

**TRANSLATION CERTIFICATE**


Reference is made to an English Language translation of the exploration contract, dated July 27, 2007, between the Ministry of Energy and Mineral Resources of the Republic of Kazakhstan and Marsel Petroleum LLP, as amended on November 18, 2008, March 4, 2009 and April 14, 2009 (the “**Agreement**”), a copy of which is attached hereto at Schedule “A”.

The undersigned, Askhat Tynbayev, hereby certifies that the English language translation referenced above is, in all material respects, a complete and accurate translation of the original Russian language version of the Agreement.

Holders of securities of the Corporation may request a copy of the original Russian language version of the Agreement. To request a copy of the Agreement, please contact:

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DATED as of the 23<sup>rd</sup> day of February, 2011.

  
Name: Askhat Tynbayev

**SCHEDULE "A"**

## **CONTRACT**

for oil and gas exploration within blocks XXX-42,43 (part), 44,45 (part), XXXI-42,43 (part), 44 (part), 45 (part), XXXII-42,43,44, 45 (part), XXXIII-42 (part), 43 (part), 44 (part), 45 (part) in South-Kazakhstan and Kyzylorda oblasts of the Republic of Kazakhstan

Between

Ministry of Energy and Mineral Resources  
of the Republic of Kazakhstan  
(the Competent Authority)

And

Marsel Petroleum LLP  
(the Contractor)

Astana, 2007

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·	Notification Letter from the RoK Ministry of Energy and Mineral Resources dated December 05, 2005 regarding announcement of Marsel Petroleum LLP as the winner of the tender
·	Marsel Petroleum LLP Tender offer
·	Protocol N2 61k/06 of the Meeting of Yuzhkaznedra Territorial Management as of April 04, 2006 regarding preliminary review of the Contracts and Work Programs
·	Expert Conclusions of the Ministries and authorities
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This Contract for oil and gas exploration within blocks XXX-42, 43 (part), 44, 45 (part), XXXI-42, 43 (part), 44 (part), 45 (part), XXXII-42, 43, 44, 45 (part), XXXHI-42 (part), 43 (part), 44 (part), 45 (part) in South-Kazakhstan and Kyzylorda oblasts of the Republic of Kazakhstan is made on July 27, 2007 between Ministry of energy and mineral resources of the Republic of Kazakhstan (hereinafter referred to as the Competent Authority) and Marsel Petroleum, Limited Liability Partnership (hereinafter referred to as the Contractor) on the basis of the Protocol of the Tender Committee #3 dated December 01, 2005 on tender for the subsoil use right.

## **PREAMBLE**

Whereas:

1. In accordance with the Constitution of the Republic of Kazakhstan the Subsoil, including hydrocarbon material contained therein is property of the State.
2. Tender Committee of the tender for the subsoil use right (Protocol dated December 01, 2005) has recognized Marsel Petroleum as the winner of the tender for getting the right for exploration of oil and gas.
3. The Republic of Kazakhstan wishes to rationally and efficiently use the Minerals, as well as perform the hydrocarbon exploration within blocks XXX-42, 43 (part), 44, 45 (part), XXXI-42, 43 (part), 44 (part), 45 (part), XXXII-42, 43, 44, 45 (part), XXXIII-42 (part), 43 (part), 44 (part), 45 (part) in South-Kazakhstan and Kyzylorda oblasts of the Republic of Kazakhstan.
4. The Contractor is willing and possesses financial abilities to rationally and efficiently perform the hydrocarbon exploration in accordance with the Contract.
5. Government of the Republic of Kazakhstan has vested the Competent Authority with the right of signing and executing of the Contract.
6. The Competent Authority and the Contractor has agreed that this Contract shall regulate their mutual rights and obligations during exploration of hydrocarbon material.

**The Competent Authority and the Contractor hereby agree on the following:**

### **Section 1. DEFINITIONS**

Definitions and terms not defined herein shall have the meaning conforming with definitions and terms as found in the Law #2828 of the Republic of Kazakhstan On subsoil and subsoil use with amendments and supplements dated January 27, 1996 (hereinafter referred to as the Law On subsoil) and Law # 2350 On oil dated (hereinafter referred to as the Law On oil) dated June 28, 1995 with amendments and supplements and other legislative acts regulating subsoil use matters.

1. **The State (the Republic)** shall mean the Republic of Kazakhstan.
2. **The Government** shall mean the Government of the Republic of Kazakhstan.
3. **The State Body** shall mean the central executive body of the Republic of Kazakhstan which is empowered to fulfill certain functions on behalf of the State.
4. **Subsoil use legislation** shall mean the Law of the Republic of Kazakhstan On subsoil and subsoil use dated January 27, 1996 #2828, amendments and supplements thereto and other legislative acts on some types of minerals and technogenic mineral formations.
5. **Tax legislation** shall mean the Code of the Republic of Kazakhstan on Taxes and other obligatory budget payments # 209-11 dated June 12, 2001, with subsequent amendments and supplements (hereinafter referred to as the Tax Code) and other normative and legal acts, passage of which if provided for by the Tax Code.
6. **The Competent Authority** shall mean the Ministry of energy and mineral resources of

the Republic of Kazakhstan which acts on behalf of the Republic of Kazakhstan in exercise of the rights relating to execution and performance of contracts.

7. **Authorized body on Subsoil Study and Use** shall mean a state authority regulating geological studies, rational and complex use of subsoil.
8. **Authorized body on Environmental Protection** is a central authority of the Republic of Kazakhstan that executes a state policy on environmental protection, and its territorial bodies.
9. **Subsoil User** shall mean a physical or natural person that has the right for subsoil use operations in accordance with Law on Subsoil and Subsoil Use.
10. **Subsoil** shall mean a portion of the earth's crust below topsoil, and in case of absence of topsoil - below the earth surface and bottom of water reservoirs, extending to the depth accessible for Petroleum Operations conducted with consideration of scientific and technological progress.
11. **Field** shall mean one or more natural deposits of hydrocarbons in a geological reservoir of any type.
12. **Geological allotment** shall mean an exhibit to the Contract being its integral part, defining in graphic form and descriptively the Subsoil area where the Subsoil user has the right to carry out exploration of oil and gas.
13. **Mineral** shall mean hydrocarbon materials contained in the subsoil.
14. **Oil** shall mean crude oil, gas condensate and natural gas, as well as hydrocarbons obtained after refining of crude oil, natural gas and processing of oil shale and tar sand.
15. **Crude oil** shall mean any hydrocarbon materials regardless their specific gravity, obtained from the subsoil in a liquid state at the normal atmosphere temperature and pressure, including liquid hydrocarbons known as a distillate or condensate, formed from the natural gas by way of natural condensation.
16. **Hydrocarbon material** shall be a synonym to the term of "oil" and mean crude oil, gas condensate and natural gas, as well as hydrocarbons obtained after refining of crude oil, natural gas and processing of oil shale and tar sands.
17. **Associated components in oil** shall mean minerals and various compounds, containing in oil and formation waters to be obtained technologically.
18. **Natural gas** shall mean hydrocarbons in a gaseous form at normal atmosphere temperature and pressure, including combination gas, dry gas, and associated gas remained after extraction or separation of liquid hydrocarbons from the combination gas, and non-hydrocarbon gas, obtained together with liquid or gaseous hydrocarbons.
19. **The Contract** shall mean this contract for exploration of hydrocarbon material made between the Competent Authority and the Contractor within blocks XXX-42, 43 (part), 44,45 (part), XXXI-42, 43 (part), 44 (part), 45 (part), XXXH-42, 43,44, 45 (part), XXXII-42 (part), 43 (part), 44 (part), 45 (part) in South-Kazakhstan and Kyzylorda oblasts of the Republic of Kazakhstan, as well as all the exhibits to present Contract.
20. **Contract territory** shall mean the territory determined by the Geological allotment where the Subsoil user has a right to carry out subsoil use operations in accordance with the Contract.
21. **Annual validity of the Contract** shall mean the period equal 12 (twelve) consecutive months according to the Gregorian calendar; this period in context of the Contract starts from the effective date of the Contract or any other anniversary date of the Contract.
22. **Effective date of the Contract** shall mean the date determined in clause 3.1. herein.
23. **Work program** shall mean a complex of plans of the Subsoil User for the entire term of the Contract including actions taken to fulfill the tender offer conditions.
24. **Annual Work Program** shall mean the plan of the Contractor's activities for a period of one calendar year that includes scopes and directions for mining works in exploration and financial costs.
25. **Oil operations** shall mean exploration work at the Contract territory.

