



**ISLAMIC REPUBLIC OF AFGHANISTAN**

**MINISTRY OF MINES & PETROLEUM**

**THE AFGHAN-TAJIK BASIN PHASE I TENDER**

**EXPLORATION AND  
PRODUCTION SHARING CONTRACT**

**FOR**

**HYDROCARBONS EXPLORATION,  
DEVELOPMENT AND PRODUCTION**

**IN**

**MAZAR-I-SHARIF BLOCK**

8 October 2013

**TABLE OF CONTENTS**

	<u>Page</u>
ARTICLE I DEFINITIONS & INTERPRETATION.....	2
ARTICLE II GRANT OF RIGHTS TO THE CONTRACTOR .....	10
ARTICLE III TERM .....	10
ARTICLE IV RELINQUISHMENT .....	12
ARTICLE V GENERAL OBLIGATIONS OF THE CONTRACTOR.....	13
ARTICLE VI EXPLORATION PHASE; WINNING BIDDER’S EXPLORATION PROGRAM .....	20
ARTICLE VII DISCOVERY; DEVELOPMENT AND PRODUCTION.....	22
ARTICLE VIII FINANCIAL AND PERFORMANCE GUARANTEES; BONUSES.....	30
ARTICLE IX OBLIGATIONS OF THE MINISTRY .....	32
ARTICLE X ALLOCATION OF PRODUCTION.....	34
ARTICLE XI MEASUREMENT OF HYDROCARBONS .....	37
ARTICLE XII DOMESTIC REQUIREMENTS .....	38
ARTICLE XIII PAYMENT PROCEDURE .....	40
ARTICLE XIV SURFACE RENTAL FEES .....	40
ARTICLE XV NATURAL GAS .....	42
ARTICLE XVI INCOME TAX .....	44
ARTICLE XVII CUSTOMS DUTIES.....	45
ARTICLE XVIII EXCHANGE AND CURRENCY CONTROLS.....	46
ARTICLE XIX TREATMENT UNDER AFGHANISTAN LAW.....	47
ARTICLE XX TRAINING, EMPLOYMENT AND LOCAL CONTENT.....	47
ARTICLE XXI PURCHASES IN AFGHANISTAN .....	48
ARTICLE XXII JOINT DEVELOPMENT / UNITIZATION .....	48
ARTICLE XXIII HEALTH, SAFETY AND ENVIRONMENTAL PROTECTION .....	50
ARTICLE XXIV DISPUTE SETTLEMENT/ ARBITRATION.....	53
ARTICLE XXV TERMINATION AND REVOCATION .....	55
ARTICLE XXVI BOOKS, ACCOUNTS AND AUDITS; RECORDS, REPORTS AND INSPECTIONS .....	58
ARTICLE XXVII INSURANCE AND INDEMNIFICATION .....	60
ARTICLE XXVIII ASSIGNMENT AND SUBCONTRACTORS .....	61



ARTICLE XXIX LAW OF THE CONTRACT .....	64
ARTICLE XXX FORCE MAJEURE .....	64
ARTICLE XXXI ENTIRE CONTRACT AND AMENDMENTS.....	64
ARTICLE XXXII WAIVERS; CUMULATIVE REMEDIES .....	65
ARTICLE XXXIII TRANSPARENCY IN AFGHANISTAN HYDROCARBONS OPERATIONS .....	65
ARTICLE XXXIV NOTICES .....	66
ARTICLE XXXV EFFECTIVENESS AND REGISTRATION.....	67
EXHIBIT A DESCRIPTION OF CONTRACT AREA	
EXHIBIT B MAP OF CONTRACT AREA	
EXHIBIT C ACCOUNTING PROCEDURES	
EXHIBIT D FINANCIAL GUARANTEE	
EXHIBIT E GENERAL PERFORMANCE GUARANTEE	
EXHIBIT F LONG RANGE PLAN FOR THE TRAINING OF AFGHAN NATIONALS	
EXHIBIT G BIDDING FORM	
EXHIBIT H MINIMUM EXPLORATION PROGRAM	
EXHIBIT I WINNING BIDDER'S EXPLORATION PROGRAM	
EXHIBIT J ARTICLE X CALCULATION EXAMPLE	
EXHIBIT K FORM OF HYDROCARBONS LICENSE	
EXHIBIT L FORM OF PERMIT FOR DEVELOPMENT AND PRODUCTION OPERATIONS	

## **EXPLORATION AND PRODUCTION SHARING CONTRACT**

**THIS CONTRACT**, made and entered into this 8th day of October, 2013, by and between **THE MINISTRY OF MINES & PETROLEUM OF THE GOVERNMENT OF THE ISLAMIC REPUBLIC OF AFGHANISTAN** (hereinafter referred to as the “**Ministry**”), acting on behalf of the Government of the Islamic Republic of Afghanistan (hereinafter referred to as the “**Government**”), **Dragon Oil (Mazar-i-Sharif) Limited**, a corporation duly organized and existing under the laws of Bermuda (“**Dragon Oil**”), **TP Afghanistan Limited**, a corporation duly organized and existing under the laws of Jersey (“**TPAL**”) and **Ghazanfar Investment Ltd.**, a corporation duly organized and existing under the laws of the Islamic Republic of Afghanistan (“**Ghazanfar**”).

### **RECITALS**

1. **WHEREAS**, the entire property in, and control of, all Hydrocarbon resources in or under the territory of Afghanistan is exclusively vested in the State under Afghanistan Law;
2. **WHEREAS**, the Ministry wishes to promote the initiation of production and processing of the known Hydrocarbon resources to meet current and future demands for energy and related products, services and activities and prioritize the early production of Hydrocarbons and, in parallel with the aforementioned activities, wishes that the Contractor use sufficient resources to thoroughly assess the Hydrocarbon potential in the Contract Area, and the Contractor desires to join and assist the Ministry in achieving these objectives and goals for the exploration for, and production of, the Hydrocarbon resources within the Contract Area;
3. **WHEREAS**, the Contractor represents that it has the financial resources, technical competence and professional skills necessary to carry out the Hydrocarbons Operations hereinafter described;
4. **WHEREAS**, each Contractor Entity acknowledges that it is familiar with the laws and regulations of Afghanistan and that it has the means to maintain such familiarity during the term of this Contract; and
5. **WHEREAS**, in accordance with the Hydrocarbons Law of Afghanistan, Exploration and Production Sharing Contracts for Hydrocarbons may be entered into between the Ministry and foreign or domestic contractors.

### **CONTRACT**

**NOW, THEREFORE**, the Parties hereby agree as follows:

## ARTICLE I

### DEFINITIONS & INTERPRETATION

1.1 **Definitions.** In this Contract, the following terms shall have the following meanings:

“**Accounting Procedures**” shall mean the accounting procedures set forth in Exhibit C.

“**Affiliated Entity**” shall mean any entity directly or indirectly controlling, controlled by or under common control with, a specified entity. For the purposes of this definition, “control,” when used with respect to any specified entity, means the power to direct, administer and dictate the policies of such entity (it being understood and agreed that it is not necessary to own directly or indirectly fifty percent (50%) or more of such entity’s voting securities to have control over such entity, but ownership, direct or indirect, of fifty percent (50%) or more of such entity’s voting securities shall be deemed to constitute control).

“**Afghanistan Law**” shall mean any and all laws and regulations applicable in the Islamic Republic of Afghanistan, including, for the avoidance of doubt, international conventions to which Afghanistan is a party.

“**Appraisal Program**” shall mean the program for appraising a Discovery established pursuant to Section 7.1.

“**Appraisal Program Budget**” shall mean the estimate of the costs of all items included in the corresponding Appraisal Program, including both capital and operating budgets, all in a form acceptable to the Ministry.

“**Arm’s-Length Sales**” shall mean bona fide commercial sales made at arm’s length between willing and unrelated buyers and sellers in exchange for cash, excluding sales involving barter, sales from government to government and other transactions motivated in whole or in part by considerations other than the usual economic incentives involved in bona fide commercial sales of Hydrocarbons in the international market, provided that a sale of Hydrocarbons shall not be deemed an Arm’s-Length Sale unless made at (i) the applicable Delivery Point or (ii) another point of sale as to which the Parties have previously agreed upon a standard location differential to account for deemed transportation costs from the applicable Delivery Point to the point of sale.

“**Associated Gas**” shall mean Natural Gas that is produced in association with Liquid Hydrocarbons that can be produced commercially.

“**Barrel**” shall mean a quantity or unit of Liquid Hydrocarbons equal to 158.9874 liters (forty-two (42) United States gallons) at a temperature of sixty (60) degrees Fahrenheit (15.56 degrees Centigrade) under one atmosphere of pressure.

“**Baseline Environmental Assessment**” shall mean a report containing a description of the environment in the subject area prior to the commencement of Hydrocarbons Operations, including the then existing flora and fauna, soil, air quality, underground and



surface water, landscape aesthetics, farming conditions, and socio-economic conditions in local communities.

**“Calendar Year”** shall mean a period of twelve (12) consecutive Months, commencing January 1st and ending December 31st.

**“Commercial Discovery”** shall mean a Discovery which, as determined in accordance with the provisions of Section 7.1, can be produced commercially, based on consideration of all pertinent operating and financial data, such as Hydrocarbons volumes, recoverable reserves, sustainable production levels and other relevant technical and economic factors, according to Good Oil Field Practices.

**“Commercial Discovery Declaration Date”** shall have the meaning set forth in Section 7.1(k)(ii).

**“Contract”** shall mean this Exploration and Production Sharing Contract, including all Exhibits hereto, as the same may be amended from time to time.

**“Contract Area”** shall mean the area described as such in Exhibit A and delineated as such in Exhibit B, as the same may be reduced by relinquishments made in accordance with the terms of this Contract.

**“Contract Year”** shall mean (i) the period commencing on the date that the License for Hydrocarbons Operations is granted to the Contractor pursuant to Section 9.2(f) and ending on the first anniversary of the last Day of the Month in which the License for Hydrocarbons Operations is granted to the Contractor pursuant to Section 9.2(f) and (ii) thereafter, each period of twelve (12) consecutive Months, commencing on the first Day of the Month following the end of the previous Contract Year and ending on the next anniversary of the last Day of the Month in which the License for Hydrocarbons Operations is granted to the Contractor pursuant to Section 9.2(f).

**“Contractor”** shall mean the Contractor Entities, collectively.

**“Contractor Entity”** shall mean each of Dragon Oil, TPAL and Ghazanfar and any of their respective successors or assigns permitted in accordance with this Contract. For the avoidance of doubt, at any time when there is only one entity constituting the Contractor, any reference made in this Contract to “the entities constituting the Contractor” or similar reference, shall be deemed to mean “the entity constituting the Contractor”.

**“Cost Recovery Hydrocarbons”** shall mean the Hydrocarbons received by the Contractor in recovery of Hydrocarbons Operations Expenditures in accordance with the provisions of Section 10.1(b).

**“Customs Duties”** shall mean all duties, taxes or imposts (except charges paid to the Government for actual services rendered, such as normal handling and storage charges) which are payable as a result of the importation or exportation of the item or items under consideration.



“**Day**” shall mean a Gregorian calendar day.

“**Delivery Point**” shall mean a point or the points relating to a Field, at or after extraction, specified in the approved Development Program for such Field, at which the Hydrocarbons are measured for the purposes of Section 11.3, valued for the purposes of Section 10.1 and ready to be taken and disposed of, consistent with Good Oil Field Practices.

“**Development and Production Operations**” shall mean all Hydrocarbons Operations in and relating to a Field, including those conducted to facilitate the extraction of Hydrocarbons.

“**Development and Production Phase**” shall mean the period referred to in Section 3.2.

“**Development Program**” shall mean the program for developing a Field established pursuant to Section 7.1.

“**Development Program Budget**” shall mean the estimate of the costs of all items included in the corresponding Development Program, including both capital investment requirements and operating budgets, operating costs and sales revenues, and the anticipated type and source of financing, all in a form acceptable to the Ministry.

“**Discovery**” shall mean a structure or accumulation or group of structures or accumulations proved by drilling to be bearing Hydrocarbons, whether deemed to be the subject of commercial development or not, including any extension of a previous Discovery.

“**Effective Date**” shall mean October 8, 2013.

“**EITI**” shall mean the Extractive Industries Transparency Initiative and related implementing requirements, including the EITI Principles, EITI Criteria, and EITI Requirements, the EITI Articles of Association, the EITI Validation Guide and Policy Notes issued by the EITI International Secretariat conveying decisions taken by the EITI International Board.

“**Environmental Impact Assessment**” shall mean a report prepared in connection with a Development Program submitted pursuant to Section 7.1(i)(ii) or, if required, before commencement of certain Exploration Operations pursuant to Section 6.2, and containing a description of the ecosystem in the subject area prior to the commencement of Development and Production Operations or Exploration Operations, as applicable, including the flora and fauna, soil, air quality, underground and surface water, landscape aesthetics, and the aspects of the ecosystem which may be affected qualitatively and quantitatively by the operations, the effect of the operations on local populations, if any, and the socio-economic conditions of those individuals.

“**Evaluation Agreement**” shall have the meaning set forth in Section 15.2(d).

“**Expertise Rules**” shall have the meaning set forth in Section 24.2.

**“Exploration Operations”** shall mean geological studies, geochemical studies, geophysical studies, aerial mapping, seismic surveys, investigations relating to the subsurface geology including structure test drilling, stratigraphic test drilling, drilling of Exploration Wells, and other related activities such as surveying, drill site preparation and all work necessarily connected therewith, that is conducted in connection with Hydrocarbons exploration.

**“Exploration Phase”** shall mean the period(s) referred to in Section 3.1.

**“Exploration Well”** shall mean a Well drilled in the course of Exploration Operations, where the target or objective of such well is outside or at a different depth of horizon of the known accumulations.

**“Field”** shall mean an area, as designated by agreement between the Ministry and the Contractor, relating to the same geological structures or accumulations, where a Commercial Discovery of Liquid Hydrocarbons or Natural Gas has been declared.

**“Financial Guarantee”** shall mean a standby letter of guarantee in the amount determined in accordance with Exhibit H, in the form attached hereto as Exhibit D or in a reasonably similar form acceptable to the Ministry, issued by a bank subject to the jurisdiction of and approved by the Government.

**“First Extension Period”** shall have the meaning set forth in Section 3.1.

**“Force Majeure”** shall have the meaning set forth in Article XXX.

**“General Performance Guarantee”** shall mean a guarantee of the Contractor’s obligations hereunder, in the form attached hereto as Exhibit E, by the ultimate parent entity (or entities) of each Contractor Entity in a maximum amount equal to the product of (i) such Contractor Entity’s Participating Interest and (ii) one hundred million US Dollars (US\$ 100,000,000), to be executed and delivered to the Ministry simultaneously with the execution of this Contract.

**“Good Oil Field Practices”** shall mean such practices and procedures employed in the Hydrocarbons industry worldwide by prudent and diligent operators under conditions and circumstances similar to those experienced in connection with the relevant aspect or aspects of the Hydrocarbons Operations, intended principally at guaranteeing: (i) environmental protection, which calls for the adoption of methods and processes which avoid or minimize the adverse impact of Hydrocarbons Operations on the environment, including avoiding or minimizing damage to flora and fauna; (ii) operational safety, which entails the use of methods and processes that promote occupational safety and the prevention of accidents; and (iii) conservation of Hydrocarbons resources, which implies the utilization of adequate methods and processes to maximize the recovery of Hydrocarbons in a technically and economically sustainable manner, with a corresponding control of reserves decline, using principles of maximum efficient production rates and other conservation principles, and to minimize losses at the surface and avoid waste.



