

EXPLORATION AND DEVELOPMENT AGREEMENT
Between
TURKIYE PETROLLERI ANONIM ORTAKLIGI
and
ARCO TURKEY INC.

March 15, 1985
(with amendments 1,2,3,4,5,6,)

EXPLORATION AND DEVELOPMENT AGREEMENT

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EXPLORATION AND DEVELOPMENT AGREEMENT

THIS EXPLORATION AND DEVELOPMENT AGREEMENT is entered into as of this 15th day of March, 1985, by and between TURKIYE PETROLLERI ANONIM ORTAKLIGI, a company organized and existing under the laws of the Republic of Turkey, with its principal office at 22 Mudafaa Caddesi, Bakanliklar, Ankara, Turkey (hereinafter "TPAO"), and ARCO TURKEY INC., a company organized and existing under the laws of the Republic of Liberia, with its principal office at 444 South Flower Street, Los Angeles, California, United States of America 90017 (hereinafter "ARCO")

WHEREAS, TPAO has held three (3) licenses, numbered TPA/1936, 1976, and 2414 in District XI and two (2) licences, numbered TPA/2019 and 2215 in District XII from the Government of Turkey for the exploration, development and production of petroleum;

WHEREAS, TPAO is surrendering Licenses 1936, 1976 and 2414 and portions of Licences 2019 and 2215 so that ARCO can apply for four (4) new licences (hereinafter the "Licences") covering all or portions of the areas surrendered as outlined by the map in Annex "A" and described in Annex "B" (hereinafter the "Contract Area");

WHEREAS ARCO shall assign to TPAO fifty-one percent (51%) Participating Interest in all Licences in the Contract Area;

WHEREAS, TPAO desires to accelerate the exploration, development and production of petroleum from the Contract Area;

WHEREAS, TPAO and ARCO possess the technological and financial expertise and resources, including experience in the conduct and management of petroleum operations, necessary to accomplish such exploration, development and production;

WHEREAS, TPAO and ARCO desire to undertake Operations for the accomplishment of such exploration, development and production; and

WHEREAS, TPAO and ARCO have concluded this Agreement to define the terms and conditions of their Operations, and their respective rights and obligations in connection therewith.

NOW, THEREFORE, in consideration of the foregoing and of the mutual covenants and agreements set forth herein, TPAO and ARCO hereby agree as follows:

ARTICLE I

DEFINITIONS

- 1.1 "Accounting Procedure" means the procedure specified in Annex "C" hereto.
- 1.2 "Advance" means a payment required to be made pursuant to a Cash Call.
- 1.3 "Affiliate" means any company or entity that is controlled by, in control of, or under common control with a Party. Unless otherwise specified, "control" shall mean ownership of fifty-one per cent (51%) or more of the voting securities or voting interests of a company or entity.
- 1.4 "Annual Gross Production" means the total amount of Petroleum produced from Operations within the Contract Area in each calendar year, excluding the amount of Petroleum used in operations hereunder.
- 1.5 "Authorization for Expenditure" or "AFE" means an authorization for expenditure prepared in accordance with the Accounting Procedure and Section 5.6 hereof.
- 1.6 "Budget" means a budget prepared in accordance with the Accounting Procedure.
- 1.7 "Cash Call" means any request for payment made by Operator to the Parties in connection with Operations or, where the context so requires, to a Sole Risk Party in connection with Sole Risk Operations.
- 1.8 "Commercial Discovery" means a discovery which has been determined to be commercial by the Operating Committee in accordance with Section 7.6 hereof or, where the context so requires, by a Sole Risk Party.

- 1.9 "Contract Area" means the original area as outlined and delineated on Annex A and further described in Annex B to the Agreement and shall include the "New Opportunity Area" (as hereinafter defined) and, subject to the terms and conditions of the Amendment, shall include the "Option Area" (as hereinafter defined).
- 1.10 "Contract Year" means the one (1) year period according to the Gregorian Calendar beginning on the Effective Date specified in Section 3.2 and ending on the day preceding the next anniversary date of the Effective Date and any subsequent such one (1) year period.
- 1.11 "Crude Oil" means all natural hydrocarbons existing in a liquid or solid state at the wellhead or separator and freed of water, sand or other foreign substances which Licensees and /or Lessees choose to remove therefrom including condensate.
- 1.12 "Cumulative Production" means the total amount of Crude Oil or Natural Gas produced from Operations within the Contract Area at any given time.
- 1.13 "Days" means Calendar Days.
- 1.14 "Development Area" means a portion of the Contract Area underlain by a reservoir of subsurface Petroleum accumulation which has been declared to be a Commercial Discovery and any contiguous areas which have been designated for development in an overall development program approved by the Ministry.
- 1.15 "Development and Production" means all activities conducted for the realization of Petroleum production following the declaration of a Commercial Discovery, including without limitation the preparation of an overall development plan, the design, construction, installation and drilling of wells, as well as all activities related to Petroleum production, including without limitation extraction, injection, treatment, processing, field storage, gathering, transporting and lifting.
- 1.16 "Dollars" means dollars of the United States of America.

- 1.17 "Enhanced Recovery" means both conventional secondary recovery methods, such as pressure maintenance and waterflooding, and more sophisticated tertiary recovery methods, such as micellar-surfactant, steam drive, polymer, miscible hydrocarbon, CO₂ and steam soak.
- 1.18 "Exploration Activities" means all activities conducted prior to the first Commercial Discovery, and all activities conducted outside any Development Area following a Commercial Discovery, for the purpose of discovering Petroleum-bearing traps by means of geological, geophysical, exploration drilling and other methods, as well as all such work undertaken to determine and appraise the commerciality of traps in which Petroleum is discovered.
- 1.19 "Force Majeure" means any event beyond the reasonable control of the Party claiming to be affected by such event, including an act of God, government or a public enemy, war, insurrection, civil disturbance, sabotage, blockade, embargo, strike, earthquake, storm, flood, lightning, fire, explosion epidemic, unavailability of equipment or other similar event, except that a lack of funds shall not be deemed to be an event beyond a Party's reasonable control.
- 1.20 "Joint Account" means the account established and maintained by Operator to record all charges and credits related to Operations.
- 1.21 "Investment Recovery Crude Oil" means that portion of Annual Gross Production available for recovery of exploration, appraisal and development expenditures in accordance with Section 11.1.3 hereof.
- 1.22 "Joint Property" means all property acquired or held for use in connection with Operations.
- 1.23 "LIBOR" means the arithmetic mean of the figures published by the Financial Times of London, England, representing the midpoint of the per annum rates (bid and ask) at which overnight deposits of U.S. dollars are offered by the London office of Citibank N.A. to prime banks in the London interbank market as of 11 a.m. London time on the fifteenth day of each month for which interest is to be computed. If the fifteenth day of a month is not a day

on which such rates are quoted, the rates to be used shall be those quoted on the next following day on which such rates are quoted. If the Financial Times ceases to publish such rates but such rates continue to be quoted by banks in the London interbank market, reference shall be made to the rates offered by Citibank N.A. to other leading banks.

- 1.24 "License" or "Licenses" means a Petroleum exploration license or licenses within the Contract Area granted to ARCO pursuant to the Petroleum Law.
- 1.25 "Lease" or "Leases" means a Petroleum exploitation lease or leases granted TPAO and/or ARCO pursuant to the Petroleum Law and this Agreement.
- 1.26 "Lira" means lira of the Republic of Turkey.
- 1.27 "Material" means any personal property, equipment or supplies.
- 1.28 "Market Price" means the market price as defined in Article 3.25 (a) of the Petroleum Law as approved by the Council of Ministers in accordance with Article 13.1 of the Petroleum Law.
- 1.29 "Maximum Efficient Rate of Production" means the maximum rate of production of Petroleum in a field without excessive decline or loss of reservoir pressure, in accordance with the norms and practices of the Petroleum industry.
- 1.30 "Minister" or "Ministry" means the Minister or Ministry of Energy and Natural Resources, and any successor agency having responsibility for the administration of the Petroleum Law.
- 1.31 "Natural Gas" means methane or mixtures of methane with other hydrocarbons and/or non-hydrocarbons produced from the Contract Area which at atmospheric temperature and pressure are entirely in the gaseous state and shall exclude NGLs if and when separated from Natural Gas.
- 1.32 "Operating Committee" means the committee established pursuant to Article IV hereof.

- 1.33 "Operator" means the company responsible for the performance of Exploration Activities, Development and Production under this Agreement.
- 1.34 "Operations" means all operations conducted pursuant to this Agreement by or on behalf of both Parties.
- 1.35 "Participating Interest" shall mean for each of the Parties and their assigns the undivided participating interest held from time to time by it in this Agreement and in any License, Lease, or where the context so requires, in any sole risk development pursuant to Article X and includes its entitlement for the time being to Petroleum produced from the Contract Area. Upon the effective date of this Agreement, the Participating Interest of TPAO shall be fifty-one per cent (51%) and the Participating Interest of ARCO shall be forty-nine per cent (49%).
- 1.36 "Party" means a party to this Agreement.
- 1.37 "Petroleum" means all natural hydrocarbons, liquid or gaseous produced or producible from the ground, all asphalt and other solid hydrocarbons suitable for production with or dissolved in liquid Petroleum or natural gas, and all hydrocarbon products derived from the above mentioned substances.
- 1.38 "Petroleum Law" means Petroleum Law of Turkey, No. 6326, of March 7, 1954, as amended from time to time, and the regulations and decrees promulgated thereunder.
- 1.39 "Profit Crude Oil" means that portion of Annual Gross Production available for distribution to the Parties in accordance with Section 11.1.4 hereof.
- 1.40 "Sole Risk Operations" means operations conducted pursuant to Article X hereof.
- 1.41 "Sole Risk Party" means a Party conducting Sole Risk Operations.

1.42 "Sole Risk Petroleum Production" shall mean Petroleum produced from Sole Risk Operations.

1.43 "Surplus Profit Crude Oil" means that portion of Annual Gross Production available for distribution to the Parties in accordance with Section 11.1.5.

1.44 "Work Program" means a program for the performance of operations hereunder prepared in accordance with the Accounting Procedure. Work Programs shall be classified as "Exploration", "Appraisal" or "Development and Production."

1.45 "Prospect Area" means any one or all of the four (4) areas depicted in plats labeled Exhibit I-A through I-D and described in Exhibit II-A through II-D to Annex E.

ARCO	% 19.6	1) Narkitaya	3) South Sorik
TPAO	% 80.4	2) Akpimar-Cendera	4) Mijo

1.46 "New License" means the area covered by License Case Number AR/TPO/2746 in Petroleum District XI. TPAO has been awarded a License regarding such area and such Licence shall become part of the Contract Area.

A

1.47 "New Opportunity Area" shall mean the area depicted in the plat labeled Exhibit I-A and described in Exhibit II-A to Annex B-3.

ARCO % 49
TPAO % 51

1.48 "Option Area" shall mean the area depicted in the plat labeled Exhibit III-A described in Exhibit IV-A to Annex B-3.

ARCO % 49
TPAO % 51

- 1.42 "Sole Risk Petroleum Production" shall mean Petroleum produced from Sole Risk Operations.
- 1.43 "Surplus Profit Crude Oil" means that portion of Annual Gross Production available for distribution to the Parties in accordance with Section 11.1.5.
- 1.44 "Work Program" means a program for the performance of operations hereunder prepared in accordance with the Accounting Procedure. Work Programs shall be classified as "Exploration", "Appraisal" or "Development and Production."
- 1.45 "Prospect Area" means any one or all of the four (4) areas depicted in plats labeled Exhibit I-A through I-D and described in Exhibit II-A through II-D to Annex E.
- 1.46 "New License" means the area covered by License Case Number AR/TPO/2746 in Petroleum District XI. TPAO has been awarded a License regarding such area and such License shall become part of the Contract Area.
- 1.47 "New Opportunity Area" shall mean the area depicted in the plat labeled Exhibit I-A and described in Exhibit II-A to Annex B-3.
- 1.48 "Option Area" shall mean the area depicted in the plat labeled Exhibit III-A described in Exhibit IV-A to Annex B-3.

ARTICLE II

ANNEXES TO THE AGREEMENT

- 2.1 Annex "A" is a map of the Contract Area showing the area made subject to this Agreement. In the event of inconsistency between Annex "A" and Annex "B" below, Annex "B" shall prevail.
- 2.2 Annex "B" is a listing and description of the geographic coordinates of the Contract Area.
- 2.3 Annex "B-2" describes the area initially excluded from the Contract Area within which TPAO may conduct drilling and other petroleum operations in accordance with Section 3.4.
- 2.4 Annex "C" specifies the Accounting Procedure applicable to operations hereunder.
- 2.5 Annex "D" specifies the minimum exploration work obligations.
- 2.6 Annex "E" specifies the minimum exploration work obligations required by TPAO in order to execute its rights under Section 3.2 of this Agreement to increase TPAO's Participating Interest."
- 2.7 Annexes A through F and B-2 and B-3 are hereby incorporated and made a part hereof by reference.
- 2.8 Annex B-3 describes the New Opportunity Area to be added to the Contract Area and, pursuant to the terms and conditions of the Amendment, the Option Area which shall be added to the Contract Area.
- 2.9 Annex F specifies the minimum exploration work program required of ARCO in connection with the New Opportunity Area and, subject to the terms and conditions of the Amendment, the optional exploration work program by which ARCO may exercise its rights in connection with the Option Area.

ARTICLE III

EFFECTIVE DATE; LICENSES

- 3.1 The "Effective Date" of this Agreement shall be August 23, 1985.
- 3.1.1 The effective date of the Amendment shall be the later of (1) the grant of the license covering the New Opportunity Area to ARCO, or (2) the day TPAO notifies ARCO that all necessary governmental approvals have been obtained.
- 3.2 Within fifteen (15) days after the date that the New License has been awarded to TPAO, ARCO and TPAO will cooperate and separately prepare an application for submittal to the General Directorate of Petroleum Affairs for the assignment of TPAO's one hundred percent (100%) undivided Participating Interest in the New License to ARCO. Upon TPAO's request, ARCO and TPAO will cooperate and separately prepare an application for submittal to the General Directorate of Petroleum Affairs for the registration of TPAO's eighty and four tenths percent (80.4%) undivided Participating Interest in the Prospect Areas. Upon TPAO's request at any time after the Exploration Activities described in Section 7.1 have been completed, ARCO shall transfer and assign to TPAO an eighty and four tenths percent (80.4%) undivided Participating Interest in the Prospect Areas. In the event the Operating Committee decides pursuant to Section 7.6 that a discovery of Petroleum in a Prospect Area is a Commercial Discovery, then pursuant to Section 8.6, ARCO and TPAO shall promptly apply for a Lease with Participating Interests of eight and four tenths percent (80.4%) for TPAO and nineteen and six tenths (19.6%) for ARCO. Any renewal or extension of any License or any Lease issued for Development and Production in the Contract Area (other than any Leases issued for the conduct of Sole Risk Operations) shall be held by TPAO and ARCO in accordance with their Participating Interests, so long as this Agreement is in effect.

- 3.3 A two thousand (2,000) hectare area determined by TPAO within four thousand (4,000) hectares described in annex "B-2" surrounding the Akpinar-1 well shall be delineated by TPAO no later than August 23, 1987. Upon TPAO's request, ARCO shall relinquish one hundred percent (100%) of its rights and obligations within such delineated two thousand (2,000) hectare area.
- 3.4 Within the area described in Annex "B-2" ARCO recognizes TPAO's right until the delineation of the two thousand (2,000) hectare area provided for in Section 3.3 above, to conduct petroleum operations, including but not limited to, exploration and development drilling as well as the production of petroleum, for TPAO's sole cost and benefit. After the delineation, ARCO recognizes that TPAO's rights continue within the area so delineated.
- 3.5 TPAO shall indemnify and hold harmless ARCO against all actions, claims, demands and proceedings whatsoever by any third party whether private or government arising out of or in connection with TPAO's operations under Section 3.4, and shall further indemnify ARCO against all damages, costs, losses, and expenses whatsoever directly or indirectly caused to or incurred by ARCO as a result of anything done or omitted to be done in connection with operations under Section 3.4. TPAO's indemnity hereunder shall include but shall not be limited to an obligation to pay all costs associated with the filing and registration of this Agreement, including the payment of any stamp duties or taxes, and at ARCO's election, either a) to fully reimburse ARCO for the costs of any or all well or wells ARCO may be required to drill under the Petroleum Law as a result of TPAO's operations under Section 3.4, or b) drill on ARCO's behalf and at ARCO's direction any such well or wells.
- 3.6 In the event that TPAO receives an offer from a third party to develop the area covered by Section 3.3, then before accepting such offer, TPAO shall notify ARCO of the terms and conditions of the offer and ARCO shall have for the sixty (60) days after receipt of such notice a right of first refusal to join in the development upon essentially the same terms and conditions which were offered to TPAO.

- 3.7 TPAO shall keep ARCO fully informed of any and all operations planned under Section 3.4, the status of such operations and the results thereof. Such results shall include, but not be limited to, well logs, seismic data, DST results, and samples and cores for analysis.
- 3.8 In the event that TPAO acquires any of the acreage relinquished by ARCO and within two (2) years after the effective date of such acquisition receives an offer from a third party for an interest in any such acquired acreage, then before accepting such offer, TPAO shall notify ARCO of the terms and conditions of the offer. ARCO shall have for a period of thirty (30) days after the receipt of such notice a right of first refusal to acquire such acreage upon the same terms and conditions which were offered to TPAO. The parties to any agreement regarding the acquisition of such acreage shall have respective percentage interests in the acreage as shall be mutually agreed.
- 3.9.1(a) Upon ARCO's request, TPAO shall relinquish its rights in and to the licenses covering the New Opportunity Area. TPAO shall, one week before the effective date of the relinquishment, give notice to ARCO of such relinquishment in order for ARCO to submit, as soon as possible after the effective date of the relinquishment, an application to the General Directorate of Petroleum Affairs ("GDPA") for a license covering the New Opportunity Area in order for ARCO to obtain the license.
- (b) Upon ARCO's request, following notification to add the Option Area to the Contract Area pursuant to Section 2.2 of the Work Program, TPAO shall relinquish its rights in and to the licenses covering the Option Area. TPAO shall, one week before the effective date of the relinquishment, give notice to ARCO in order for ARCO to submit, as soon as possible after the effective date of the relinquishment, an application to the GDPA for a license covering the Option Area in order for ARCO to obtain the license.
- 3.9.2(a) Following the granting of the License covering the New Opportunity Area and/or the Option Area to ARCO, upon TPAO's request, ARCO and TPAO shall cooperate and separately prepare an application for concurrent submittal to GDPA for registration of TPAO's rights of production as indicated in the Agreement.

(b) If the Operating Committee decides, pursuant to Section 7.6 of the Agreement, that a discovery of Petroleum in the New Opportunity Area or the Option Area is a Commercial Discovery pursuant to Section 8.6, ARCO and TPAO shall promptly apply for a lease with Participating Interests of fifty one percent (51%) for TPAO and forty-nine percent (49%) for ARCO.

(c) Any renewal or extension of any license shall be held by ARCO with a registration of TPAO's rights pursuant to this Agreement. Any renewal or extension of any Lease issued for Development and Production in the New Opportunity Area or the Option Area (other than any Lease issued for the conduct of Sole Risk Operations) shall be held by TPAO and ARCO according to their Participating Interests of fifty one percent (51%) for TPAO and forty-nine percent (49%) for ARCO.