- 26. Exploration** shall mean any work (operations) connected with a search for gas and oil and include:
- geophysical survey;
  - test drilling;
  - drilling of prospecting and exploration wells, as well as the test production at the field being under exploration.
- 27. Subsoil use operations** shall mean work related to exploration of oil and gas performed within the Contract territory in accordance with the Contract.
- 28. Good practices of field development** shall mean worldwide practices usually employed during petroleum operations as rational, safe, necessary and economically efficient.
- 29. Oil and gas pipelines** shall mean pipelines designed for oil transportation, as well as pipelines operating in a gathering main operating mode, as well as equipment and facilities on refining, separation and liquefaction of the materials transported through the pipeline system or its separate parts, control and insulation system, electrochemical protection system and other equipment designed for servicing of such pipelines.
- 30. Historical costs** shall mean aggregate past costs incurred by the State in geological study of the Contract territory, searches, and exploration of the fields.
- 31. Approved reserves** shall mean geological and recoverable Mineral reserves estimated by the state expert review.
- 32. Subsoil plot (block)** shall mean a geometrized portion within contour boundaries allocated for subsoil use operations.
- 33. Parties** shall mean the Competent Authority and the Contractor where collectively determined herein.
- 34. The Contractor** shall mean Marsel Petroleum LLP having entered with the Competent Authority into this Subsoil Use Contract.
- 35. Subcontractor** shall mean a legal entity or an individual having agreed with the Contractor to perform some part of the Contractor's obligations hereunder.
- 36. Third party** shall mean any individual or legal entity except for the Parties under the Contract.
- 37. Kazakhstan manufacturer** shall mean a legal entity or an individual of the Republic of Kazakhstan manufacturing goods, executing the work and rendering services of the Kazakhstan origin.
- 38. Kazakhstan origin** (goods, works and services of the Kazakhstan origin) shall mean direct manufacture (rendering) of goods, work and services by legal entities and/or individuals of the Republic of Kazakhstan in the territory of the Republic of Kazakhstan.
- 39. Kazakhstan content** shall mean percentage of the following:  
Kazakhstan employees hired during execution of the Contract with categorization of the staff and indication of the percentage of each category in relation to foreign employees whose number shall decrease year wise as the Contractor implements compulsory training programs and professional development of the Kazakhstani staff;  
cost of goods, work, services of the Kazakhstani origin, being purchased both directly and by means of subcontracts, in the total cost of goods, work, services of the Contractor.
- 40. Goods** shall mean equipment, ready-made products and material and technical values, purchased both for direct use during subsoil use operations and for activities specified by the Contract as associated activities.
- 41. Services** shall mean activities provided on a paid basis necessary both for direct use in the process of subsoil use operations and in the activities stipulated by the Contract as associated activities and which are not aimed at creation (production) of goods or other material objects.

## **Section 2. CONTRACT PURPOSE**

2.1. The purpose of this Contract is to define contractual relations between the Competent Authority and the Contractor in accordance with the State's legislation in force as of the effective date of the Contract and to register legally the relations between the Competent Authority and Contractor.

## **Section 3. CONTRACT VALIDITY**

3.1. The Contract shall come into force from the date of its state registration in the Competent Authority (authorized state body) with mandatory issue of the Contract registration Act.

3.2. The term of the Contract shall be 5 (Five) years from the date of its registration and the Contract will be in full force and effect till July 27, 2012.

3.3. The term of the Contract may be extended by mutual consent of the Parties in accordance with the State's legislation.

3.4. Shall the term of the Contract be extended, the provisions of the Contract shall be changed by written consent of the Parties.

## **Section 4. CONTRACT TERRITORY**

4.1. The Contractor shall perform oil and gas exploration within the Contract territory in accordance with terms of the Contract.

4.2. If in the course of subsoil use operations it becomes apparent that geographic boundaries of the Field go beyond the Contract Territory, the issue of its expansion shall be addressed by the Competent Authority without initiation of a tender, provided that this does not involve interests of the subsoil users from the neighboring areas.

4.3. Return of the Contract territory, except for the territory where the Commercial discovery was made, shall be made in the following procedure: in 3 years - 20%; in 4 years - 20%; the remaining part of the contract territory shall be returned upon the completion of the exploration period.

## **Section 5. PROPERTY AND INFORMATION OWNERSHIP**

5.1. All tangible and intangible assets purchased by the Contractor for exploration of hydrocarbon material shall be deemed the Contractor's property.

5.2 Proprietary rights defined in clause 5.1 herein may be pledged or encumbered in any other way to the benefit of a Third party in order to secure financing of exploration of hydrocarbon material in accordance with the State's legislation.

5.3. Information on geology of the Subsoil and Mineral resources contained therein, Field's geologic parameters, size of mineral reserves, development conditions and other features of the Subsoil, which are found in geologic reports, maps and other materials shall be deemed the State's property in case it has been obtained from budget assignments, or the Contractor's property if obtained on the Contractor's own account.

5.4. Information on the Subsoil within the Contract Territory owned by the State shall be purchased by the Contractor from the Authorized body on subsoil study and use in the manner specified by the legislation.

5.5. Geological and other information on Subsoil acquired by the Contractor in the course of exploration of oil and gas must be mandatory and free of charge submitted for storage, classification and summarizing to the Authorized body on subsoil study and use.

5.6. Utilization of geological information on Subsoil acquired at the cost of the Contractor and submitted in accordance with clause 5.5 hereof for educational, scientific, commercial or other purposes shall be determined on the basis of a separate agreement between the



Contractor and the Authorized body on subsoil study and use.

5.7. Upon the Contract termination all geological information shall become the State property. The Contractor must submit all documents and other physical media containing geological information, including source information, free of charge to the Authorized body on subsoil study and use.

## **Section 6. STATE RIGHT FOR ACQUISITION AND REQUISITION OF MINERALS**

- 6.1. In case of war, natural disasters and in other cases prescribed by emergency laws of the State, Government shall have a right for requisition of Minerals belonging to the Contractor. Requisition shall be done in amounts as required for State needs during the whole term of an emergency situation.
- 6.2. The State guarantees compensation for requisitioned Minerals in physical or monetary terms at world market prices as of the date of requisitioning in the official currency of the State.
- 6.3. The State shall have the priority right for purchase of oil and gas from the Contractor at prices not exceeding the world market prices. Volume, price and conditions will be specified by a separate agreement.

## **Section 7. GENERAL RIGHTS AND OBLIGATIONS OF THE PARTIES**

### **7.1. The Contractor shall have the right to:**

- 7.1.1. Carry out exclusive exploration at the Contract territory.
- 7.1.2. Independently perform any legal Subsoil use operations within the limits of designated Contract Territory in accordance with the terms hereof.
- 7.1.3. Use at its discretion results of its activity, including obtained hydrocarbon material, including oil and gas lifted to the surface considering the provisions of the Clause 7.2.22.
- 7.1.4. Construct production and civil facilities required for oil and gas exploration on the Contract Territory and in the case of necessity on other territories allocated for use by the Contractor in accordance with the applicable procedure.
- 7.1.5. Utilize common purpose objects and communications both within the Contract territory and outside, on the basis of agreements with respective owners.
- 7.1.6. Negotiate extension of the Contract term in top priority order, specified by clause 3.3. herein.
- 7.1.7. Hire subcontractors to perform works connected with exploration.
- 7.1.8. Transfer the rights or part of its rights to the Third Party in accordance with conditions, stipulated by the Contract and State's legislation.
- 7.1.9. Terminate its activities subject to conditions stipulated by the Contract and the State legislation.
- 7.1.10. In case of the Contract termination, the Contractor may independently dispose of the property in its possession, unless otherwise provided for by the laws of the Republic of Kazakhstan.
- 7.1.11. Hire foreign highly qualified specialists for implementation of foreign equipment and technologies in accordance with the State's applicable law.
- 7.1.12. Run pilot operation in accordance with the approved project document.

### **7.2. The Contractor shall:**

- Start implementing of the Work Program within 30 days following the Effective Date of the Contract. Not use the Contract territory for any purposes other than specified by the Contract.

7.2.1. Ensure occupational, health safety and environmental protection during subsoil use operations.

7.2.2. Observe terms and conditions of the Memorandum of Understanding with regard to transparency initiative of producing sectors in the Republic of Kazakhstan.

7.2.3. Annually, not later than within thirty calendar days after approval of the Annual Work Program, submit to the state regulating authorized body on trade and industrial policy an annual program of purchase of goods, works and services in the form approved by the state regulating authorized body on trade and industrial policy.

7.2.4. On a quarterly basis, not later than of the 15th day of the month following the reporting period submit a report on purchased goods, works and services to the state regulating authorized body on trade and industrial policy in the form approved by the state regulating authorized body on trade and industrial policy.

7.2.5. Provide reporting confirmed by the audit report in accordance with the requirements of the transparency initiative of producing sectors in the Republic of Kazakhstan following the procedure approved by the Government of the Republic of Kazakhstan.

7.2.6. Not prevent the other entities from: free travel within the Contract Territory, utilization of common purpose objects and communications or conducting of any kinds of work, including exploration of other mineral resources but hydrocarbon materials, unless it is related to special safety conditions and such activities hinder exploration operations.