“**Gross Contractor Revenues**” shall mean the value of Cost Recovery Hydrocarbons and Net Hydrocarbons allocated to the Contractor in accordance with Section 10.1 and any other proceeds derived from Hydrocarbons Operations as set forth in the Accounting Procedures.

“**Hydrocarbons**” shall mean Liquid Hydrocarbons and Natural Gas.

“**Hydrocarbons Law**” shall mean the Hydrocarbons Law 2009 of Afghanistan.

“**Hydrocarbons Operations**” shall mean any operations related to prospecting, exploration, extraction, production, field separation, storage, transportation, or sale of Hydrocarbons, but not transportation beyond the border exit-point for exports or after delivery into a refinery or processing plant.

“**Hydrocarbons Operations Expenditures**” shall mean expenditures made in conducting Hydrocarbons Operations hereunder, as well as decommissioning and abandonment operations, as determined in accordance with the Accounting Procedures.

“**Hydrocarbons Register**” shall mean the registration of documents, reports and records of Hydrocarbons Operations established in accordance with the Hydrocarbons Law.

“**Hydrocarbons Regulations**” shall mean the Hydrocarbons Regulations 2009 of Afghanistan.

“**Income Tax**” shall mean the tax imposed on Net Taxable Income pursuant to the Income Tax Law.

“**Income Tax Law**” shall mean the Income Tax Law (2009) of Afghanistan.

“**Initial Commercial Production**” shall mean, with respect to any Field, the date on which the first regular shipment of Liquid Hydrocarbons or Natural Gas, or both, is made from such Field under a program of regular production hereunder.

“**Initial Exploration Period**” shall have the meaning set forth in Section 3.1.

“**License**” shall mean the license granted to the Contractor pursuant to Section 9.2(f), in the form attached hereto as Exhibit K, certifying that the Contractor holds this Exploration and Production Sharing Contract and is therefore entitled to conduct Hydrocarbons Operations within the Contract Area.

“**Liquid Hydrocarbons**” shall mean crude mineral oil, asphalt and all other kinds of hydrocarbons and bitumen, regardless of gravity, which are produced at the wellhead in a liquid or solid state at ambient conditions of temperature and atmospheric pressure, or which are extracted from Natural Gas by condensation.

“**Market Price**” shall mean, with respect to each type and grade of Hydrocarbons produced from the Contract Area in a given Quarter, the weighted average net price per unit obtained by the Contractor or any of its Affiliated Entities at the applicable Delivery

Point from Arm's-Length Sales of such Hydrocarbons during the Quarter (after deduction of a standard location differential agreed between the Parties to account for deemed transportation costs from the applicable Delivery Point to the point of sale); provided that if less than fifty percent (50%) of the total volume of sales of such Hydrocarbons during the Quarter are Arm's-Length Sales, then the Market Price shall be the price agreed by the Ministry and the Contractor as reflecting the market price for such Hydrocarbons at the applicable Delivery Point for the Quarter.

**“Maximum Efficient Rate”** shall mean the maximum rate of production of Hydrocarbons in a Field, without excessive rate of decline of production or excessive loss of reservoir pressure, and in accordance with Good Oil Field Practices and the provisions of Section 7.2(b).

**“Minimum Exploration Program”** shall mean the minimum work commitment for Exploration Operations to be undertaken by the Contractor during the Exploration Phase as set forth in Exhibit H and which is subject to the terms of the Financial Guarantee.

**“Month”** shall mean a Gregorian calendar month.

**“Natural Gas”** shall mean any Hydrocarbons which at ambient conditions of temperature and pressure are found in a gaseous state, and includes dry mineral gas, including coal-based methane, wet gas and residue gas remaining after the extraction, processing or separation of Liquid Hydrocarbons from wet gas, as well as non-Hydrocarbon gas or gases produced in association with liquid or gaseous Hydrocarbons, including the residue gas remaining after the condensation of Liquid Hydrocarbons, but excluding condensed or extracted Liquid Hydrocarbons.

**“Net Hydrocarbons”** shall mean the quantity of Hydrocarbons produced and saved and not used in Hydrocarbons Operations or flared or re-injected into the Contract Area, after deduction of the Royalty and the Cost Recovery Hydrocarbons.

**“Net Taxable Income”** shall mean net taxable income as determined in accordance with the provisions of the Income Tax Law.

**“Non-Associated Gas”** shall mean Natural Gas that is produced without association with Liquid Hydrocarbons or in association with Liquid Hydrocarbons that cannot be produced commercially.

**“Operator”** shall mean the Contractor Entity designated by the Contractor pursuant to Section 5.2 which, in the name and on behalf of the Contractor, shall carry out Hydrocarbons Operations in the Contract Area.

**“Participating Interest”** shall mean each Contractor Entity's undivided share (expressed as a percentage of the total shares of all Contractor Entities) in the rights and interests of the Contractor under this Contract.

**“Parties”** shall mean the Ministry, each Contractor Entity and their permitted successors and assigns.



“**Person-in-Charge**” shall mean the competent Person appointed by the Operator to be in charge of all Hydrocarbons Operations hereunder.

“**Progressive Tax Rate**” means, in relation to Income Tax, a tax rate that increases as Net Taxable Income increases.

“**Quadrant**” shall mean the area demarcated by five (5) minutes of longitude and five (5) minutes of latitude. Quadrants are identified in Exhibits A and B.

“**Quarter**” shall mean a period of three (3) consecutive Months commencing with the first day of January, April, July or October.

“**RGIP**” or “**Recoverable Gas Initially in Place**” means Natural Gas initially in place and having a reasonable certainty of being recoverable under existing economic and political conditions, using existing technology.

“**ROIP**” or “**Recoverable Oil Initially in Place**” means Liquid Hydrocarbons initially in place and having a reasonable certainty of being recoverable under existing economic and political conditions, using existing technology.

“**Royalty**” shall mean twelve and six-tenths percent (12.6%) of the Hydrocarbons produced and saved from the Contract Area and not used in Hydrocarbons Operations prior to the Delivery Point, or lost, flared or re-injected into the Contract Area, which is allocated to the Ministry before allocation to the Contractor of the Cost Recovery Hydrocarbons, all as set forth in Article X.

“**Screening Report**” shall mean a report prepared for review by the National Environmental Protection Agency under its current regulations or procedures to determine whether an Environmental Impact Assessment shall be required for any Hydrocarbons Operations.

“**Second Extension Period**” shall have the meaning set forth in Section 3.1.

“**Shareholder**” means any person holding shares or other voting securities of a Contractor Entity from time to time.

“**Signature Bonus**” shall have the meaning set forth in Section 8.6(a).

“**Social Impact Assessment**” shall mean a social impact report prepared in connection with Section 6.3 or Section 7.1(i)(ii), assessing the probable impacts on affected communities of proposed Exploration Operations or Development and Production Operations, as applicable, including mitigation strategies and plans for community engagement and development, benefit sharing, labor welfare, resettlement and rehabilitation, and resolution of grievances. Each Social Impact Assessment shall be in such form and otherwise comply with any guidelines published by the Ministry or the National Environmental Protection Agency.

“**State**” shall mean the Islamic Republic of Afghanistan.

“**U.S. Dollars**” or “**US\$**” shall mean the lawful currency of the United States of America.

“**Well**” shall mean any opening in the ground made or being made by drilling or boring, or in any other manner, for the purpose of exploring for and/or producing Hydrocarbons, or for the injection of any gas or fluid into an underground deposit, other than a seismic hole or a stratigraphic test hole.

“**Winning Bidder**” shall mean the consortium that submitted the bid in the Afghan-Tajik Basin Phase I Tender that was awarded this Contract, as such consortium may have been changed prior to the date hereof with the approval of the Ministry.

“**Winning Bidder’s Exploration Program**” shall mean the work commitment for Exploration Operations undertaken by the Contractor as set forth in Exhibit I. For the avoidance of doubt, the Financial Guarantee shall not apply to such portion of the Winning Bidder’s Exploration Program which is in excess of the requirements of the Minimum Exploration Program.

“**Work Program**” shall mean, as applicable, (i) the initial work program prepared by the Contractor pursuant to Section 5.3(a) itemizing the Hydrocarbons Operations to be carried out in the Contract Area during the period from the Effective Date until December 31, 2013 and (ii) for each subsequent Calendar Year, the annual work program prepared by the Contractor pursuant to Section 5.3(b) itemizing the Hydrocarbons Operations to be carried out in the Contract Area during such Calendar Year.

“**Work Program Budget**” shall mean the estimate of the cost of all items included in the corresponding Work Program, including both capital and operating budgets, all in a form acceptable to the Ministry.

**1.2 Interpretation.** Unless the context otherwise requires:

- (a) the word “including” means including, without limitation; words in the singular include the plural and words in the plural include the singular; and the words “hereof,” “herein” and “hereunder” refer to this Contract as a whole;
- (b) references herein to Articles, Sections and Exhibits are to the Articles, Sections and Exhibits of this Contract;
- (c) the headings of this Contract are included for purposes of convenience only and are not to be used in the interpretation of this Contract;
- (d) references herein to each of the Parties shall include their respective successors and permitted assigns; and
- (e) any agreement, instrument or statute defined or referred to herein or in any instrument or certificate delivered in connection herewith means such agreement, instrument or statute as from time to time amended, modified, supplemented or replaced.

## ARTICLE II

### GRANT OF RIGHTS TO THE CONTRACTOR

- 2.1 **Exclusive Rights.** Subject to the terms and conditions set forth in this Contract, the Ministry grants to the Contractor the exclusive right to conduct Hydrocarbons Operations within the Contract Area for the duration of this Contract. The Contractor shall acquire a share of extracted Hydrocarbons as set out herein and shall, except as provided in Sections 12.1, 12.3 and 12.4, have the right, during the term of this Contract, to freely take, sell and export such share. For the avoidance of doubt, title and risk of loss of the Contractor's share of extracted Hydrocarbons shall pass from the State to the Contractor at the applicable Delivery Point.
- 2.2 **Sole Risk, Cost and Expense.** Except as otherwise expressly provided in this Contract, the Contractor shall conduct all Hydrocarbons Operations hereunder at its sole risk, cost and expense and shall look only to the Hydrocarbons to which it is entitled under this Contract to recover such costs and expenses, and such Hydrocarbons shall be the Contractor's sole source of compensation hereunder.
- 2.3 **Independent Contractor.** The Contractor shall be responsible to the Ministry for the execution of all Hydrocarbons Operations in accordance with the provisions of this Contract. Without prejudice to the Contractor's position as an independent contractor hereunder, the extent and character of such work to be done by the Contractor shall be subject to the general supervision, review and approval of the Ministry, to which the Contractor shall report and be responsible as set forth herein and in the applicable legislation and regulations.
- 2.4 **Participating Interests.** As of the Effective Date, the Participating Interests of the Contractor Entities are:

Dragon Oil: 40%

Ghazanfar: 20%

TPAL: 40%

If a Contractor Entity transfers or assigns all or part of its Participating Interest under the provisions of this Contract, the Participating Interests of the Contractor Entities shall be revised accordingly.

## ARTICLE III

### TERM

- 3.1 **Exploration Phase.** The Contractor is authorized to conduct Exploration Operations within the Contract Area during the Exploration Phase, which shall be comprised of (i)



an initial exploration period of four (4) Contract Years (“Initial Exploration Period”) commencing on the date that the License for Hydrocarbons Operations is granted to the Contractor pursuant to Section 9.2(f), and (ii) subject to the conditions hereinafter provided, two (2) successive extension periods (“First Extension Period” and “Second Extension Period”) of two (2) Contract Years each. Such extension periods shall be granted to the Contractor upon the Contractor’s request delivered to the Ministry not later than ninety (90) Days prior to the expiration of the then current period, subject to the Contractor having fulfilled its obligations under this Contract for the then current period, including the relinquishment provisions of Article IV, and having submitted with such request a Work Program and Work Program Budget, as well as a Financial Guarantee for an amount equal to the estimated expenditures associated with the Minimum Exploration Program for the period of extension, all of which is to be consistent with the undertakings set forth in Article VI.

- 3.2 **Development and Production Phase.** If a Commercial Discovery is declared, the Contractor shall commence Development and Production Operations (the “Development and Production Phase”) in respect of the Field where such Commercial Discovery has been declared, subject to the Ministry’s approval of a Development Program and Development Program Budget submitted pursuant to Section 7.1(i)(ii).
- 3.3 **Absence of Commercial Discovery; Termination and Extension.** If at the end of the Exploration Phase, no Commercial Discovery has been made in any part of the Contract Area, this Contract shall terminate in its entirety, except that the Ministry shall grant an extension for such period, and for such area as may be necessary (i) for the Contractor to complete the drilling, testing, appraisal or plugging of any Well actually being drilled, tested, appraised or plugged at the end of the Exploration Phase and (ii) for the Ministry and the Contractor to determine that a Discovery is a Commercial Discovery pursuant to Section 7.1.
- 3.4 **Term of Development and Production Phase.** In the event of a Commercial Discovery, the extent of the area capable of production of Hydrocarbons from the formation or formations so identified shall be determined in accordance with the provisions of Section 7.1 or Article XV. The area so determined shall thereupon be converted automatically into a Field, with effect from the Commercial Discovery Declaration Date. The term of the Development and Production Phase for each Field shall extend for a maximum of twenty-five (25) years from the date on which a permit to conduct Development and Production Operations in respect of such Field has been granted pursuant to Section 7.1(k)(iv).
- 3.5 **Extension of Development and Production Phase.** In the event that the Contractor has fulfilled all its obligations for the specified term of the Contract, the Contractor may request an extension of the Development and Production Phase for a further period not exceeding ten (10) years. The Ministry shall approve any such request, unless the Contractor has failed to establish an economic basis for such extension, subject to the provisions of the Hydrocarbons Law.



## ARTICLE IV

### RELINQUISHMENT

4.1 **Exploration Phase.** Without prejudice to Section 7.1, during the Exploration Phase, the Contractor shall relinquish to the Ministry parts of the original Contract Area as follows:

- (a) on or before the end of the Initial Exploration Period, the Contractor shall relinquish at least twenty-five percent (25%) of the original Contract Area that has not been converted into a Field;
- (b) on or before the end of the First Extension Period, the Contractor shall relinquish at least an additional area equal to twenty-five percent (25%) of the remaining Contract Area that has not been converted into a Field; and
- (c) at the end of the Exploration Phase, the Contractor shall relinquish the remainder of the Contract Area that has not been converted into a Field or has not had a Discovery which is under evaluation for development or is otherwise subject to an Evaluation Agreement.