(d) Notwithstanding anything contained herein to the contrary, in the event an area within the New Opportunity Area or the Option Area is not registered in the name of TPAO at the time of execution of the Amendment, TPAO shall use its best efforts and aid ARCO with the application procedure to the GDPA for the issuance of a License in ARCO's name.

3.10 The Participating Interests of the Parties are as follows:

(a) TPAO 80.4% / ARCO 19.6% in the licenses covering the Prospect Areas;

(b) TPAO 51% / ARCO 49% in the licenses covering the New Opportunity Area; and

(c) TPAO 51% / ARCO 49% in any license covering the Option Area (after ARCO has elected to drill the Option Well).

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ARTICLE IV

OPERATING COMMITTEE

- 4.1 There is hereby established an Operating Committee that shall exercise supervision and control of operations hereunder, except as otherwise provided herein.
- 4.2 Unless otherwise provided herein, the Operating Committee shall be responsible for:
- 4.2.1 Determining all matters relating to policies, procedures and methods of operation hereunder, including the establishment of rules of procedure for the Operating Committee;
 - 4.2.2 Reviewing all proposed Exploration Work Programs and Budgets and approving all proposed Development and Production Work Programs, Budgets and Authorizations for Expenditure prepared and submitted to it for approval pursuant to this Agreement;
 - 4.2.3 Reviewing transactions between the Parties and their respective Affiliates relating to operations hereunder;
 - 4.2.4 Authorizing the Operator or any other Party to represent the Parties before any governmental authority or third party in connection with any matters relating to operations hereunder, provided that any Party shall be entitled to represent itself before any such authority or third party in connection with any matters relating to its own rights or interests; and
 - 4.2.5 Determining any other matters relating to operations hereunder that may be referred to it by a Party, other than a proposal to amend this Agreement.

- 4.3 The Operating Committee shall consist of one representative appointed by each Party. The TPAO representative shall be the Chairman of the Operating Committee. Each representative shall be and hereby is authorized to act for the Party who appointed him. Each Party shall appoint an alternate representative to act for it in the absence of its representative. Such representative and, in his absence, alternate representative, shall have full power and authority to represent and bind the Party who appointed him in all matters arising under this Agreement and all acts done by such representative or his alternate pursuant to the authority hereby conferred shall be deemed to be the acts of the appointing Party. Each Party shall designate by notice to the other names and addresses of its representative and alternative representative. Each representative or alternative representative may have present at any meeting of the Operating Committee such agents and employees of his principal as he may desire.
- 4.4 The Operating Committee shall meet whenever requested by any Party, upon twenty (20) days' prior written notice, and shall meet at least once in each calendar year to consider the Work Programs and Budgets referred to in Sections 7.3 and 8.2. Each notice convening a meeting shall be accompanied by an agenda; however, any Party may add items to the agenda but not later than ten (10) days prior to such meeting in order to be considered. A written record of each meeting shall be prepared by the Operator with copies made available to all Parties as soon thereafter as possible. All meetings of the Operating Committee shall be held at the offices of the Operator in Turkey, or at such other place as the Operating Committee shall decide.
- 4.5 Except as otherwise provided herein, decisions of the Operating Committee shall be by unanimous vote of the members present, and shall be binding upon the Parties. Meetings of the Operating Committee shall be valid if both ARCO and TPAO are represented. The Operating Committee may vote on and determine any matter without convening a meeting if the members are given (20) days' notice of the matter to be determined and give notice to the Operator and the other Party of their votes with respect thereto; provided, that failure of any member to give notice of his vote within ten (10) days following receipt of notice of the matter to be determined shall constitute a "no" vote. Where time

constraints are present, i.e. a matter involving drilling operations and a rig is on location or en route thereto and an immediate decision is required, both notice of the matter to be determined and notice of vote shall be reduced to forty eight (48) hours and may be given by telex or by telephone and confirmed by telex. A written record of the meetings of the Operating Committee shall be maintained by the Operator and shall be available to the Parties.

4.6 The Operating Committee may establish such advisory sub-committees as it considers desirable from time to time. Each sub-committee established shall be subject to such procedures as the Operating committee may determine. The meetings of such sub-committees will as far as possible be arranged so that the minutes of each meeting can be presented to the Parties in sufficient time for consideration before the next following regular meeting of the Operating Committee.

4.7 A technical sub-committee ("Technical Committee") shall be established and composed of one representative and alternate representative each from TPAO and ARCO. The representative of TPAO or, in his absence, the alternate representative of TPAO will be the chairman. Each Party shall have one vote, which will be exercised by its representative or, in its absence, by its alternate representative. Decisions of the Technical Committee shall be by unanimous vote of the members present. ✓

4.8 The Technical Committee shall hold meetings upon request by either Party at the designated office of the Party calling the meeting. Notice shall be given at least fourteen (14) days prior to the meeting date.

4.9 The Technical Committee is formed to facilitate the exchange of information and opinions of the Parties concerning technical matters related to the exploration and development of petroleum and operations related thereto and to deliberate upon and determine by its vote recommendations which may be made to the Operating Committee.

- 4.10 All costs of ARCO's Technical Committee representative and alternate representative in relation to the New Opportunity Area and the Option Area, including actual cost of salary and related benefits, administrative overhead costs and expenses incurred by such personnel shall be considered to be expenditures actually incurred in connection with Operations and therefore eligible for Investment Recovery under Section 11.1.2.(c) (ii) of the Agreement, provided, however, that such expenditures eligible for Investment Recovery shall be limited to a total of U.S. \$100,000 per year.

ARTICLE V

OPERATOR

- 5.1 TPAO, or an Affiliate of TPAO or other entity designated by TPAO and acceptable to ARCO, shall be Operator except as provided in Section 5.2. TPAO shall be fully responsible for all actions of any Affiliate or other entity designated by TPAO acting as Operator in the conduct of operations hereunder and for the fulfillment of all obligations of such Operator hereunder to the same extent as if TPAO were Operator. The Operator may not be changed without the prior consent of the Operating Committee; provided however, that if Operator becomes insolvent, is adjudicated a bankrupt by a court of competent jurisdiction, makes an assignment for the benefit of creditors, or continuously and repeatedly fails to observe the requirements of Section 5.5 or is unable to pay its debts as they become due, any Party may remove the Operator by giving notice to it of removal, effective as of the date of notice. The Operator may resign upon one hundred eighty days (180) days' notice to the Operating Committee. Following the effective date of any notice of removal or resignation of the Operator (other than TPAO acting as Operator), TPAO shall act or continue to act as the Operator unless a replacement Operator shall have been selected by the Operating Committee. Following the effective date of any notice of removal or resignation of TPAO as Operator, ARCO shall have the right to appoint a replacement Operator which shall be a Party to this Agreement, unless a replacement shall have been selected by the Operating Committee.
- 5.2 ARCO may act as Operator with respect to any Sole Risk Operations undertaken by it, as provided in Section 10.7 of the Agreement. In addition, ARCO may, at ARCO's option, act as Operator for the appraisal, development and production of a discovery of Petroleum provided that:
- (a) TPAO will be Operator during the appraisal, development and production phases for the first discovery in the Contract Area (excluding the Prospect Area); and

(b) ARCO shall never be Operator for more than half of the total number of discoveries during the appraisal, development and production phases in the Contract Area (excluding the Prospect Area).

5.3 The Operator shall have exclusive charge of and shall conduct all operations hereunder (whether performed directly by the Operator or by subcontractors and service contractors), in accordance with approved Programs and Budgets and subject to the supervision and control of the Operating Committee, except as otherwise provided herein.

5.4 The responsibilities of the Operator shall include:

5.4.1 Preparing all proposed Work Programs, Budgets and Authorizations for Expenditures pursuant to this Agreement.

5.4.2 Implementing all approved Work Programs, Budgets and Authorizations for Expenditure.

5.4.3 Purchasing or leasing and maintaining necessary installations, equipment and supplies, and entering into subcontracts and service contracts related to operations hereunder, in accordance with approved Work Programs, Budgets and Authorizations for Expenditure and the applicable provisions of the Accounting Procedure.

5.4.4 Selection, hiring, supervision and dismissal of employees used in operations hereunder.

5.4.5 Promptly paying and discharging all costs and expenses incurred in connection with Operations, and maintaining the Contract Area and all Joint Property free of liens, charges and encumbrances.

5.4.6 Maintaining complete and accurate books and records relating to operations hereunder, in accordance with the Accounting Procedure.

5.4.7 Providing to the Parties reports, data and information regarding operations hereunder, including daily drilling reports, monthly production reports, lifting records, reproducible copies of all seismic tapes (including stack tapes), logs, surveys, analyses and tests prepared or obtained in the conduct of Exploration Activities or Development and Production Activities, and such further reports, data and information as the Operating Committee may require. The Operator shall also provide to any Party, at the sole expense of that Party, any additional reports, data or information that the Party may reasonably request. The Operator shall freely consult with and keep the Parties informed about matters concerning operations hereunder.

5.5

The Operator shall conduct operations hereunder in a proper, workmanlike and economical manner in accordance with good and prudent Petroleum field practice and with that degree of diligence and prudence reasonably and ordinarily exercised by experienced operators engaged in similar activity under similar circumstances and conditions. The Operator shall act at all times in conformance with the provisions and requirements of any applicable law and of any License or lease held by TPAO and/or ARCO for the exploration, development and production of Petroleum from the Contract Area, and shall take precautions necessary to safeguard public health and safety.

5.6

In performing its responsibilities under Work Programs requiring the approval of the Operating Committee, the Operator shall adhere to the budget expenditure limitations therein. Upon review by the Operating Committee of any annual Exploration and Appraisal Work Program and Budget in accordance with Sections 7.3 and 7.5 respectively, and upon approval by the Operating Committee of any annual Development and Production Work Program and Budget, the Operator is thereby authorized to enter into commitments and to make expenditures for all items contained therein, provided however, before making any expenditure or incurring any obligation to expend funds relating to a Development and Production Work Program in an aggregate amount in excess of two hundred fifty thousand dollars (\$250,000), the Operator shall obtain an Authorization for Expenditure therefor from the Parties as follows:

- 5.6.1 Each AFE which relates to items within a Development and Production Work Program shall be subject to approval by the Operating Committee. Each AFE which relates to items in Work programs prepared for Sole Risk Operations shall be subject to approval by the Sole Risk Party.
- 5.6.2 If the expenditure or obligation to expend is for an amount within an approved Work Program and Budget, the AFE shall be deemed approved, unless a Party whose approval is required notifies the Operator of its objection to the AFE within fourteen (14) days after submission thereof, setting forth the reasons for such objection. If the Party or Parties whose approval is required and the Operator are unable to agree on an AFE for an amount within an approved Work Program and Budget within thirty (30) days following notification to the Operator of a Party's objection thereto, the Operator shall be authorized to make the expenditure or incur the obligation described in such AFE; provided, however, the dispute regarding the appropriateness of such AFE shall be referred to arbitration pursuant to Article XX hereof, and, based upon a determination as to whether the AFE was reasonable in the context of the Work Program and Budget and in light of the stated objections thereto, the arbitrators shall determine whether all or any portion of such expenditure shall be charged to the Joint Account.
- 5.6.3 If the expenditure or obligation to expend is not within an approved Work Program and Budget, the Operator shall not make the expenditure or incur the obligation to expend until it receives formal approval of the AFE.
- 5.7 Notwithstanding the provisions of Section 5.6, the Operator is authorized to make expenditures in the event of emergency conditions which require prompt action in order to safeguard life or property, or to prevent pollution, without securing advance approval; provided, that such expenditures shall, to the extent practical, be consistent with the emergency response program developed by the Operator and approved by the Operating Committee. The Operator shall promptly notify the Operating Committee of the emergency conditions, the action taken and the expenses incurred therefor.

- 5.8 The Operator shall not be liable to any Party for any acts or omissions, claims, damages, losses or expenses, in connection with or arising out of this Agreement or any Licence and/or any Lease Operations performed thereunder except such as shall result from Operator's failure to obtain and maintain insurance as provided in Section 16.1.1 or the "Willful Misconduct" of employees of Operator above the level of Drilling Supervisor. For the purposes of this Article, "Willful Misconduct" means an intentional and conscious disregard of good and prudent oil and gas field practices, of the terms of this Agreement or of any approved Work Program, not justifiable by any special circumstances. It is further agreed that in no case shall Operator be so liable for any consequential losses, such as but not limited to loss of Petroleum or underproduction of Petroleum and loss of profit.
- 5.9 Operator will establish and maintain an office in the Republic of Turkey and such other offices as may be approved by the Operating Committee.

ARTICLE VI

INSPECTION AND ACCESS

- 6.1 Each Party shall be entitled to inspect, at all reasonable times and upon ten (10) days' notice to the Operator, any and all books, records and inventories relating to operations hereunder required to be maintained by the Operator in Operator's office in Turkey pursuant to the Accounting Procedure.
- 6.2 Each Party shall be entitled, at its sole risk and expense, to have access, at all reasonable times and upon reasonable notice to TPAO, to the Contract Area and any and all operations hereunder, including the right to observe and discuss fully with TPAO all of the stages of any seismic or other data reprocessing or other analytical work.

ARTICLE VII

EXPLORATION ACTIVITIES

- 7.1 TPAO's minimum exploration obligations in regard to the Prospect Area are set forth in Annex E.

ARCO's minimum exploration obligations in regard to the New Opportunity Area and, subject to the terms and conditions of the Amendment, the optional exploration work program by which ARCO may exercise its rights in connection with the Option Area is set forth in Annex F.

- 7.2 Within thirty (30) days following the effective date of Amendment Number 4 to this Agreement, and not later than ninety (90) days before the beginning of each calendar year hereafter, the Operator shall prepare an exploration Work Program and Budget for the Contract Area, which shall specify the Exploration Activities the Operator proposes to perform during such year. Such exploration Work Program and Budget shall at a minimum be sufficient to satisfy the minimum exploration work obligation specified in Annex "E", as well as any exploration obligations established by the Petroleum Law.

- 7.3 The annual exploration Work Program and Budget shall be submitted by the Operator to the Operating Committee, which shall within thirty (30) days of receipt thereof review and give such advice with respect thereto as it deems appropriate. Following review by the Operating Committee, the Operator shall in consultation with the Operating Committee make any revisions to the exploration Work Program and Budget that the Operator deems appropriate. The Work Program and Budget as so revised shall be implemented by the Operator.

- 7.4 The Operator shall promptly report the discovery of Petroleum in the Contract Area to the Operating Committee. If the Operating Committee decides unanimously (or, failing agreement, if TPAO decides) that the discovery is worthy of appraisal, the Operator shall promptly prepare an Appraisal Work Program and Budget, which shall specify the operations the Operator proposes

to perform to determine whether the discovery is a Commercial Discovery. If ARCO alone decides that the discovery is worthy of appraisal, ARCO may undertake appraisal activities at its sole risk pursuant to Article X hereof.

- 7.5 The Appraisal Work Program and Budget shall be submitted by the Operator to the Operating Committee, which shall within thirty (30) days of receipt thereof review and give such advice with respect thereto as it deems appropriate. Following review by the Operating Committee, the Operator shall in consultation with the Operating Committee make any revisions to the Appraisal Work Program and Budget that the Operator deems appropriate. The Appraisal Work Program and Budget as so revised shall be implemented by the Operator.
- 7.6 As soon as reasonably possible, but not later than ninety (90) days after completion of the Appraisal Work Program, or four hundred fifty (450) days after the discovery of Crude Oil, whichever is earlier, the Operator shall provide the Operating Committee with an appraisal report. The appraisal report shall include an evaluation of geology, a preliminary development plan, economic analysis and such other information as necessary to permit the Parties to decide on the commerciality of the discovery. The appraisal report shall be amended by the Operator to provide such additional information based on the Appraisal Work Program as may reasonably be requested by any Party, and to reflect the evaluation of any additional appraisal activities requested by the Operating Committee. Based on the appraisal report, the Operating Committee shall determine whether the discovery is a Commercial Discovery. If the Operating Committee does not agree unanimously on the commerciality of the discovery within ninety (90) days following receipt of the appraisal report, as finally amended, any Party which considers such discovery to be a Commercial Discovery may develop the same at its sole risk pursuant to Article X hereof.
- 7.7 Within ninety (90) days following declaration of the first Commercial Discovery, the Operator shall submit to the Operating Committee a report on its Exploration Activities throughout the Contract Area. As soon as possible thereafter, the Operator shall submit a recommendation, for approval by the Operating Committee, as to whether application should be made for an extension of the License under Article 55.4 of the Petroleum Law or for a

Lease. Such recommendation shall include a description, for approval by the Operating Committee, of the portion of the Contract Area to be relinquished in accordance with Article 63.1 of the Petroleum Law.

7.8 All costs incurred in connection with exploration obligations set forth in Annex E shall be borne solely by TPAO, and all costs incurred in connection with exploration obligations relative to the New Opportunity Area shall be borne solely by ARCO in accordance with the Work Program, except as otherwise provided in Section 7.12 or in Section 10.1 hereof. All costs incurred in connection with exploration obligations relative to the Option Area shall be subject to the provisions of the Work Program. Investments by the Parties relative to Exploration Activities shall be recoverable by the Parties only as provided in Section 11.1.1 (c) (i) and 11.1.2 (c) (i) hereof. All funds required to meet the expenses associated with exploration obligations in Annexes E and F shall be advanced in accordance with the Accounting Procedure.

7.9 Promptly following the signing of this Agreement, TPAO shall furnish ARCO with reproducible copies of all geological and geophysical data (including, but not limited to, maps and seismic tapes) in its possession pertaining to the Contract Area and not previously furnished to ARCO. ARCO shall provide to TPAO, promptly as the same become available, reproducible copies of all data, analyses, reports or other information prepared or obtained as a result of reprocessing seismic tapes (including stack tapes) supplied to ARCO by TPAO with respect to the Contract Area. All expenses incurred by ARCO in reprocessing seismic tapes shall be considered to have been incurred in connection with Exploration Activities. *

7.10 The Operator shall not terminate or, without the approval of the Operating Committee, suspend Exploration Activities undertaken pursuant to Exploration Work Programs, except in response to emergency conditions.

7.11 On or prior to the Effective Date of this Agreement, ARCO shall post a performance bond, standby letter of credit, parent company guarantee, or other financial guarantee acceptable to TPAO, in amount sufficient to secure the performance of ARCO's minimum exploration work obligations described in Annex " D". On the effective date of any extension of any License, ARCO **

shall obtain a similar guarantee to secure the performance of its minimum exploration work obligations as agreed to by TPAO and ARCO for such extension. If the Exploration Work Programs implemented by ARCO or the expenditures therefor during any year are less than ARCO's minimum exploration work obligations for such year, ARCO shall be liable to TPAO in an amount equal to the greater of (i) the amount by which ARCO's minimum expenditure obligations during such year exceed the exploration expenses actually incurred, or (ii) for every well included in the minimum exploration work obligations, but not drilled, an amount as set forth in Annex D. In addition to any rights TPAO may have under Article XVIII, TPAO shall be entitled to payment under ARCO's financial guarantee to cover such liability by ARCO to TPAO, without prejudice to TPAO's right to recover from ARCO the balance, if any, due from ARCO for failure to meet its minimum exploration work obligations. *

7.12(a) The procedure in Section 7.12 (b) below shall be applicable to

- (i) any well in the Prospect Area, provided that the six wells required by Annex E have already been drilled;
- (ii) any well in the New Opportunity Area, provided that the one well required by Annex F has already been drilled; and
- (iii) any well in the Option Area, provided that a well has already been drilled in the Option Area pursuant to Sections 2.1 to 2.4 of Annex F.

