

TABLE - 1/ KURDISTAN REGION RISK/REWARD COMMERCIAL GUIDELINES FOR EXPLORATION									
DESCRIPTION	Allowable	Low Risk Area		Medium Risk Area		High Risk Area		Frontier Area	
		Oil	Gas	Oil	Gas	Oil	Gas	Oil	Gas
Royalty from Total Petroleum after field operations consumption	Minimum	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
Available Petroleum after Royalty	Maximum	90.00%	90.00%	90.00%	90.00%	90.00%	90.00%	90.00%	90.00%
Cost Petroleum as % of Available Petroleum	Maximum	40.00%	50.00%	43.00%	53.00%	45.00%	55.00%	55.00%	60.00%
Cost Petroleum as % of Total Petroleum	Maximum	36.00%	45.00%	38.70%	47.70%	40.50%	49.50%	49.50%	54.00%
Total Profit Petroleum after Cost Petroleum as % Available Petroleum	Minimum	60.00%	50.00%	57.00%	47.00%	55.00%	45.00%	45.00%	40.00%
Total Profit Petroleum after Cost Petroleum as % Total Petroleum	Minimum	54.00%	45.00%	51.30%	42.30%	49.50%	40.50%	40.50%	36.00%
Contractor's Share of Total Profit Petroleum:									
Share of Profit Petroleum For R-factors between "A" and "B"	Maximum	25 - 30%	30 - 35%	30 - 35%	35 - 38%	35 - 38%	38 - 40%	38 - 40%	40 - 42%
Share of Profit Petroleum For R-factors between "B" and "C"		formula	formula	formula	formula	formula	formula	formula	formula
Share of Profit For R-factors Greater than "C"	Maximum	13 - 15%	15 - 18%	15 - 16%	18 - 20%	16 - 18%	20 - 22%	28 - 20%	22 - 24%
Share of Profit Petroleum Formula Applied between B and C		R-factor*[(profit@B-Profit@C)/(R-factor@C-R-factor@B)]							
R - factors:									
Starting Point "A"	Fixed	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Point "B"	Fixed	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
Point "C"	Maximum	2.0000	2.5000	2.2500	2.7500	2.5000	3.0000	2.7500	3.2500
Notes:									
<p>1) Cost Petroleum available is limited to unrecovered costs</p> <p>2) Surplus Cost Oil after reaching R-factor of 1.000 is added back to Profit Petroleum</p> <p>3) R-factor = Cumulative Revenues Received by Contractor/Cumulative Costs Incurred by Contractor</p> <p>4) For Blocks that may contain proven petroleum or Discovery the above terms may vary accordingly</p> <p>5) Government participation may vary from 10% to 25%, fully carried by Contractor during Exploration phase</p>									
General Guidelines:									
<p>_ The Minimum and Maximum Figures are for guidance only, KRG will favour competitive bids on these figures</p> <p>_ There are no hard data on Exploration Blocks offered, so bidders need to rely on their own searches and regional knowledge</p> <p>_ Block Areas and Co-ordinates together with any satellite or topographic information will be available for each Block</p>									
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Bonuses, Training and Contributions					Guidelines				
Signature Bonuses					Required for all Blocks, Bidders to propose their best amounts				
Capacity Building Contribution Fund					Recommended for all Blocks, Bidders to propose their best amounts				
Production Bonuses at commencement of production					Required for all Blocks, Bidders to propose their best amounts				
Production Bonuses at Cumulative Production of 10 MMBO Equivalent					Required for all Blocks, Bidders to propose their best amounts				
Production Bonuses at Cumulative Production of 25 MMBO Equivalent					Required for all Blocks, Bidders to propose their best amounts				
Production Bonuses at Cumulative Production of 50 MMBO Equivalent					Required for all Blocks, Bidders to propose their best amounts				
Training Fund during Exploration Phase and Production years					Required for all Blocks, Bidders to propose their best figures per year				
Contribution to Environmental Fund - Exploration and Production years					Required for all Blocks, Bidders to propose their best figures per year				
Technology Transfer Contribution					Required for all the Blocks to be made within 1st year of contract				
Expatriate support of person per block					Required to cover costs for a fixed 5 year period.				