4.2 **Size and Shape of Relinquished Areas.** The size and shape of the part or parts of the Contract Area to be relinquished shall be determined by the Contractor; provided, however, that:

- (a) the Contractor shall advise the Ministry at least ninety (90) Days prior to the date of relinquishment which parts of the Contract Area the Contractor wishes to relinquish;
- (b) the Contractor shall consult with the Ministry regarding the shape and size of each individual portion of the areas being relinquished; and
- (c) unless the Ministry expressly allows otherwise, the area being relinquished shall not be divided into more than two (2) portions, each of which shall comprise, and be defined by reference to, graticular sections as described in Exhibit B, provided, however, that the Ministry shall permit the area being relinquished to be divided into more than two (2) portions if necessary to avoid including within the area part or all of a Field or area in which a Discovery has been made which the Contractor is not otherwise required to relinquish hereunder. To the extent that the boundaries of the original Contract Area permit, each individual portion being relinquished shall:
  - (i) be not less than twenty percent (20%) of the area being relinquished at such time;
  - (ii) be not less than fifty percent (50%) of the largest individual portion being relinquished at such time;

- (iii) have a longest side not more than three times as long as the shortest side; and
  - (iv) have sides parallel to the boundaries of the original Contract Area.
- 4.3 **Voluntary Relinquishment.** The Contractor shall have the right to relinquish all or any part of the Contract Area upon at least ninety (90) Days' written notice to the Ministry. In the event of partial relinquishment pursuant to this Section 4.3, the area relinquished shall be credited against that portion of the Contract Area which the Contractor is next required to relinquish pursuant to Section 4.1.
- 4.4 **Compliance with Obligations.** No relinquishment made in accordance with this Article IV shall relieve the Contractor of: (a) its obligation to make payments due as a result of surface rental fees incurred prior to the date of any such relinquishment; (b) its obligation to comply with the Winning Bidder's Exploration Program; or (c) any other obligation that may have accrued prior to the date of relinquishment.
- 4.5 **Clean-up and Restoration.** Upon relinquishment of any area, the Contractor shall perform all necessary clean-up activities and undertake all necessary restoration measures in accordance with Good Oil Field Practices and Afghanistan Law, and shall take all action necessary in accordance with Good Oil Field Practices to prevent hazards to the environment, flora and fauna, the local community, human health and life or third-party property, provided that the Contractor shall have no obligation to restore any area to a condition better than that established in the Baseline Environmental Assessment.

## ARTICLE V

### **GENERAL OBLIGATIONS OF THE CONTRACTOR**

- 5.1 **Conduct of Hydrocarbons Operations.** The Contractor shall be responsible for conducting all Hydrocarbons Operations within the Contract Area diligently, expeditiously and efficiently in accordance with Good Oil Field Practices and the prevailing legislation and pursuant to Work Programs and Work Program Budgets approved in accordance with Section 5.3. Without limiting the generality of the foregoing, the Contractor shall:
- (a) expend all necessary funds and purchase or lease all technology, equipment, machinery, materials and supplies required to be purchased or leased in connection with Hydrocarbons Operations and furnish all other funds for the performance of Hydrocarbons Operations as may be required, including payment to third parties that perform services as contractors or subcontractors to the Contractor;
  - (b) provide all technical expertise and assistance, including foreign personnel, required for the conduct of Hydrocarbons Operations;



- (c) ensure that all equipment, materials, supplies, plant and installations used by the Contractor, its contractors and subcontractors comply with Good Oil Field Practices and are of proper construction and kept in good working order;
- (d) ensure that Exploration Wells with shows of Hydrocarbons sufficient to warrant testing under Good Oil Field Practices are properly tested;
- (e) use the resources in the Contract Area as productively as practicable, prevent damage to producing formations, and ensure that Hydrocarbons discovered, drilling fluids, mud or any other waste (solid or fluid) do not escape and are not wasted;
- (f) act in accordance with Good Oil Field Practices to prevent damage to Hydrocarbon and water bearing strata that are adjacent to a producing formation, and prevent water from entering any strata bearing Hydrocarbons, except where water injection methods are used for enhanced recovery operations or are intended otherwise in accordance with Good Oil Field Practices;
- (g) act in accordance with Good Oil Field Practices to (i) protect the environment such as to avoid any damage to flora and fauna and any other pollution of the environment and (ii) subject to Section 9.3, secure the safety, health and welfare of persons engaged in Hydrocarbons Operations and the public;
- (h) to the extent possible, prevent and mitigate any risks arising from Hydrocarbons Operations, and compensate third parties to the extent required by Afghanistan Law in respect of any actual injury, damage or loss resulting from an act or omission of the Contractor, its subcontractors or its agents, employees or representatives in the course of the conduct of Hydrocarbons Operations, and ensure prompt, fair and full compensation to such parties to the extent required by applicable law and the decisions of authorized dispute settlement bodies;
- (i) comply with applicable laws relating to employment when employing domestic or foreign staff, provide acceptable working conditions and living accommodations, and access to medical attention and nursing care, for all personnel employed by it, its contractors and its subcontractors in Hydrocarbons Operations, and otherwise ensure that international norms related to labor, social protection and human rights are respected and that no child labor or forced labor is used in connection with Hydrocarbons Operations; and
- (j) comply with the applicable environmental laws and regulations of Afghanistan.

**5.2 Operator.**

- (a) The Contractor hereby appoints TPAL to act as the Operator responsible for carrying out Hydrocarbons Operations in the Contract Area for and on behalf of the Contractor. Each Contractor Entity hereby authorizes the Operator to take such actions as agent on behalf of the Contractor and to exercise such rights,

privileges and powers and to comply with such obligations under this Contract as are attributed to or imposed on Contractor herein or under Afghanistan Law.

- (b) The Operator shall, subject to the terms and conditions of this Contract, have all the rights, privileges, powers and responsibilities of the Contractor set forth herein and under Afghanistan Law. The Ministry shall be entitled to deal exclusively with the Operator in respect of all matters relating to this Contract and the Contractor's performance of Hydrocarbons Operations.
- (c) The Contractor shall notify the Ministry in writing of any proposed change in the Operator or the Operator's responsibilities and any change in the Operator or the Operator's responsibilities shall require the prior written consent of the Ministry (not to be unreasonably withheld).
- (d) All acts and omissions of the Operator under this Contract shall be binding upon and deemed to constitute acts and omissions of the Contractor. Each Contractor Entity shall be jointly and severally liable for all duties and obligations of the Contractor and each Contractor Entity hereunder except (i) those relating to payment of Income Tax pursuant to Article XVI and (ii) for the accuracy of information provided to the Ministry under this Contract in connection with its own affairs (including but not limited to information provided in connection with a proposed transfer or assignment pursuant to Article XXVIII), which shall be the separate obligation of each Contractor Entity.
- (e) Within thirty (30) Days after the Effective Date, (i) the Operator and each Contractor Entity shall register to do business in Afghanistan and (ii) the Operator shall appoint and notify the Ministry of the name of a competent Person (the "Person-in-Charge") to be in charge of all Hydrocarbons Operations in the Contract Area. The Person-in-Charge shall ensure to the best of his ability that he and all workers in his charge know and comply with all relevant laws and regulations, and with any safety manual that is applicable to the operations under his control. The Person-in-Charge shall ensure that the Contractor's operating procedures and working conditions provide for the safety of the personnel engaged in Hydrocarbons Operations, the protection of the equipment used in Hydrocarbons Operations, the protection of the environment and the conservation of resources. The Person-in-Charge shall be responsible for preparing and submitting to the Ministry on a timely basis all programs, budgets, manuals, reports, documents and other communications required from the Contractor pursuant to this Contract or Afghanistan Law.
- (f) The Person-in-Charge shall serve as the legal representative in Afghanistan for the Contractor and each Contractor Entity. The Person-in-Charge shall have an office in an adequate location in Afghanistan for exercising the tasks of such representative, be a resident in Afghanistan with legal address and have authority to represent the Contractor and each Contractor Entity in all matters relating to this Contract. In the event of replacement of the Person-in-Charge, such



replacement shall be similarly notified to the Ministry upon the effective date of the replacement.

**5.3 Work Programs and Budgets.**

- (a) The Contractor shall prepare and submit to the Ministry for approval a Work Program and Work Program Budget for Hydrocarbons Operations and Hydrocarbons Operations Expenditures (i) for the period from the Effective Date until December 31, 2013 within sixty (60) Days after the Effective Date and (ii) for the period from January 1, 2014 until December 31, 2014 on or before November 1, 2013. Notwithstanding any other provision of this Contract, the Work Programs and Work Program Budgets shall include the annual training programs described in Sections 20.1 and 20.2. The Ministry and the Contractor shall promptly agree on the Work Programs and Work Program Budgets submitted pursuant to this Section 5.3(a).
- (b) At least ninety (90) Days prior to the beginning of each Calendar Year commencing on or after January 1, 2015, the Contractor shall prepare and submit to the Ministry for approval a Work Program and Work Program Budget for Hydrocarbons Operations and Hydrocarbons Operations Expenditures by Quarter, setting forth the Hydrocarbons Operations the Contractor proposes to carry out during the ensuing Calendar Year.
- (c) To the maximum extent practicable, the Contractor shall involve representatives of the Ministry in the preparation of the Work Programs and Work Program Budgets.
- (d) Each Work Program and Work Program Budget shall comply with the Winning Bidder's Exploration Program (including any changes thereto adopted pursuant to Section 6.5), as well as with Good Oil Field Practices and the prevailing legislation and regulations.
- (e) Approval by the Ministry of the proposed Work Programs and Work Program Budgets will not be unreasonably withheld or delayed.
- (f) Should the Ministry wish to propose revisions to the Work Program or Work Program Budget, it shall within thirty (30) Days after receipt thereof so notify the Contractor, specifying in reasonable detail its reasons for doing so. Promptly thereafter, the Parties shall meet and endeavor to agree on the revisions proposed by the Ministry.
- (g) If the Contractor and the Ministry fail to agree upon any revisions proposed by the Ministry within sixty (60) Days of the receipt of the Contractor's proposals, the points of disagreement shall be resolved as follows:
  - (i) with respect to Work Programs and Work Program Budgets that relate to Exploration Operations, the Contractor's proposals, revised in accordance

with any agreed amendments or additions thereto, shall be deemed adopted, provided that they are in compliance with Section 5.3(d); and

- (ii) with respect to Work Programs and Work Program Budgets that relate to Development and Production Operations, the Contractor's proposals, revised in accordance with any agreed amendments or additions thereto, shall be deemed adopted provided that they are consistent with the Development Program and Development Program Budget adopted pursuant to Section 7.1(i)(ii) and are in compliance with Section 5.3(d).
- (h) The Parties recognize that the details of a Work Program may require changes in light of the then prevailing circumstances. In such event, the Contractor may introduce such changes as may be necessary, following consultation with the Ministry, but subject to the following:
  - (i) in the case of changes to a Work Program and Work Program Budget relating to Exploration Operations, such changes may be implemented provided that compliance with Section 5.3(d) is maintained; and
  - (ii) in the case of changes to a Work Program and Work Program Budget relating to Development and Production Operations, such changes may be implemented to the extent that they are not inconsistent with the applicable Development Program and Development Program Budget adopted pursuant to Section 7.1(i)(ii) and compliance with Section 5.3(d) is maintained.

#### **5.4 Drilling Operations.**

- (a) The Contractor is required to design Wells and conduct drilling operations, including the casing, cementing and plugging of Wells, in accordance with Good Oil Field Practices.
- (b) Every Well in the Contract Area shall be identified by name, number and geographic coordinates, which shall be shown on maps, plans and similar records that the Contractor shall keep and submit to the Ministry.
- (c) Prior to commencing the drilling of any Well or re-entering any Well on which work has been discontinued for more than ninety (90) Days, the Contractor shall give the Ministry written notice no later than seven (7) Days before such work shall commence and submit a proposed Well program. The proposal shall include the following information:
  - (i) the official name and number of the Well and a description of its precise location by reference to geographical coordinates;
  - (ii) a detailed work program describing the drilling technique to be employed and all ancillary operations (including casing, cementing, mud, coring, logging, Well control and testing), an estimate of the time to be taken and



- depth objective, the estimated costs of the Well program, and the safety measures to be employed in the drilling of the Well;
- (iii) a summary of the geological and geophysical data, and any interpretations thereof, upon which the Contractor made the decision to drill or commence work on the respective Well (accompanied by appropriate maps and cross-sections);
  - (iv) the name of the drilling contractor and designation of the drilling rig; and
  - (v) the name of other service companies to be employed, together with a brief description of the equipment and services to be provided.
- (d) If any work related to any Well is suspended for a period exceeding thirty (30) Days, the Contractor shall notify the Ministry in writing to that effect and shall provide the Ministry with reasons for suspending work related to that Well.
  - (e) The Contractor shall give forty-eight (48) hours notice in writing before recommencing work on any Well on which work has been suspended for more than thirty (30) Days but for less than ninety (90) Days.
  - (f) The Contractor shall not, without the prior written approval of the Ministry, drill any Well from any surface area within the Contract Area which is less than five hundred (500) meters from a boundary of the Contract Area, or from within the Contract Area through any vertical boundary of the Contract Area.
  - (g) The Contractor shall securely plug and clearly mark any Well that it abandons, in accordance with Good Oil Field Practices, to prevent pollution and damage to the deposit and underground strata through the entry of water or otherwise. The Contractor shall, except when the Ministry otherwise directs or this Contract otherwise provides, remove all equipment, materials and facilities relating thereto and provide that cemented strings or other forms of casing shall not be withdrawn without the written approval of the Ministry.
  - (h) In relation to every Well being drilled, completed, tested or abandoned, the Contractor shall submit to the Ministry daily Well reports during the conduct of drilling operations describing the progress and results of the operations. In addition, the Contractor shall submit a Well completion report accompanied by copies of all logs obtained from the Well within two (2) Months from the date of rig release of a Well.
  - (i) The Contractor shall, within one hundred and eighty (180) Days of the completion of any survey, test or drilling operations, or, in the case of data that cannot reasonably be obtained or compiled in that period, as soon as possible thereafter, submit to the Ministry copies of all geological and geophysical data obtained by the Contractor in the course of conducting Hydrocarbons Operations, including any interpretations thereof and logs and records of Wells.



- (j) The Contractor shall drill each Exploration Well to the depth set forth in the Well program, unless:
- (i) formation is encountered at a lesser depth than originally anticipated;
  - (ii) basement is encountered at a lesser depth than originally anticipated;
  - (iii) in the Contractor's reasonable opinion, continued drilling of the Exploration Well is too hazardous because of abnormal or unforeseen conditions;
  - (iv) Good Oil Field Practices require the suspension or termination of drilling operations due to insurmountable, abnormal or unforeseen technical or operational conditions; or
  - (v) the Parties agree in writing to terminate the drilling operations in respect of the Exploration Well.
- (k) If the Contractor determines it is reasonable to stop drilling pursuant to Section 5.4(j), it will notify the Ministry immediately and a determination will be made jointly whether to amend the Work Program, the Winning Bidder's Exploration Program, the Minimum Exploration Program and the Well program accordingly to:
- (i) enable successful completion of the Exploration Well;
  - (ii) substitute another Exploration Well; or
  - (iii) determine an alternative solution acceptable to the Parties.

In the event the Parties elect to substitute another Exploration Well pursuant to Section 5.4(k)(ii), the amount guaranteed under the Financial Guarantee shall be reduced by the cost of the abandoned Exploration Well.