7.2.7. Follow projects of oil and gas exploration approved in accordance with the established procedure, ensuring personnel and population safety.

7.2.8. Compulsorily use equipment, materials and finished goods manufactured in the State in amount of no less than 30% of the total cost of the goods necessary for performance of the Contract, if they meet the requirements of the technical regulation legislation of the Republic of Kazakhstan, are certified and permitted to be used in the industry, by holding the Tender in the Republic of Kazakhstan according to the procedure defined by the Government of the Republic of Kazakhstan.

7.2.9. Compulsorily hire Kazakhstani companies and enterprises to deliver works and services during exploration operations including air, railroad, water and other transportation services, in amount of no less than 70% of the total cost of the works and services necessary for performance of the Contract, by holding the Tender in the Republic of Kazakhstan according to the procedure defined by the Government of the Republic of Kazakhstan.

7.2.10. In case if a service is not available in the Republic of Kazakhstan, the Contractor may use services of foreign companies subject to permission by the authorized governmental body.

7.2.11. Submit the Work Program and complete progress reports to the Competent Authority.

7.2.12. Engage Kazakhstan specialists and local staff in the exploration and arrange for their professional training with the following percentage of the Kazakhstani specialists: top managers - 100%, medium-level managers - 95%, skilled workers - 100% of the total number of the employed personnel with further increase of the Kazakhstan content.

7.2.13. Allocate not less than 1.1% of annual work program volume for professional training of Kazakhstani personnel involved in the Contract works during the term of the Contract.

If total amount of money allocated for Kazakhstani staff training exceeds the actual demand of employees training, the Contractor shall use the remaining amount to finance top priority secondary education projects in accordance with the Cooperation Agreement between the Ministry of Education and Science of the Republic of Kazakhstan and the Ministry of Energy and Mineral Resources of the Republic of Kazakhstan. Information on the remaining education funds shall be submitted to the Competent Authority after the Annual Work Program and the budget for the next year of the Contract term are approved.

7.2.14. Provide free access to required documents, information and operation places for State control agencies when such agencies are in the course of implementing their official responsibilities and timely eliminate all discovered violations. Submit to the State control agencies on subsoil exploration and use the geological reports on activity results within the Contract territory.

7.2.15. Timely pay taxes and other mandatory payments to the budget, as well as penalties for irrational subsoil use and environmental pollution, including breaches of Kazakhstan

content obligations.

7.2.16. Disclose information regarding exploration to Third parties, if needed, only upon the written consent of other Party. Preserve objects of cultural and historical significance found on the Contract territory in the course of the Contractor's activities.

7.2.17. Forecast long-term environmental impact of Contract fulfillment activities. The Contractor shall submit forecast of long-term environmental impact along with detailed reports on measures undertaken to minimize long-term negative environmental consequences of the Contractor's Contract fulfillment activities to the Competent Authority and State control agencies on environmental protection not later than in 2 years upon the beginning of operations hereunder. The Contractor shall take such measures to minimize long-term negative environmental consequences as the Competent Authority and state environmental authorities may reasonably require, at the Contractor's own expense.

7.2.18. Leave the Contract territory in condition conforming to mining and sanitation control and environmental protection requirements.

7.2.19. Restore land plots and other objects of nature, which were affected by the Contractor's activities hereunder to the condition of being useable in the future in accordance with State legislative requirements.

7.2.20. By agreement with local executive bodies, annually allocate financial means for the development of the regional social sphere at the rate of 3.1% from annual amount of costs for exploration, in proportion to the explored territory.

7.2.21. Accept all the previously drilled wells to the balance and monitor them.

7.2.22. Deliver to the domestic refinery plants the whole volume of oil obtained during the exploration period.

7.2.23. Ensure gas utilization in compliance with the legislation of the Republic of Kazakhstan.

7.2.24. Submit declarations on industrial objects safety in order and due form approved by the Government of the Republic of Kazakhstan, to the central executive body on emergency situations and local executive bodies of the Republic.

7.2.25. Conduct works for exploration of oil and gas in the geological allotment located in the South-Kazakhstan state protected zone only after approval of special ecological requirements.

7.2.26. Provide equal conditions and labor payment for the Kazakhstan personnel versus the expatriate personnel involved, including subcontracted personnel.

### **7.3. The Competent Authority shall:**

7.3.1. Ensure Contract execution and termination according to the procedure and on the grounds stipulated by the State's legislation.

### **7.4. The Competent Authority shall have the right to:**

7.4.1. Represent the State in negotiating the terms of the Contract with the Contractor.

7.4.2. Require periodic reports on the Contract performance. Require other information regarding terms of the Contract.

7.4.3. Inspect Contractor's Exploration activities of hydrocarbon material, including Contractor's documentation regarding activities hereunder.

7.4.4. Access any operations on the Contract Territory, related to exploration.

## **Section 8. WORK PROGRAM**

8.1. The Contractor shall conduct oil and gas exploration in accordance with the Work program approved by the Authorized body on subsoil study and use and Exploration Project approved by the Authorized body on subsoil study and use and Authorized body on State control and Supervision of Emergency Situations.

8.2. The Work Program shall be based on feasibility studies and justifications with consideration of good practices of field development.

##	Exploration works	Total cost, thousands of US\$
<b>Year 1</b>		
1	Coordination and approval of the Exploration and Production Contract with the Competent Authority	20.0
2	Geologic-geophysical information and materials acquisition	20.0
3	Reprocessing of previous CDP data	300.0
4	Purchase of equipment, office equipment and equipment for prospecting, drilling, testing and utilization of gas, condensate and oil	1,851.74
5	Exploration Project for drilling of exploration wells	60.0
6	Training of Kazakhstani specialists (personnel)	66.33
7	Investments for development of the social infrastructure	186.93
8	Drilling of 2 deep wells to the depth of 4,000 m	4,000.0
	<b>Total for Year 1</b>	<b>6,505.0</b>
<b>Year 2</b>		
9	Re-interpretation of drilling geophysical materials and GIS	200.0
10	Re-entry of the wells drilled before	1,701.0
11	Drilling of 4 deep wells to the depth of 3,000 m	6,000.0
12	Drilling of 2 deep wells to the depth of 4,000 m	4,000.0
13	Construction of infield and access roads	400.0
14	Training of Kazakhstan specialists (personnel)	132.0
15	Investments for development of the social infrastructure	372.0
	<b>Total for Year 2</b>	<b>12,805.0</b>
<b>Year 3</b>		
16	Reinterpretation of drilling geophysical materials and GIS data	200.0
17	Estimation of gas, condensate and oil reserves	100.0
18	Re-entry of the wells drilled before	1,537.2
19	Drilling of 4 deep wells to a depth of 4,000 m	8,000.0
20	Drilling of 4 deep wells to a depth of 3,000 m	6,000.0
21	Construction of infield and access roads	400.0
22	Training of Kazakhstan specialists (personnel)	174.9
23	Investments for development of the social infrastructure	492.9
	<b>Total for Year 3</b>	<b>16,905.0</b>
<b>Year 4</b>		
24	Reinterpretation of drilling geophysical materials and GIS data	200.0
25	Re-entry of the previously drilled wells	1,337.7
26	Drilling of 4 deep wells to a depth of 4000 m	12,000.0
27	Drilling of 4 deep wells to a depth of 3000 m	7,000.0
28	Test Production Project for the fields defined	100.0
29	Construction of infield and access roads	400.0
30	Training of Kazakhstan specialists (personnel)	227.15
31	Investments for development of the social infrastructure	640.15
	<b>Total for Year 4</b>	<b>21,905.0</b>
<b>Year 5</b>		
32	Reinterpretation of drilling geophysical materials and GIS data	100.0
33	Estimation of gas, condensate and oil reserves	100.0
34	Drilling of 4 deep wells to a depth of 4,000 m	12,000.0
35	Drilling of 4 deep wells to a depth of 3,000 m	6,613.3

36	Test Production Project for the fields defined	100.0
37	Construction of infield and access roads	300.0
38	Training of Kazakhstan specialists (personnel)	207.35
39	Investments for development of the social infrastructure	584.35
	<b>Total for Year 5</b>	<b>20,005.0</b>
	<b>Grand total</b>	<b>78,125.0</b>

8.3. The Contractor may propose amendments and/or supplements to the approved Work Program. Amendments and supplements to the Work Program shall be made in writing upon mutual consent of the Parties.

8.4. The Contractor shall get approval for the annual work program from the Authorized body on subsoil study and use or its territorial subdivisions.

8.5. The Contractor may accumulate funds designed for financing of production and social infrastructure.

### **Section 9. EXPLORATION PERIOD**

9.1. According to the Contract, the Exploration period shall consist of 5 (five) consecutive years, and may be extended only twice each time for two years upon mutual consent of the Parties and in accordance with the subsoil use legislation. In such a case the Parties shall first define the portion of the Contract Territory to be kept by the Contractor for further exploration and make respective amendments to the Work Program.