(b) If any Party desires to drill a well pursuant to Section 7.12 (a) (i), (ii) or (iii) above, then such Party shall notify the other Party and provide to the other Party all drilling information, including the projected depth and coordinates of the proposed well. If the other Party agrees, within three (3) months after receiving such notification to drill the additional exploratory well or wells, then within four (4) months after the notice date, TPAO will drill the well (s) and the cost of drilling such wells will be shared by TPAO and ARCO according to their Participating Interests and will be charged to the Joint Account according to the Accounting Procedure.

If the other Party decides, within three (3) months after receiving the notification, not to drill the additional well and/or wells or fails to reach a decision, then the Party proposing the well may conduct Sole Risk Operations according to the provisions of the Agreement.

If ARCO is the Sole Risk Party, ARCO may conduct the Sole Risk Operations or may propose that TPAO conduct the Sole Risk Operations as Operator on behalf of ARCO. However, no Sole Risk Operations except those described in Annex E, Paragraph 10 shall be conducted by any Party within twenty-four (24) months after the 15th day of October, 1988.

ARTICLE VIII

DEVELOPMENT AND PRODUCTION

- 8.1 As soon as possible following a determination by the Operating Committee that a discovery of Petroleum in the Contract Area is a Commercial Discovery, the Operator shall define the Development Area and prepare an overall development plan for development of and production from the Development Area.

The overall development plan shall be submitted to the Operating Committee for its approval and, thereafter, to the Ministry together with an application which shall be prepared by the Operator and shall be signed by each Licensee either for extension of the License or for issuance of a Lease to the applicants, as determined by the Operating Committee pursuant to Section 7.7.

- 8.2 In addition to preparation of the overall development plan, the Operator shall, within ninety (90) days after determination of a Commercial discovery, prepare a Development and Production Work Program and Budget for the remainder of the year in which the Commercial Discovery is made. Not later than ninety (90) days before the beginning of each year thereafter, the Operator shall prepare an annual production forecast, Development and Production Work Program and Budget for that year. The production forecast, Work Program and Budgets shall be subject to approval by the Operating Committee.

- 8.3 The Parties shall advance all funds required for Development and Production (exclusive of Sole Risk Operations) conducted pursuant to approved production schedules, Development and Production Work Programs and Budget's and AFE's in proportion to their respective Participating Interests and in accordance with the Accounting Procedure.

- 8.4 The Operator shall conduct production operations at the Maximum Efficient Rate of Production, as approved by the Operating Committee.

- 8.5 The Operator shall have the right to use Petroleum produced from Operations for the conduct of Operations hereunder, and shall provide the Operating Committee a monthly report as to such use.
- 8.6 In the event the Operating Committee decides pursuant to Section 7.6 hereof that a discovery of Petroleum in a Prospect Area is a Commercial Discovery, the Development and Production Programs may be conducted by TPAO as Operator. Pursuant to a decision by the Operating Committee, ARCO and TPAO will cooperate and jointly prepare an application for submittal to the General Directorate of Petroleum Affairs for the issuance of a Lease with the Participating Interests set out in Article 3.2 and in accordance with the provisions of the Petroleum Law.

ARTICLE IX

ENHANCED RECOVERY

- 9.1 It is the intention of the Parties to employ Enhanced Recovery methods in the production of Petroleum to the extent economically and technically feasible. At the request of any Party, the Operator will promptly conduct a study as to the technical feasibility and cost of employing Enhanced Recovery methods in a Development Area. The Operator shall prepare and submit to the Operating Committee a report containing the results of such study and including projected recovery curves for the Development Area, with and without Enhanced Recovery, over the term of the lease or License. The Operating Committee shall review the study and give such advice with respect thereto as it deems appropriate. Any Party may request the Operator to provide additional information on the Enhanced Recovery methods evaluated by ARCO or to study alternative Enhanced Recovery methods. The cost of any such study and evaluation shall be for the Joint Account.
- 9.2 If the Operating Committee approves one or more Enhanced Recovery methods, the Operator shall undertake the same as part of Operations. If the Operating Committee does not approve any such methods, either Party may undertake Enhanced Recovery methods as a Sole Risk Operation as provided in Article X.

ARTICLE X

CONDUCT OF SOLE RISK OPERATIONS

- 10.1 Subject to the provisions of Section 10.5, either Party shall have the right, at its sole expense and risk, to direct the Operator to undertake Exploration Activities in the Contract Area which are not included in jointly-approved exploration Work Programs and Budgets.
- 10.1.1 The Operator shall perform Exploration Activities at the Sole Risk Party's request and sole risk in accordance with an exploration Work Program and Budget prepared by the Sole Risk Party. The Operator shall promptly advise the Operating Committee of the discovery of Petroleum on any site explored at the Sole Risk Party's request and sole risk, and the following shall occur within (30) days thereafter:
- (i) If the non-Sole Risk Party decides that such discovery is worthy of appraisal, such party shall elect under Section 10.2 to participate in Exploration Activities related thereto and reimburse the Sole Risk Party for its exploration expenses in accordance with Section 10.2.2. This subparagraph 10.1.1.(i) shall apply regardless of whether the Sole Risk Party agrees that the discovery in question is worthy of appraisal.
 - (ii) If the non-Sole Risk Party decides that such discovery is not worthy of appraisal and the Sole Risk Party agrees, work on such site shall be abandoned and there shall be no reimbursement to the Sole Risk Party for exploration expenses incurred in connection therewith.
 - (iii) If the non-Sole Risk Party decides that such discovery is not worthy of appraisal and the Sole Risk Party does not agree, appraisal may be conducted at the Sole Risk Party's sole risk as described in Section 10.1.2.

10.1.2 In each case in which appraisal is undertaken at the sole risk of the Sole Risk Party, the Sole Risk Party shall prepare a Work Program and Budget for the appraisal of the discovery in question and the Operator shall carry out the Appraisal Work Program. The Operator shall deliver to the Operating Committee an appraisal report as soon as reasonably possible, but not later than ninety (90) days after completion of the Appraisal Work Program or four hundred fifty (450) days after the discovery of Petroleum.

- (i) If the Operating Committee decides unanimously that such discovery is a Commercial Discovery the non-Sole Risk Party shall be deemed to have elected pursuant to Section 10.2 to participate in operations with respect thereto and shall reimburse the Sole Risk Party for its exploration expenses in connection therewith in accordance with Section 10.2.3.
- (ii) If one Party decides that the discovery is a Commercial Discovery and the other Party does not agree, the Party that considers the discovery to be a Commercial Discovery may develop the same at its sole risk, in which case the provisions of Section 10.3 shall apply.
- (iii) If neither Party considers the discovery to be a Commercial Discovery, work on such site shall be abandoned and there shall be no reimbursement to the Sole Risk Party for exploration expenses incurred in connection therewith.

10.2 The non-Sole Risk Party may elect to participate in operations conducted at the sole risk of the Sole Risk Party by written notice to the Sole Risk Party given at any time prior to the submission of a Development and Production Work Program and Budget pertaining thereto to the Ministry for approval (or by operation of Section 10.1.2(i)). The non-Sole Risk Party may not elect to participate at any time thereafter.

- 10.2.1 If such election is made prior to a discovery of Petroleum, the non-Sole Risk Party shall reimburse the Sole Risk Party for all expenditures incurred by the Sole Risk Party in connection with such Exploration Activities up to and including the date of notice of election, together with interest thereon calculated at LIBOR from the date on which such expenditures are incurred through the effective date of the election, plus a premium equal to two hundred percent (200%) of such expenditures.
- 10.2.2 If such election is made subsequent to a discovery of Petroleum, but prior to commencement of appraisal activities in respect of such discovery, the non-Sole Risk Party shall reimburse the Sole Risk Party for all expenditures incurred by the Sole Risk Party in connection with such Exploration Activities up to and including the date of notice of election, plus a premium equal to four hundred percent (400%) of such expenditures.
- 10.2.3 If such election is made, or deemed made, after commencement of appraisal activities, the non-Sole Risk Party shall reimburse the Sole Risk Party for all expenditures incurred by the Sole Risk Party in connection with such Exploration Activities up to and including the date of notice of election, or date of deemed election, which shall be the date of approval by the Operating Committee pursuant to Section 10.1.2(i), plus a premium of eight hundred percent (800%) of such expenditures.
- 10.2.4 On the effective date of an election (which shall be the date of notice of election) or deemed election (which shall be the date of approval by the Operating Committee pursuant to Section 10.1.2.(i), under this Section 10.2, subject to payment of the amount referred to in Section 10.2.1, 10.2.2 or 10.2.3, as the case may be, the operations covered by such election shall become Operations and shall in all respects be covered by the provisions of this Agreement applicable to Operations as if undertaken jointly from the outset. For purposes of computing the non-Sole Risk Party's exploration expenditures for Operations (recoverable under Section 11.1.3), the actual exploration expenditures for which the non-Sole Risk Party has reimbursed the Sole Risk Party shall be treated as having been incurred by the non-Sole Risk Party at

such times as such exploration expenditures were in fact incurred by the Sole Risk Party.

10.3 Subject to the provisions of Section 10.5, any Party may initiate and conduct at its sole expense and risk Development and Production operations with respect to a discovery, whether on Joint Property or property explored or appraised at the sole risk of the Sole Risks Party, which the Operating Committee has failed to agree is a Commercial Discovery or as to which the Operating Committee has failed to approve an overall development plan.

10.3.1 A party electing to initiate and conduct Development and Production operations at its sole risk (Sole Risk Party) shall promptly give notice to the other Party or Parties of such election. Such notice shall include details of the proposed Development Area, an overall development plan and a Development and Production Work Program and Budget. Each of the other Party or Parties may within ninety (90) days from receipt of such notice give return notice to the Parties of its election to join with said Sole Risk Party in such operations. If all Parties give such return notice, such operation shall be carried out as a Joint Operation pursuant to the terms of this Agreement. If less than all Parties give such return notice, any that do so shall become a Sole Risk Party. The relevant Development Area, the overall development plan, and the Development Production Work Program and Budget, shall be submitted promptly by the Sole Risk Party or Parties to the Ministry together with an application which shall be prepared by the Sole Risk Party or Parties and shall be signed by each Licensee (whether or not a Sole Risk Party) either for extension of the License or for issuance of a Lease to the applicants. Each non-Sole Risk Party shall do all things necessary and required to assist the Sole Risk Parties in acquiring such extension or Lease. If more than one Sole Risk Party participates in any such operations, they shall hold their interests in the Development Area in proportion to their Participating Interests hereunder or as they would otherwise mutually agree.

10.3.2 Petroleum production obtained from a Development Area developed by Sole Risk Operations shall be allocated entirely to the Sole Risk Party or Parties, and the non-Sole Risk Party or Parties shall have no interest in such Development Area.

10.3.3 Notwithstanding any other provision herein to the contrary, a Party which elects not to participate in the development of a discovery shall have the right to participate in that development if:

- (i) prior to commencement of such development there has been a material change in the proposed Development Area, the overall development plan or the Development and Production Work Program and Budget as presented to the Parties pursuant to the notice required in Section 10.3.1.;or
- (ii) the Ministry approves a proposed Development Area, overall development plan or a Development and Production Work Program and Budget that is materially different than that originally submitted to the Ministry for approval.

The parties which have previously elected to participate in the development of a discovery shall immediately notify the other Parties upon the occurrence of any such event and of the modified Development Area, overall development plan or the Development Work Program and Budget. Any other Party which had previously elected not to participate in the development shall have the right to elect to participate in the development of that discovery within 30 days of such notification.

10.4 Subject to the provisions of Section 10.5, either Party may initiate and conduct at its sole expense and risk Enhanced Recovery operations within a Development Area as provided in Section 9.2.

10.4.1 A Party electing to initiate and conduct Enhanced Recovery operations at its sole risk shall promptly notify the non-Sole Risk Party of such election, and shall prepare or request the Operator to prepare an overall Enhanced Recovery project plan and a Work Program and Budget therefor. Copies of each of the foregoing, as approved by the Sole Risk Party, shall be submitted promptly to the non-Sole Risk Party.

10.4.2 The Sole Risk Party may conduct, or request the Operator to conduct, Sole Risk Enhanced Recovery operations. The Operator may designate the Sole Risk Party as the operator for all operations (including Joint Operations) in the area where the Enhanced Recovery methods are to be used.

10.4.3 Sole Risk Enhanced Recovery operations shall be conducted in accordance with internationally recognized and accepted oilfield practices, after sufficient reservoir performance and pilot testing normally necessary to predict reservoir performance under such Enhanced Recovery method. At any time prior to initiation of the field scale project, the non-Sole Risk Party may elect to participate in such Enhanced Recovery project. If such election is made, the non-Sole Risk Party shall reimburse the Sole Risk Party for all expenditures incurred by the Sole Risk Party in connection with such Enhanced Recovery project through the effective date of election, plus a premium equal to four hundred percent (400%) of such expenditures. On the effective date of such election, subject to the payment of the amount referred to in the preceding sentence, such Enhanced Recovery operations shall become Joint Operations.

- (i) Production in excess of that projected by the Operator pursuant to Section 9.1, absent Enhanced Recovery operations, shall be allocated entirely to the Sole Risk Party.
- (ii) Production up to the levels projected by the Operator pursuant to Section 9.1, absent Enhanced Recovery operations, shall be deemed to be production obtained from Joint Operations and allocated in accordance with Article XI.
- (iii) Any dispute between the Parties concerning the accuracy or the validity of the projected recovery curve for the development Area, or any portion thereof, absent Enhanced Recovery Operations, prepared by the Operator pursuant to Section 9.1 shall be resolved as provided in Section 10.5.

- 10.5 No Party may undertake Sole Risk Operations if the same are substantially similar to or conflict with or jeopardize all or any part of Operations or other ,pre-existing or proposed Sole Risk Operations. Any Party conducting Sole Risk Operations shall exercise all necessary precautions so that such operations shall not jeopardize, hinder or unreasonably interfere with Operations hereunder, and shall act at all times in conformance with the provisions and requirements of any applicable law and of any License or Lease that TPAO or ARCO holds from the Government of Turkey for the exploration, development and production of Petroleum in the Contract Area. The Parties shall attempt to resolve by negotiation in good faith any disputes which arise concerning Sole Risk Operations. If such disputes cannot be resolved by negotiation, the proposed Sole Risk Operations shall be deferred pending the results of arbitration conducted in accordance with the provisions of Article XX.
- 10.6 All expenses incurred in connection with Sole Risk Operations shall be borne by the Party or Parties conducting the same. Each such Party shall advance all funds required for the conduct thereof in accordance with the Accounting Procedure. Each such Party shall be responsible for payment of all royalties with respect to production from such Sole Risk Operations.
- 10.7 Sole Risk Operations shall be carried out by the Operator in accordance with the provisions of this Agreement (including, without limitation, the standards set forth in Section 5.5). However, if (i) the conduct thereof by the Operator would interfere with its conduct of Operations, or (ii) the Operator fails to adhere to the provisions of this Agreement in any material respect, the Sole Risk Party or Parties may designate another person to conduct Sole Risk Operations, subject to the approval of the Operating Committee (which approval shall not be unreasonably withheld). Furthermore, if TPAO is the Sole Risk Party, TPAO may conduct the Sole Risk Operations using its own personnel and equipment, subject to the provisions of Section 10.5.
- 10.8 The Operator (or such other person as is conducting Sole Risk Operations on behalf of each Sole Risk Party) shall maintain in an office in the Republic of Turkey such books and records relating to Sole Risk Operations as are required to be maintained in connection with Operations hereunder by the Accounting Procedure, and shall provide each Sole Risk Party reports, data and

information of the same kind as required for Operations. Any Party not participating in Sole Risk Operations shall be entitled to inspect at reasonable times and upon ten (10) days' notice any and all such books, records and inventories. Each non-Sole Risk Party shall, at its sole expense, be entitled to receive such reports, data and information regarding such operations as it may reasonably request.

- 10.9 Subject to the approval of the Operating Committee, which approval shall not be unreasonably withheld, any Party conducting Sole Risk Operations may make use of any Material procured for use in connection with Operations hereunder upon the payment of reasonable charges therefor, subject, however, to the provisions of Section 10.5.
- 10.10 Any Party conducting Sole Risk Operations shall indemnify and hold harmless each non-Sole Risk Party against all actions, claims, demands and proceedings whatsoever by any third party arising out of or in connection with such Sole Risk Operations, and shall further indemnify the non-Sole Risk Party against all damages, costs, losses and expenses whatsoever directly or indirectly caused to or incurred by such non-Sole Risk Party as a result of anything done or omitted to be done in connection with such Sole Risk Operations.

ARTICLE XI

PRODUCTION SHARING AND DISPOSAL OF PRODUCTION

11.1.1 Crude Oil production obtained from Operations in the Prospect Area shall be allocated in the following sequence and proportions:

- (a) Royalties : An amount of Crude Oil sufficient to satisfy each Party's obligation under the Petroleum Law to pay royalties (in cash or kind) to the Government of Turkey with respect to Operations in the Prospect Area shall be allocated to the Parties in accordance with their Participating Interests in the Prospect Area.
- (b) Operating Costs : Operating costs actually incurred in connection with commercial Crude Oil production from Operations in the Prospect Area shall be converted to an amount of Crude Oil, valued at the Market Price, and such amount shall be allocated to the Parties in accordance with their Participating Interests in the Prospect Area.
- (c) Investment Recovery : Fifty percent (50%) of the Annual Gross Production from the Prospect Area remaining after allocation for royalties and operating costs ("Investment Recovery Crude Oil") shall be available for recovery of exploration expenditures (including the payment to TPAO provided in Paragraph 1 of Annex D) and appraisal and development expenditures actually incurred in connection with Operations in the Prospect Area in the following sequence :
 - (i) Investment Recovery Crude Oil, valued at the Market Price, shall be allocated in accordance with the ratio of investments by the Parties while conducting Exploration Activities in the Prospect Area according to the Agreement. In the event production of Petroleum commences from a Commercial Discovery prior to each of the six (6) exploratory wells having reached its objective as described in Annex E, the Investment Recovery Crude Oil will initially be allocated to the Parties in accordance with the ratio of

investments by them on Exploration Activities made as of the date that the commercial production of Petroleum commences.

TPAO's share and ARCO's share of investments in Exploration Activities will be adjusted annually to reflect the additional investments made by TPAO and/or ARCO subsequent to the commencement date of the commercial production of Petroleum.

(ii) Thereafter, Investment Recovery Crude Oil, valued at the Market Price, shall be allocated to the Parties in accordance with their Participating Interests in the Prospect Area until each has recovered all development expenditures actually incurred by it in connection with Operations in the Prospect Area.

(iii) Thereafter, Investment Recovery Crude Oil shall be deemed to be "Surplus Profit Crude Oil", allocable in accordance with Section 11.1.1 (e).