**5.5 Reports on Hydrocarbons Operations.** The Contractor shall keep the Ministry regularly and fully informed of the progress and results of all Hydrocarbons Operations and shall provide the Ministry with all geologic information, data, samples, interpretations and reports, including progress and completion reports, and keep such original data, records and full particulars at its registered office in Afghanistan, as are required under this Contract, the Hydrocarbons Law or applicable regulations.

**5.6 Other Minerals.**

- (a) If, in the course of Hydrocarbons Operations, the Contractor discovers minerals other than Hydrocarbons in the Contract Area that are of economic value and are capable of being developed, it shall within thirty (30) Days inform the Ministry of the minerals discovered, their location and such other information as the Ministry

may reasonably request and in addition submit a sample of the discovered minerals to the Ministry.

- (b) If, after the Effective Date, the Ministry seeks to grant licenses within the Contract Area authorizing prospecting for, exploration for or mining of any minerals or other substances other than Hydrocarbons, the Ministry shall obtain the approval of the Contractor, which approval shall not be unreasonably withheld.
- (c) If others are granted licenses within the Contract Area authorizing prospecting for, exploration for or mining of any minerals or other substances other than Hydrocarbons, or the Ministry proceeds with such prospecting, exploration or mining directly on its own behalf, the Contractor shall afford proper passage for the licensee of mineral rights to the relevant parts of the Contract Area, and use its reasonable efforts to avoid obstruction or interference with such licensees' or Ministry operations within the Contract Area. The Ministry shall use its reasonable efforts to ensure that operations of third parties do not obstruct or interfere with the Hydrocarbons Operations within the Contract Area.

**5.7 Historic and Cultural Items.**

- (a) If, in the course of Hydrocarbons Operations, the Contractor finds signs or marks or discovers items of any historical or cultural significance, including fossils only of special significance and other items included on the Archaeological and Cultural Heritage list, it shall immediately inform the Ministry of the find or discovery.
- (b) The Contractor undertakes not to remove any such items as mentioned above. The Contractor undertakes to keep any such items safe on its own account on behalf of the State until they are transported by the relevant State authorities. However, in case such transportation is not provided by the State within sixty (60) Days of reporting, the Contractor may arrange transportation for the items, provided that all reasonable transportation and related expenses shall be borne by the relevant State authority, whom failing then the Ministry.
- (c) Costs incurred by the Contractor in complying with its obligations pursuant to Section 5.7(b) shall be considered Hydrocarbons Operations Expenditures recoverable by the Contractor in accordance with the Accounting Procedures.

**ARTICLE VI**

**EXPLORATION PHASE; WINNING BIDDER'S  
EXPLORATION PROGRAM**

- 6.1 Commencement of Hydrocarbons Operations.** The Contractor shall commence Hydrocarbons Operations within the Contract Area not later than thirty (30) Days after



the later of the date that the Ministry approves the first Work Program and Work Program Budget and the activities and approvals required under Sections 6.2 and 6.3 are completed or secured.

- 6.2 **Baseline Environmental Assessment and Screening Report.** As soon as practicable following the Effective Date and prior to commencing any Exploration Operations that would be subject to review under the applicable environmental laws of Afghanistan, the Contractor shall carry out a Baseline Environmental Assessment to determine the then prevailing situation relating to the environment in the portion of the Contract Area where the Contractor intends to commence Exploration Operations. The Contractor shall submit that Baseline Environmental Assessment, along with a Screening Report describing the Exploration Operations proposed to be conducted in that portion of the Contract Area, to the National Environmental Protection Agency. If, after review of such Baseline Environmental Assessment and Screening Report, the National Environmental Protection Agency determines that an Environmental Impact Assessment and environmental management plan are required prior to commencement of the proposed Exploration Operations, the Contractor shall prepare such Environmental Impact Assessment and environmental management plan in compliance with the regulations or procedures of the National Environmental Protection Agency and with Section 7.1(i)(ii)g-7.1(i)(ii)h.
- 6.3 **Social Impact Assessment.** As soon as practicable following the Effective Date and prior to commencing any Exploration Operations, the Contractor shall prepare and submit to the Ministry for approval a Social Impact Assessment relating to communities in or immediately adjacent to the portion of the Contract Area where the Contractor intends to commence Exploration Operations.
- 6.4 **Winning Bidder's Exploration Program.** Subject to Section 5.4(k) and Section 6.5, the Contractor undertakes to carry out and comply with the work commitments established by the Winning Bidder's Exploration Program. The amount estimated to be expended by the Contractor in conducting the Minimum Exploration Program is set forth in Exhibit H and the amount estimated to be expended by the Contractor in conducting the entire Winning Bidder's Exploration Program is set forth in Exhibit I.
- 6.5 **Changes to Winning Bidder's Exploration Program.** The Parties recognize that the portion of the Winning Bidder's Exploration Program that exceeds the requirements of the Minimum Exploration Program may require changes in the event the Contractor determines that:
- (a) Exploration Operations cannot be conducted as proposed due to abnormal or unforeseen technical or operational conditions, including the conditions described in Section 5.4(j); or
  - (b) development of a Commercial Discovery should be prioritized in order to promote the early production of Hydrocarbons from the Contract Area.

The Contractor shall notify the Ministry immediately of any such determination and the Parties shall meet as soon as reasonably practicable to determine jointly whether to adopt



any proposed changes to such portion of the Winning Bidder's Exploration Program; provided, however, that any such changes shall not reduce the amount estimated to be expended by the Contractor in conducting the entire Winning Bidder's Exploration Program as set forth in Exhibit I.

## ARTICLE VII

### **DISCOVERY; DEVELOPMENT AND PRODUCTION**

#### **7.1 Discovery; Development.**

- (a) The Contractor shall immediately notify the Ministry in writing of any Discovery, specifying all pertinent information concerning the Discovery and submitting a sample of the Hydrocarbons discovered to the Ministry.
- (b) If the Contractor determines to conduct a drill-stem or production test, in open hole or through perforated casing, with regard to the Discovery, it shall notify the Ministry of the time of such test at least forty-eight (48) hours prior to the proposed test, and the Ministry shall have the right to have a representative present during such test. The duration of such test shall be in accordance with Good Oilfield Practices and Hydrocarbons produced during such test may be flared. Not later than one hundred and twenty (120) Days after completion of such test, the Contractor shall complete its analysis and interpretation of the resulting data and submit a report to the Ministry, which shall contain copies of such data and its analysis and interpretation thereof, and which shall also contain a written notification of whether or not, in the Contractor's opinion, such Discovery is of commercial interest. If the Contractor's report informs the Ministry that a Discovery of Non-Associated Gas is of commercial interest, the provisions of Section 15.2 shall apply.
- (c) If the Contractor plugs and abandons a Well which encountered a Discovery without conducting a drill-stem or production test, or fails to conduct a drill-stem or production test within one hundred and eighty (180) Days from the date on which such Discovery was made (or within such additional period of time as the Ministry may grant pursuant to Section 15.2 or upon application by the Contractor demonstrating the Contractor's firm intention to conduct such test and a compelling commercial rationale for the extension), the Contractor shall be deemed to have notified the Ministry that, in the Contractor's opinion, such Discovery is not of commercial interest.
- (d) If, pursuant to Sections 7.1(b) or 7.1(c), the Contractor notifies, or is deemed to have notified, the Ministry that such Discovery is not of commercial interest, the Ministry shall have the option, exercisable by notice in writing to the Contractor, to require the Contractor to relinquish the area corresponding to such Discovery and forfeit any rights relating to such Discovery and any production from that area. The area subject to relinquishment shall not exceed the vertical projection to

the surface of the prospective producing area determined by taking into account the area of the structural closure of the prospective horizon and other relevant technical factors. Notwithstanding any other provision of this Contract, if the Contractor notifies the Ministry that it cannot declare a Commercial Discovery in respect of a Discovery within the time period specified in Section 7.1(b) for economic reasons, the Ministry agrees that prior to it requiring the Contractor to relinquish such Discovery, the Ministry shall meet with the Contractor and give the Contractor the opportunity to discuss the basis on which development of such relinquished area would be commercially viable for the Contractor.

- (e) If, pursuant to Section 7.1(b), the Contractor notifies the Ministry that the Discovery is of commercial interest, the Contractor shall within ninety (90) Days prepare and submit to the Ministry for approval an Appraisal Program and an Appraisal Program Budget for the appraisal of such Discovery. Such Appraisal Program and Appraisal Program Budget shall include a complete program of appraisal operations necessary to determine whether such Discovery is a Commercial Discovery.
- (f) Within thirty (30) Days after the submission of the Appraisal Program and Appraisal Program Budget pursuant to Section 7.1(e), the Contractor and the Ministry shall meet with a view to adopting such Appraisal Program and Appraisal Program Budget or mutually agreeing upon amendments or additions thereto. Failing agreement between the Contractor and the Ministry as to such Appraisal Program and Appraisal Program Budget at such meeting, or within twenty (20) Days thereafter, the original Appraisal Program and Appraisal Program Budget submitted by the Contractor, revised in accordance with any agreed amendments or additions thereto, shall be deemed adopted, provided that it conforms to Good Oil Field Practices and the applicable legislation and regulations, and the Contractor shall immediately commence implementation thereof. On adoption of the Appraisal Program and Appraisal Program Budget, the Work Program and Work Program Budget adopted pursuant to Section 5.3 shall be revised accordingly.
- (g) If, pursuant to Section 7.1(b), the Contractor has notified the Ministry that the Discovery is of commercial interest, the Contractor shall, unless otherwise agreed:
  - (i) in respect of a Discovery of Liquid Hydrocarbons, advise the Ministry by notice in writing whether or not in its opinion the Discovery is a Commercial Discovery prior to the expiration of the Exploration Phase; provided, however, that if the Discovery occurs in the final year of the Exploration Phase, the Contractor shall have a period of twelve (12) Months following the expiration of the Exploration Phase in which to advise the Ministry by notice in writing whether or not in its opinion the Discovery is a Commercial Discovery; and
  - (ii) in respect of a Discovery of Non-Associated Gas, advise the Ministry by notice in writing whether or not in its opinion the Discovery is a



Commercial Discovery within twenty-four (24) Months following adoption of the Appraisal Program or such other period as may be stipulated in an agreement made pursuant to Section 15.2(c) or in an Evaluation Agreement.

The Contractor shall include in any request for an extension of the Exploration Phase submitted pursuant to Section 3.1 information pertaining to each Discovery that is of commercial interest and which remains under evaluation for development, including a description of the feasibility studies and evaluation activities conducted by the Contractor in respect of such Discovery.

- (h) If Sections 7.1(g)(i) or 7.1(g)(ii) apply to such Discovery and the Contractor notifies the Ministry that the Discovery is not a Commercial Discovery, or fails to notify the Ministry that the Discovery is a Commercial Discovery, within the periods prescribed in Sections 7.1(g)(i) and 7.1(g)(ii), the Ministry shall have the option, exercisable by notice in writing to the Contractor, to require the Contractor to relinquish the area corresponding to such Discovery and forfeit any rights relating to such Discovery and any production from that area. The area subject to relinquishment shall not exceed the vertical projection to the surface of the prospective producing area determined by taking into account the area of structural closure of the prospective horizon and other relevant technical factors. Relinquishment shall be without prejudice to the Contractor's right to be reimbursed for Hydrocarbons Operations Expenditures in respect of the relinquished areas to the extent otherwise provided in this Contract.
- (i)
  - (i) The notice submitted to the Ministry by the Contractor pursuant to Sections 7.1(g)(i) or 7.1(g)(ii) shall be accompanied by a report on the Discovery setting forth all relevant technical and economic data, including geological and geophysical information, areas, thicknesses and extent of the productive strata, petrophysical properties of the reservoir formations, the reservoir's productivity indices for the Wells tested at various rates of flow, permeability and porosity of the reservoir formations, the relevant characteristics and qualities of the Hydrocarbons discovered, additional geological data and evaluations of the reservoir, Liquid Hydrocarbons and Natural Gas reserves estimates and any other relevant characteristics and properties of the reservoirs and fluids contained therein, as well as all evaluations, interpretations and analyses of such data and feasibility studies relating to the Discovery prepared by the Contractor, its contractors, subcontractors and Affiliated Entities.
  - (ii) In addition, if the Contractor believes that the Discovery is commercial, a proposed Development Program and a Development Program Budget for the development of such Discovery shall be submitted to the Ministry for approval together with the report described in Section 7.1(i)(i). The



Development Program and the Development Program Budget shall include the following information:

- a. a description and map of the area that contains such Discovery and that the Contractor proposes to delineate as a Field. The map should be defined by reference to graticular sections and geological formations;
- b. a detailed report, accompanied by supporting data and all analyses and interpretations thereof, which demonstrates that the area described in subparagraph a. above contains, alone or in conjunction with other areas, as the case may be, a Commercial Discovery;
- c. detailed proposals for commencement and a working plan for the operation of the Hydrocarbons Operations, including drilling schedules, number of Wells, Well spacing and depth objective, Delivery Point location, production forecasts and a timing schedule in accordance with generally accepted engineering practices and economics of the international petroleum industry, all of which shall ensure that the area does not suffer an excessive rate of decline of production or an excessive loss of reservoir pressure, but rather keeps such production rates compatible with the nature and extent of the Hydrocarbon reservoir discovered;
- d. detailed proposals for the construction, establishment and operation of all facilities and services for and incidental to the development, extraction, production, storage, transportation, sale and other disposal of Hydrocarbons and a proposed timetable for the commencement of Hydrocarbons production, all of which shall ensure that the area does not suffer an excessive rate of decline of production or an excessive loss of reservoir pressure;
- e. a detailed forecast of cost estimates, capital investment requirements, operating costs and sales revenues, and the anticipated type and source of financing;
- f. a risk management plan prepared in accordance with the requirements of the Hydrocarbons Law and applicable regulations, including the measures and directions established by the Ministry to prevent any damage and remove any hazards that the Hydrocarbons Operations may cause to affected communities, the Contractor's personnel and the environment;
- g. an Environmental Impact Assessment;
- h. an environmental management plan, including a socio-economic management plan, prepared in accordance with the requirements of

the Hydrocarbons Law and any other applicable laws and regulations, including the measures planned for the protection of the environment, the elimination or the reduction of pollution and the protection and compensation of affected populations if applicable, and the verification of the effectiveness of such measures;

- i. a Social Impact Assessment;
  - j. an emergency response plan prepared in accordance with the requirements of the Hydrocarbons Law and applicable regulations, including measures to respond to any accident that may occur at the site of the Hydrocarbons Operations, medical treatment and evacuation of employees and surrounding populations and the protection of the environment; and
  - k. particulars of feasible alternatives, if any, considered by the Contractor for the development and exploitation of the Discovery and economic feasibility studies carried out by or for the Contractor with respect to the Discovery, taking into account the location, meteorological conditions, cost estimates, the price of Hydrocarbons and any other relevant data and evaluations.
- (j) The Ministry shall examine the report and any documents submitted pursuant to Section 7.1(i)(ii), and may require the Contractor to provide, within a specified period of time, such additional information and data as it may reasonably require in order to evaluate such documents. As soon as possible after the submission of such documents pursuant to Section 7.1(i)(ii) or receipt of such additional information and data, the Ministry and the Contractor shall meet to determine the boundaries of the area to be delineated as a Field and adopt a Development Program and Development Program Budget for the development of the Discovery and an environmental management plan in connection therewith.
- (k)
- (i) At the meeting described in Section 7.1(j), the Contractor shall carefully consider and take into account any proposals of the Ministry and the reasons for the proposals and shall attempt in good faith to reach agreement with the Ministry on the points at issue, paying particular consideration to the objective of achieving Initial Commercial Production expeditiously from the Field in question, taking into account generally accepted engineering practices and economics of the international petroleum industry.
  - (ii) If the Ministry and the Contractor agree upon the boundaries of the area to be delineated as a Field and upon the adoption of a Development Program and Development Program Budget for the development of the Discovery,



the date upon which such agreement is reached, as reflected in writing signed by the Ministry and the Contractor, shall be the date of the declaration of the Commercial Discovery for all purposes of this Contract (the "Commercial Discovery Declaration Date"). The area so determined shall, on such date, be automatically converted into a Field.