9.2. The Contractor shall start exploration no later than in 30 days from the effective date of the Contract. Within 15 days the Contractor shall notify the Competent Authority of the exploration starting date.

9.3. Minimum amount of financing for the exploration period shall equal US\$78,125,000, including: first year – US\$6,505,000; second year – US\$12,805,000; third year – US\$16,905,000; fourth year – US\$21,905,000; fifth year – US\$20,005,000.

9.4. Upon completion of the exploration period, the Contractor shall confirm the reserves in the authorized body – State Reserves Committee of the Republic of Kazakhstan in accordance with the established procedure.

9.5. In the course of the exploration, as per the Contract, the Contractor shall return the Contract territory, except for the territory where the Commercial discovery has been done.

9.6. As per the Contract, the Contractor shall determine the subsoil land plots to be returned and notify the Competent Authority no later than in 30 days prior to such return of the territory.

9.7. Returned plots shall comply with all statutory environmental protection requirements of the State. The Contractor shall restore such returned territories and other objects of nature disturbed as a result of exploration to such state as is suitable for use for its primary purpose, at the Contractor's own expense.

9.8. The Contract shall be terminated upon the expiration of the exploration period, save possible extensions, if no Commercial Discovery has been made at the Contract Territory or no decision has been made to enter Production period. Shall the Contractor refrain from continuing the works hereunder, it then shall forfeit all rights for the Contract territory and may not claim any future reimbursement of its costs, incurred under this Contract.

### **Section 10. COMMERCIAL DISCOVERY**

10.1. In the case if the Contractor discovers hydrocarbon material which is, in its opinion, economically profitable for the Production, he shall immediately notify thereof the Competent Authority and prepare a report on reserves estimation and evaluation in order to submit it within twelve months to the State Reserves Committee of the Republic of Kazakhstan.

10.2. The authorized body shall ensure that a state expert evaluation of the field reserves within the Contract territory is made in accordance with the procedure established by the Subsoil Use Legislation.

10.3. Commercial Discovery shall grant an exclusive right to the Contractor to enter the Production stage on the basis of the production contract signed by means of direct negotiations.

10.4. In the case of Commercial Discovery the Contractor shall have a right for full or partial reimbursement of costs incurred in connection with commercial discovery.

10.5. In the case if there was no Commercial Discovery, the Contractor shall have no right for reimbursement of costs incurred during the exploration period.

### **Section 11. RECORD KEEPING AND REPORTING**

11.1. The Contractor shall keep records and store record documentation in respect of exploration of oil and gas hereunder during the stipulated period in accordance with the State's legislation.

11.2. The Contractor shall quarterly submit to the Competent Authority a report on its activities together with the form #2 LKU attached by 25<sup>th</sup> day of the month following the reporting period (report on execution of license-contractual liabilities).

11.3. The Contractor shall annually submit to the Competent Authority a report on spending funds for training, indicating the list of trainees, list of programs, training organizations and duration of a training course, for social programs.

11.4. The Contractor shall submit reports on its activities to the state authorities within the term and according to the procedure stipulated by the State's legislation.

11.5. The Competent Authority shall have a right to inspect the Contractor's compliance with the Contract terms and conditions and may be present via its representatives during exploration operations conducted by the Contractor.

### **Section 12. OIL AND GAS MEASURING**

12.1. The Contractor shall measure and weigh oil and gas produced at the Contract Territory in accordance with methods and practices applied in the State.

12.2. The Contractor shall conduct annual tests of equipment and instrumentation used for oil and gas measuring and weighting attended by representatives of the authorized body for metrology and standardization.

12.3. If it is detected during a test or examination that equipment or instrumentation has defects and if it is not possible to determine how long the defects have existed, such period shall be determined as half the time from the previous measurement until the date when the defects were found.

12.4. In case if the Contractor deems necessary to introduce modifications to the applied methods or replace installed instrumentation, the Contractor shall notify the authorized body for metrology and standardization no later than 30 days in advance, in order to give its representatives an opportunity to attend such modifications or replacement.

### **Section 13. SUBCONTRACTED OPERATIONS**

13.1. As part of the annual Work Program, the Contractor shall provide to the authorized body in the sphere of state regulation of trade and industrial policy a plan of subcontracted works, list of subcontracts for materials, equipment and services supply to be signed in the following calendar year with indication of estimated costs of Subcontracts as well as a list of potential Kazakhstan and foreign Subcontractors.

13.2. The Contractor shall as a rule hire subcontractors in accordance with the legislation.

13.3. The Contractor shall be liable for performance of subcontracts in accordance with State's legislation.

#### **Section 14. FINANCING**

14.1. The Contractor shall undertake to fully finance its activities under the Contract in accordance with the Work Program approved by the Parties.

14.2. The Contractor shall be free to obtain loans in any currency in and outside the State for financing of its activities, provided it does not contradict the State's legislation.

14.3. The Contractor may maintain bank accounts both in domestic and foreign currency with banks within and outside the State for the purpose of Contract performance and obtaining funds representing earnings and proceeds under the Contract.

14.4 All settlements under the Contract shall be made in the order stipulated by the State's legislation.

14.5. The Contractor and Subcontractors shall carry out their currency transactions in accordance with the State's legislation on currency regulation.

#### **Section 15. TAXES AND OTHER MANDATORY BUDGET PAYMENTS**

15.1. Taxation of the Subsoil Use Contract shall comply with the first tax regime model, according to which the Contractor shall pay taxes and other mandatory budget payments as established by the tax laws in effect at the time such liabilities arise.

##### **15.1.1. Signature bonus.**

The Contractor shall pay the Signature bonus in the amount of US\$570,000 (Five hundred seventy thousand US dollars) no later than in 30 (Thirty) calendar days after the Effective Date of the Contract.

##### **15.2. Tax payments.**

The Contractor shall pay all the tax payments in compliance with the Tax laws of the Republic of Kazakhstan in force on the day of the customs declaration acceptance.

##### **15.3. Transfer pricing.**

Should the price used in the course of a transaction execution vary from the market price, the state bodies controlling application of transfer prices shall have a right to adjust tax entities in compliance with the legislation on state control of transfer prices application.

##### **15.4. Pension tax, social insurance.**

The Contractor shall withhold and transfer mandatory pension taxes of its employees to pension funds in compliance with the pension insurance law, and ensure completeness of assessments and timely social insurance payments to the State social insurance fund in compliance with the social insurance law in force as of date of creation of such liability.

##### **15.5. Penalties**

15.5.1. Penalties for violation of Tax legislation shall be applied in accordance with the legislation in force as of the date of commitment of such violation.

15.5.2. Fines for payments other than taxed shall be applied at rates stipulated by the law in force as of the date of commitment of such violation.

#### **Section 15-1. REIMBURSEMENT OF HISTORICAL COSTS**

The Contractor shall pay past costs to the budget in accordance with the provisions of the Agreement on geological information acquisition dated 16.03.2006 #1438 (hereinafter referred to as the Agreement).

In accordance with the Agreement concluded between the Committee on geology and subsoil use of the Ministry of energy and mineral resources of the Republic of Kazakhstan

and Marsel Petroleum LLP, historical costs equal US\$1,818,404 (One million eight hundred eighteen thousand four hundred four US dollars).

For the right to use geological information the Contractor shall undertake to pay 1.5% of the total amount of historical costs in the amount of US\$27,276 (twenty seven thousand two hundred seventy six US dollars) in accordance with clause 1.2. of the Agreement.

The procedure of payment of the remaining amount of historical costs in the amount of US\$1,791,128 (One million seven hundred ninety one thousand one hundred twenty eight US dollars) after payment for the right to use geological information, shall be specified by the Production Contract.

For incompliance with the historical costs assessment procedure and terms and conditions of their payment to the budget, the Contractor shall be held liable in accordance with the Tax Code as provided for incompliance with the historical costs assessment procedure and terms and conditions of their payment to the budget.

### **Section 16. ACCOUNTING**

16.1. The Contractor undertakes to maintain full and accurate accounting of all income and expenses with regard to the Contractor's activities hereunder, in accordance with the accounting procedure stipulated in State's legislation.

16.2. All Contractor's accounting books and records shall be properly maintained and be available for inspection by the Competent Authority and State agencies in accordance with their competence as defined in the State's legislation.

### **Section 17. INSURANCE**

17.1. Within 180 days following the Effective Date of the Contract, the Contractor shall develop and present for approval of the Competent Authority a program of insurance of business risks, property and liability related to the Exploration.