(d) Profit Crude Oil : The remaining fifty percent (50%) of Annual Gross Production of Crude Oil from the Prospect Areas shall be designated as Profit Crude Oil and shall be allocated to the Parties in accordance with their Participating Interests in the Prospect Area. ←

(e) Surplus Profit Crude Oil : Surplus Profit Crude Oil produced or derived from the Contract Area (excluding the New Opportunity Area and the Option Area) shall be allocated as follows:

TPAO	ARCO	CUMULATIVE PRODUCTION
%	%	THEREFROM
80.4	19.6	0-25 million barrels
82	18	25-40 million barrels
84	16	40-50 million barrels
88	12	50 + million barrels

11.1.2 Crude Oil production obtained from Operations in the New Opportunity Area and the Option Area shall be allocated in the following sequence and proportions:

- (a) **Royalties:** An amount of Crude Oil sufficient to satisfy each Party's obligation under the Petroleum Law to pay royalties (in cash or kind) to the Government of Turkey with respect to Operations in the New Opportunity Area and the Option Area shall be allocated to the Parties in accordance with their Participating Interests in the New Opportunity Area and the Option Area.
- (b) **Operating Costs:** Operating costs actually incurred in connection with commercial Crude Oil production from Operations in the New Opportunity Area and the Option Area shall be converted to an amount of Crude Oil, valued at the Market Price, and such amount shall be allocated to the Parties in accordance with their Participating Interests in the New Opportunity Area and the Option Area.
- (c) **Investment Recovery :** Fifty percent (50%) of the Annual Gross Production from the New Opportunity Area and the Option Area remaining after allocation for royalties and operating costs ("Investment Recovery Crude Oil") shall be available for recovery of exploration expenditures and appraisal and development expenditures actually incurred in connection with Operations in the New Opportunity Area and the Option Area in the following sequence:
 - (i) Investment Recovery Crude Oil, valued at the Market Price, shall be allocated in accordance with ratio of investments by the Parties while conducting Exploration Activities in the New Opportunity Area and the Option Area according to the Amendment. In the event production of Petroleum commences from a Commercial Discovery prior to the Obligation Well and the Option Well having reached their objectives as described in Annex F, the Investment Recovery Crude Oil will initially be allocated to the Parties in accordance with the ratio of investments by them on Exploration Activities made as of the date that the commercial production of

Petroleum commences. TPAO's share and ARCO's share of investments in Exploration Activities will be adjusted annually to reflect the additional investments made by TPAO and/or ARCO subsequent to the commencement date of the commercial production of Petroleum.

(ii) Thereafter, Investment Recovery Crude Oil, valued at the Market Price, shall be allocated to the Parties in accordance with their Participating Interests in the New Opportunity Area and the Option Area until each has recovered all development expenditures actually incurred by it in connection with Operations in the New Opportunity Area and the Option Area.

(iii) Thereafter, Investment Recovery Crude Oil shall be deemed to be "Surplus Profit Crude Oil", allocable in accordance with Section 11.1.2(e).

(d) Profit Crude Oil: The remaining fifty percent (50%) of Annual Gross Production of Crude Oil for the New Opportunity Area and the Option Area shall be designated as Profit Crude Oil and shall be allocated to the Parties as if it were Surplus Profit Oil Crude Oil in accordance with Section 11.1.2.(e).

(e) Surplus Profit Crude Oil: Surplus Profit Crude Oil produced or derived from the New Opportunity Area and the Option Area shall be allocated as follows:

TPAO	ARCO	CUMULATIVE PRODUCTION THEREFROM
%	%	
51	49	0-25 million barrels
55	45	25-40 million barrels
60	40	40 + million barrels

- 11.2 In the event of a Natural Gas development under Article XII in which more than one Party participates, the participating Parties shall agree upon the allocation of production among themselves, taking into account the investments to be made by each Party and other economic factors, with the intention that the Parties should enjoy the same rate of return they would receive on a Crude Oil development of comparable magnitude. In the event that the Parties are unable to agree prior to submission of the feasibility and other studies provided for in Section 12.2, then the Parties shall allocate the Natural Gas among themselves in the same manner and percentages as set out in Section 11.1 above for Crude Oil, equating Crude Oil to Natural Gas on the basis of their equivalent caloric values for the purposes of allocating surplus profit Natural Gas.
- 11.3 Each Party shall be entitled to take in kind and separately dispose of its Participating Interest share of all Petroleum produced under this Agreement, and any License and/or Lease subject hereto. Each Party shall be responsible for the payment of its Participating Interest share of any royalty in cash or in kind due the Government of the Republic of Turkey under any such License and/or Lease.
- 11.4 ARCO shall be entitled to export thirty five per cent (35%) of its Participating Interest share of the Petroleum allocated to ARCO under this Agreement. Such exports shall be free of taxes, duties, imposts and fees (other than tax on profits or income) imposed by the Government of Turkey. All such taxes, duties, imposts and fees (other than tax on profit or income) shall be paid by TPAO.
- 11.5 ARCO shall be paid the Market Price for any portion of its share of Petroleum production for operations hereunder that it is required by the Government of Turkey to sell within Turkey.
- 11.6 If at any time in ARCO's view the Market Price as now defined or as may in the future be defined in the Petroleum Law differs materially from the prevailing price for Petroleum in the Eastern Mediterranean market (taking into account appropriate adjustments for the differences in gravity and other quality factors; transportation; terms of sale other than price; and other relevant factors

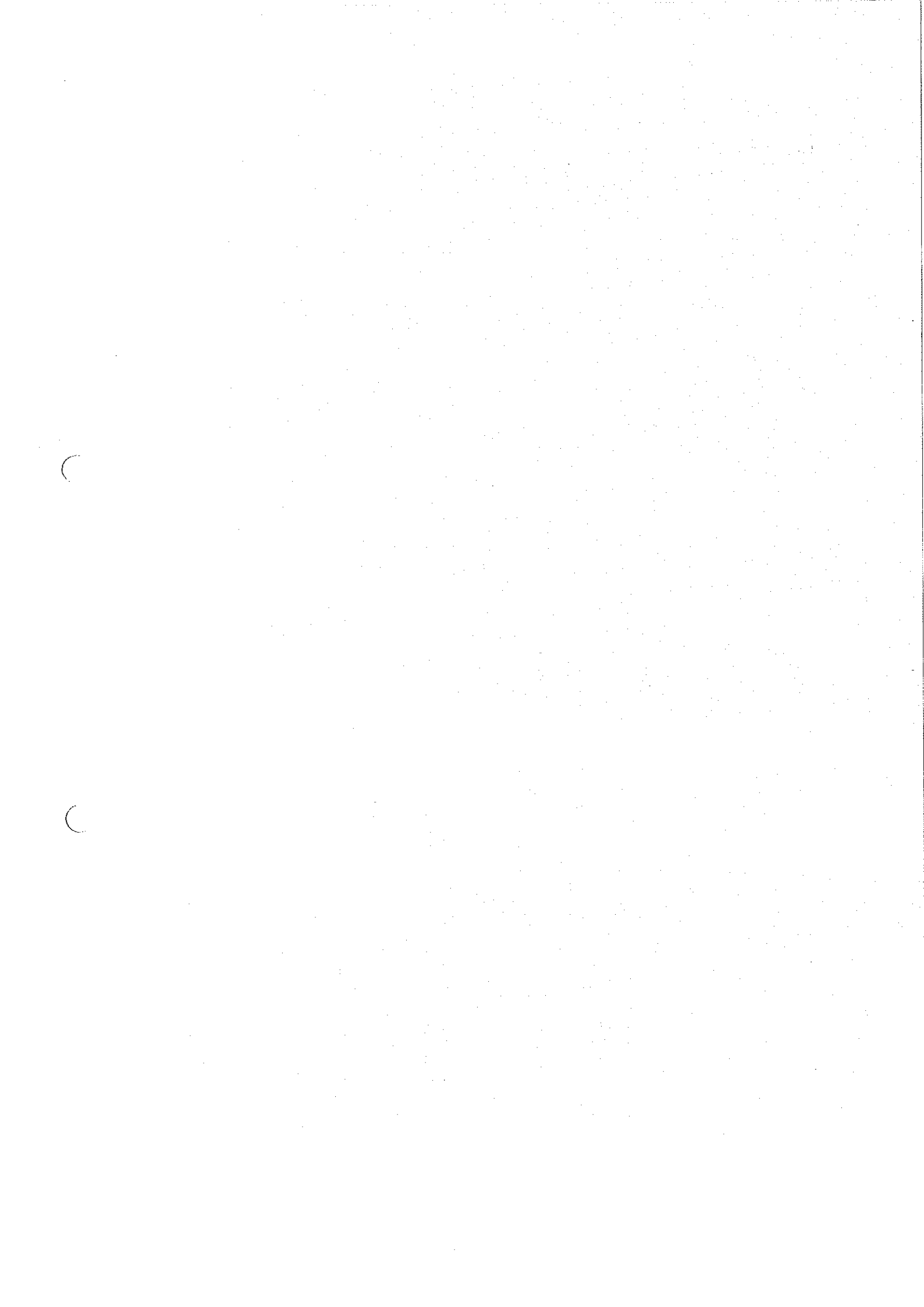
affecting pricing) the Parties shall determine by negotiation and, failing agreement, by arbitration, whether such prevailing price is materially greater or less than the Market Price. Upon such a determination, the allocation of production shall be adjusted in a manner that will put ARCO in the economic position it would have been in had there been no discrepancy between the Market Price and such prevailing price.

- 11.7 Actual details of nomination and lifting of the Crude Oil shall be further agreed upon by the Parties after a Commercial Discovery and prior to the approval of a plan for Development and Production.

ARTICLE XII

NATURAL GAS

- 12.1 The Operator shall have the right to use Natural Gas associated with Crude Oil produced from the Contract Area for operations hereunder, including pressure maintenance and other Enhanced Recovery operations.
- 12.2 If Natural Gas is discovered whether in association with a Commercial Discovery of Crude Oil or otherwise, the Operator shall prepare and present to the Operating Committee a study of the feasibility and cost of developing such discovery or commercially utilizing the associated Natural Gas. Either Party may request Operator or provide additional information on the feasibility and cost of developing or otherwise utilizing such Natural Gas. If the Operating Committee approves the development or commercial utilization of such natural Gas, the operator shall undertake the same as part of Operations. If the Operating Committee does not approve the development and/or commercial utilization of such natural Gas, either Party shall have the right to initiate Sole Risk Operations in accordance with the provisions of Sections 10.5 through 10.10. In such case, the party initiating Sole Risk Operations shall be entitled to any Natural Gas produced as a result of such operations.
- 12.3 In the course of operations hereunder, flaring of associated and /or non-associated Natural Gas, except short-term flaring necessary for testing or other operational reasons, is prohibited except upon prior authorization of the Ministry following a request by Operating Committee. Such request shall include an evaluation of alternatives to flaring that have been considered along with information on the amount and quality of gases involved an the duration of the requested flaring.
- 12.4 Expenses incurred in connection with the utilization of Natural Gas in Operations shall be considered expenses of Development and Production.



ARTICLE XIII

TAXES

- 13.1 The Operator and its subcontractors shall be subject to all laws of the Republic of Turkey imposing taxes, duties, fees or other imposts upon its operations hereunder or the income or profits derived therefrom.
- 13.2 Notwithstanding the foregoing, if the rate of taxes based on profit or income is increased above the maximum rate of fifty five per cent (55%) currently provided by law, or there is any change in the enforcement or interpretation of said law, the allocation of production shall be adjusted in a manner that will put ARCO in the economic position it would have been in had there been no such increase or change.

ARTICLE XIV

ASSETS, TRAINING, CONFIDENTIALITY

- 14.1 All assets which are purchased or constructed as part of Operations in accordance with any exploration or Appraisal Work Program and Budget shall be owned by ARCO until the date on which all expenses incurred in connection with Exploration Activities have been fully recovered by ARCO, whereupon ownership of the assets shall vest in the Parties in accordance with their Participating Interests. All assets which are purchased or constructed in accordance with any Development and Production Work Program as part of Operations shall be owned by the Parties in accordance with their Participating Interests. Upon termination of this Agreement, ownership of all assets which are not disposed of by ARCO in accordance with the Accounting Procedure shall vest fully in TPAO.
- 14.2 ARCO shall be responsible for inspection or testing of all assets at the time of acceptance from vendors. TPAO may participate in such inspection or testing.
- 14.3 It is the intention of the Parties that ARCO shall lease equipment, rigs and facilities from TPAO, and shall employ TPAO personnel to the greatest extent practicable, subject to ARCO's determination that such are available, are competitive as to quality and price, and are fit for the purpose or operations for which intended, and, in the case of personnel, possess the requisite training and expertise.
- 14.4 During Exploration Activities ARCO agrees to provide fifty (50) man days of training per year and thereafter, in consultation with TPAO, ARCO shall periodically update such program for subsequent phases of operations hereunder.
- 14.5 During the term of this Agreement, and for a period of three hundred sixty (360) days thereafter, the Parties shall keep confidential the documents, information, data and reports obtained or prepared in the course of performing operations hereunder; provided, however:

14.5.1 Such documents, information, data and reports may be furnished to: banks or other financial institutions from which credit is sought for implementation of operations hereunder, financial analysts, third parties which provide (or are being requested to provide) equipment, supplies or services for operations hereunder, and those who are entitled to such information, etc. under the rules regulating any recognized stock exchange on which the shares of any Party or any Affiliate are traded, prospective assignees of this Agreement, subject to entering into any appropriate confidentiality agreements.

14.5.2 TPAO may disclose such documents, information, data and reports insofar as the same relate to any portion of the Contract Area in which ARCO no longer has an interest.

ARTICLE XV

GOVERNMENT APPROVALS

TPAO shall use its best efforts to assist ARCO in obtaining in a timely fashion any approvals by the Government of Turkey or its departments or agencies that are necessary for the conduct of operations hereunder, as well as any required visas or work permits for foreign personnel, licenses and customs clearances for the import and export of Material, and the timely completion of audits and approvals for the transfer of foreign exchange in accordance with the Petroleum Law.

ARTICLE XVI

INSURANCE AND LITIGATIONS

The Operator shall obtain and maintain, with respect to Operations and Joint Property, such insurance as the Operating Committee may determine or as may be required by any applicable law. The cost of such insurance shall be charged to the Joint Account. All claims or losses which are less than applicable deductibles or not covered by Operations insurance policies shall be charged to the Joint Account. Operator shall, with respect to any such insurance:

- 16.1.1 Obtain insurance policies on a timely basis and supply the principal terms and provisions of such policies to the Operating Committee as issued; if such insurance cannot be obtained, then Operator shall notify the Operating Committee so that the Parties may insure themselves individually in accordance with Section 16.2;
 - 16.1.2 Arrange for the Parties, according to their respective interests hereunder, to be named as co-insureds on the relevant policies;
 - 16.1.3 Advise the Parties of circumstances which may warrant taking out additional insurance; and
 - 16.1.4 Duly file all claims and take all necessary and proper steps to collect any proceeds. Proceeds shall be credited to the Joint Account in accordance with the Parties' respective interests in the claim.
- 16.2 Each Party shall, in addition to any insurance obtained by Operator pursuant to Section 16.1, obtain and maintain, with respect to its share of any liability to third parties that may arise in connection with operations hereunder, such insurance or other evidence of financial responsibility as may from time to time be determined by the Operating Committee.

Each of the Parties shall, as and when required by the Operating Committee, produce to it such evidence as it may reasonably require to establish that such

insurance or other evidence of financial responsibility is being maintained. In addition, either of the Parties may obtain such insurance as it deems advisable for its own account at its own expense.

- 16.3 The Operator shall take all reasonable steps to insure that all contractors (including subcontractors) performing work with respect to Petroleum operations obtain and maintain all insurance required by the Operating Committee, industry standards or applicable law.
- 16.4 The Operator shall promptly notify the Parties of any claim, litigation, lien, demand or judgment relating to Operations where the total amount in dispute and/or the total amount of damages together with any costs are estimated to exceed fifty thousand dollars (\$50,000), or such other amount as may from time to time be determined by the Operating Committee. The Operator shall have the authority to prosecute, defend or settle any claim, litigation, lien, demand or judgment relating to Operations (other than as between the Parties or as between either Party and the Operator); except that where the total amount in dispute or the total amount of damages together with any cost are estimated to exceed fifty thousand dollars (\$50,000), or such other amount as may from time to time be determined by the Operating Committee, the Operator shall have no such authority without the prior approval of the Operating Committee. Each Party shall have the right to participate in any such prosecution, defense or settlement at its sole cost and expense. The Operator shall promptly report to the Parties all claims and litigations settled by the Operator and all judgments rendered against the Operator or a Party in connection with Operations.

ARTICLE XVII

ASSIGNMENT AND RELINQUISHMENTS

- 17.1 Each Party agrees that it will not assign, encumber (or permit to be encumbered) or surrender any interest in any License or lease held by it for the conduct of Exploration Activities or Development and Production in the Contract Area without the prior written consent of the other party, except that either Party may assign its interests in such License or lease as part of an assignment pursuant to Section 17.2 or 17.4.
- 17.2 Either Party may assign its rights, privileges, duties and obligations hereunder to an Affiliate, upon written notice to the other Party; provided, that the assigning Party shall remain jointly and severally liable with the assignee for the performance of its obligations and duties hereunder, unless guarantees, reasonably satisfactory to the non-assigning Party and acceptable to the Directorate General of Petroleum Administration, are furnished to the non-assigning Party as to the performance by such Affiliate of the assigning Party's obligations hereunder. Upon written notice to the other Party, a Participating Interest may also be transferred in the event of a merger, consolidation or sale of the capital stock of the parent company of a Party hereunder.
- 17.3 Neither Party may assign or encumber its rights, privileges, duties and obligations hereunder to or in favor of a person other than an Affiliate without the prior written approval of the non-assigning Party, provided that such approval will not be withheld if the assignee is a corporation with adequate financial resources to meet its obligations hereunder. No assignment or encumbrance of such rights shall be effective unless (i) the assignee shall have agreed in writing, for the benefit of the non-assigning Party, to be bound by all terms and provisions contained in this Agreement, (ii) the obligations of the assigning Party shall have been duly performed as of the date of assignment, and (iii) the assignment has been approved by the Directorate General of the Petroleum Administration.

- 17.4 Any Party may pledge or otherwise encumber its Participating Interest in this Agreement and any Licences to banks or financial institutions to secure financing of Development and Production with the prior written consent of the other Party, which consent shall not be unreasonably withheld.
- 17.5 Subject to Section 17.1, if any Party ("Transferring Party") desires to transfer an interest in a Licence or Lease, it shall first offer the interest to the other Party, and if it is not interested, the interest may then be offered to third parties. If a Party is interested, the Transferring Party shall attempt to negotiate a transfer to them. If an agreement is not reached within sixty (60) days, third party offers may be sought. Any third party offer shall, prior to its acceptance, be notified to the other Parties, including full documentation of the proposal. The notified Parties shall have a sixty (60) day option to acquire the entire interest on essentially the same terms. If the option is not exercised, then the proposed third party sale may be completed. If more than one Party exercises the option, then each may acquire an interest proportional to its Participating Interest.
- 17.6 Unless otherwise agreed, the minimum Participating Interest which may be transferred, assigned or retained shall be ten percent (10%).
- 17.7 Any Party who desires to relinquish all or part of License or Lease shall notify the other Parties. Each Party shall within thirty (30) days after receipt of said notice notify the other Parties whether it concurs in the proposed relinquishment. If all Parties concur, the relinquishment shall be made. If any Party opposes the relinquishment, the Party desiring to relinquish shall transfer without warranty or compensation its interest in such License or Lease and related Joint Property to the opposing Parties in the proportion that its or their Participating Interest(s) hereunder bears to the sum of the Participating Interests of all said opposing Parties. Subject to Article VII, the Transferring Party shall bear its Participating Interest share of (i) costs, expenses and liabilities incurred hereunder which are attributable to such interest for the period prior to the effective date of said transfer, (ii) all costs and expenses incurred by Operator after such date under any contracts entered into by Operator in execution of a Development Program approved by the Operating Committee or any Sole Risk operations, and (iii) any accrued obligations under

Paragraph 7.11 which are not included in (i) or (ii) above, but shall thereafter have no further rights or other obligations in connection therewith. A transfer shall be effective among the Parties thirty (30) days after the opposing Parties' receipt of the notice proposing relinquishment. Thereafter and until such transfer has received necessary governmental approvals, the Transferring Party shall hold legal, but not equitable, title to the interest transferred for the benefit of the opposing Party. The Transferring Party shall, as requested by the Transferee execute and deliver such documents and do such other acts as may be necessary to give full legal effect to such transfer. However, if the Operating Committee determines that ninety per cent (90%) or more of the estimated recoverable reserves under any Development Area have been produced, no Party may relinquish without the unanimous consent of all Parties.