- (iii) In the event that no agreement is reached between the Ministry and the Contractor within one hundred and eighty (180) Days from the date of submission of the report and proposed Development Program and Development Program Budget pursuant to Section 7.1(i), the Ministry or the Contractor may refer the matter for determination pursuant to Article XXIV. The determination in accordance with Article XXIV shall be final and the Development Program and Development Program Budget for the development of the Discovery and the boundaries of the area to be delineated as a Field, as the case may be, shall be deemed to have been adopted and agreed as determined, except that the Contractor may, within sixty (60) Days of receipt of such determination, notify the Ministry that the Discovery to which such Development Program and Development Program Budget and area so determined relate is no longer considered to be commercial. If the Contractor so notifies the Ministry, the provisions of Section 7.1(g)(ii) shall apply. Failing such notification, the date sixty (60) Days after the receipt of such determination shall be deemed to be the Commercial Discovery Declaration Date. The area so determined shall, on such date, be automatically converted into a Field.
- (iv) The Ministry shall provide the Contractor with a permit to conduct Development and Production Operations in the Field substantially in the form attached hereto as Exhibit L within thirty (30) Days after the later of (A) the Commercial Discovery Declaration Date and (B) approval by the National Environmental Protection Agency of the Contractor's Environmental Impact Assessment and environmental management plan. The Contractor shall, as soon as is practicable after receipt of such permit, commence and continuously carry out Development and Production Operations in the Field according to the adopted Development Program and the Development Program Budget. Upon adoption of the Development Program and Development Program Budget as aforesaid, the Work Program and Work Program Budget adopted pursuant to Section 5.3 shall be revised accordingly.
- (l) In the event that Initial Commercial Production from a Field has not occurred within six (6) Months after the period agreed in the Development Program (as amended from time to time), the Ministry may require the Contractor to relinquish the area comprising such Field and to forfeit any rights relating to such Field and any production from such Field. Notwithstanding the foregoing, if the Contractor demonstrates to the reasonable satisfaction of the Ministry that, despite the Contractor having acted in accordance with Good Oil Field Practices, Initial Commercial Production will not occur within six (6) Months after the period



agreed in the Development Program (as amended from time to time), the Ministry shall not require the Contractor to relinquish the area comprising such Field and the Development Program shall be automatically amended to reflect the revised date for Initial Commercial Production and such revised Development Plan shall be deemed approved by the Ministry. The Contractor shall notify the Ministry as soon as reasonably practicable if it cannot meet the Initial Commercial Production date and the Contractor shall provide the Ministry with written notice of any extension requested under this section at least thirty (30) Days prior to the Initial Commercial Production date.

- (m) If the Contractor is required to relinquish an area pursuant to the provisions of this Section 7.1, ownership of all fixtures, including but not limited to pipes, pipelines, installations, facilities, downhole well equipment, wellhead equipment and other equipment or materials within the geographic limits of the area shall be transferred to the Ministry. Unused inventory and fixtures which can be used by the Contractor for Hydrocarbons Operations elsewhere in the Contract Area, leased equipment and other Contractor equipment may be removed if such removal may be accomplished without damage to the area.
- (n) The regulations or procedures of the National Environmental Protection Agency require submission and review of a Screening Report prior to submission of the Environmental Impact Assessment and environmental management plan described in Section 7.1(i)(ii)g-7.1(i)(ii)h. The Contractor will ensure that such Screening Report is submitted in a timely manner so as not to introduce delay in submission of the Development Program and Development Program Budget.

## 7.2 Production.

- (a) Not less than three (3) Months prior to Initial Commercial Production in any Field, the Contractor shall submit to the Ministry for approval proposed procedures and related operating regulations and financial terms covering, as applicable, the scheduling, storage and lifting of Liquid Hydrocarbons and the scheduling, storage and extraction of Natural Gas from such Field. The procedures, regulations and terms shall comprehend the subjects necessary to efficient and equitable operations, including Delivery Point location, rights of parties, notification time, maximum and minimum quantities, duration of storage, nomination and scheduling of transportation, volumetric balancing, conservation, spillage, liabilities of the parties, through-put fees, and safety and emergency procedures.
- (b) The Contractor shall produce Liquid Hydrocarbons from the Contract Area at the Maximum Efficient Rate. The Contractor and the Ministry shall establish the Maximum Efficient Rate of production for Liquid Hydrocarbons and the production rate for Non-Associated Gas in conjunction with the adoption of each Work Program that relates to the development of a Field. In the case of Non-Associated Gas, the production rate shall not be required by the Ministry to be

less than that required to satisfy any contracts then in existence for the sale of such Natural Gas.

- (c) No later than September 30 of each Calendar Year during the Development and Production Phase of any Field, the Contractor shall, in accordance with Good Oil Field Practices, prepare and furnish to the Ministry for approval a forecast statement setting forth by Quarter the total quantity of Liquid Hydrocarbons (by quality, grade and gravity) and Natural Gas that the Contractor estimates can be produced, saved and transported hereunder during the ensuing Calendar Year, together with estimates, if available, of recoverable reserves of Hydrocarbons, broken down into proven and proven plus probable. The Contractor shall endeavor to produce in each Calendar Year the forecast quantity. The Liquid Hydrocarbons shall be run to storage tanks, constructed, maintained and operated by the Contractor in accordance with applicable regulations, in which such Liquid Hydrocarbons shall be metered or otherwise measured for all purposes of this Contract. Natural Gas shall be stored, transported and metered or otherwise measured in accordance with the provisions of the Natural Gas Development Program adopted pursuant to the provisions of Article XV.

### 7.3 Cessation of Production.

- (a) The Contractor shall submit to the Ministry for approval a proposed Field decommissioning and abandonment plan (the “**Decommissioning and Abandonment Plan**”) after exhaustion of fifty percent (50%) of Recoverable Gas Initially in Place (RGIIP) / Recoverable Oil Initially in Place (ROIIP), or seven (7) Calendar Years before the expiration of the Development and Production Phase for the relevant Field, whichever is earlier, which shall include a detailed technical and engineering description of the decommissioning, removal and disposal of the facilities and installations, and of the site clean-up and restoration measures, consistent with the Hydrocarbons Law, Good Oil Field Practices and with the obligations of Contractor under Sections 4.5, 23.2 and 25.7, including measures to rehabilitate, as far as reasonably practicable, the environment affected by the Hydrocarbons Operations to its natural or prior state as established by the Baseline Environmental Assessment. The Contractor shall submit the Decommissioning and Abandonment Plan together with a detailed and itemized budget of the Hydrocarbons Operations Expenditures to be incurred in connection therewith (the “**Decommissioning and Abandonment Budget**”).
- (b) No later than twelve (12) Months prior to the expiration of the Development and Production Phase of any Field, the Contractor shall notify the Ministry of its intention to terminate Hydrocarbons Operations. Within thirty (30) Days from the date of the Contractor’s notice under this Section 7.3(b), the Ministry shall notify the Contractor in writing whether it will require the Contractor to carry out all or part of the decommissioning measures set out in the Decommissioning and Abandonment Plan. Following receipt of the Ministry’s notice, the Ministry and the Contractor shall meet to agree upon a final Decommissioning and Abandonment Plan and a final Decommissioning and Abandonment Budget.



- (c) The Contractor and the Ministry shall set up an escrow account in the joint name of the Contractor and the Ministry (the “**Escrow Account**”) with a bank of good international reputation (the “**Bank**”) to finance the Hydrocarbons Operations Expenditures specified in the Decommissioning and Abandonment Budget in accordance with Section 7.3(e).
- (d) The Escrow Account shall be funded by monthly contributions made by the Contractor on a unit-of-production basis until the target value of the Decommissioning and Abandonment Budget is reached. The monthly contribution will be calculated by following the procedure established in Appendix 1 to the Accounting Procedures.
- (e) The amount of the Decommissioning and Abandonment Budget, pro-rated on a unit of production basis over the period from the date of opening of the Escrow Account to the estimated date of cessation of production, shall be included in the Hydrocarbons Operations Expenditures and shall be recovered by the Contractor in accordance with Section 10.1(b). At the end of each Quarter in which the Contractor shall have recovered any part of the Decommissioning and Abandonment Budget, the Contractor shall deposit the amount so recovered in the Escrow Account. Upon cessation of production, the Contractor shall diligently carry out the Decommissioning and Abandonment Plan and the Hydrocarbons Operations Expenditures due in connection therewith shall be paid by the Bank upon receipt of a written joint instruction from the Ministry and the Bank. Any un-spent monies remaining in the Escrow Account upon settlement of all Decommissioning and Abandonment Expenditures shall be remitted by the Bank to the Ministry.
- (f) In the event the Ministry elects to continue Hydrocarbons Operations in any Field (or the Ministry permits a third party to commence or continue Hydrocarbons Operations in any Field) following the Contractor’s termination of Hydrocarbons Operations in relation thereto, the Contractor’s liability for decommissioning measures shall be limited to the balance of the Escrow Account.

## ARTICLE VIII

### **FINANCIAL AND PERFORMANCE GUARANTEES; BONUSES**

- 8.1 **Financial Guarantee.** Not later than thirty (30) Days after the Effective Date, the Contractor shall submit a Financial Guarantee in an amount equal to the estimated expenditures necessary to perform the Minimum Exploration Program for the Initial Exploration Period. If the Contractor wishes to proceed to the First Extension Period or the Second Extension Period, as the case may be, it shall submit the corresponding Financial Guarantee as provided in Section 3.1.

- 8.2 **Reduction of Financial Guarantee.** During the Exploration Phase, the amount of the Financial Guarantee shall be reduced at the end of each Contract Year by the amount actually expended on the Minimum Exploration Program.
- 8.3 **Drawdown.** If, at the end of the Initial Exploration Period or any extension thereof, the Contractor has not performed the Minimum Exploration Program required for such period, a portion of the Financial Guarantee corresponding to the then current balance of the Financial Guarantee for such period shall be paid to the Ministry in accordance with Article XIII. The Ministry shall have the right to draw down on the Financial Guarantee to collect such amount.
- 8.4 **Drawdown Upon Termination or Relinquishment.** If, upon the date of termination of this Contract, or upon relinquishment of the entire Contract Area by the Contractor pursuant to Article IV, whichever first occurs, the Contractor has not completed the Minimum Exploration Program, an amount corresponding to the then current balance of the Financial Guarantee shall be paid to the Ministry in accordance with Article XIII. The Ministry shall have the right to draw down on the Financial Guarantee to collect such amount. The Ministry will not grant partial credit for Wells that do not reach target depth unless the Parties elect to substitute another Exploration Well pursuant to Section 5.4(k)(ii).
- 8.5 **General Performance Guarantee.** On the date that this Contract is executed, the ultimate parent entity of each Contractor Entity shall execute and deliver the General Performance Guarantee to the Ministry.
- 8.6 **Bonuses.** The Contractor shall pay to the Ministry the following one-time bonuses:
- (a) Within seven (7) Days following the Effective Date, the Ministry shall invoice the Contractor for one million U.S. Dollars (US\$ 1,000,000) (the “**Signature Bonus**”). The Signature Bonus shall be payable by the Contractor within seven (7) Days following the date on which the exclusive License for Hydrocarbons Operations is issued to the Contractor pursuant to Section 9.2(f).
  - (b) As soon as reasonably practicable following the date on which the first permit to conduct Development and Production Operations is granted to the Contractor pursuant to Section 7.1(k)(iv), the Ministry shall invoice the Contractor for three million U.S. Dollars (US\$ 3,000,000), to be paid within seven (7) Days following receipt of such invoice.

Each invoice issued pursuant to this Section 8.6 shall include the bank account details of the Treasury Single Account in Da Afghanistan Bank and other details necessary for the Contractor to make an electronic transfer of the relevant sums within the time period prescribed.

These bonuses shall not be recoverable by the Contractor and shall be excluded from Hydrocarbons Operations Expenditures.



## ARTICLE IX

### OBLIGATIONS OF THE MINISTRY

9.1 **Data.** The Ministry shall supply or otherwise make available to the Contractor:

- (a) all geological, geophysical, geographical, drilling, Well, production and other information, including Well location maps, relating to the Contract Area in the possession of the Ministry or coming into its possession and which it has the right to disclose to the Contractor;
- (b) a list of the sites of national parks and/or ecological reserves, as well as sites identified as having Archaeological and Cultural Heritage significance, such list to be provided prior to commencement of Hydrocarbons Operations and to contain available details of the sites, including maps and other pertinent information; and
- (c) information reasonably available to the Ministry related to private land ownership in the Contract Area.

9.2 **Assistance.** In accordance with the provisions of the Hydrocarbons Law, the Ministry shall for the duration of this Contract:

- (a) provide for the right of way and passage over State-owned land and facilitate the Contractor in obtaining the right of way and passage over privately owned land in order to conduct Hydrocarbons Operations (including nationalization to the extent permissible under Afghanistan Law), provided that the Contractor shall bear any compensation to the owner or occupier. Such costs and any compensation shall be considered Hydrocarbons Operations Expenditures recoverable by the Contractor in accordance with the Accounting Procedures;
- (b) in respect of occupation and use of privately owned land for Hydrocarbons Operations, and upon notice submitted by the Contractor no later than ninety (90) Days prior to a proposed operation, obtain consent for such use from the owner or occupier of the land in question to enable the Contractor to conduct the proposed operations thereon, and provide the Contractor with evidence of such consent, provided that the Contractor shall pay fair market value for the use or occupation of such land, and in the event the owner or occupier has suffered a disturbance to activities or damage to land or assets caused by surface or sub-surface oil and gas exploration operations, and the Contractor and the owner or occupier fail to agree on the amount of compensation, review the matter and determine the amount of damages in the first instance;
- (c) provide reasonable access to State facilities in the Contract Area at reasonable cost to the Contractor, provided that the Contractor's terms and conditions of access shall not be less favorable than the terms and conditions granted to similarly situated parties;

- (d) provide reasonable access to surface areas relinquished by the Contractor pursuant to this Contract and reasonable access to and use of existing infrastructure and facilities on such relinquished areas at no cost to the Contractor in the case that such infrastructure and facilities are owned by the State, provided that access and use of surface areas relinquished by the Contractor shall be limited (i) to a period of two (2) years following relinquishment and (ii) to the extent necessary to enable the Contractor to conduct Hydrocarbons Operations or to retrieve unused inventory and fixtures, leased equipment and other Contractor equipment from the relinquished area in accordance with Section 7.1(m);
- (e) assume responsibility for the rehabilitation of environmental contamination on State owned and private land identified in Baseline Environmental Assessments completed by the Contractor and approved by the National Environmental Protection Agency;
- (f) on the Effective Date, or no later than thirty (30) Days thereafter, issue to the Contractor the appurtenant exclusive License for Hydrocarbons Operations within the Contract Area, subject to the satisfaction of any terms and conditions of such License;
- (g) upon application in the prescribed manner and pursuant to applicable legislation, provide or facilitate all necessary visas, work permits, import licenses, export permits (including but not limited to licenses for Hydrocarbons), rights of way and easements which (i) may be required by the Contractor and its subcontractors and contractors in connection with the Hydrocarbons Operations and (ii) may be available from resources within the Government's control; and
- (h) provide the same assistance as set out above in (a) to (g) in relation to any operations carried out by the Contractor pursuant to a Decommissioning and Abandonment Plan.