17.2. Insurance shall be provided for property and liability risks, related to:

- Transportation and storage of goods delivered to the site of exploration of hydrocarbon reserves;
- Contractor's property used in the process of Exploration of hydrocarbons, including rented or leased property;
- Environmental and land pollution and costs of liquidating consequences of damage caused to environment, including land improvement and reclamation;
- General civil liability to third parties including harm caused to health and life of the personnel and population.

17.3. The Contractor shall insure its employees against work accidents and occupational diseases, including risks related to them.

17.4. The Contractor at its own discretion shall choose insurance companies in accordance with the State's legislation.

### **Section 18. LIQUIDATION AND LIQUIDATION FUND**

18.1. Not later than within two years of the Effective Date of the Contract the Contractor shall present for approval of the Competent Authority a program on liquidation of consequences of its activities under the Contract which shall include estimates of liquidation costs.

18.2. Suspension and abandonment of oil, gas and other wells shall be carried out in accordance with the requirements established by the authorized body on state inspection and supervision of emergency situations.

18.3. The liquidation program shall provide for removal or liquidation of buildings and



equipment utilized in the course of activities performed by the Contractor within the Contract territory.

18.4. In order to provide full financial security for implementation of liquidation program the Contractor shall establish a liquidation fund at the rate of 1% (one percent) of annual volume of expenses for Exploration of hydrocarbon material.

18.5. The payments at the rate of 1% of the annual volume of costs for Exploration of hydrocarbon material to the liquidation fund shall be made by the Contractor once a year to a special deposit account in a bank located in the Republic of Kazakhstan and shall be included in the Subsoil use expenditures. Application of the liquidation fund shall be made by the Contractor upon permit of the Competent Authority by the agreement with the Authorized body on subsoil study and use.

18.6. If actual liquidation costs exceed the amount of Liquidation fund, the Contractor shall provide additional financing for liquidation purposes.

18.7. If actual liquidation costs are less than the amount of Liquidation fund, the surplus shall be transferred to the Contractor and be taxed as income.

18.8. If the State takes the decision on continuation of operating all or some of the facilities handed over to it by the Contractor after expiration of the Contract on its own responsibility, then the Contractor shall be free of any responsibilities for implementing liquidation program and vest upon the State all rights for all accumulated assets in the liquidation fund.

## **Section 19. PROTECTION OF SUBSOIL AND ENVIRONMENT**

19.1. In the course of the Contract performance the Contractor shall observe the State's legislation related to protection of the Subsoil and environment, provide sanitary and epidemiological welfare of population, and take all necessary measures with the purpose of:

- Protection of people's lives and health;
- Ensuring of rational and integral use of oil and gas;
- Preservation of natural landscapes and reclamation of damaged and polluted lands and other geomorphologic structures;
- Preservation of properties of energetic condition of upper sections of the Subsoil for the purpose of prevention of earthquakes, landslides, underflooding and soil subsidence.

19.2. During the Exploration the Contractor shall observe the following in preferential order:

### **I. Ecological requirements:**

- environment preservation;
- prevention of man-caused desertification of lands;
- prevention of water and wind soil erosion;
- isolation of freshwater and lost circulation horizons to avoid their pollution;
- prevention of desiccation and pollution of underground waters;
- other requirements according to the Legislation related to the subsoil use and environment;
- industrial monitoring of environment in accordance with programs agreed with the authorized state agencies in charge of protection of environment.

### **II. Subsoil protection requirements:**

- ensuring of completeness of advanced geological Subsoil research for reliable estimation of volume and structure of oil and gas reserves, subsoil areas granted for the subsoil use;
- ensuring of complete extraction of oil and gas;
- reliable record keeping of recoverable and left in the Subsoil general and commonly occurring Mineral resources and associated components;
- subsoil use in accordance with the requirements of the State's legislation on environmental preservation protecting subsoil against dangerous man-caused processes in the course of exploration;
- preservation of subsoil against floodings, fires, explosions, collapse of superincumbent

rocks, as well as other disasters decreasing their quality or complicating fields development;

- prevention of the Subsoil contamination during the Exploration;
- observance of the procedure for modification and termination of Exploration as provided for in Section 28 of the Contract and the procedure for liquidation of the deposit development objects as provided for in Section 18 herein;
- ensuring fulfillment of ecological and sanitary and epidemiological requirements while storing and disposing industrial and domestic wastes with a view to prevent their accumulation at water collection areas and underground waters;

### **III. Sanitary and epidemiological requirements:**

- Provision of sanitary protection zones;
- Ensure sanitary protection zones development;
- All the equipment, pipes, chemicals, decontamination agents, etc. shall be those included into the list of agents and materials permitted by the state bodies on sanitary and epidemiological control;
- Sanitary and epidemiological measures to maintain the sanitary and epidemiological condition, to prevent occupational injuries and diseases;
- Provision of conditions favorable for the population health promotion.

The Contractor shall ensure completeness and reliability of geological, hydrogeological, ecological, engineering geological and technological study of object of exploration.

19.3. Positive opinion of the state ecological and sanitary and epidemiological expertise on such operations and permission for Subsoil Use Operations issued by executive bodies in charge of environmental protection on the basis of that opinion shall be the necessary ecological justification of the Subsoil Use Operations.

19.3.1. The Subsoil User shall submit all preliminary design and project documentation containing the environmental impact assessment and Environmental Protection section setting out the measures planned for the period of implementation and termination of Exploration of oil and gas to the state ecological commission of experts for their expert examination.

19.4. The Contractor shall monitor the condition of Subsoil and environment with the purpose of studying the impact of its activity hereunder and taking steps for prompt elimination of any adverse impact. The data of industrial monitoring and environmental impact assessment report shall be submitted to special authorized bodies for environmental protection and sanitary-epidemiological service.

19.5. The Contractor shall remediate the disturbance of the environment, implement recovery works and compensate in full the damage caused to environment, life and health of the population. The Contractor shall not damage geological, archeological and historical protected natural sites within the Contract territory.

19.6. State control over compliance with the legislation related to the protection of the Subsoil and environment shall be carried out by the authorized executive body in charge of protection of environment.

19.7. The Contractor shall ensure protection of environment of the Contract Territory.

19.8. Upon termination of the Contract, the Contractor shall transfer the Contract Area in the condition suitable for its further direct utilization in accordance with the legislation of the State.

19.9. Any violations (deterioration) of environmental conditions and the Contract Territory itself occurred during the course of Contract implementation shall be restored at Contractor's own expense to condition suitable for its further direct utilization.

19.10. In case of emission (discharge) of polluting substances to the environment above the allowed levels, the Contractor shall take actions to eliminate the consequences and compensate the damage caused, and in case of occurrence of emergency and extraordinary situations as a result of the Contractor's activity, the Contractor shall promptly inform of

such circumstances the authorized body in charge of protection of environment.

## **Section 20. POPULATION AND PERSONNEL SAFETY**

20.1. In the course of Exploration of oil and gas in accordance with the Contract the Contractor shall ensure compliance with the sanitary standards, work safety rules stipulated by the legislation of the State, as well as measures on prevention and remediation of emergency situations and occupational diseases.

20.2. Exploration of oil and gas shall be prohibited if it constitutes danger to people's life and health.

20.3. State control of technical safety and industrial sanitation standards observance in the course of exploration of oil and gas shall be carried out by the authorized State bodies.

20.4. Main requirements for safe oil and gas exploration are:

- admission to work only of personnel who have received special training and qualification, and to mining works management – only of personnel who have relevant education and passed preliminary medical examination in accordance with the effective order of the Ministry of Health of the Republic of Kazakhstan;
- provision of people engaged in exploration works with coverall, personal and collective protective equipment;
- utilization of machinery, equipment and materials which meet safety requirements and sanitary standards;
- record-keeping, proper storage and consumption of explosives as well as their proper and safe use;
- conducting a variety of geological and mine surveying and other observations required for technological cycle of operations and prediction of dangerous situations;
- timely update of technical documentation and emergency liquidation plans, defining the limits of safe operation areas more precisely;
- observance of projects on well construction and technological schemes of field development and facilities construction approved by the authorized body in charge of industrial safety and emergency situations;
- implementation of sanitary-epidemiological arrangements aimed at prophylactics of industrial diseases and intoxication;
- workers shall be provided with necessary sanitary facilities;
- workers shall be provided with quality drinking water and hot meals;
- radiation safety;
- establishment of preliminary and periodical medical examinations of personnel who work in hazardous and adverse conditions;
- establishment of laboratory and instrumental control of air condition in work areas and hazardous adverse technological workplaces.

20.5. In the case of occurrence of direct hazard to life and health of employees and/or population, the Contractor's officials shall immediately suspend the operations and ensure transportation of people to a safe place and inform the Ministry of Health of the Republic of Kazakhstan, the Ministry of Emergencies of the Republic of Kazakhstan, the Competent Authority and other local executive body.

20.6. In accordance with the legislation of the Republic of Kazakhstan the Contractor shall indemnify the damage caused to health of citizens in the course of the Contract and labor duties fulfillment.