17.8 deleted per Amendment #1.

17.9 ARCO shall make the following relinquishments:

17.9.1 After the 15th day of October, 1988, and upon TPAO's written request, ARCO shall either relinquish or transfer to TPAO all acreage and ARCO's full undivided interest in all Licenses within the Contract Area except for those parts of the Licenses within the Prospect Areas.

17.9.2 Twenty-four (24) months after the 15th day of October, 1988, but not sooner than two (2) months after TPAO competes or plugs an abandons all six (6) exploratory wells and substitute wells thereof pursuant to Annex "E", ARCO shall at TPAO'S written request either relinquish or transfer to TPAO all Licenses within the Contract Area except for those parts of the Licenses consisting of a Prospect Area in which a Commercial Discovery has been made, a potential Commercial Discovery is being evaluated, Exploration Activity is being conducted, or a Lease has been granted.

ARTICLE XVIII

TERMINATION OF AGREEMENT

- 18.1 This Agreement shall be binding on the Parties from the day it is signed and shall continue for so long as the Parties together hold an interest in any Lease or Licence and until a final accounting between them has been completed.
- 18.2 Either Party may terminate this Agreement in the event that the other Party (1) is in default under Section I Clause 3.11 of the Accounting Procedure for the sixty (60) day period provided therein; (2) has failed to perform its obligations under the Exploration Work Program in Annex "D"; or (3) has refused to comply with any final decision reached as a result of an arbitration under Article XX.
- 18.3 Upon the demand of the Party not in default under Section 18.2, the defaulting Party shall pay to the non-defaulting Party the costs provided in Section 17.7 and shall assign to the non-defaulting Party all of its rights to and Participating Interest in this Agreement and every Licence and Lease within the Contract Area. This remedy shall be without prejudice to any other rights the non-defaulting Party may have to claim for damages.
- 18.4 TPAO may terminate this Agreement if ARCO fails to assign to TPAO one hundred percent (100%) of the rights and obligations in the area covered by Section 3.3.
- 18.5 Except for termination under Section 18.2(i), the Party electing to terminate under this Article shall give any Party defaulting under Sections 18.2(2), 18.2(3), and/or 18.4 sixty (60) days written notice setting forth the reasons for termination. If the default has not been remedied by the end of the sixty (60) day period, the non-defaulting Party may terminate, and such Party in default shall assign all its Participating Interest to the non-defaulting Party.

18.6 If the Effective Date has not occurred by June 1, 1985, then ARCO shall have the option of terminating this Agreement, provided such option is exercised prior to the Effective Date. If the option is exercised, then if ARCO so requests, TPAO shall reimburse ARCO for all exploration expenses incurred by ARCO until the date of such request with interest calculated at LIBOR plus two per cent (2%) from the date of ARCO's expenditure. The reimbursement shall be made within thirty (30) days of receipt of ARCO's invoice in U.S. dollars to a bank account outside of Turkey designated by ARCO.

ARTICLE XIX

FORCE MAJEURE

- 19.1 Any failure by a Party to carry out any of its obligations, other than obligations for the payment of money, under this Agreement shall not be deemed a breach of contract or default if such failure is caused by Force Majeure. If any activity, other than obligations for the payment of money, is delayed, curtailed or prevented by Force Majeure, then, anything in this Agreement to the contrary notwithstanding, the time for carrying out the activity thereby affected and the term of this Agreement specified herein shall each be extended for a period at least equal to the total of the periods during which such causes or their effect were operative.
- 19.2 The Party whose ability to perform its obligations is affected by Force Majeure shall as promptly as possible notify the other Party thereof in writing, stating the cause, and the Parties shall endeavor to do all things reasonably within their power to remove such cause; provided, that no Party shall be obligated to resolve or terminate any disagreement with third parties, except under conditions acceptable to it or pursuant to the final decision of any arbitral, judicial or administrative authorities having jurisdiction finally to resolve the disagreement. Any Party whose obligations hereunder have been suspended as a result of Force Majeure shall resume the performance of such obligations as soon as reasonably possible after the removal of the cause therefor.

ARTICLE XX

ARBITRATION

- 20.1 All claims, disputes or other differences, including disputes regarding the validity, scope, and enforceability of this Article, arising out of or related to this Agreement or further agreements of instruments executed pursuant hereto, shall be finally settled by arbitration under the then existing Rules of Conciliation and Arbitration of International Chamber of Commerce by three arbitrators appointed in accordance with said rules and the Parties agree to be bound by the decision rendered thereby. The language of the arbitration shall be English, and the place of arbitration shall be Vienna, Austria. The contractual terms and the customs and practices of the trade are to prevail in all cases, supplemented if necessary by the substantive principles of the Swiss Code des Obligations.
- 20.2 The Parties agree to facilitate the arbitration by (i) making available to one another and to the arbitration panel for inspection and extraction all documents, books, records, and personnel under their control or the control of their Affiliates if determined by the arbitration panel to be relevant to the dispute; (ii) conducting arbitration hearings to the greatest extent possible on successive, continuous days; and (iii) observing strictly the time periods established by the Rules or by the arbitration panel for the submission of evidence and of briefs.
- 20.3 Judgment upon the award rendered as a result of arbitration may be entered in the courts of any country, which courts have jurisdiction of such award, and the Parties hereby waive any immunity to which they might otherwise be entitled in proceedings in any jurisdiction that may be necessary to register or enforce an award in accordance with this Article.

ARTICLE XXI

STATUS OF PARTIES

- 21.1 This Agreement is not intended to create, and shall not be constructed to create, a relationship of partnership or an association for profit between or among the Parties hereto. The respective rights, duties, obligations and liabilities of the Parties hereunder shall be separate and proportionate and not joint.
- 21.2 If, for United States federal income tax purposes, this Agreement and the operations hereunder are regarded as a partnership, each Party elects to be excluded from the application of all the provisions of Subchapter "K", Chapter 1, Subtitle "A", of the United States Internal Revenue Code of 1954 (the Code), as permitted and authorized by Section 761 of the Code and the regulations promulgated thereunder. Each U.S. Party holding an interest under this Agreement shall do all things necessary to make such election effective and will not knowingly give any notice or take any action inconsistent with the election as made.
- 21.3 Notwithstanding anything to the contrary contained in this Agreement, a signatory hereto that is not a U.S. Party shall not be required to do or execute anything which might subject it or its income or property to any United States tax, and nothing contained in this Agreement shall constitute or be construed as constituting a submission by it to the taxation jurisdiction of the United States of America. For purposes of this Article 21 "U.S. Party" shall mean any Party which is subject to the income tax laws of the United States in respect of operations under this Agreement.

ARTICLE XXIII

EXERCISE OF RIGHTS; AMENDMENT

- 22.1 No failure or delay by any Party hereto in exercising any right, power or privilege hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein are cumulative and not exclusive of any other rights or remedies that the Parties would otherwise have at law or in equity.
- 22.2 This Agreement may be amended or modified only by an instrument in writing executed by the Parties hereto.

ARTICLE XXIII

NOTICES

23. All notices, demands or other communications hereunder shall be in writing and shall be deemed to have been properly given when delivered in person to the duly authorized representative of, or when mailed under Registered Mail-Return Receipted, or sent via telex or telefax (with confirmation subsequent thereto), addressed to the Parties hereto respectively, as follows:

To TPAO: Turkiye Petrolleri A.O.
Mudafaa Cad. 22
Bakanliklar 06420 Ankara TURKEY

Mailing Address:
P.K. 209 Yenisehir 06420 Ankara
TURKEY

Telex: 42426 TPAO-TR

Telefax: (90-4) 118 15 51
Phone: (90-4) 118 45 86

To ARCO: Attn: Mr. Dennis B. Tower
ARCO International Oil & Gas Company
2300 West Plano Parkway
Plano, Texas 75075-8499, USA

Mailing Address:
P.O. box 260888
Plano, Texas 75026-8499, USA

Telex: 194154 AIOGC-PLANO
Telefax: (214) 754 3364
Phone: (214) 754 4217

With Copy to: ARCO Turkey Inc.
Kader Sok. 43/1
Gaziosmanpasa 06700 Ankara
Turkey

Telefax: (90-4) 137 97 02

Each Party may designate by notice in writing, a new address to which any notice, demand or other communication may thereafter be so given.

Note: ARTICLE XXIV Deleted per Amendment #6.

ARTICLE XXV

ENTIRE AGREEMENT

This Agreement, together with the Annexes hereto, constitutes the entire agreement between the Parties with respect to the subject matter hereof and supersedes all prior negotiations, representations or agreements, whether written or oral.

ARTICLE XXVI

HEADINGS

Headings contained in this Agreement are inserted for convenience of reference only, shall not be deemed to be a part of this Agreement for any purpose, and shall not in any way define or affect the meaning, construction or scope of any of the provisions hereof.

ARTICLE XXVII

LANGUAGE

This agreement has been signed in two (2) original copies, of the same tenor and effect, one in Turkish and one in the English language. In the event of any conflict between the Turkish and the English versions, the English version shall govern.

ARTICLE XXVIII

APPLICABLE LAW

This Agreement shall constitute the law between the Parties, and Operations hereunder shall be governed by the applicable laws of Turkey.

IN WITNESS WHEREOF the undersigned have executed and delivered this Agreement as of the date first set forth above.

TURKIYE PETROLLERI ANONIM ORTAKLIGI
and
ARCO TURKEY INC.

ANNEX 'C'

ACCOUNTING PROCEDURE

SECTION I

GENERAL PROVISIONS

1. Definitions

As used in this Annex C:

- (i) "the Agreement" means the Agreement of which this Annex forms a part;
- (ii) words and expressions defined in the Agreement have such defined meanings herein;
- (iii) "operating costs" shall mean expenditures incurred in connection with commercial production activities;
- (iv) "Working Day" shall mean any day that banks in Ankara are open for business;
- (v) the Official Rate of Exchange for any currency conversion shall be the official buying rate of exchange applicable to such currency, quoted by the Turkish Central Bank on the relevant date or, if the relevant date is not a Working Day, the first Working Day thereafter.

2. Purpose

2.1 The purpose of the Accounting Procedure is to establish principles and methods of accounting that shall truly reflect the actual cost of operations hereunder and will be fair and equitable to all Parties.

2.2 Each of the Parties is responsible for maintaining its own accounting records to comply with all legal requirements and to support all tax returns or other accounting reports required by any governmental authority regarding operations hereunder, except for those (if any) that it is the statutory obligation of the Operator to prepare and submit on behalf of the Parties. To enable each Party to maintain such accounting records, the Operator will provide each Party with such accounting data and information as may be necessary to enable such Party to fulfill any statutory obligation to which it may be subjected, to the extent that such data and information are reasonably available from the accounting records maintained by the operator, and the cost thereof shall be charged to the Joint Account.

2.3 Accounts hereunder shall be kept in accordance with international petroleum accounting principles.

2.4 The Joint Account shall include three subaccounts: one for joint exploration expenditures, one for joint development expenditures and one for joint operating costs. Advances made by ARCO in respect of Cash Calls pursuant to an exploration (or appraisal) Work Program and Budget, and expenditures made by the Operator out of such Advances, shall be reflected in the subaccount for exploration expenditures. Advances made by the Parties in respect of Cash Calls pursuant to a Development and Production Work Program and Budget, and expenditures made by the Operator out of such Advances, shall be reflected, as appropriate, in the subaccount for joint development expenditures or the subaccount for joint operating costs. Where appropriate, references to the Joint Account herein shall be construed to denote the appropriate subaccount of such Joint Account.

2.5 If any Party undertakes Sole Risk Operations, all financing and accounting therefor shall be maintained separately from the Joint Account, but shall be subject to the same systems, procedures, principles and methods as described herein, with such modifications as required to reflect the sole risk element.

3. Bank Accounts, Cash Calls, and Advances

3.1 The Operator shall open and maintain separate demand and interest earning deposit accounts in Lira and in Dollars, and in other freely convertible currencies, at a bank or banks designated by the Operating Committee, in which to deposit and hold the funds of the Parties for operations hereunder.

3.2 Not less than 10 Working Days before the beginning of each month, the Operator shall furnish the Parties with a Cash Call requesting and Advance or Advances for such month. The amount requested in a Cash Call shall be the amount the Operator estimates will be required to enable it to defray net cash expenditures (that is, cash expenditures less cash receipts) due in that month pursuant to obligations properly incurred by the Operator in connection with operations hereunder. The respective Participating Interest shares of each Advance to be paid by the Parties shall be determined in accordance with Sections 7.8, 8.3 and 10.5 of the Agreement.

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3.3 Each Cash Call shall specify, with respect to each Advance, the currency or currencies required, the bank to which payment is to be made, and the date on which payment is required. If it becomes necessary to change the amount or the due date of any Advance, the Operator shall provide at least five Working Days prior notice to the Parties.

3.4 Cash Calls shall be made to the maximum extent possible in Lira (without requiring the Operator to exchange Lira for Dollars), but may be made in Dollars or other freely convertible currencies to the extent that expenditures are contractually required to be paid in Dollars or such other currencies. Where Cash Calls are made in Lira and Dollars and/or other freely convertible currencies, TPAO shall be permitted to pay its Participating Interest share of each Advance in Lira, up to the maximum amount of the Lira component of the Cash Call, unless ARCO shall have advised the Operator and TPAO in writing on or before the date on which such Cash Call is made that ARCO has significant surplus Lira from Petroleum operations and wishes to pay its Participating Interest share of the Lira component of the Cash Call in Lira. Absent such notice from ARCO, if TPAO desires to pay more than its Participating Interest share of the Lira required in a Cash Call, TPAO shall give

notice to the Operator and ARCO, not more than five Working Days following the date of the Operator's notice pursuant to paragraph 3.2, of TPAO's election to pay more than its pro rata Participating Interest share of the Lira required in such Cash Call, whereupon ARCO shall, in paying its Participating Interest share of the Cash Call, provide additional Dollars in an equivalent amount (computed by utilizing the Official Rate of Exchange).

3.5 The Operator shall supply with each Cash Call a statement indicating the purposes for which the funds are to be used, the AFE, if any, that relates to the use of such funds, and the amounts attributable to each such AFE.

3.6 Following a Cash Call, each Party shall pay to the appropriate bank account its Participating Interest share, if any, of each Advance in sufficient time so that the payment will be credited to such bank account on the due date specified in the Cash Call. If any Party fails to pay in full its Participating Interest share of any Advance by the due date, the provisions of paragraph 3.9 shall apply.

3.7 The Operator shall limit the funds of the Parties held by it in bank accounts to a level consistent with that required for the conduct of operations hereunder. The Operator shall endeavor to maintain all funds not required for immediate disbursement in interest-bearing accounts, and shall repay to the Parties, as appropriate, any funds not required for disbursement within 60 Working Days.

3.8 Any interest paid on funds held by the Operator in bank accounts shall be credited to the appropriate subaccounts of the Joint Account.

3.9 If any Party ("Defaulting Party") fails to pay in full its Participating Interest share of any Advance by the due date as provided in the Accounting Procedure:

- (i) the Operator shall as soon as practical notify by telex the other Parties ("Non-Defaulting Parties") of such default;

- (ii) the Operator shall make arrangements to meet any commitments falling due by borrowing the necessary finance from outside sources or at its option but not obligation by making the necessary financing available itself, and all costs of any such financing shall be charged to the Non-Defaulting Parties; financing made available by the Operator itself shall bear interest calculated on a day-to-day basis at a rate equal to two percent above LIBOR;
- (iii) within three Working Days following the notification by the Operator under (i) above, the Operator shall make a further Cash Call to the Non-Defaulting Parties in an amount equal to the amount in default, which Cash Call shall be due seven Working Days thereafter; and
- (iv) if such default continues for six Working Days after the date of notification by the Operator under (iii) above, each Non-Defaulting Party shall on the next Working Day following such sixth Working Day pay its pro rata Participating Interest share of the amount in default, and thereafter shall pay its pro rata Participating Interest share of Defaulting Party's Participating Interest share of subsequent Advances as well as its Participating Interest share thereof until such time as the Defaulting Party has remedied its default in full. Failure by a Non-Defaulting Party to make such payments shall render that Party in default.

3.10 If the default continues for more than six Working Days after the date of notification by the Operator under clause 3.9(i), then, for so long as the default continues, the Non-Defaulting Parties shall be entitled to the Participating Interest share of Petroleum that would otherwise belong to the Defaulting Party. Other than cancellation of the Agreement pursuant to Article XVIII, this shall be exclusive remedy of the Non-Defaulting Parties against the Defaulting Party for failure to pay in full its Participating Interest share of any Advance.

3.11 The Defaulting Party shall have the right to remedy the default at any time during the subsequent sixty (60) days from date of notice provided in Clause 3.9(i) by payment in full to the Operator or, if any Non-Defaulting Party has paid any amounts under paragraph 3.9, to the Non-Defaulting Party, all amounts in respect of which the Defaulting Party is in default together with interest thereon calculated on a day-to-day basis at the rate of five percent above LIBOR from and including the due date for payment of such amounts. Following such payment, ten per cent (10%) of all Petroleum shall be allocated to the Defaulting Party until the amount of Petroleum so allocated is equal to the amount of Petroleum assigned to the Non-Defaulting Party pursuant to paragraph 3.10 during the period of default.

3.12 The provisions of Sections 3.1 through 3.8 shall apply with respect to all Cash Calls. In the event of failure of ARCO to meet a Cash Call in connection with Exploration Activities or of any Party to meet a Cash Call in connection with Sole Risk Operations, the other Party shall have no obligation to advance the funds required by such Cash Call.

4. Accounting Records

4.1 The Operator shall open and maintain such separately identifiable accounting records as may be necessary to record in full and proper manner all Advances received by the Operator from the Parties and all expenditures incurred and receipts obtained by the Operator in connection with operations hereunder.

4.2 The Joint Account shall be maintained in Lira, and may also be maintained in Dollars. Advances, expenditures and receipts in currencies other than Lira shall be translated to Lira based upon the average Official Exchange Rate for the month preceding the date of receipt or expenditure, as appropriate, by the Operator. Where expenditure is made in any currency other than Lira and is satisfied from Advances made in Lira, the sum charged to the Joint Account shall be the actual cost in Lira of the other currency purchased. Where expenditure is made in any currency other than Lira and is satisfied from Advances made in Dollars or other freely convertible currency, the sum

charged to the Joint Account shall be the actual cost (in Dollars or such other currency) of the currency purchased, translated into Lira using the Official Exchange Rate on the date of receipt or expenditure by the Operator. Any gain or loss resulting from currency exchanges involving Advances, receipts or expenditures made in Lira, Dollars or other freely convertible currencies shall be credited or charged to the Joint Account.

