent, such Expert being an internationally recognised firm of accountants/auditors, whose opinion shall be binding upon the parties. Should the parties fail to agree on the choice of Expert, the appointment shall be made on request of either party by the President of the Institute of

Lattakia Contract -131-

[Signature]

[Signature]
Chartered Accountants of England and Wales.

Paying the expenditure objected to by the company remains suspended till a decision will be taken in this regard.

6.10 For all costs and expenses related to contracts exceeding one hundred and fifty thousand US. Dollar (US $150,000) equivalent which have not been objected to by COMPANY under this Article 6, COMPANY and CONTRACTOR shall consider that the auditing requirements stated in Articles 1.3.1 and 1.3.2 of this Annex E have been satisfied.