**9.3 Security.** The Government shall, at no cost to the Contractor, endeavor to provide adequate security within the Contract Area and any other areas in Afghanistan in which Hydrocarbons Operations or operations related thereto (including any operations carried out by the Contractor pursuant to a Decommissioning and Abandonment Plan) are conducted, including during travel to and from such areas. However, in the event that the Contractor, in its reasonable opinion, considers the security provided for its personnel is inconsistent with its health, safety and environmental policies, Good Oil Field Practices or inadequate to allow Hydrocarbons Operations to be conducted safely and without threat to life, both the Ministry and the Contractor hereby agree supplementary security measures shall be implemented by the Contractor, as the case may be, including, but not limited to, the engagement of competent private security providers licensed to operate in Afghanistan, such costs to be considered Hydrocarbons Operations Expenditures if included in an approved Work Program and Work Program Budget but without prejudice to the Contractor's right to recover costs incurred under Section 23.9 not included in an approved Work Program and Work Program Budget. Such arrangements shall be revised from time to time in response to changes in security



conditions, subject to an international independent third party conducting a security review.

- 9.4 **Approvals.** If the Government's consent or approval is required by the Contractor in accordance with this Contract, the Contractor shall submit its request for consent or approval to the appropriate authority and shall provide the Ministry with a copy of such request contemporaneously therewith. The Government shall endeavor to respond to such request as soon as reasonably practicable. If the Contractor does not receive a response from the Government within thirty (30) Days following the Contractor's submission of its request, the Contractor may submit a follow-up request to the appropriate authority, with a copy to the Ministry. Without prejudice to any time period otherwise specified herein or under applicable law, the Government's consent or approval shall be deemed to have been given if the Government has not notified the Contractor of its disapproval or required clarification of such request within seven (7) Days following the Government's and Ministry's receipt (whichever is later) of the Contractor's follow-up request. The Ministry acknowledges and agrees that to the extent the Contractor is unable to carry out certain Hydrocarbons Operations as a result of a failure by the Government to respond to or issue any consent, approval, permit or license relating to Hydrocarbons Operations that any time periods applicable to the performance of the Contractor's obligations hereunder shall be suspended for the period during which the Contractor is prevented from performing and that the Parties shall meet and seek to agree to further extensions of time with regard to such delay. Each Contractor Entity shall benefit from the same rights as Contractor under this Section 9.4.

## ARTICLE X

### ALLOCATION OF PRODUCTION

- 10.1 **Royalty; Production Share.** The Hydrocarbons produced and saved from the Contract Area in any Quarter and not used in Hydrocarbons Operations prior to the Delivery Point, or lost, flared or re-injected into the Contract Area shall be allocated as follows:
- (a) A portion of such Hydrocarbons equal to the Royalty shall first be allocated to the Ministry as the royalty payable under the Hydrocarbons Law, but shall be lifted by the Contractor in accordance with any deemed sales made to the Contractor pursuant to Section 10.4.
  - (b) The Contractor shall be entitled to recover Hydrocarbons Operations Expenditures incurred by retaining and disposing of the amount of Hydrocarbons available after payment of the Royalty for the Quarter that is equal in value to the unrecovered Hydrocarbons Operations Expenditures for the Quarter plus all unrecovered Hydrocarbons Operations Expenditures from prior Quarters. Hydrocarbons not used for the recovery of Hydrocarbons Operations Expenditures shall be Net Hydrocarbons. All such Hydrocarbons Operations Expenditures shall be recovered in the manner provided for in, and subject to, the Accounting Procedures.

- (c) For the purpose of determining the quantity of such Hydrocarbons to which the Contractor is entitled in any Quarter pursuant to Section 10.1(b), each type and grade of Hydrocarbons shall be valued at a price (i) in the case of Arm's-Length Sales made by the Contractor or its Affiliated Entities, equal to the net price at the applicable Delivery Point obtained by the Contractor or its Affiliated Entities in respect of sales of such Hydrocarbons produced in such Quarter (after deduction of a standard location differential agreed between the Parties to account for deemed transportation costs from the applicable Delivery Point to the point of sale) and (ii) in the case of other sales made by the Contractor or its Affiliated Entities, equal to the Market Price for such Hydrocarbons. If the Contractor and the Ministry fail to agree upon the Market Price within sixty (60) Days after Contractor has provided the Ministry with written notification of its proposal, the determination of Market Price may be referred by either the Ministry or the Contractor to expertise proceedings pursuant to Section 24.2. The Ministry may, in its sole discretion, determine that any sale of Hydrocarbons by the Contractor or its Affiliated Entities to a related buyer shall be deemed an Arm's-Length Sale if (A) the sale results from a fair, transparent and competitive tender process conducted in accordance with good international petroleum industry practices and (B) the price and payment terms accurately reflect the then prevailing fair market value for the Hydrocarbons, taking into consideration the grade, gravity and quality of the Hydrocarbons, transportation costs and any other appropriate adjustments.
- (d) After deduction of the Royalty as provided in Section 10.1(a) and recovery of the Hydrocarbons Operations Expenditures as provided in Section 10.1(b), the Ministry shall be allocated a portion of the Net Hydrocarbons produced and saved in the Quarter determined in accordance with the formula set forth below (provided that such allocation shall be lifted by the Contractor in accordance with any deemed sales made to the Contractor pursuant to Section 10.4) and the remaining Net Hydrocarbons after such allocation shall be allocated to the Contractor:

If $R \leq 1.25$	then	$P = 50\%$
If $1.25 < R \leq 2.50$	then	$P = 60\% - [(2.50 - R) \times 8\%]$
If $R > 2.50$	then	$P = 60\%$

In the above formula:

“P” shall mean the Ministry’s percentage share of Net Hydrocarbons, and

“R” shall mean the cumulative Gross Contractor Revenues up to the end of the Quarter immediately preceding the Quarter in question, divided by the cumulative Hydrocarbons Operations Expenditures incurred up to the end of the Quarter immediately preceding the Quarter in question.

**10.2 Calculations and Adjustments.** The calculations required by this Article X shall be made for each Quarter on a cumulative basis. An example of the required calculations is



attached hereto as Exhibit J. To the extent that actual quantities, prices and expenses are not known, calculations shall be made on the basis of the estimate, and quarterly updates thereto, provided to the Ministry pursuant to Section 10.3. Within thirty (30) Days after the end of each Quarter, adjustments shall be made based on actual Hydrocarbons quantities, prices and expenses in relation to such Quarter to the extent then available. Within ninety (90) Days after the end of each Calendar Year, final calculations shall be prepared and submitted to the Ministry for approval, and any necessary adjustments shall be made based upon the detailed accounts submitted for such Calendar Year pursuant to Section 26.2.

- 10.3 Estimates and Approvals.** Not less than ninety (90) Days prior to the beginning of each Calendar Year, the Contractor shall prepare and furnish to the Ministry for approval an estimate by Quarter for the forthcoming Calendar Year of all Gross Contractor Revenues and Hydrocarbons Operations Expenditures, and of the value of the Royalty and of the Ministry's and the Contractor's respective shares of Net Hydrocarbons, Net Taxable Income and Income Tax for such Calendar Year. Such estimate shall be consistent with the forecast statement furnished pursuant to Section 7.2(c) and the Work Program Budget approved pursuant to Section 5.3, and shall set forth the other assumptions and projections upon which it is based. Upon approval by the Ministry, such estimate shall serve as the basis for the quarterly calculations required pursuant to Section 10.2 and for the Income Tax pursuant to Article XVI. Quarterly updates of such estimate shall be submitted by the Contractor to the Ministry within thirty (30) Days after the end of each Quarter.
- 10.4 Deemed Sales.** The Hydrocarbons allocated to the Ministry under this Article X in any Quarter shall, unless the Ministry otherwise elects in accordance with Section 10.5, be deemed sold by the Ministry to the Contractor upon production at the wellhead. The purchase price for each type of Hydrocarbons produced shall be the applicable Market Price for such Hydrocarbons, and shall be payable to the Ministry no later than thirty (30) Days following the Quarter in which such Hydrocarbons are produced. Payment shall be accompanied by a certificate from the Contractor setting forth in detail the basis for computation of the purchase price, in a form acceptable to the Ministry. The provisions of this Section 10.4 shall not apply to Hydrocarbons produced during production testing and sold by the Contractor, the proceeds of which shall be applied to reduce the amount of the Contractor's capital expenditures in accordance with the Accounting Procedures.
- 10.5 Notice and Election.** The Ministry may, in respect of any Calendar Year, elect to retain title to all or any part of the Hydrocarbons allocated to it under this Article X, rather than sell such Hydrocarbons to the Contractor. In such event, the Ministry shall provide the Contractor with notice of its election at least six (6) Months prior to the commencement of the Calendar Year in question. If the Ministry elects to retain Hydrocarbons that include Natural Gas, it shall follow the Contractor's procedures for nomination and scheduling of transportation, volumetric balancing, and similar operational requirements approved by the Ministry pursuant to Section 7.2(a).

## ARTICLE XI

### MEASUREMENT OF HYDROCARBONS

- 11.1 **Verification.** Within thirty (30) Days following the end of each Quarter, the Contractor shall submit to the Ministry for its verification the volumes, gravity in API and sulfur content of the Liquid Hydrocarbons produced and saved from the Contract Area during the Quarter in question. In the event that the Ministry raises objections to the Contractor's determinations, the Parties shall meet within fifteen (15) Days from the Ministry's notice of objection to mutually agree upon the appropriate determinations.
- 11.2 **Measuring Equipment.** The Contractor shall supply, operate and maintain equipment for measuring the volume and quality of the Hydrocarbons produced and saved, or transported, stored or exported under this Contract, including gravity, density, temperature and pressure measuring devices and any other devices that may be required. All measurement equipment and devices shall, prior to their installation or usage, be approved in writing by the Ministry. Such equipment and devices shall at all reasonable times be available for inspection and testing by the Ministry or its authorized representatives. Any such inspection or testing shall not interfere with the normal operation of the facilities involved. The equipment and devices used or installed pursuant to this Section 11.2 shall not be replaced or altered without the prior written approval of the Ministry.
- 11.3 **Measurement Standards.** The Contractor shall undertake to measure the volume and quality of the Hydrocarbons produced, saved, transported, stored and exported hereunder, consistent with Good Oil Field Practices for fiscal metering, with such frequency and according to such procedures as are approved in writing by the Ministry.
- 11.4 **Notice.** The Contractor shall give the Ministry timely notice of its intention to conduct measuring operations and the Ministry shall have the right to be present at and observe, either directly or through authorized representatives, such operations.
- 11.5 **Measurement Inaccuracies and Adjustment.** If it is determined, following an inspection or test carried out by the Ministry or its representatives, that the equipment, devices or procedures used for measurement are inaccurate and exceed the permissible tolerances which shall be established by agreement between the Ministry and the Contractor to be entered into prior to the installation and usage of such equipment, and such determination is verified by an independent surveyor acceptable to the Ministry and the Contractor, such inaccuracy shall be deemed to have existed for one-half of the period since the last previous such inspection or test, unless it is proved that such inaccuracy has been in existence for a longer or shorter period. Appropriate adjustments covering such period shall be made within thirty (30) Days from the date of such determination.



ARTICLE XII

**DOMESTIC REQUIREMENTS**

- 12.1 **Local Preference.** In marketing any part of its share of the Liquid Hydrocarbons produced and saved from the Contract Area, the Contractor shall seek competitive bids in U.S. Dollars from national and international purchasers for the purchase of the Liquid Hydrocarbons in accordance with generally accepted procedures and standards for competitive tenders in the international petroleum industry, including reasonable, non-discriminatory requirements concerning financial capability and assurance of payment. The Contractor shall notify the Ministry in writing from time to time of its procedures for marketing Liquid Hydrocarbons. In the event that comparable bids are received from a bidder that is an Afghan national or company and another bidder that is not, the bidder that is an Afghan national or company will be preferred. Within thirty (30) Days following the Contractor’s completion of the bid evaluations, the Contractor shall prepare and deliver to the Ministry a competitive bid analysis setting forth the Contractor’s recommendation as to the winning bidder, the reasons therefor, and the commercial and contractual terms to be agreed upon.
- 12.2 **Storage.** Liquid Hydrocarbons that the Ministry has elected to take in kind and not to sell to the Contractor shall, to the extent practicable, be delivered by the Contractor at regularly spaced intervals at the Delivery Point or to the Ministry’s storage facilities in the Field, or both, at the option of the Ministry. The Ministry shall provide at such Delivery Points, at its sole expense and risk, all storage, transportation and other facilities necessary to receive such Liquid Hydrocarbons.
- 12.3 **Internal Consumption of Liquid Hydrocarbons.** Out of the total quantity of Liquid Hydrocarbons production to which the Contractor is entitled in each Calendar Year, the Ministry may elect to take a quantity of Liquid Hydrocarbons, of the gravity, grade and quality of its choice (but which shall be of no better than average quality if this substantially decreases the marketability of the remaining Liquid Hydrocarbons), that the Ministry requires to satisfy the requirements of internal consumption in Afghanistan for such Calendar Year. The Ministry shall reimburse the Contractor for such quantity at the applicable Market Price. The maximum quantity of Liquid Hydrocarbons that the Ministry may take to satisfy the internal consumption requirements of the country shall be calculated as follows:

$$DMOc = APc \times (DMOt - GOV) / APt$$

Where:

*DMOc* is the maximum quantity of Liquid Hydrocarbons from the Contract Area that the Ministry may take to satisfy the internal consumption requirements of the country in the period of reference;

<i>APc</i>	is the total quantity of Liquid Hydrocarbons produced from the Contract Area during the reference period, less (a) the amount of the Royalty, (b) the Ministry's share of Liquid Hydrocarbons production under Section 10.1(d), (c) consumption of Liquid Hydrocarbons incidental to Hydrocarbons Operations, and (d) the quantity of Liquid Hydrocarbons that Contractor is already selling to the Afghanistan domestic market.
<i>DMOt</i>	is the internal consumption requirements of Afghanistan during the reference period;
<i>GOV</i>	is (a) the quantity of Liquid Hydrocarbons rendered, in the reference period, to the Ministry by all contractors in the form of production payments, royalties and production shares plus (b) any quantity of Liquid Hydrocarbons produced directly by the Ministry or any State oil company within Afghanistan in the reference period; and
<i>APt</i>	is the volume of all Liquid Hydrocarbons produced in Afghanistan in the reference period.