4.3 The Joint Account shall be maintained on an accrual accounting basis.

5. Expenditure Statements and Schedules

5.1 The Operator shall send a report to the Parties within 25 days following the end of each month of all expenditures actually made and all receipts obtained by the Operator in connection with operations hereunder during that month.

5.2 Such report shall consist of an expenditure statement showing the total of expenditures, net of receipts, allocable to each of the subaccounts (and each Party's Participating Interest share thereof), and schedules indicating the nature of such expenditures and receipts. Unusual items shall be indicated separately.

5.3 All expenditure statements and schedules shall be in Lira. Total expenditures made and total receipts obtained in currencies other than Lira and the average exchange rate used for their translation to Lira shall be identified.

6. Monthly Cash Reconciliation

As of the end of each month, the Operator shall make a separate reconciliation for Lira, Dollars, and any other freely convertible currency between:

- (i) Advances received by the Operator from the Parties in each such currency; and
- (ii) Cash expenditures, net of cash receipts including interest, (made in each such currency by the Operator) ,as reflected in the billing statement for such month.

If any cash reconciliation shows a difference between (i) and (ii) above, the Operator shall adjust the amounts in the Advance or Advances next due for payment. The cash reconciliation shall be sent by the Operator to the Parties within 25 days following the end of each month.

7. Inventories of Material

7.1 At least annually a complete physical inventory shall be taken by the Operator of all controllable Joint Account warehouse stock. At reasonable intervals a complete physical inventory shall be taken of all capitalized, movable Joint Account equipment such as automotive, office, camp, housing, technical and other movable equipment not permanently affixed or attached to the land or to equipment and facilities which are so affixed or attached. Alternatively, if the Operator maintains a continuous inventory system, the Operator shall so notify the Parties, whereupon the taking of a complete inventory shall not be required, and in such case the Parties shall be entitled to observe any part of such continuous inventory upon giving at least 30 days notice to the Operator and other Parties. Failure of any of the Parties to be represented at the taking of any complete inventory or any part of a continuous inventory shall bind such Parties to accept any such inventory taken by Operator. The Operator shall furnish the other Parties with copies of inventories upon request.

7.2 At reasonable intervals, and at least annually for warehouse stocks, a reconciliation shall be made between an inventory list and the records of stocks held for the Joint Account, and a list of overages and shortages shall be determined by the Operator. Inventory adjustments shall be made by the Operator to the Joint Account for overages and shortages, with relevant explanations where available.

7.3 Special inventories may be taken whenever there is any assignment pursuant to Article XVII of the Agreement. In such cases, both the assignor and the assignee shall be entitled to be represented and shall be bound by the inventory so taken. Each Party shall be entitled at its own expense to require the Operator to take a special inventory of the Joint Account Material at any reasonable time. A special inventory shall be taken upon any change of the Operator.

8. Adjustments

8.1 Payment of any Advance shall not prejudice the right of any of the Parties to protest or question the correctness of any amount included in a billing statement or a billing schedule. Subject to the right of audit pursuant to paragraph 9, all billing statements and billing schedules rendered to the Parties by the Operator in relation to any year shall be conclusively presumed to be true and correct after 24 months following the end of such year. The provisions of this paragraph shall not prevent adjustments resulting from physical inventories of property as provided in paragraph 7, from any claims involving a third party, or that are required by law.

9. Audits

9.1 Each Party shall have the right to audit the accounts and records of the Joint Account for each year, including the billing statements and billing schedules relating thereto, and to obtain all necessary information for such purposes, before the end of the twenty-fourth month following the end of such year. A Party shall give at least 30 days notice to the Operator of its intention to conduct an audit. The right of audit includes the right of access at all reasonable times during normal business hours to all accounts and records pertaining to the Joint Account maintained by the Operator and its Affiliates. The audit may be conducted by the Party or on its behalf by an independent auditor of international standing.

9.2 A Party shall make every reasonable effort to conduct audits in a manner that will result in a minimum of inconvenience to the Operator. The Operator shall make every reasonable effort to co-operate with the Party and the outside auditor, if any, and will provide reasonable facilities and assistance.

9.3 Within three months of the conclusion of each audit, a written report shall be provided to the Operating Committee. The report shall include all claims arising from such audit together with comments pertinent to the operation of the accounts and records. The Operator shall reply to the report in writing as soon as possible, and in any event not later than three months following receipt of the report. Should the Operating Committee consider that the report or reply requires further investigation of any item therein, the Operating Committee shall have the right to conduct such investigation notwithstanding that the period of 24 months provided in paragraph 9.1 may have expired. Such investigation shall be commenced within 30 days and be concluded within 60 days of the receipt of such report or reply.

9.4 Notwithstanding that the period of 24 months provided in paragraph 9.1 may have expired, if the Operator has been found guilty of willful misconduct by a court of competent jurisdiction, the Parties shall have the right to conduct further audits in respect of any earlier periods.

9.5 All agreed adjustments resulting from an audit will be for the Joint Account, and any errors or omissions in the Joint Account and agreed upon by Operator and the Parties shall be rectified promptly. If any dispute shall arise in connection with an audit that is not settled between the Parties, the item or items in dispute shall be referred to arbitration as provided in Article XX of the Agreement.

9.6 Costs incurred by any Party in connection with audits conducted pursuant to paragraphs 9.1 to 9.5 inclusive shall not be charged to the Joint Account, but shall be borne by such Party.

10. Budgeting, Forecasting and Reporting

The Operator shall furnish the Parties with budgets, forecasts and reports in accordance with the procedures described in Section IV hereof. All budgets shall be in Turkish Lira (LIRA). To the extent budgets are based upon expenditures in currencies other than Lira, such expenditures and the rates used for their translation to Lira shall be identified. In addition, the Operator may prepare the budget in Dollars. By August 1 of each Calendar Year the Operator shall submit, for consideration of the Operating Committee, its proposed program and budget to be carried out during the following Calendar Year.

11. Cost Control

The Operator shall control costs in accordance with Section V hereof.

12. Modification and Revisions

The Accounting Procedure may be revised or amended from time to time by agreement of the Operating Committee and, if required, the Operator.

SECTION II

CHARGEABLE EXPENDITURES

Subject to the limitations hereinafter set forth and to other relevant provisions of the Agreement, the Operator shall charge the Joint Account with the following items of expenditure insofar as they relate to and are necessary for the conduct of Operations:

1. License and Lease Payments

Rentals and fees for licenses and Leases of whatever nature paid by the Operator on behalf of the Parties in connection with Operations.

2. Personnel Costs

The actual cost of salary and related benefits of all personnel who are employed in connection with Operations.

2.1 All personnel who are employed by the Operator or any of its Affiliates in connection with Operations shall maintain time sheets for the purpose of charging salary and related benefits to the Joint Account.

2.2 The amount to be charged to the Joint Account for each person who is employed by the Operator or by any of its Affiliates in connection with Operations (other than persons whose services are charged under paragraph 7.2 or 12 hereof, and other than personnel described in paragraph 2.3 hereof) shall be the proportion of the actual cost of salaries and related benefits for each such person that the time worked by such person in connection with such operations bears to the total time worked by such person as shown on the time sheets. For the purpose of this paragraph, the actual cost of salary and related benefits will comprise:

- (i) gross salary plus allowances and benefits payable generally by the Operator or any of its Affiliates as part of its standard terms of employment in force in the relevant period;

- (ii) pension cost (assessed as a percentage of the salary cost for all the Operator's or any of its Affiliates' employees from time to time); and
- (iii) any governmental tax or other charges that may be levied upon the Operator or any of its Affiliates in respect of personnel; provided that,
- (iv) in the case of any person seconded to the Operator or its Affiliates by TPAO or hired from a third party, allowances and benefits, pension cost, tax and other charges shall not be included unless actually paid with respect to such person.

2.3 Notwithstanding the foregoing, time sheets will not be required for the following personnel located at offices of the Operator or its Affiliates:

- (i) administrative support personnel (e.g., secretaries, typists, file clerks, messengers, telephone and telex operators);
- (ii) accounting personnel handling Operations funds, salaries of Operations personnel, invoices and accounts for payment;
- (iii) personnel employed by finance, legal, personnel and like departments; and
- (iv) senior management personnel.

2.4 Salaries and related benefits of non time-sheet personnel (other than personnel whose services are charged under paragraph 7.2 or 12 hereof) are included in the charges described in paragraph 3.1 for administrative overhead costs.

3. Administrative Overhead Costs

3.1 Administrative overhead costs whether incurred inside or outside Turkey by the Operator or any of its Affiliates in relation to Operations shall be charged as a percentage of the costs directly charged to the Joint Account (exclusive of any governmental taxes or other charges that may be levied on the Operator or Operations or any personnel involved in Operations.)

The following percentage shall apply:

- five percent (5%) for the first U.S. dollars two million (US\$2,000,000) of annual Joint Account expenditure or its equivalent in other currencies.
- three percent (3%) for the next U.S. dollars one million (US\$ 1,000,000) of annual Joint Account expenditure or its equivalent in other currencies.
- one percent (1%) for the next U.S. dollars three million (US\$ 3,000,000) for annual Joint Account expenditure or its equivalent in other currencies.
- one-half of one percent (0.5%) of annual Joint Account expenditure over U.S. dollars six million (US\$ 6,000,000) or its equivalent in other currencies.

The fee for administrative overhead shall be charged to the Joint Account monthly in arrears, based upon the direct expenditures incurred during such month. For purposes of the foregoing calculation, expenditures in Lira and in currencies other than Dollars shall be converted to Dollars using the average of the daily Official Exchange Rates in effect during the month in which such expenditures occur.

3.2 The charges to the Joint Account for administrative overhead costs, determined in accordance with paragraph 3.1 as a percentage of costs directly charged to the Joint Account, shall be considered as provisional. These provisional charges are based upon the cost experience of the Operator and its Affiliates and estimates of costs to be incurred in the conduct of the Operations, and are subject to quarterly adjustment. Within ninety (90) days following the end of each quarter, Operator shall determine the actual costs incurred in

performing such services, and shall charge or credit the Joint Account for the difference between the actual cost incurred for the quarter and the provisional rate charged during the quarter.

3.3 The fee for administrative overhead provided in paragraph 3.1 shall be deemed to cover all other costs of the Operator and any of its Affiliates not specifically provided as chargeable to the Joint Account elsewhere in this Section II (including, without limitation, the costs of personnel described in paragraph 2.3 hereof) other than any expenditure that may be specifically approved by the Operating Committee pursuant to paragraph 13 as separately chargeable.

4. Expenses Incurred by Personnel

All direct expenses reasonably and necessarily incurred by personnel wherever located in connection with Operations, including but not limited to:

- (i) Travel, including travel to and from Turkey and within Turkey or other countries, which is for the direct benefit of the Operations;
- (ii) Relocation costs to the Contract Area vicinity of employees permanently or temporarily assigned to the Operations and relocation costs from the Contract Area vicinity, except when an employee is reassigned to another location classified as a foreign location by Operator. Such costs include transportation of employees' families and their personal and household effects and all other relocation costs;
- (iii) Living Allowance (when paid in lieu of hotel expenses for visits to Turkey).

All expenses charged to the Joint Account under this paragraph shall be in accordance with the Operator's standard terms of employment in force in relevant period.

5. Material

5.1 The cost of Material purchased by the Operator from third parties or transferred from the Operator or any of its Affiliates for use in connection with Operations, as provided in paragraphs 5.2 and 5.3, unless otherwise chargeable under this Section II. So far as reasonably practical and consistent with efficient and economical operation and provision for emergencies, only such Material shall be purchased for or transferred to the Joint Account as may be required for immediate use, and the accumulation of surplus stocks for the Joint Account shall be avoided. All Material transferred to the Joint Account which is subsequently determined to be not required for operations should be credited to the Joint Account as soon as reasonably practical and at the values specified in Paragraph 5.3.2.

5.2 Material purchased from third parties for use in connection with Operations shall be chargeable at cost, which shall mean net invoice price (after deducting all trade and cash discounts actually received) together with any transportation costs, insurance premiums, handling expenses, duties, license fees, non-recoverable taxes and like items chargeable against such Material.

5.3 No charge shall be made for Material transferred from the Operator or any of its Affiliates for use in connection with Operations except as provided in this paragraph 5.3.

5.3.1 The Operating Committee may agree at the recommendation of the Operator that specified Material wholly or partly owned by the Operator or any of its Affiliates be transferred for use in connection with Operations to the limit of a stated sum and upon stated terms and conditions, including the method of determining the value to be charged.

5.3.2 Material with an aggregate value of less than U.S. Dollars one hundred thousand (US\$100,000) may be transferred from the Operator or any of its Affiliates for use in connection with Operations without prior approval of the Operating Committee, and the value to be charged therefor shall be determined as follows:

- (i) New Material (Condition "A"): New Material shall be classified as Condition "A" and shall, unless otherwise agreed by the Operating Committee, be charged at the lesser of cost to the Operator or any of its Affiliates or the current market value; and
- (ii) Used Material (Conditions "B" and "C"): Material that is in sound and serviceable condition and is suitable for re-use without reconditioning shall be classified as Condition "B" and charged at 75 percent of the value of New Material. Material that is not in sound and serviceable condition but that is suitable for re-use after reconditioning shall be classified as Condition "C" and charged at 50 percent of the value of New Material. Material unsuitable for its original function but suitable for other uses shall be classified as Condition "D" and charged at a value commensurate with use. In the absence of any other criteria, Condition "D" material shall be charged at twenty five per cent (25%) of the value of New Material.

In addition, the Joint Account shall be charged for the related costs referred to in paragraph 5.2 actually arising in respect of the transfer of such Material.

5.4 The Operator does not warrant the Material charged to the Joint Account pursuant to paragraph 5.1 (provided that the foregoing shall not limit any manufacturer's or supplier's guarantee, express or implied). In the case of any such Material that is defective, a credit shall not be made to the Joint Account until an adjustment has been received by the Operator from the manufacturer or supplier. The Operator shall promptly credit the Joint Account in respect of all defective Material transferred from the Operator or any of its Affiliates.

6. Transportation

The cost of transportation necessarily incurred by the Operator or any of its Affiliates to move personnel or Material in connection with Operations.

7. Services

7.1 The cost of services and facilities provided by third parties in connection with Operations, unless otherwise chargeable under this Section II.

7.2 Material, services and facilities for use in connection with Operations owned, partly owned, or leased by the Operator or any of its Affiliates, at the following rates:

- (i) water, fuel, power, compressor and other auxiliary services at rates commensurate with the cost, including interest, of providing and furnishing such services, but not exceeding rates currently obtainable from third parties for like services and equipment on comparable terms in the area where the operations are located;
- (ii) automotive equipment at rates commensurate with cost, including interest, of ownership and operation. Charges to the Joint Account shall be based on actual cost of use in connection with Operations. Rates shall not exceed those currently prevailing for like service and equipment on comparable terms in the area where the operations are located;
- (iii) a rate commensurate with the cost, including interest, of ownership and maintenance for the use of drilling and other tools and any items of machinery or equipment furnished for Operations, provided that such charges shall not exceed those currently prevailing for like services and equipment on comparable terms in the area where the operations are located;
- (iv) a fair rate, which may include the salaries of personnel, for laboratory services performed by the Operator or any of its Affiliates in connection with Operations, such as gas, water, core and any other analyses and tests, as well as for data processing, design and engineering, special research services and other technical services provided by the Operator or any of its Affiliates in connection with Operations; provided that such charges shall not exceed those currently prevailing for like services on

comparable terms if performed by outside service laboratories and firms;
and

- (v) a fair rate for services of personnel assigned by the Operator and its Affiliates to locations outside of Turkey when performing management, engineering, geological, geophysical, administrative, legal, accounting, treasury, tax, computer, purchasing and other services for the direct benefit of with Operations, provided such costs shall not exceed those currently prevailing for like services if performed by outside service companies.

Before performing any such services, the Operator shall inform the Parties of the rates it or any of its Affiliates proposes to charge. Such rates may be revised and adjusted from time to time, with approval of the Operating Committee.

7.3 The rates that third Parties, the Operator or any of its Affiliates propose to charge for the use of any other Material, services or facilities, including drilling rigs, partly owned or leased by them to be used in connection with Operations shall be subject to the prior approval of the Operating Committee.

8. Damage and Losses

All costs and expense necessary for the repair or replacement of Joint Property because of fire, flood, storm, theft, accident or any other cause except insofar as such costs and expenses are adjudged by a court of competent jurisdiction to be the liability of the Operator under the Agreement. The Operator shall furnish the Parties with notice of any damage or loss incurred in excess of fifty thousand dollars (\$50,000) for each incident as soon as practicable after a report thereof has been received by the Operator. The Operator shall also furnish to any Party, with respect to any damage or loss, such information and documentation as may reasonably be requested.

9. Legal Expenses

All costs and expenses of litigation and other legal services necessary or expedient in connection with Operations (other than those incurred in relation to claims made by the Parties against the Operator, by the Operator against the Parties or by a Party against a Party).

10. Taxes

All taxes and other governmental levies of every kind and nature (other than those on profits or income of the Parties) assessed or levied upon or in connection with Operations which have been paid by the Operator for the benefit or on behalf of the Parties and that are not otherwise recoverable by the Operator. If the Operator demonstrates that any tax that is normally recoverable cannot be so recovered, such tax will be chargeable under this paragraph.

11. Insurance and Claims

11.1 Premiums paid for insurance carried for the benefit of all Parties in connection with Operations.

11.2 Expenditures made in settlement of any claims, damages, judgments, and other such expenses in connection with Operations.

12. Field Expenses

The cost of establishing and maintaining bases, warehouses, camps and other field facilities used in connection with Operations. If such facilities are used in connection with other operations, the cost to the Joint Account shall be a proportion calculated on an equitable basis and approved by the Operating Committee.

13. Other Types of Expenditure

Any type of expenditure not covered by the types of expenditure described in paragraph 1 to 12 of this Section II incurred by the Operator that is necessary and proper for operations hereunder, provided it is approved by the Operating Committee.

14. Allocation to Subaccounts

The following principles shall be applied in allocating expenditures chargeable under this Section II to subaccounts of the Joint Account:

14.1 All expenditures incurred prior to the declaration of the first Commercial Discovery in the Contract Area shall be allocated to the exploration subaccount.

14.2 Subsequent to the declaration of the first Commercial Discovery in the Contract Area.

- (i) personnel costs shall be allocated in accordance with operations (i.e., exploration, development or production) performed, as evidenced by time sheets; administrative overhead costs shall be allocated in the same proportion as personnel costs; and expenses incurred by personnel shall be allocated in accordance with operations performed (to the extent identifiable), or in proportion to administration overhead costs (insofar as allocation to specific operations is not possible).
- (ii) costs of Material shall initially be allocated to the respective accounts on the basis of intended use. If such Material is subsequently used other than as intended, the relevant costs shall be re-allocated to the appropriate subaccounts.
- (iii) transportation costs shall be allocated on the same basis as the Material or personnel transported;
- (iv) cost of services, facilities, field expenses and energy costs shall be allocated in accordance with the operations to which they relate;

- (v) damages, losses, maintenance and repair shall be allocated on the same basis as the property affected;
- (vi) Lease payments, legal expenses, taxes and insurance premiums shall be allocated to development expenditures until the commencement of commercial production and thereafter to production expenditures; and
- (vii) to the extent not covered by the foregoing principles, as the Operating Committee shall determine.