20.7. State control of observance of the legislation of the Republic of Kazakhstan in regard to the sanitary-epidemiological welfare of the population shall be carried out by State body on sanitary-epidemiological control of the Republic of Kazakhstan.

20.8. The Contractor shall develop accident and other hazardous situation prevention programs in the course of petroleum operations and get them approved in the Ministry on emergency situations of the Republic of Kazakhstan.

### **Section 21. THE CONTRACTOR'S LIABILITY FOR VIOLATION OF THE CONTRACT PROVISIONS**

21.1. Transactions made by the Contractor may be deemed invalid on the grounds provided by the Legislation of the State.

21.2. The Contractor shall bear full responsibility before the Competent Authority and Third parties for consequences of activities, stipulated in clause 21.1. of this Contract.

21.3. Persons guilty in consummation of such transactions and also other violations of the Republic of Kazakhstan legislation shall bear disciplinary, material, administrative and criminal liability as established by the Law.

### **Section 22. FORCE-MAJEURE**

22.1. None of the parties shall bear responsibility for non-fulfillment or improper fulfillment of the liabilities under the Contract, if such non-fulfillment or improper fulfillment was caused by the circumstances of insuperable force (force-majeure).

22.2. The force-majeure events shall include all extraordinary and unforeseen, under the prevailing conditions, circumstances such as war conflicts, natural calamities and disasters (fires, etc.).

22.3. In case of occurrence of force-majeure circumstances, the affected Party shall forthwith inform the other Party by handing over or sending by mail a written notification specifying the date of beginning and description of force-majeure circumstances.

22.4. In case of force-majeure the Parties shall immediately take all measures to find an impartial solution to the situation and use all available means to minimize consequences of such circumstances.

22.5. Upon full or partial suspension of works hereunder caused by force-majeure circumstances, duration of these works shall be extended to duration of force-majeure and shall resume from the moment of cessation of force-majeure circumstances.

### **Section 23. CONFIDENTIALITY**

23.1. Information received or acquired by any of the Parties in the course of the Contract fulfillment shall be confidential. The Parties may use confidential information to compose required reports as specified in the State's legislation.

23.2. The Parties shall not have a right to transfer confidential information to Third parties without a prior written consent of the other Party with exception of the following cases:

- if such information is used in the course of legal proceeding;
- when such information is provided to Third parties which render services to the Contractor provided that such a Third party undertakes to treat such information as confidential and to use it only for the purposes established by the Parties and for the term determined by the Parties;
- when information is submitted to a bank or any other financial organization from which the Contractor receives funding, provided that such bank or other financial institution undertakes to treat such information as confidential and to use it only for specified purposes.

23.3. The Parties shall define the term of confidentiality for all documents, information and reports concerning the Exploration of oil and gas at the Contract Territory in accordance with the State's legislation.

## **Section 24. TRANSFER OF RIGHTS AND OBLIGATIONS**

24.1. Partial or complete transfer of the subsoil use right by the subsoil user to another person on a free of charge or paid basis, including assignment of shares in the legal entity that is a subsoil user, including transfer as a contribution into the charter capital of newly established legal entity, transfer of the subsoil use right as a part of sold property complex (assignment of shares in the legal entity that is a subsoil user) in the process of bankruptcy proceedings in respect of the subsoil use or in the process of privatization of the subsoil users that are state entities, as well as pledging of the subsoil use right shall be done with the permission of the Competent Authority.

24.2. Expenses related to the transfer of rights and obligations under the Contract shall be borne by the Contractor, and the State shall not reimburse them.

24.3. As long as the Contractor retains any participation in the Contract, the Contractor and the Third party to which the Contractor has transferred its rights and obligations hereunder shall bear joint liability under the Contract.

24.4. The State enjoys a priority right before the other party to the Contract or participants of a legal entity possessing the subsoil use right, and other persons, to acquire the alienable right of subsoil use (its part) and (or) shares in the legal entity that is the owner of the subsoil use right as well as in the legal person that is able to define the decisions directly and(or) indirectly and(or) have influence on the decisions taken by the subsoil user in case the principal activity of such legal person is connected with subsoil use in the Republic of Kazakhstan on terms and conditions that are not worse than terms and conditions offered by the other buyers.

24.5. The subsoil use right cannot be transferred within two years from the Effective Date of the Contract except for the cases when transfer takes place due to liquidation of a legal entity, enforcement of pledged subsoil use right and transfer of the subsoil use right following the procedure of inheritance or reorganization of a legal entity.

## **Section 25. APPLICABLE LAW**

25.1. This Contract and other agreements executed on the basis hereof shall be governed by the law of the Republic of Kazakhstan unless otherwise stipulated by international agreements to which the Republic of Kazakhstan is a party.

25.2. The Contractor undertakes to fulfill international obligations assumed by the State in the sphere of environmental protection within the Contract Territory and areas adjacent to it.

## **Section 26. PROCEDURE FOR DISPUTES SETTLEMENT**

26.1. The Parties shall take all reasonable measures to settle any dispute and disagreement arising out of this Contract by way of negotiations.

26.2. Any dispute regarding the Contract, which can not be settled by means of negotiations within 30 days from the moment when such a dispute arises, shall be subject to final settlement in the State's juridical agency authorized to settle such disputes, in accordance with the legislation, or to one of the arbitration courts.

## **Section 27. GUARANTEES OF CONTRACT STABILITY**

27.1. Contract provisions shall remain unchanged during the full term of Contract.

27.2. Amendments and supplements to the legislation that come into force after the Effective Date of the Contract and affecting the Contractor shall not be applied to the Contract.

Guarantees stipulated hereto shall not be applied to the amendments in the legislation of the

Republic of Kazakhstan in regard to provision of the defence capability, national security, ecological safety, healthcare and taxation.

27.3. If amendments and supplements are introduced to the Legislation which makes it impossible to perform further activities under the Contract, appropriate amendments shall be introduced to the Contract by written agreement of the Parties to restore the initial balance of the Parties' interests.

## **Section 28. CONDITIONS FOR CONTRACT ALTERATION OR TERMINATION**

28.1. The Competent Authority shall have the right to unilaterally terminate the Contract upon:

- the Contractor's refusal to eliminate the causes that has led to decision to suspend exploration or the Contractor's non-elimination of such causes within the time enough for their elimination;
- Violation of contractual obligations by the Contractor;
- Non-fulfillment of requirements of notification about violation of contractual obligations within the term set forth by the Competent Authority;
- Impossibility to eliminate the causes that has led to suspension of subsoil use operations;
- Material breach of obligations stipulated by the Contract or the Work Program by the Contractor;
- Bankruptcy of the Contractor pursuant the legislation of the Republic of Kazakhstan, except when the subsoil use right is a pledge object in accordance with the Law in force;
- Non-execution of Article 71, Part 3, of the Law on Subsoil and Subsoil Use with regard to the priority right of the State.

28.2. Before the decision on termination of the Contract is taken, the Competent Authority shall have the right to require immediate suspension of subsoil use operations by sending a notification to the Contractor and Contractor shall immediately comply therewith.

28.3. The Parties may cancel or change terms and conditions of the Contract only on the grounds and only in accordance with the procedure set forth by the legislative acts of the Republic of Kazakhstan and the Contract.

28.4. The Parties shall not be released from fulfillment of their current obligations that remained unfulfilled on the date of termination of the Contract or change of its terms and conditions.

28.5. Termination of the Contract shall not release the Subsoil user from its obligations of restoration of the Contract territory to the condition safe for health and life of population and environment in accordance with the liquidation project approved in such manner as specified by the legislation of the Republic of Kazakhstan.

## **Section 29. LANGUAGE OF THE CONTRACT**

29.1. This Contract is made in the state and Russian languages and all copies are identical.

29.2. In the event of any discrepancy or conflict between the language versions, the Russian version shall prevail.

29.3. The Parties hereby agree that the state and Russian languages shall be used for communication purposes. Starting from the Effective Date technical documents and all data concerning exploration of oil and gas shall be prepared in the state and Russian languages.

29.4. Documents and information relating to administrative activities shall be prepared in the state and Russian languages.

## **Section 30. ADDITIONAL PROVISIONS**

30.1. All notifications and documents required in connection with the Contract

implementation shall be deemed as duly delivered or handed over to each of the Parties to the Contract only upon receipt.