**12.4 Internal Consumption of Natural Gas.** Out of the total quantity of Natural Gas to which the Contractor is entitled in each Calendar Year, the Ministry may elect to take a quantity of Natural Gas to meet its internal consumption requirements on the following basis. The Contractor shall be obliged to provide and supply to the State such quantities of Natural Gas that are equal to the proportion that the Contractor's production of Natural Gas bears to the aggregate quantities of Natural Gas produced in Afghanistan (according to the principles set forth in Section 12.3 for Liquid Hydrocarbons) at the applicable Market Price(s), provided that if the Contractor has notified the Ministry within thirty (30) Days of executing a Natural Gas sales contract of greater than twelve (12) Months duration excluding option periods, volumes of Natural Gas committed to purchasers under such contracts shall be excluded from the amounts that might be available to the State for internal consumption. The Contractor shall have no obligation to pay for any infrastructure necessary to transport, process or deliver Natural Gas to the Ministry. If the Ministry elects to take a quantity of Natural Gas to meet its internal consumption requirements, it shall follow the Contractor's procedures for nomination and scheduling of transportation, volumetric balancing, and similar operational requirements approved by the Ministry pursuant to Section 7.2(a).

**12.5 Notification and Election.** If the Ministry elects to exercise its rights under Sections 12.3 or 12.4, it shall so notify the Contractor in accordance with the provisions of Section 10.5. The amounts to be taken shall be based upon estimates, including those contained in the forecast statement furnished pursuant to Section 7.2(c), and final adjustments shall



be made within ninety (90) Days after the end of each Calendar Year on the basis of actual quantities.

## ARTICLE XIII

### PAYMENT PROCEDURE

- 13.1 **Payments to the Ministry.** All payments due to the Ministry hereunder shall be made in U.S. Dollars to the Treasury Single Account in Da Afghanistan Bank, details of which may be provided from time to time by the Ministry, and shall be made in accordance with the provisions of the Public Finance and Expenditure Management Law.
- 13.2 **Payments to the Contractor.** All payments due to the Contractor hereunder shall be made in U.S. Dollars at a bank to be designated by the Contractor or, at the Ministry's election, such other currency as is acceptable to the Contractor.
- 13.3 **Timing of Payments.** Except as otherwise expressly provided herein, all payments required to be made pursuant to this Contract shall be made within thirty (30) Days following the end of the Month in which the obligation to make such payment occurs.
- 13.4 **Late Payments.** If any payment is not made when due, such unpaid amount shall be increased as from and after the due date until the date of payment at a rate, compounded monthly, of five percent (5%) per annum above the London Interbank Offer Rate ("**LIBOR**") for one (1) month deposits of U.S. Dollars, as reported in the London Financial Times or any other agreed publication.

## ARTICLE XIV

### SURFACE RENTAL FEES

- 14.1 **State-owned Land.** In accordance with the Hydrocarbons Regulations, the Contractor shall be liable for payment of the following annual surface rental fees to the Ministry in respect of all unsurrendered State-owned land forming part of the Contract Area:
- (a) for so long as a Commercial Discovery has not been declared with respect to any Field:
    - (i) during the Initial Exploration Period, one U.S. Dollar (US\$ 1.00) per hectare;
    - (ii) during the First Extension Period, four U.S. Dollars (US\$ 4.00) per hectare; and
    - (iii) during the Second Extension Period and any extension granted pursuant to Section 3.1, eight U.S. Dollars (US\$ 8.00) per hectare;

- (b) from the first declaration of Commercial Discovery with respect to any Field:
  - (i) fifteen U.S. Dollars (US\$ 15.00) per hectare, excluding Fields; and
  - (ii) forty U.S. Dollars (US\$ 40.00) per hectare of each Field.
- 14.2 **Timing of Payments.** The Contractor shall make surface rental fee payments to the Ministry annually in respect of the then current Calendar Year. The first annual surface rental fee payment under Section 14.1 shall be made within thirty (30) Days after the date on which the Ministry has provided the Operator with an approved survey or geographic projection in accordance with Section 14.4. Following the provision of such survey or geographic projection to the Operator, all subsequent annual surface rental fee payments shall be made within thirty (30) Days after each anniversary of the Effective Date. In the event the area of a Field is further delineated or otherwise adjusted during a Calendar Year so as to increase or decrease the number of hectares of State-owned land forming part of such Field, no corresponding adjustment shall be made to the amount of any surface rental fee payment already paid in respect of such Calendar Year.
- 14.3 **Privately Owned Land.** For its use of privately owned or occupied land, the Contractor shall pay such rental fees as are agreed with the owner or occupier. Upon the request of the Contractor, the Ministry shall facilitate negotiations between the Contractor and the owner or occupier on the amount of such rental fees. The Ministry may seek the assistance of other agencies in the Government for this task. If the Contractor and the owner or occupier fail to agree on the amount of such rental fees, the amount shall be determined by the Ministry. If the Contractor or the owner or occupier do not agree with the amount determined by the Ministry, the dispute shall be settled by a dispute resolution board which shall consist of representatives from the Ministries of Justice, Mines, Agriculture and Finance and the National Environmental Protection Agency. All such rental fee payments shall be considered Hydrocarbons Operations Expenditures recoverable by the Contractor in accordance with the Accounting Procedures.
- 14.4 **Area Subject to Surface Rental Fees.** The area of State-owned land subject to surface rental fees under Section 14.1 shall be determined by a survey approved by the Ministry; provided, however, that in the absence of such a survey, such area shall be determined on the basis of a geographic projection approved by the Ministry.
- 14.5 **Obligation to Pay Compensation.** The Contractor's payment of rental fees pursuant to this Article XIV shall not relieve the Contractor of its obligation to pay compensation to the extent required by Afghanistan Law and the decisions of authorized dispute settlement bodies for any actual injury, damage or loss resulting from an act or omission of the Contractor, its subcontractors or its agents, employees or representatives in the course of the conduct of Hydrocarbons Operations.



## ARTICLE XV

### NATURAL GAS

**15.1 Associated Gas.** The Contractor shall have the right to use, free of charge, Associated Gas for Hydrocarbons Operations, including reinjection for pressure. Associated Gas that is not used in Hydrocarbons Operations, and the processing and utilization of which, in the opinion of both the Contractor and the Ministry, is not economical, shall be returned to the subsurface structure, or may be otherwise disposed of, so long as such alternate disposition is (i) in accordance with Good Oil Field Practices or (ii) the Ministry consents to such alternate disposition in writing. In the event that the Contractor chooses to process and sell Associated Gas, the Contractor shall notify the Ministry of the same and upon such notification, the Ministry and the Contractor shall, as soon as practicable thereafter, meet together with a view to reaching an agreement on the production, processing and sale of such Associated Gas. In the event the Contractor chooses not to process and sell Associated Gas, the Ministry may elect to off-take at the outlet flange of the gas-oil separator and use such Associated Gas which is not required for Hydrocarbons Operations. There shall be no charge to the Ministry for such Associated Gas, provided that the cost to gather such Associated Gas in the Field and to process and utilize it shall be for the account of the Ministry.

**15.2 Non-Associated Gas.**

- (a) Where Non-Associated Gas is discovered in the Contract Area and the Contractor has, pursuant to Section 7.1(b), informed the Ministry that the Discovery is of commercial interest, a Natural Gas development committee composed of an equal number of representatives of the Ministry and the Contractor shall be established upon adoption of the Appraisal Program relating to such Discovery pursuant to Section 7.1(f). The purpose of the development committee is to jointly evaluate the use of such Natural Gas in:
  - (i) the domestic market and the chain of downstream activities required to bring the Natural Gas to the end consumers in such market; and
  - (ii) current or potential export markets.
- (b) The Natural Gas development committee shall conduct (or cause to be conducted) gas marketing studies and programs to ascertain the benefits, commercialization issues and economics of sales of Natural Gas to the various potential markets. The costs of such studies and related expenses shall be recoverable as Hydrocarbons Operations Expenditures.
- (c) Within twelve (12) Months following adoption of the Appraisal Program, the Ministry and the Contractor will meet with a view to reaching an agreement on the most economic market for commercialization of the Natural Gas, with the objective of securing the highest value for the Natural Gas resources, and the related development, production, processing, utilization, disposition or sale of

such Natural Gas, as well as the period within which the Contractor shall be required to advise the Ministry in writing whether or not in its opinion the Discovery of Non-Associated Gas is a Commercial Discovery.

- (d) If, pursuant to Section 15.2(c), the Ministry and the Contractor determine that a Discovery of Non-Associated Gas, although substantial, is not then, either alone or in combination with other Discoveries, commercially viable, but is likely to become so within eight (8) years thereafter with appropriate gas marketing operations, feasibility studies and further evaluation, the Ministry and the Contractor shall enter into an agreement for an initial term of five (5) years, extendible for up to three subsequent periods of one (1) year each (the "**Evaluation Agreement**") postponing the agreement contemplated under Section 15.2(c). Under these circumstances, to allow for gas marketing operations, feasibility studies and further evaluation, the Ministry shall refrain from exercising its option under Section 7.1(h) to require the Contractor to relinquish the area corresponding to such Discovery for the term of the Evaluation Agreement. On or prior to January 1st of each year commencing after the expiration of the initial five (5) year term of the Evaluation Agreement, the Contractor shall submit to the Ministry for review a report specifying the gas marketing operations, feasibility studies and evaluation activities conducted, and a written notification of whether or not, in the Contractor's opinion, such Discovery continues to be of commercial interest. The Evaluation Agreement shall be extended until the earlier to occur of the following:
- (i) the expiration of eight (8) years from the date of the Parties' Evaluation Agreement;
  - (ii) the date on which the Ministry receives a report from the Contractor indicating that the Discovery is no longer of commercial interest; and
  - (iii) the date on which the Ministry informs the Contractor that it disagrees with the Contractor's conclusion in a report that the Discovery continues to be of commercial interest and exercises the Ministry's option under Section 7.1(h) to require relinquishment.

**15.3 Allocation of Revenues and Expenditures.** In the event that the development, production, processing, utilization, disposition or sale of Natural Gas from the Contract Area is determined by the Parties to be economically feasible in accordance with this Article XV, the costs of development and production of the same from the reservoir to the Delivery Point, and the revenues derived therefrom, shall, unless otherwise agreed pursuant to Sections 15.1 and 15.2, be included in Hydrocarbons Operations Expenditures and Gross Contractor Revenues, respectively, for all purposes of this Contract, subject to the Accounting Procedures.



## ARTICLE XVI

### INCOME TAX

- 16.1 Income Taxes.** Income tax issues related to Hydrocarbons Operations are governed by the Income Tax Law.
- 16.2 Income Tax Rate.** Subject to Section 16.4, each Contractor Entity agrees that its Net Taxable Income shall be subject to the then prevailing Income Tax rate for the period of the Contract.
- 16.3 Business Receipts Tax.** Each Contractor Entity shall be exempted from Business Receipt Tax during the term of this Contract for all business conducted in connection with this Contract.
- 16.4 Tax Stabilization.** If, at any time after the Effective Date, (a) any new tax, levy or other fee is introduced in Afghanistan that (i) is targeted at Hydrocarbons Operations or (ii) is in the nature or the equivalent of a value added tax or provincial, local, municipal tax or windfall tax (the taxes referred to in this clause (ii) being ("Designated Taxes")) or (b) there is any change in Afghanistan Law (or the interpretation thereof) that (i) is targeted at Hydrocarbons Operations or (ii) discriminates or has the effect of discriminating against the Contractor or any Contractor Entity (including but not limited to a Progressive Tax Rate) and (c) as a result of the circumstances described in (a) or (b), the Contractor or any Contractor Entity suffers an adverse effect of a material nature on the economic benefits it derives from Hydrocarbons Operations or the Contract, the Contractor will notify the Ministry in writing and the Parties will, as soon as possible thereafter, meet to verify such effect and, within ninety (90) Days of such meeting, agree on such changes to this Contract as may be required in order to restore, as closely as possible, the economic benefits that the Contractor and each Contractor Entity would have derived from the Hydrocarbons Operations or the Contract in the absence of such new tax, levy or other fee or such change of Afghanistan Law (or the interpretation thereof). In the event that the Contractor and the Ministry fail to reach an agreement within the time period specified in this Section 16.4, the matter may be referred to arbitration pursuant to Section 24.1. Except in the case of Designated Taxes, the provisions of the preceding sentences shall not apply with respect to Income Tax that is applied generally or any tax, levy or fee of general application that is not specifically targeted at Hydrocarbons Operations and which does not discriminate or have the effect of discriminating against the Contractor or any Contractor Entity. Nothing in this Section 16.4 shall be construed as imposing any limitation or constraint on the scope, or due and proper enforcement, of Afghanistan Law which does not discriminate, or have the effect of discriminating, against the Contractor or any Contractor Entity, and provides for the protection of health, safety, labor or the environment, or for the regulation of any category of property or activity carried on in Afghanistan.
- 16.5 No Double Taxation.** The revenues generated from Hydrocarbons Operations for the Contractor's account shall only be subject to Income Tax once in Afghanistan. Each Contractor Entity shall be liable to pay Income Tax on its share of such revenue or the

Shareholders shall be liable to pay Income Tax on such revenue in accordance with applicable laws. If at any time after the Effective Date, there is any change in the legal, fiscal and/or economic framework applicable to the Contract (or the interpretation thereof) which results in the Contractor Entities and the Shareholders both being liable to pay Income Tax on such revenue, the terms and conditions of this Contract shall be altered so as to restore the Contractor Entities and the Shareholders to the same overall position as that which such persons would have been in, had no such change in the legal, fiscal and/or economic framework occurred. If a Contractor Entity believes that its economic position, or the economic position of its Shareholders, has been detrimentally affected herein by a change or interpretation of law that results in double taxation of income, upon the Contractor Entity's written request, the Parties shall meet to agree on any necessary measure to resolve the issue.

**16.6 Benefit of Changes to Law.** Without prejudice to Section 16.4, the Contractor shall be entitled to the benefit of any future changes to Afghanistan Law; provided that this Section 16.6 shall not apply to any benefit arising from any changes in Afghanistan Law that relate to financial or fiscal matters agreed in this Contract, including in respect of royalty, cost recovery, production sharing and surface rental fees (other than any change in the Income Tax rate).

**16.7 Capital Gains Tax.** Nothing contained in the Contract shall excuse or exempt the Contractor or any Contractor Entity (or any Affiliated Entity of a Contractor Entity) from any obligation that may otherwise exist under Afghanistan Law to pay any tax on the sale or transfer of any tangible or intangible property, including such Person's direct or indirect interest in this Contract or any asset owed by it directly or indirectly in whole or in part; provided, however, that a transfer or sale by a Contractor Entity to an Affiliated Entity pursuant to Section 28.4 shall not be deemed to constitute a taxable event for purposes of any tax on gains imposed under Afghanistan Law if both the transferring Contractor Entity and its transferee Affiliated Entity confirm, prior to effecting the sale or transfer, in writing to the Ministry that the tax basis of the transferred asset immediately after the consummation of the transfer or sale shall be the same as the tax basis for the transferred asset immediately prior to the consummation of the transfer or sale.