14.3 The foregoing principles are intended as general guidelines. The Operator may propose to the Operating Committee more specific or alternative methods of allocation which in particular circumstances more nearly reflect the relationship between expenditures and operations performed. In circumstances where costs are attributable to more than one category of operations, such costs shall be allocated on an equitable basis, subject to approval by the Operating Committee.

SECTION III

RECEIPT

1. General

The Operator shall promptly credit to the appropriate subaccounts of the Joint Account all sums received in connection with Operations as a result of:

- (i) sale of Material and other Joint Property as provided in paragraphs 2 and 3;
- (ii) services provided to third parties by the Operator on behalf of the Parties, whether using Material, other Joint Property, facilities, expertise, or otherwise;
- (iii) reimbursement by third parties of any sums expended by the Operator on behalf of the Parties;
- (iv) insurance claims made by the Operator with respect to insurance carried for the benefit of all the Parties;
- (v) Claims made by the Operator on behalf of the Parties; and
- (vi) any other event giving rise to a receipt (including interest) by the Operator on behalf of the Parties.

2. Disposal of Material

2.1 The Operator shall be authorized to dispose of junk or surplus Material, provided that any items of Material having an original unit cost to the Joint Account of more than U.S. dollars twenty five thousand (US\$ 25,000) or an aggregate of original unit costs totalling more than U.S. dollars seventy five thousand (US\$ 75, 000) ("Major Surplus Items") shall not be sold or disposed of without the approval of the Operating Committee. The Operator shall

exercise all reasonable efforts to minimize losses on the disposal of or sales of Material. The Operator shall give each of the Parties 15 days notice of any proposed disposal of Material and each of the Parties shall be eligible to purchase any such Material.

2.2 Unless otherwise agreed by the Operating Committee, all items of junk or surplus Material to be sold pursuant to Paragraph 2.1 shall be sold at prices determined by the Operator in accordance with the following bases, except that any Material sold to a Party or any Affiliate of a Party (or the Operator) may be at higher but not lower prices:

- (i) New Material: New Material (Condition "A") being new Material never used, at 100 percent of the value thereof charged to the Joint Account,
- (ii) Good Used Material: Good Used Material (Condition "B") being used Material in sound and serviceable condition suitable for re-use without reconditioning, at 75 percent of the value thereof charged to the Joint Account;
- (iii) Other Used Material: (Condition "C") being used Material that is not in sound and serviceable condition but suitable for re-use after reconditioning at 50 percent of the value thereof charged to the Joint Account;
- (iv) Bad-Order Material: Material (Condition "D") that is no longer suitable of its original purpose without excessive repair but usable for some other purpose, at an appraised value; and
- (v) Junk Material: Junk Material (Condition "E") being obsolete and scrap material, at prevailing prices.

3. Disposal of Joint Property Other Than Material

If the Operator shall consider that any item of Joint Property other than Material is no longer needed or suitable for Operations, it shall inform the Operating Committee and the Operating Committee shall decide whether such item shall be disposed of and, if so, the terms and conditions of disposal.

4. Rights of General Directorate of Petroleum Affairs

The authority of the Operator to dispose of Material or other Joint Property, and the rights of the Parties to acquire the same upon termination of the Agreement, are subject to the right of the General Directorate of Petroleum Affairs (or any successor agency), under the Petroleum Law, to acquire such Material or Joint Property.

5. Arbitration

If the Parties disagree as to the appropriateness of the disposal of Material or other items of Joint Property under paragraphs 2 or 3, or the terms and conditions of such disposal, the question of the appropriateness of or the terms and conditions of such disposal shall be referred to arbitration pursuant to Article XX of the Agreement.

SECTION IV

BUDGETARY, FORECASTING AND REPORTING PROCEDURE

1. Budget Preparation

Each exploration, appraisal, development and production Budget required under Articles VII and VIII of the Agreement shall include:

- (i) an estimate in Lira of the total cost of the relevant Program and a division of such cost into classes of cost as provided in paragraph 4 hereof, and, in the case of development Budgets, for each subsequent year of development.
- (ii) an estimate of the amount of each currency in which such total cost is to be paid;
- (iii) a schedule of estimated Joint Account warehouse stock movement;
- (iv) an estimate of the timing and value of the commitments (being contracts or other orders placed or goods purchased) to be made under the Budget, and, in the case of the development Budgets, for each subsequent year of development; and
- (v) In the case of development Budgets, an estimate of annual operating costs for the first five years of production.

2. Budget Approval

The procedure for review and/or approval of Budgets for exploration, appraisal, development and production is provided in Articles VII and VIII of the Agreement.

3. Budget Approval and AFE Approval

Approval of Budgets by the Operating Committee for development and production provides the Operator with general approval of the proposals. Notwithstanding the foregoing, the Operator may not enter into commitments or incur any expenditures for any item included in any development or production Budget for which an AFE is required pursuant to Section 5.6 of the Agreement until an AFE is approved or deemed to be approved by the Operating Committee or the appropriate Party pursuant to Section 5.6 of this Agreement.

4. Sub-Division of Budgets for Approval by AFE and for Control *

Development and production Budgets shall be divided into individual, meaningful and separately numbered classes of cost indicative of the nature thereof, including inter alia personal costs. The Operator may not transfer sums between Budget classes after Budgets have been approved.

5. Authorizations for Expenditure

5.1 The Operator shall request approval of an AFE at a time when the details of the relevant commitment or expenditure can be ascertained, consistent with giving sufficient time to consider the matter and in accordance with the provisions of Section 5.6 of the Agreement.

5.2 The AFE will describe the project, give the estimate of the funds needed to complete the project, give the estimated timings of the expenditure, and show the Operator's approval. Each AFE shall show separately the Base Cost (being the Operator's estimate of the likely cost at prices current at the time of preparation of the AFE), Contingency (being the Operator's estimate for specific contingent occurrences, if any) and Escalation (being the Operator's estimate of cost increase resulting from inflation and currency exchange rate fluctuation, if any). The total of the Base Cost, Contingency, and Escalation shall be the "Estimated Target Cost". Necessary further details to support the Estimated Target Cost of the project shall be included as attachments to the

extent required by the Operating Committee, the Operator or the Sole Risk Party, as the case may be.

5.3 Approval, or where permitted by Section 5.6.2 of the Agreement deemed approvals of an AFE, constitutes authority for the Operator to enter into any commitment or incur any expenditure properly made in relation to any approved AFE, whether or not payments with respect to such commitments and expenditure will result in the final cost of such commitments and expenditure exceeding the Estimated Target Cost of the AFE, provided that if at any time it becomes apparent that:

- (i) commitments yet to be made will or are likely to cause the Estimated Target Cost to be exceeded; or
- (ii) expenditure to be incurred under commitments already made will cause the Estimated Target Cost to be exceeded by more than ten percent (10%) of the estimated target cost of the AFE or five percent (5%) of the approved Budget (whichever is the lower);

the Operator shall immediately notify the Operating Committee, the Contractor or the Sole Risk Party, as appropriate, and shall without delay prepare a revised AFE, giving the reasons for the increased cost, and shall request approval of the revised AFE and shall not enter into any new commitment in relation to such AFE until the revised AFE has been approved, or where permitted deemed to be approved. When expenditures are anticipated to fall short of the approved AFE Estimated Target Cost by the monetary limits set out in subsection (ii) above, the Operator shall inform the appropriate Parties and give a brief explanation of the shortfall.

6. Commitment Report

The Operator shall furnish the Parties each quarter with a statement of the timing and value of the commitments that it has made or intends to make over the period of each approved Development or Production Budget. The Operator shall also furnish the Parties each month with an estimate of major commitments (being United States dollars five hundred thousand (US\$ 500,000) or more or such other amount as may from time to time be determined by the Operating Committee) to be made during the following three months under an approved Development or Production budget.

7. Cash Forecasts

The Operator shall furnish the Parties each month with a revised and updated cash forecast or each approved Budget.

8. Cost Control Reports

The Operator will closely control all costs for each approved Budget and will furnish the Parties each calendar quarter with a Budget cost control report, being a comparison of the latest estimated final cost for the Work Program covered by the Budget with the approved Budget cost, and with such other cost control reports as may from time to time be requested by the Operating Committee.

SECTION V

1. Objectives:

Operator shall establish and maintain an effective cost control system for the benefit of the Operations. Such system shall include such controls as may be decided by the Operating Committee.

2. Procedures:

At the request by the Operating Committee the Operator will, prior to approval of the first Development Budget, submit to the Operating Committee for its approval a set of cost control procedures designed to implement an effective cost control system.

ANNEX D

EXPLORATION WORK PROGRAM

1. Within thirty (30) days after the Effective Date, ARCO shall pay to TPAO one million U.S. Dollars (\$ 1,000,000) inclusive of all taxes for the transfer of data on the Azikli No. 1 well.
2. During 1985 and 1986 ARCO shall conduct a minimum of one thousand (1,000) line kilometers of seismic profile in the Contract Area, one hundred (100) of which shall be within the area of former Licence Number TPO-NTS/2362, with an average cost of six thousand U.S. Dollars (\$ 6,000) per line kilometer.
3. Not later than March 31, 1986, ARCO shall notify TPAO whether it elects to commence the drilling of a well on License Number ART/2531 (formerly TPA/1976). ARCO shall use its best efforts to make such election prior to December 31, 1985. If ARCO so elects, then it shall commence the drilling of the well by December 31, 1986. If ARCO does not elect to drill, then it shall promptly assign to TPAO all of its Participating Interest in that License.
4. By March 31, 1986 ARCO shall notify TPAO whether it elects to drill a well on former Licence Number TPO-NTS/2362. If ARCO elects to drill, then it shall promptly assign to TPAO all of its Participating Interest in said License. If ARCO elects to drill, then it shall commence the drilling of the well before June 30, 1987, unless such drilling would conflict with an ARCO drilling program already in progress within the Contract Area, in which case the commencement of drilling may be postponed until sixty (60) days after the rig is released at the end of the said drilling program. Commencement of actual drilling operations under any such program should not exceed 60 days from the beginning of the program or between the completion of one well and the spudding of the next well within the Contract Area. If ARCO has elected to drill neither Licence Number ART/2531 (formerly TPO/1976) nor former Licence Number TPO-NTS/2362 or has elected to drill only on License Number ART/2531 or Licence TPO-NTS/2362, then not later than March 31, 1987 ARCO shall notify TPAO whether it elects to drill a well on the remaining Contract Area; if ARCO so

elects to drill, then it shall commence the drilling by December 31, 1987. If ARCO elects not to drill, then it shall promptly assign to TPAO all its Participating Interest in the remaining Licenses.

5. During the fourth and any subsequent Contract Years, ARCO shall maintain Exploration Activities on the Licences in accordance with the Petroleum Law, or assign all of its Participating Interest in such Licenses to TPAO.
6. The wells provided for in Paragraphs 3 and 4 of this Annex "D" shall be drilled until the first of the following events occurs:
 - 1) the Cretaceous Mardin Group is penetrated;
 - 2) the well has been drilled to a subsurface depth of two thousand eight hundred (2.800) meters;
 - 3) the well has been drilled to geological basement;
 - 4) hydrocarbons are discovered in potentially commercial quantities; or
 - 5) ARCO has spent two million U.S. Dollars (\$ 2.000.000) on the well.
7. If any of the events specified in Paragraph 6 occurs, ARCO shall be deemed to have completed drilling the well. In the event that for technical reasons it is impractical or economically unjustified for ARCO to continue drilling the well until one of the events specified in Paragraph 6 occurs, ARCO shall have the option to drill a substitute well until the first of such events occurs.

ANNEX E

EXPLORATION WORK PROGRAM

1. Four areas, hereinafter referred to as "Prospect Areas" are depicted in Exhibits "I" and described in Exhibits "II" which are attached hereto and made a part hereof. Each Prospect Area represents the location of at least one exploratory prospect and all wells will be drilled on locations selected within the Prospect Areas.
2. TPAO has been awarded a New License which shall be included with and become a part of the Contract Area, covering an area located in the Petroleum District XI. A Prospect Area has been selected by ARCO that is within such New License and was agreed to by TPAO. This Prospect Area is depicted in Exhibit I-D and described in Exhibit II-D, both attached hereto. Following the award of the New License to TPAO, TPAO shall assign to ARCO one hundred percent (100%) undivided Participating Interest in the New License. Furthermore after said assignment is finalized and upon TPAO's request, ARCO and TPAO will cooperate and separately prepare an application for submittal to the General Directorate of Petroleum Affairs for the registration of TPAO's eighty and four tenths percent (80.4%) undivided Participating Interest in this Prospect Area. Finally, upon TPAO's request, ARCO shall transfer and assign to TPAO one hundred percent (100%) undivided Participating Interest in the remainder of the New License.
3. ARCO shall select and TPAO shall drill six (6) exploratory wells within these four (4) Prospect Areas as described below.
4. Within one (1) month after the 15th day of October, 1988, ARCO will provide all the information, depth and coordinates of three (3) exploratory wells to be drilled by TPAO within the four (4) Prospect Areas within the Contract Area.
5. Within three (3) months after the selection of the first group of three (3) exploratory wells, TPAO will spud the first exploratory well and subsequently drill the other two (2) exploratory wells. The cost of drilling these exploratory

wells will be borne solely by TPAO and will be charged to the Joint Account according to the Accounting Procedure of the Agreement.

6. Within three (3) months after the selection of the first group of three (3) exploratory wells, ARCO will provide TPAO all the information, depth and coordinates of a fourth well in a Prospect Area. Within sixty (60) days after the completion of a well drilled within Prospect Area No. 1 as depicted in the plat labeled Exhibit I-A and described in Exhibit II-A hereto as a producer or plugging and abandonment of such well as a dry hole, ARCO will provide TPAO all the information regarding a fifth well to be drilled by TPAO within a Prospect Area.

Finally, ARCO will provide TPAO all the information regarding a sixth well sixty (60) days after the occurrence of the last of the following events:

- (i) The completion of well drilled within Prospect Area No. 1 as depicted in the plat labeled Exhibit I-A and described in Exhibit II-A hereto as a producer or the plugging and abandonment of such well as a dry hole; or
- (ii) The completion of both wells drilled within Prospect Area No. 2 as depicted in the plat labeled Exhibit I-B and described in Exhibit II-B hereto as a producer or the plugging and abandonment of each such well as a dry hole; or
- (iii) The completion of a well drilled within Prospect Area No. 4 as depicted in the plat labeled Exhibit I-D and described in Exhibit II-D hereto as a producer or the plugging and abandonment of such well as a dry hole.

For the purpose of this Paragraph 6, and without prejudice to Article 7, the date that either one of the wells referred to herein shall be completed as a producer shall be the date of the installation of all down hole and wellhead production equipment, provided that drill stem test (s) have been conducted and are conclusive, otherwise, the date shall be the date the Operator decides that the well has been production tested sufficiently to be declared a Commercial Discovery.

7. Within six (6) months, or sooner if practical, after the selection of each well of the second group of three (3) exploratory wells designated according to Paragraph 6 of this Annex, TPAO will spud each of these three (3) exploratory wells, respectively. The cost of drilling these exploratory wells shall be borne solely by TPAO and shall be charged to the Joint Account according to the Accounting Procedure of the Agreement.
8. The Exploration Obligation, mentioned in this Annex E to be completed by TPAO, requires the spudding of all six (6) exploratory wells within twenty-four (24) months after the 15th day of October, 1988.
9. The six (6) exploratory wells provided for in this Annex shall each be drilled until for each of the wells one of the following events occurs:
 - (i) A well designated to be drilled to the Cretaceous shall be drilled to penetrate the Mardin Group. Four (4) of the six (6) wells to be drilled shall be drilled one hundred fifty (150) meters into the Mardin Group.
 - (ii) A well designated to be drilled to the Paleozoic shall be drilled to penetrate the Bedinan Formation. Two (2) of the six (6) wells to be drilled shall be drilled four hundred (400) meters into Paleozoic-age formations.
 - (iii) A well has been drilled to geologic basement.
 - (iv) Petroleum is encountered in a quantity considered to be a potential Commercial Discovery as indicated by Drill Stem Testing and/or Production Testing. However, if such potential Commercial Discovery occurs in the Mardin Group in a well designated as a Paleozoic well, such well shall be drilled into the Paleozoic as described in Paragraph 9 (ii) of this Annex "E".
10. If any of the events specified in Paragraph 9 (i) to Paragraph 9 (iii) of this Annex occurs in one of the exploratory wells that is considered to be a dry hole, TPAO shall be deemed to have completed drilling the well and to have fulfilled its obligation according to Paragraph 9 above after the well has been plugged

and abandoned. TPAO shall also be deemed to have completed drilling a well and to have fulfilled its obligation according to this Annex after completing a well as a producer in accordance with Paragraph 9 above. In the event heaving shales or other technical difficulties are encountered in any of the six (6) wells before reaching the objectives referred to in Paragraph 9 of this Annex, for each such well TPAO shall drill a substitute well, to the objectives set out in Paragraph 9 of this Annex. The cost of such substitute well and the well for which the substitute well was drilled shall be borne solely by TPAO and shall be charged to the Joint Account according to the Accounting Procedure of the Agreement. However, in the event heaving shales or other technical difficulties are encountered which prevent a Cretaceous well from being deepened or fully tested and provided such Cretaceous well has been drilled to a subsurface depth of three thousand (3000) meters or deeper, then TPAO shall be deemed to have completed drilling such Cretaceous well and to have fulfilled its obligation according to the objectives set out in Paragraph 9 (i) above and no substitute well shall be required.

However, in such event, ARCO shall have the option to take over such Cretaceous well and conduct drilling and/or testing at its sole risk, cost and expense pursuant to Article X of the Agreement. Likewise, in the event heaving shales or other technical difficulties are encountered which prevent a Paleozoic well from being deepened or fully tested and provided such Paleozoic well has been drilled to a subsurface depth of three thousand five hundred (3500) meters or deeper then TPAO shall be deemed to have completed drilling such Paleozoic well and to and to have fulfilled its obligations according to the objectives set out in Paragraph 9 (ii) above and no substitute well shall be required. However, in such event, ARCO shall have the option to take over such Paleozoic well and conduct drilling and/or testing at its sole risk, cost and expense pursuant to Article X of the Agreement.

11. TPAO shall use its best efforts consistent with good oil field practices to maintain the well bore and its bottom hole location within a horizontal distance of three hundred (300) meters from the surface location of each of the six (6) exploratory wells and any substitute well required by this Annex "E".

ANNEX F

EXPLORATION WORK PROGRAM

SECTION 1: OBLIGATION WELL

- 1.1 Subject to the provisions of the Amendment and the Work Program, ARCO shall pay hundred percent (100%) of the cost to drill, equip and complete (including road and site preparation, logging, open hole testing, necessary casing and coring and well completion costs) one (1) well at a site located within the New Opportunity Area ("Obligation Well").
- 1.2 The Obligation Well shall be commenced within one (1) year of the effective date of the Amendment.
- 1.3 The Obligation Well shall be drilled in the New Opportunity Area at a location to be chosen by ARCO.
- 1.4 Notwithstanding anything contained herein to the contrary, if ARCO encounters surface or other conditions which would render the drilling of an Obligation Well impracticable, ARCO shall have the option to change the location of the well, provided that such Obligation Well shall be located in the same New Opportunity Area.
- 1.5 Subject to the provisions of the Amendment and the Work Program and Section 3.9 herein, the Obligation Well shall be drilled until the first of the following events occurs:
 - (a) the well has been drilled to the shallower of a subsurface depth of three thousand one hundred (3100) meters or one hundred fifty (150) meters into the Mardin group, or
 - (b) the well has been drilled to geologic basement, or

- (c) the well encounters petroleum in a quantity considered to be a potential Commercial Discovery as indicated by drill stem testing or production testing.