30.2. Notifications and documents shall be handed in personally or sent by mail, registered airmail, fax, telex or by wire to the following addresses:

**Competent Authority address:**

**Astana, 010000**

**Kabanbai Batyr str., 22**

**Tel.: (8 3172) 97-68-01, 97-68-63**

**Fax:(8 3172) 97-68-65**

**Ministry of Energy and Mineral Resources  
of the Republic of Kazakhstan**

**On behalf of the Competent Authority**

**B. Izmukhambetov, Minister**

**Contractor's address:**

**Almaty**

**The Republic square, 15**

**Tel.: (8 327) 2 67-25-17**

**Marsel Petroleum**

**Limited Liability Partnership**

**On behalf of Marsel Petroleum LLP**

**M. Nalibayev, Director**

30.3. In case of change of the address as shown in this Contract each Party shall notify the other Party in writing.

30.4. All annexes, schedules and addenda to the Contract shall be deemed to be its integral parts. In case of any discrepancy between an annex and the Contract provisions, the Contract shall always prevail.

30.5. Amendments and additions to the Contract that are not in conflict with the Contract terms and conditions shall be executed by a written agreement between the Parties. Such an agreement shall be deemed to be an integral part of the Contract.

This Contract is executed on July 27, 2007 in the city of Astana of the Republic of Kazakhstan by the authorized representatives of the Parties.

**Competent Authority**

**Ministry of Energy and Mineral Resources  
of the Republic of Kazakhstan**

**[signed]**

**B. Izmukhambetov, Minister**

**[seal]**

**Contractor**

**Marsel Petroleum**

**Limited Liability Partnership**

**[signed]**

**M. Nalibayev, Director**

**[seal]**

**State registration # 2854 dated November “18”, 2008**

**ADDENDUM # 1**

**To Contract # 2433 dated July 27, 2007  
for exploration of oil and gas within blocks XXX-42,43 (partially), 44,45  
(partially); XXXI-42,43 (partially), 44 (partially), 45 (partially); XXXII-42, 43,  
44, 45 (partially);XXXIII – 42 (partially), 43 (partially), 44 (partially), 45  
(partially) in the territory of the Kyzylorda and South Kazakhstan oblasts**

**Between**

**MINISTRY OF ENERGY AND MINERAL RESOURCES  
(Competent Authority)**

**And**

**Marsel Petroleum Limited Liability Partnership  
(Contractor)**

**Astana, 2008**



This Addendum # 1 to Contract # 2433 dated July 27, 2007 for exploration of oil and gas within blocks XXX-42,43 (partially), 44,45 (partially); XXXI-42,43 (partially), 44 (partially), 45 (partially); XXXII-42, 43, 44, 45 (partially);XXXIII – 42 (partially), 43 (partially), 44 (partially), 45 (partially) in the territory of the Kyzylorda and South Kazakhstan oblasts of the Republic of Kazakhstan (the “Contract”) was signed on November 18, 2008 between the Ministry of energy and mineral resources (Competent Authority) and Marsel Petroleum Limited Liability Partnership (the “Contractor”).

### Preamble

Whereas:

The Contractor applied to the Competent Authority with a request to amend the Work Program as to change of physical volume of exploration works, without changing the total amount of financial obligations under Contract.

The Competent Authority decided to change the Work Program and make relevant amendments to the Contract (Minutes # 14 dated 10.07.2008).

The Competent Authority and the Contractor agreed on the following:

1. Clause 8.2. of Section 8 of the Contract “Work Program” in physical and monetary terms shall be amended and restated as follows:

##	Exploration works	Total cost, thousands of US\$
<b>Year 1</b>		
1	Coordination and approval of the Exploration and Production Contract with the Competent Authority	20
2	Geologic-geophysical information and materials acquisition	20
3	Reprocessing of previous CDP data	218
4	Purchase of equipment, office equipment and equipment for prospecting, drilling, testing and utilization of gas, condensate and oil	60
5	Re-entry of the well	875
6	2D seismic exploration works	2,200
7	Exploration Project for drilling of exploration wells	60
8	Training of Kazakhstani specialists (personnel)	66
9	Investments for development of the social infrastructure	186
10	Drilling of 1 deep well to the depth of 2,500 m	2,800
	<b>Total for Year 1</b>	<b>6,505</b>
	Including indirect charges 5%	
<b>Year 2</b>		
1	Re-interpretation of drilling geophysical materials and GIS	200
2	Reprocessing and re-interpretation of previous CDP data	400
3	Re-entry and restoration of the wells	908
4	2D seismic exploration works	4,000
5	2D materials processing and interpretation	500
6	Drilling of 1 deep well to the depth of 3,000 m	4,000
7	Drilling of 1 deep well to the depth of 2,000 m	2,500

8	Well testing and study	1,000
9	Construction of infield and access roads	101
10	Training of Kazakhstan specialists (personnel)	156
11	Investments for development of the social infrastructure	440
	<b>Total for Year 2</b>	<b>14,205</b>
	Including indirect charges 5%	
<b>Year 3</b>		
1	Reprocessing and re-interpretation of previous CDP data	500
2	Estimation of gas, condensate and oil reserves	200
3	Re-entry and restoration of the wells	1,200
4	Well testing and sampling	1,000
5	2D seismic exploration works	5,037
6	2D materials processing and interpretation	1,000
7	Drilling of 1 deep well to the depth of 3,000 m	4,000
8	Drilling of 1 deep well to the depth of 2,000 m	3,250
9	Construction of infield and access roads	200
10	Training of Kazakhstan specialists (personnel)	188
11	Investments for development of the social infrastructure	530
	<b>Total for Year 3</b>	<b>17,105</b>
	Including indirect charges 5%	
<b>Year 4</b>		
1	Estimation of gas, condensate and oil reserves	200
2	Well testing and sampling	1,342
3	2D seismic exploration works	6,200
4	2D materials processing and interpretation	987
5	Drilling of 1 deep well to the depth of 3,000 m	4,000
6	Drilling of 1 deep well to the depth of 2,500 m	3,250
7	Drilling of 1 deep well to the depth of 2,000 m	2,500
8	Test Production Project for the fields defined	200
9	Construction of infield and access roads	200
10	Training of Kazakhstan specialists (personnel)	216
11	Investments for development of the social infrastructure	610
	<b>Total for Year 4</b>	<b>19,705</b>
	Including indirect charges 5%	
<b>Year 5</b>		
1	Estimation of gas, condensate and oil reserves	200
2	2D seismic exploration works	1,500
3	2D materials processing and interpretation	313
4	Drilling of 1 deep well to the depth of 4,000 m	5,500
5	Drilling of 1 deep well to the depth of 3,500 m	4,750
6	Drilling of 1 deep well to the depth of 2,500 m	3,250
7	Drilling of 1 deep well to the depth of 2,000 m	2,500
8	Well testing and sampling	1,228
9	Test Production Project for the fields defined	300
10	Construction of infield and access roads	200
11	Training of Kazakhstan specialists (personnel)	226
12	Investments for development of the social infrastructure	638
	<b>Total for Year 5</b>	<b>20,605</b>

	Including indirect charges 5%	
	<b>Grand total</b>	<b>78,125</b>

2. Annex 3A "Work Program" shall be an integral part of this Addendum # 1 to Contract # 2433 dated 27.07.07.
3. This Addendum # 1 to the Contract shall be an integral part of Contract # 2433 dated July 27, 2007 and shall come into force as from the date of its registration by the Competent Authority.
4. This Addendum # 1 to the Contract is made in 3 (three) copies in the state and Russian languages and is signed on November 18, 2008 in Astana, Republic of Kazakhstan by the authorized representatives of the Competent Authority and Contractor.

**Signatures of the Parties:**

**Executive secretary  
of the Ministry of energy  
and mineral resources  
of the Republic of Kazakhstan  
Batalov A.B.**

[signed]

[seal]

**Marsel Petroleum LLP**

**General Director  
Nalibayev M.I.**

[signed]

[seal]

**ADDENDUM # 2**

**To Contract # 2433 dated July 27, 2007  
for exploration of oil and gas within blocks XXX-42,43 (partially), 44,45  
(partially); XXXI-42,43 (partially), 44 (partially), 45 (partially); XXXII-42, 43,  
44, 45 (partially); XXXIII – 42 (partially), 43 (partially), 44 (partially), 45  
(partially) in the territory of the Kyzylorda and South Kazakhstan oblasts**

**Between**

**MINISTRY OF ENERGY AND MINERAL RESOURCES  
(Competent Authority)**

**And**

**Marsel Petroleum Limited Liability Partnership  
(Contractor)**

**Astana, 2009**

This Addendum # 2 to Contract №2433 dated 27.07.2007 on Oil and Gas Exploration within the blocks XXX-42, 43 (part), 44, 45 (part), XXXI-42, 43 (part), 44 (part), 45 (part), XXXII-42, 43, 44, 45 (part); XXXIII-42, (part), 43 (part), 44 (part), 45(part) in the South Kazakhstan and Kyzylorda Oblasts was made between the Ministry of Energy and Mineral Resources (the “Competent Authority”) and **Marsel Petroleum Limited Liability Partnership** (the “Contractor”) on March 4, 2009.