SECTION 2: THE OPTION WELL

- 2.1 ARCO shall have the option, at its sole election, to drill a well in addition to the Obligation Well specified in Section 1 of the Work Program ("Option Well"). If ARCO elects to drill an Option Well in the Option Area, subject to the provisions of the Amendment and the Work Program, ARCO shall pay for one hundred percent (100%) of the cost to drill, equip, and complete (including road and site preparation, logging, open hole testing, necessary casing and coring and Well Completion Costs) such Option Well.
- 2.2 If ARCO elects to drill an Option Well, ARCO shall give notice to TPAO within two (2) years of the effective date of the Amendment. Upon such notice, the Option Area shall be added to the Contract Area, with TPAO relinquishing the License(s) covering the Option Area in accordance with Section 3.9 of the Agreement. ARCO shall immediately apply for a License covering such area. ARCO shall have one (1) year from the date of the award of the License covering the Option Area to spud the Option Well. ARCO shall have the right to drill on the Option Area provided that notice of its election has been timely made and the Option Well has been spudded in accordance with the provisions of the Amendment and the Work Program.
- 2.3 Subject to the provisions of the Amendment and the Work Program, the Option Well shall be drilled until the first of the following events occurs:
 - (a) the well has been drilled to the shallower of a subsurface depth of three thousand (3000) meters or one hundred fifty (150) meters into the Midyat formation, or
 - (b) the well has been drilled to geologic basement, or

- (c) the well encounters petroleum in a quantity considered to be a potential Commercial Discovery as indicated by drill stem testing or production testing.
- 2.4 If TPAO incurs any exploration expenses such as seismic expenditures or geochemical and geological analysis (but in no event to include drilling expenses) in the Option Area after the effective date of the Amendment, and ARCO later exercises its option to drill in the Option Area, then ARCO shall reimburse TPAO for ARCO's share of such actual exploration expenses in accordance with ARCO's Participating Interest. TPAO will consult with ARCO before incurring any such exploration expense.
- 2.5 If TPAO elects to drill an exploratory well in the Option Area, TPAO shall give notice of such exploratory well to ARCO at least ninety (90) days prior to the proposed spud date but within two (2) years of the effective date of the Amendment. TPAO shall give ARCO notice of its intention to drill, along with the proposed location, spud date and other details regarding the proposed exploratory well; provided however, that TPAO shall have no right to drill if ARCO shall have first given notice to TPAO of ARCO's intent to drill the Option Well in the Option Area.

Within sixty (60) days of receipt of TPAO's notice, ARCO shall have the following options and at its sole election may:

- (a) Pay one hundred percent (100%) of the costs to drill, equip and complete (including road and site preparation, logging, open hole testing, necessary casing and coring and well completion costs) the proposed exploratory well. In this event, the exploratory well shall be deemed to be an Option Well. In addition, ARCO shall be deemed to have made the election to drill pursuant to Section 2.1 of the Work Program and the Option Area shall be added to the Contract Area. ARCO shall have one year to spud the proposed Option Well;
- (b) Elect to drill at a different location but within the Option Area. In this event, ARCO shall be deemed to have made the election to drill pursuant to Section 2.1 of the Work Program. If TPAO proceeds with the

proposed well, it may do so either as a sole risk well pursuant to Article X of the Agreement or, if the parties agree, as a joint well in accordance with the Participating Interests of the Parties; or

- (c) Forfeit all rights to the Option Area in the event ARCO does not exercise its option pursuant to Section 2.5(a) or 2.5(b) herein. However, if there is a material change in the information provided to ARCO for the proposed exploratory well, or in the event additional data regarding the area in which the well is proposed becomes available before the spud date of the well, then ARCO shall be notified and allowed access to such additional information and shall have an additional thirty (30) days in which to elect to participate in the proposed well.

SECTION 3: GENERAL PROVISIONS

TPAO shall drill the Obligation Well and the Option Well pursuant to the terms of the Amendment.

- 3.1 ARCO shall pay TPAO for the costs of drilling the Obligation Well and any Option Well in which it elects to participate. The costs for drilling any well will be charged at rates specified in the TPAO Drilling and Service Price List, but costs for material and services shall not exceed those charged by reputable third parties for comparable material and services in the general vicinity of the Contract Area. Payments will be made under the Accounting Procedure.
- 3.2 ARCO shall pay for road and site preparation for the Obligation Well and the Option Well which is drilled pursuant to the terms of the Work Program. In addition, ARCO shall be entitled to supervise the road and site preparation for the Obligation Well or Option Well if a contractor other than TPAO is utilized for such road and site preparation work.
- 3.3 ARCO will conduct, at its own expense, any exploration work necessary for ARCO to determine the precise location of the Obligation or Option Well.

- 3.4 TPAO shall allow ARCO access to all geological, geophysical, production and other related information and data ("Data") in TPAO's possession relating to the Contract Area and the Option Area. ARCO shall have the right to access any Data which TPAO acquires in the future regarding the Contract Area and the Option Area until such time as ARCO forfeits its rights pursuant to the Agreement and the Amendment. ARCO shall allow TPAO access to all Data in ARCO's possession relating to the Contract Area and the Option Area and to the Data which ARCO acquires in the future regarding the Contract Area and the Option Area until such time as TPAO forfeits its rights pursuant to the Agreement and the Amendment.
- 3.5 Each well shall be drilled according to a well program which shall be agreed upon between TPAO and ARCO.
- 3.6 If both Parties agree on terminating the Obligation Well or Option Well at a shallower depth than that required pursuant to the Amendment, then a well drilled to such shallower depth shall meet the depth requirement of that well.
- 3.7 If both parties agree on drilling any well to a deeper depth than required under the Amendment, then an attempt will be made to deepen the well to the agreed depth, and ARCO shall pay for all the costs of deepening the well.
- 3.8 All expenses incurred by ARCO for the drilling of any well, road and site preparation and for any exploration work necessary to determine the precise location of any well and, subject to the provisions of Section 3.2 herein, for supervision, shall be considered to have been expenditures actually incurred in connection with operations and therefore eligible for Investment Recovery under Section 11.1.2. (c) of the Agreement.
- 3.9 If the Obligation Well or the Option Well has not reached the objective depth specified in Sections 1.5 and 2.3 or the Work Program but costs (including drilling, logging, open hole testing, necessary casing and coring, etc.) exceeding the amounts specified herein for such wells have been incurred, then ARCO shall have the right to terminate the drilling of such well.

Abdulaziz Obligation Well

US \$ 3.2 million

If such well is so terminated, ARCO shall have up to one hundred twenty (120) days from the date the drilling rig utilized for the operations on the Option Well or Obligation Well is released to begin the drilling of a substitute well at a location within the same New Opportunity Area or Option Area. Such substitute Well shall be drilled under the same terms and conditions as provided for the Obligation Well or Option Well specified herein, and such well or wells shall be regarded for all purposes under the provisions of the Agreement as the Obligation Well or Option Well. In the event any substitute well is terminated and has not reached the objective depth specified in Sections 1.5 and 2.3 of the Work Program, ARCO shall have the option to commence the drilling of an additional substitute well within one hundred and twenty days (120 days) from the date of drilling rig release of any such substitute well.

If ARCO does not commence the drilling of the substitute well as specified in the above paragraph, ARCO shall surrender and transfer to TPAO all of ARCO's rights in the license in which said obligation Well, Option Well or substitute well was drilled.

- 3.10 If ARCO fails to spud the Obligation Well within one year of the effective date of the Amendment and such failure is not due to an event of Force Majeure, then ARCO shall pay TPAO U.S. \$ 3.2 million. If ARCO pays TPAO such amount, then:
- (i) ARCO shall be considered to have drilled the Obligation Well and met the requirements of this Annex F for such Well; and
 - (ii) such amount shall be considered to have been expenditures actually incurred in connection with operations and therefore eligible for Investment Recovery under Section 11.1.2 (c) of the Agreement.

EXHIBIT II-A PROSPECT AREA No. 1

Narlikaya

	<u>Distance</u>	<u>Latitude</u> Deg Min Sec	<u>Longitude</u> Deg Min Sec	<u>X</u>	<u>Y</u>
a)	0	37° 59' 20"	39° 15' 50"	4204,684.8	523,173.3
b)	1849	37° 58' 20"	39° 15' 50"	4202,835.5	523,178.5
c)	1220	37° 58' 20"	39° 15' 00"	4202,832.1	521,958.6
d)	1233	37° 57' 40"	39° 15' 00"	4201,599.3	521,961.9
e)	2169	37° 57' 40"	39° 13' 30"	4201,593.7	519,765.7
f)	462	37° 57' 55"	39° 13' 30"	4202,056.0	519,764.6
g)	6588	37° 57' 55"	39° 09' 00"	4202,042.8	513,176.4
h)	308	37° 57' 45"	39° 09' 00"	4201,734.6	513,176.9
i)	1220	37° 57' 45"	39° 08' 10"	4201,732.7	511,956.8
j)	1079	37° 58' 20"	39° 08' 10"	4202,811.4	511,955.2
k)	976	37° 58' 20"	39° 08' 50"	4202,812.9	512,931.1
l)	1541	37° 59' 10"	39° 08' 50"	4204,353.9	512,928.7
m)	1952	37° 59' 10"	39° 10' 10"	4202,357.3	514,880.2
n)	462	37° 59' 25"	39° 10' 10"	4204,819.6	514,879.4
o)	2683	37° 59' 25"	39° 12' 00"	4204,824.9	517,562.5
p)	462	37° 59' 10"	39° 12' 00"	4204,862.6	517,563.6
r)	3171	37° 59' 10"	39° 14' 10"	4204,870.0	520,734.8
s)	208	37° 59' 20"	39° 14' 10"	4204,678.2	520,733.9
	2439			0000,000.0	000,000.0

Hectares Equals 2691 H.

AKPINAR - CENDERE

EXHIBIT II-B PROSPECT AREA No. 2

Alpinar - Cendere

	<u>Distance</u>	<u>Latitude</u> Deg Min Sec	<u>Longitude</u> Deg Min Sec	<u>X</u>	<u>Y</u>
a)	0	37 56' 06"	38 51' 10.8"	4 198 682.9	487 081.8
b)	2034	37 55' 00"	38 51' 10.8"	4 196 648.8	487 078.6
c)	1729	37 55' 00"	38 50' 00"	4 196 651.7	485 349.9
d)	308	37 54' 50"	38 50' 00"	4 196 343.5	485 349.4
e)	2320	37 54' 50"	38 48' 25"	4 196 347.9	483 029.7
f)	1849	37 53' 50"	38 48' 25"	4 194 498.7	483 025.8
g)	2076	37 53' 50"	38 47' 00"	4 194 503.3	480 949.9
h)	925	37 53' 20"	38 47' 00"	4 193 578.7	480 947.7
i)	489	37 53' 20"	38 46' 40"	4 193 579.8	480 459.2
j)	308	37 53' 10"	38 46' 40"	4 193 271.6	480 458.5
k)	977	37 53' 10"	38 46' 00"	4 193 274.0	479 481.4
l)	308	37 53' 00"	38 46' 00"	4 192 965.8	479 480.6
m)	7939	37 53' 00"	38 40' 35"	4 192 989.5	471 541.5
n)	154	37 53' 05"	38 40' 35"	4 193 143.6	471 542.1
o)	3786	37 53' 05"	38 38' 00"	4 193 157.6	467 755.8
p)	4315	37 55' 25"	38 38' 00"	4 197 472.5	467 772.8
r)	3784	37 55' 25"	38 40' 35"	4 197 458.5	471 557.1
s)	1079	37 54' 50"	38 40' 35"	4 196 379.7	471 553.3
t)	6031	37 54' 50"	38 44' 42"	4 196 361.0	477 584.5
u)	616	37 55' 10"	38 44' 42"	4 196 977.4	477 586.2
v)	3369	37 55' 10"	38 47' 00"	4 196 968.9	480 955.6
y)	616	37 55' 30"	38 47' 00"	4 197 585.3	480 957.0
z)	1221	37 55' 30"	38 47' 50"	4 197 582.6	483 177.7
a1)	308	37 55' 40"	38 47' 50"	4 197 890.8	482 178.4
b1)	1221	37 55' 40"	38 48' 40"	4 197 888.2	483 399.0
c1)	308	37 55' 50"	38 48' 40"	4 198 196.4	483 399.7
d1)	977	37 55' 50"	38 49' 20"	4 198 194.5	484 376.2
e1)	493	37 56' 06"	38 49' 20"	1 198 687.6	484 377.1

2705

Hectares Equals 6458 H.

EXHIBIT II-C PROSPECT AREA No : 3

South Sarik

	<u>Distance</u>	<u>Latitude</u> Deg Min Sec	<u>Longitude</u> Deg Min Sec	<u>X</u>	<u>Y</u>
a)	0	38° 00' 57".6	39° 33' 00"	4207802.8	548280.4
b)	2238	37° 59' 45"	39° 33' 00"	4205565.1	548293.6
c)	1229	37° 59' 45"	39° 33' 50".4	4205572.5	549522.9
d)	3544	37° 57' 50"	39° 33' 50".4	4202028.1	549544.4
e)	2206	37° 57' 50"	39° 32' 20"	4202015.0	547338.5
f)	308	37° 58' 00"	39° 32' 20"	4202323.2	547336.7
g)	1342	37° 58' 00"	39° 31' 25"	4202315.6	545994.7
h)	771	37° 58' 25"	39° 31' 25"	4203086.1	545990.3
i)	2074	37° 58' 25"	39° 30' 00"	4203074.7	543916.5
j)	2928	38° 00' 00"	39° 30' 00"	4206002.7	543900.8
k)	3415	38° 00' 00"	39° 27' 40"	4205985.1	540486.2
l)	1775	38 00' 57".6	39° 27' 40"	4207760.4	540477.4
	7803				

Hectares Equals 3319

MIGO (Bir kısmı)

EXHIBIT II-D PROSPECT AREA No. 4

Mapa

	<u>Distance</u>	<u>X</u>	<u>Y</u>	<u>Latitude</u>			<u>Longitude</u>		
				Deg	Min	Sec	Deg	Min	Sec
a)	0	4 223 753.7	569 915	38°	09'	30"	39°	47'	52".8
b)	5807 m	4 217 946.8	569 965	38°	06'	21".6	39°	47'	52".8
c)	7891 m	4 217 882.8	562 074.1	38°	06'	21".6	39°	42'	28".8
d)	4574 m	4 222 456.8	562 039.2	38°	08'	50"	39°	42'	28".8
e)	3559 m	4 222 484.7	565 597.8	38°	08'	50"	39°	44'	55".0
f)	1233 m	4 223 717.6	565 587.9	38°	09'	30"	39°	44'	55".0
	4327 m								

Hectares Equals . . . 4146 H.

EHIBIT II-E PROSPECT AREA No : 5

West Azikli A
(A)

	<u>Distance</u>	<u>Latitude</u> Deg Min Sec	<u>Longitude</u> Deg Min Sec	<u>X</u>	<u>Y</u>
a)	0	38° 06' 10"	39° 46' 10"	4217 568.1	567 464.3
b)	3637	38° 04' 12"	39° 46' 10"	4213 931.1	567 494.4
c)	4873	38° 04' 12"	39° 42' 50"	4213 892.2	562 621.1
d)	678	38° 03' 50"	39° 42' 50"	4213 214.2	562 626.3
e)	517	38° 03' 50"	39° 42' 28".8	4213 210.2	562 109.7
f)	3674	38° 05' 49".2	39° 42' 28".8	4216 884.2	562 081.7
g)	1978	38° 05' 49".2	39° 43' 50"	4216 899.5	564 059.5
h)	641	38° 06' 10"	39° 43' 50"	4217 540.6	564 054.5
	3410				

Hectares Equals 1870

West Azikli B
(B)

	<u>Distance</u>	<u>Latitude</u> Deg Min Sec	<u>Longitude</u> Deg Min Sec	<u>X</u>	<u>Y</u>
a)	0	38° 05' 49".2	39° 42' 28".8	4216 884.2	562 081.7
b)	3674	38° 03' 50"	39° 42' 28".8	4213 210.2	562 109.7
c)	1920	38° 03' 50"	39° 41' 10"	4213 195.8	560 189.5
d)	3674	38° 05' 49".2	39° 41' 10"	4216 869.8	560 162.3
	1919				

Hectares Equals 706

EXHIBIT II-F PROSPECT AREA No : 6

Migo ✓

	<u>Distance</u>	<u>Latitude</u> Deg Min Sec	<u>Longitude</u> Deg Min Sec	<u>X</u>	<u>Y</u>
a)	0	38° 07' 55"	39° 47' 52".8	4220,825.6	569,940.2
b)	2879	38° 06' 21".6	39° 47' 52".8	4217,946.8	569,965.0
c)	7891	38° 06' 21".6	39° 42' 28".8	4217,882.8	562,074.1
d)	2879	38° 07' 55"	39° 42' 28".8	4220,761.6	562,052.1
	7888			0000,000.0	000,000.0

Hectares Equals 2274 H.

NEW OPPORTUNITY AREAS

EXHIBIT 11-A

ABDUL AZIZ

	<u>Distance</u>	<u>X</u>	<u>Y</u>	<u>Latitude</u>	<u>Langitude</u>
a)	0	4252 575.5	585 848.1	38° 25' 00"	39° 59' 00"
b)	5548 m.	4247 027.2	585 907.2	38° 22' 00"	39° 59' 00"
c)	16017 m.	4247 213.7	601 924.3	38° 22' 00"	40° 10' 00"
d)	7398 m.	4239 815.9	602 017.8	38° 18' 00"	40° 10' 00"
e)	13117 m.	4239 992.1	615 134.8	38° 18' 00"	40° 19' 00"
f)	7398 m.	4232 594.3	615 240.1	38° 14' 00"	40° 19' 00"
g)	16776 m.	4232 373.1	598 464.1	38° 14' 00"	40° 07' 30"
h)	1849 m.	4234 222.5	598 441.6	38° 15' 00"	40° 07' 00"
i)	34273 m.	4233 878.4	564 168.8	38° 15' 00"	39° 44' 00"
j)	12946 m.	4246 824.1	564 066.1	38° 22' 00"	39° 44' 00"
k)	2912 m.	4246 801.5	561 154	38° 22' 00"	39° 42' 00"
l)	5548 m. 24736 m.	4252 349.7	561 111.9	38° 25' 00"	39° 42' 00"

Hectares Equal 73 219

OPTION AREAS

EXHIBIT IV-A

GULEMAN

	<u>Distance</u>	<u>X</u>	<u>Y</u>	<u>Latitude</u>	<u>Longitude</u>
a)	0	4263 753.2	592 995	38° 31' 00"	40° 04' 00"
b)	11097 m.	4252 656.4	593 123.5	38° 25' 00"	40° 04' 00"
c)	32012 m.	4252 349.7	561 111.9	38° 25' 00"	39° 42' 00"
d)	11097 m.	4263 446.7	561 027.5	38° 31' 00"	39° 42' 00"
	31968 m.				

Hectares Equals 35 537