### **Preamble**

Whereas the Republic of Kazakhstan adopted a new Code on Taxes and Other Mandatory Payments to the Budget as of December 10, 2008, cancelling stable tax regime conditions for the Contract,

The Competent Authority and the Contractor have agreed to amend the Contract as follows:

- 1) To amend and restate Clause 5 of Section I of the Contract as follows: “**Tax legislation** shall mean the Code of the Republic of Kazakhstan on Taxes and Other Mandatory Payments to the Budget as of December 10, 2008”.
- 2) To amend and restate Section 15 of the Contract as follows:

#### **“TAXATION**

- 15.1. The Contractor shall pay taxes and other mandatory payments to the budget as per the Tax legislation of the Republic of Kazakhstan effective at the time when such payment liabilities arise.
- 15.2. Subscription bonus.  
The Contractor shall pay the Subscription bonus in the amount of US\$570,000 (five hundred seventy thousand US dollars).
- 15.3. Customs payments.  
The Contractor shall pay all customs payments in compliance with the Customs legislation of the Republic of Kazakhstan in force as of the day of the customs declaration acceptance.
- 15.4. Transfer pricing.  
Should the price used in the course of a transaction execution vary from the market price, the state bodies which control application of transfer prices shall have the right to adjust units to be taxed in compliance with the legislation on state control of transfer prices application.
- 15.5. Provision of pensions, social deductions.  
The Contractor shall withhold and transfer mandatory pension fees of its employees to accumulative pension funds in compliance with the provisions of pension legislation, and shall be responsible for full calculation and timely payment of social deductions to the State social insurance fund in compliance with the mandatory social insurance law in force as of the date when such liabilities arise.
- 15.6. Punitive sanctions
  - 15.6.1. Punitive sanctions for violation of the Tax legislation shall be applied in

accordance with the legislation in force as of the date of commitment of such violation.

15.6.2. Fines for payments other than tax payments shall be applied at rates stipulated by the laws in force as of the date of commitment of such violation.”

The afore-mentioned tax regime comes into force effective January 1, 2009.

The remaining provisions of the Contract, including exhibits and addendums thereto not covered by this Addendum shall remain unchanged and lawfully valid to the full extent.

This Addendum №2 is an integral part of Contract № 2433 dated 27.07.2007 and comes into force on January 1, 2009.

This Addendum № 2 was signed in Astana by the authorized representatives of the Parties on March 4, 2009.

**COMPETENT AUTHORITY**

**Executive secretary  
of the Ministry of energy  
and mineral resources  
of the Republic of Kazakhstan  
Batalov A.B.**

[signed]

[seal]

**CONTRACTOR**

**Marsel Petroleum LLP**

**General Director  
Nalibayev M.I.**

[signed]

[seal]

**ADDENDUM # 3**

**To Contract # 2433 dated July 27, 2007  
for exploration of oil and gas within blocks XXX-42,43 (partially), 44,45  
(partially); XXXI-42,43 (partially), 44 (partially), 45 (partially); XXXII-42, 43,  
44, 45 (partially); XXXIII – 42 (partially), 43 (partially), 44 (partially), 45  
(partially) in the territory of the Kyzylorda and South Kazakhstan oblasts**

**Between**

**MINISTRY OF ENERGY AND MINERAL RESOURCES  
(Competent Authority)**

**And**

**Marsel Petroleum Limited Liability Partnership  
(Contractor)**

**Astana, 2009**

This Addendum # 3 to Contract # 2433 dated July 27, 2007 for oil and gas exploration within blocks XXX-42, 43 (part), 44, 45 (part); XXXI-42, 43 (part), 44 (part), 45 (part); XXXII-42, 43, 44, 45 (part); XXXHI-42 (part), 43 (part), 44 (part), 45 (part), in the Kyzylorda and South-Kazakhstan oblasts (hereinafter - Contract) is made on April 14, 2009 between Ministry of energy and mineral resources of the Republic of Kazakhstan (hereinafter - Competent Authority) and Marsel Petroleum Limited Liability Partnership (hereinafter - Contractor).

### Preamble

Whereas:

The Contractor filed a request to the Competent Authority on amendment of the Work Program as to reallocation of investments under Contract # 2433 dated 27.07.07 with the total amount of financial obligations under the Contract to remain unchanged,

The Competent Authority decided to change the Work Program and make relevant amendments to the Contract (Minutes # 3 dated 27.02.2009).

The Competent Authority and the Contractor agreed on the following:

1. Clause 8.2. of Section 8 of the Contract "Work Program" in physical and monetary terms shall be amended and restated as follows:

##	Exploration works	Total cost, thousands of US\$
<b>Year 1</b>		
1	Coordination and approval of the Exploration and Production Contract with the Competent Authority	20
2	Geologic-geophysical information and materials acquisition	79.2
3	Reprocessing of previous CDP data	110.3
4	Purchase of equipment, office equipment and equipment for prospecting, drilling, testing and utilization of gas, condensate and oil	708.2
5	Other exploration expenses	129.8
6	2D seismic exploration works	1,062.2
7	Exploration Project for drilling of exploration wells	60
8	Training of Kazakhstani specialists (personnel)	73.2
9	Investments for development of the social infrastructure	318.8
10	Drilling of 1 deep well to the depth of 2,500 m	2,757.4
11	Insurance	56.4
12	Liquidation fund	43
13	Including indirect charges	397.5
14	Taxes and payments	134.3
15	Capital expenditure	1,093.6
	<b>Total for Year 1</b>	<b>7,043.9</b>
	Including indirect charges 5%	
<b>Year 2</b>		
1	Re-interpretation of drilling geophysical materials and GIS	200
2	Reprocessing and re-interpretation of previous CDP data	400
3	Re-entry and restoration of the wells	1,295
4	2D seismic exploration works	4,000



5	2D materials processing and interpretation	500
6	Construction of infield and access roads	101
7	Training of Kazakhstan specialists (personnel)	132
8	Investments for development of the social infrastructure	372
	<b>Total for Year 2</b>	<b>7,000</b>
	Including indirect charges 5%	
<b>Year 3</b>		
1	Reprocessing and re-interpretation of previous CDP data	500
2	Estimation of gas, condensate and oil reserves	200
3	Re-entry and restoration of the wells	1,250
4	Well testing and sampling	1,000
5	2D seismic exploration works	6,182
6	2D materials processing and interpretation	1,000
7	Drilling of 1 deep well to the depth of 3,000 m	4,000
8	Construction of infield and access roads	200
9	Training of Kazakhstan specialists (personnel)	175
10	Investments for development of the social infrastructure	493
	<b>Total for Year 3</b>	<b>15,000</b>
	Including indirect charges 5%	
<b>Year 4</b>		
1	Estimation of gas, condensate and oil reserves	200
2	Well testing and sampling	1,500
3	2D seismic exploration works	6,200
4	2D materials processing and interpretation	987
5	Drilling of 1 deep well to the depth of 3,000 m	4,295
6	Drilling of 1 deep well to the depth of 2,500 m	3,250
7	Drilling of 1 deep well to the depth of 2,000 m	2,500
8	Test Production Project for the fields defined	200
9	Construction of infield and access roads	200
10	Training of Kazakhstan specialists (personnel)	175
11	Investments for development of the social infrastructure	493
	<b>Total for Year 4</b>	<b>20,000</b>
	Including indirect charges 5%	
<b>Year 5</b>		
1	Estimation of gas, condensate and oil reserves	200
2	2D seismic exploration works	1,500
3	2D materials processing and interpretation	313
4	Drilling of 1 deep well to the depth of 4,000 m	4,976.1
5	Drilling of 2 deep wells to the depth of 3,500 m	9,000
6	Drilling of 2 deep wells to the depth of 2,500 m	6,000
7	Drilling of 2 deep wells to the depth of 2,000 m	4,500
8	Well testing and sampling	1,500
9	Test Production Project for the fields defined	300
10	Construction of infield and access roads	200
11	Training of Kazakhstan specialists (personnel)	155
12	Investments for development of the social infrastructure	437
	<b>Total for Year 5</b>	<b>29,081.1</b>
	Including indirect charges 5%	

	<b>Grand total</b>	<b>78,125</b>
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5. Annex 1 “Work Program” shall be an integral part of this Addendum # 3 to Contract # 2433 dated 27.07.07.
6. This Addendum # 3 to the Contract shall be an integral part of Contract # 2433 dated July 27, 2007 and shall come into force as from the date of its registration by the Competent Authority.
7. This Addendum # 3 to the Contract is made in 3 (three) copies in the state and Russian languages and is signed on April 14, 2009 in Astana, Republic of Kazakhstan by the authorized representatives of the Competent Authority and Contractor.

**Signatures of the Parties:**

**Executive secretary  
of the Ministry of energy  
and mineral resources  
of the Republic of Kazakhstan  
Batalov A.B.**

**Marsel Petroleum LLP**

**General Director  
Nalibayev M.I.**

[signed]

[signed]

[seal]

[seal]