## ARTICLE XVII

### CUSTOMS DUTIES

**17.1** Customs Duties related to Hydrocarbons Operations are governed by the Customs Law of Afghanistan, provided, however, that:

- (a) for the duration of this Contract, each Contractor Entity shall be entitled to import into Afghanistan (including by its subcontractors as joint consignees) free of Customs Duties the equipment and supplies designated by the Parties as required to be imported for Hydrocarbons Operations and shall be entitled to export the same (provided that no transfer of ownership of such equipment or supplies has occurred after the date of their import into Afghanistan) free of Customs Duties



pursuant to that separate Memorandum of Understanding between the Parties dated October 8, 2013, as the same may be amended from time to time; and

- (b) for the duration of this Contract, each Contractor Entity shall be entitled to export Hydrocarbons free of Customs Duties.

## ARTICLE XVIII

### EXCHANGE AND CURRENCY CONTROLS

The Contractor shall be subject to the applicable exchange control legislation and regulations in effect from time to time in Afghanistan, provided, however, that:

- (a) the Contractor shall be entitled to retain outside Afghanistan, and freely transfer, foreign currency received by it outside of Afghanistan, including the proceeds of sales of Hydrocarbons to which it is entitled hereunder;
- (b) the Contractor shall be entitled to export from Afghanistan, free of limitation or restriction, in the same currency as that in which the investment was made, the funds held by it, provided, however, that this subsection (b) shall not impose any obligation upon the Ministry or the Government to provide foreign currency to the Contractor;
- (c) the Ministry shall endeavor to ensure (by liaising with other Government agencies or instrumentalities from time to time as appropriate and when requested to do so by the Contractor in writing and by offering such other reasonable support as may be requested by the Contractor) that there is sufficient availability of U.S. Dollars or other freely convertible foreign currency in Afghanistan to facilitate the Contractor's right to convert any proceeds from the sale of Hydrocarbons or other cash received in local currency into U.S. Dollars and/or other convertible foreign currency without delay, provided, however, that this subsection (c) shall not impose any obligation upon the Ministry or the Government to provide foreign currency to the Contractor;
- (d) in the matter of purchase and sale of currency within Afghanistan, whether of Afghanistan or other countries, the rates of exchange shall not be less favorable to the Contractor than those granted to any Person that introduces or transfers foreign currency into Afghanistan;
- (e) no restriction shall be placed on the importation by the Contractor of funds necessary for carrying out Hydrocarbons Operations under this Contract; and
- (f) the Contractor shall have the right to pay directly outside of Afghanistan from its offices abroad for purchases or services for Hydrocarbons Operations hereunder, provided that no such payments shall be made to Afghan citizens or to firms using Afghanistan as their main base of operations, whether natural or juridical, contrary to the laws of Afghanistan.

Each Contractor Entity, its Affiliated Entities and Shareholders, and the Contractor's subcontractors shall benefit from the same rights as the Contractor under this Article XVIII.

## ARTICLE XIX

### TREATMENT UNDER AFGHANISTAN LAW

The treatment accorded to the Contractor, each Contractor Entity, its Affiliated Entities and Shareholders by Afghanistan in relation to the Contract shall not be less favorable than the treatment required to be accorded to foreign investors under Afghanistan Law.

## ARTICLE XX

### TRAINING, EMPLOYMENT AND LOCAL CONTENT

- 20.1 Training of Afghan Nationals.** The Contractor agrees to as far as possible train and employ qualified Afghan nationals in the Hydrocarbons Operations and after Initial Commercial Production will undertake the schooling and training of Afghan nationals for staff positions, including administrative and executive management positions. The Contractor will require its major contractors and subcontractors to do the same, provided that if the Contractor is unable to secure the agreement of its major contractors and subcontractors to train and employ qualified Afghan nationals, the Contractor shall inform the Ministry but shall nonetheless be allowed to contract with such major contractors and subcontractors. The Contractor undertakes to give priority to Afghan nationals with equivalent qualifications and experience and actively search for Afghan nationals in order to meet the training and employment obligations established in the prevailing legislation and to gradually replace its expatriate staff with qualified Afghan nationals as they become available. An annual program for training and phasing in of Afghan nationals shall be established by the Contractor and shall be submitted for approval to the Ministry. Such program shall be included in the Work Programs submitted by the Contractor pursuant to Section 5.3. Within thirty (30) Days after the end of each Calendar Year, the Contractor shall submit a written report to the Ministry describing the number of personnel employed, their nationality, their positions and the status of training programs for Afghan nationals.
- 20.2 Training of Ministry Personnel.** The Contractor shall also be required to establish a program, reasonably satisfactory to the Ministry, to train personnel of the Ministry to undertake skilled and technical jobs in Hydrocarbons Operations for the State. Such program shall include provisions for involving representatives of the Ministry in the preparation of the Work Programs and Work Program Budgets as required by Section 5.3(c).
- 20.3 Minimum Expenditures.** The Contractor shall expend a minimum of fifty thousand U.S. Dollars (US\$ 50,000.00) during the period from the Effective Date until December 31, 2013 for training pursuant to Sections 20.1 and 20.2. Thereafter the



minimum expenditure for training pursuant to Sections 20.1 and 20.2 shall be increased by five thousand U.S. Dollars (US\$ 5,000.00) annually, provided that the Contractor shall expend a minimum total amount of one hundred thousand U.S. Dollars (US\$ 100,000.00) for training annually from the date of commencement of the Development and Production Phase in respect of any Field.

- 20.4 **Long Range Plan and Budget.** A long range plan and budget for the training programs described in Sections 20.1 and 20.2 is attached hereto as Exhibit F. All annual training programs and budgets shall be consistent with such long range plan and budget.

## ARTICLE XXI

### PURCHASES IN AFGHANISTAN

- 21.1 **Local Preference.** In procurement, the Contractor shall give preference to goods that are produced or available in Afghanistan and services that are rendered by Afghan nationals and companies, provided that such goods and services are similar in quality, quantity and price to imported foreign goods and services and available at the time. The Contractor shall, upon request of the Ministry, develop local preference targets and specific plans to meet such targets. Such plans shall be provided as part of the Contractor's Work Programs to be approved by the Ministry and shall include, but not be limited to, timelines, key milestones and formal review dates, a description of potential areas of the Contractor's business in which to integrate local preferences, and a summary of Contractor's local preference initiatives and results, including the then current percentage and sources of Afghan goods and services used in Contractor's Hydrocarbons Operations.
- 21.2 **Equivalency.** Locally produced or available equipment, materials and supplies shall be deemed equal in price to imported items if the local cost of such locally produced or available items at the Contractor's operating base in Afghanistan is not more than fifteen percent (15%) higher than the cost of such imported items after transportation and insurance costs have been added.

## ARTICLE XXII

### JOINT DEVELOPMENT / UNITIZATION

- 22.1 **Joint Development in Other Awarded Areas.** If the Contractor identifies a proposed Field within the Contract Area that appears to extend beyond the Contract Area to other areas of Afghanistan over which other parties have the right to conduct exploration, development and production operations, the Contractor shall notify the Ministry and the other party of the proposed Field in conjunction with its Appraisal Program submitted under Section 7.1(e) or its geological report submitted under Section 7.1(i)(i). The Ministry may require that the development of the proposed Field and the production of Hydrocarbons from such proposed Field be carried out in collaboration with the other parties. The same rule shall be applicable if deposits of Hydrocarbons within the

Contract Area, although not equivalent to a Commercial Discovery if developed alone, would be deemed to be a Commercial Discovery if developed with those parts of the deposits that extend to areas controlled by other contractors.

- 22.2 Joint Development in Non-Awarded Areas.** If a Hydrocarbons deposit or potential deposit appears to extend into a non-awarded block adjacent to the Contract Area or if deposits of Hydrocarbons within the Contract Area, although not equivalent to a Commercial Discovery if developed alone, would be deemed to be a Commercial Discovery if developed with those parts of the deposits that extend to such areas, the Contractor shall promptly notify the Ministry in the same manner set forth in Section 22.1. The Ministry may decide if and how the non-awarded area shall be explored and awarded, and any terms and conditions for such joint development.
- 22.3 Collaborative Proposals.** The Contractor shall collaborate with other parties in preparing a collective proposal for common development and production of the deposits of Hydrocarbons for approval by the Ministry.
- 22.4 Ministry Proposals.** If the proposal for common development and production pursuant to Section 22.3 has not been presented within ninety (90) Days of the notice described in Section 22.1, or if the Ministry does not approve such proposal, the Ministry may prepare or cause to be prepared, for the account of the Contractor and the other parties involved, a reasonable plan for common development and production. The Ministry shall submit such common development and production plan to the Contractor and other parties for approval. Should the Contractor wish to propose revisions to the plan for common development and production, it shall within ninety (90) Days after receipt thereof so notify the Ministry, specifying in reasonable detail its reasons for the proposed revisions. Promptly thereafter, the Parties shall meet and endeavor to agree on the revisions proposed by the Contractor.
- 22.5 International Coordination.** This Article XXII shall also be applicable to Discoveries of Hydrocarbons within the Contract Area which extend to areas that are not within the dominion of Afghanistan, provided that in these cases the Government shall be empowered to impose the special rules and conditions which may be necessary to satisfy obligations under any agreements with international organizations or adjacent states with respect to the development and production of such Hydrocarbons. If a Hydrocarbons deposit extends onto the territory of another state, the Ministry will assist the Contractor in, as far as possible, negotiating an agreement with the government of that other state on the most efficient co-ordination of Hydrocarbons Operations in connection with the deposit as well as on the apportionment of the deposit. This shall apply similarly when, in the case of several Hydrocarbons deposits, joint Hydrocarbons Operations would be more efficient.
- 22.6 Unitization.** Within ninety (90) Days following the approval or adoption of a unitization plan for common development and production by the Ministry, the Contractor shall proceed to operate under any such plan. If a clause of a cooperative or unitary development and production plan which has been approved or adopted by the Ministry,



and which by its terms affects the Contract Area or a part of the same, contradicts a clause of this Contract, the clause of the cooperative or unitary plan shall prevail.

## ARTICLE XXIII

### HEALTH, SAFETY AND ENVIRONMENTAL PROTECTION

- 23.1 Compliance with Laws.** In the conduct of the Hydrocarbons Operations, the Contractor shall comply, and shall require its subcontractors to comply, with any applicable laws and regulations, including the Hydrocarbons Law and any regulations issued thereunder, relating to the protection of the environment and the health, safety and welfare of workers and the public.
- 23.2 Oversight and Rehabilitation.** Prior to the commencement of Hydrocarbons Operations in any portion of the Contract Area, Contractor shall undertake and complete a Baseline Environmental Assessment of the subject area consistent with Good Oil Field Practices and applicable laws and noting any existing deficiencies, including any environmental contamination existing in the area on or prior to the commencement of Hydrocarbons Operations. In the course of the Hydrocarbons Operations, the Contractor shall consider, investigate, assess and manage the impact of the Hydrocarbons Operations on the environment and the socio-economic conditions of any person who might directly be affected thereby. Furthermore the Contractor shall, upon completion of any Hydrocarbons Operations, rehabilitate as far as reasonably practicable the environment affected thereby to its natural or prior state as established by the Baseline Environmental Assessment.
- 23.3 Health and Safety Plan.** The Contractor shall take all necessary measures to secure the health, safety and welfare of individuals consistent with Good Oil Field Practices and as required under applicable Afghanistan Law. Prior to the commencement of Hydrocarbons Operations in the Contract Area, the Contractor shall establish, submit to the Ministry and publish, implement and enforce a health and safety plan throughout all Hydrocarbons Operations, which shall include the following measures:
- (a) all equipment and facilities shall afford reasonable safety from accidents, and shall be inspected by a qualified person as often as may be necessary to ensure the safety of the equipment or facility and compliance with the relevant laws and regulations;
  - (b) the person performing the inspection shall make a written report of the inspection and shall forward a copy of the report to the Ministry, and any equipment found to be defective or unsafe shall be repaired or replaced;
  - (c) adequately designed, tested and maintained blowout prevention equipment shall be employed in connection with the drilling, testing, completing or working over of any Well;

- (d) adequate, easily accessible and properly maintained fire fighting equipment shall be provided at all operational locations where the potential of fire exists, the personnel shall be trained in the effective use of such equipment and fire fighting contingency procedures shall be published and displayed around the site;
- (e) all completed Wells shall be reasonably protected and a notice warning persons of the danger that exists shall be prominently displayed;
- (f) all personnel shall wear clothing and footwear suitable for the operational conditions and the work being performed, including, where appropriate, industrial protective equipment, such as helmets, eye protectors, gloves and hearing protection equipment;
- (g) where appropriate, notices in English and in the prevalent language of the area of operations shall be displayed at the operational sites warning all personnel of any potential danger and of the associated safety requirements;
- (h) adequate first aid equipment and personnel shall be available on all operational sites while work is in progress and procedures shall be established for the transportation of persons needing prompt medical attention;
- (i) reliable communication facilities shall be provided at all operational locations; and
- (j) all aircraft operations shall be conducted in accordance with existing laws of Afghanistan.

**23.4 Manuals.** The Contractor shall prepare and submit to the Ministry for approval prior to the commencement of Hydrocarbons Operations:

- (a) a manual of instructions for the safety operations which shall detail procedures to be followed to safeguard the health and safety of all personnel associated with all foreseen operations and to safeguard the environment;
- (b) a manual of response to emergencies which may occur, including the escape or ignition of Hydrocarbons, serious injuries, and other conditions requiring the evacuation of the site; and
- (c) a manual of procedures for the maintenance of Well control which shall detail procedures and equipment which will be used in the event of a blowout.

All appropriate personnel at the site shall be made aware of and be trained in the procedures detailed in the manuals.

**23.5 Additional Protective Measures.** In addition to the requirements for the protection of the environment as is provided in the environmental management plan approved by the Ministry, the Contractor shall, when carrying out Hydrocarbons Operations, take all practical measures to:



- (a) prevent the pollution of any water well, spring, river, lake or reservoir by the escape of Hydrocarbons, drilling fluids, chemical additives or any other waste product or effluent;
- (b) where pollution occurs, treat or disperse it in an environmentally acceptable manner;
- (c) dispose of all waste liquids used during the drilling of a Well in a manner approved by the Ministry;
- (d) properly secure permanent installations;
- (e) remove all worn, damaged or surplus equipment and supplies, and other rubbish from site to an approved waste disposal site to be reused or recycled if possible; and
- (f) on the completion or abandonment of a Well, promptly restore the Well site and any surrounding area as near to the state existing prior to the conduct of Hydrocarbons Operations as may practically be done and render that area safe.

**23.6 Minimization of Flaring.** When carrying out Hydrocarbons Operations, the Contractor shall furthermore take all practical measures to minimize flaring of any Natural Gas by re-injecting such Natural Gas into suitable strata or underground storage in accordance with Good Oil Field Practices or in any other approved scheme. The Contractor shall seek the Ministry's approval (such approval not to be unreasonably withheld or delayed) to flare any such Natural Gas which cannot be re-injected due to specific reservoir considerations or for other reasons that are accepted internationally or in an approved scheme in line with Good Oil Field Practices. Before flaring, the Contractor shall take reasonable measures to ensure the extraction of Natural Gas and other liquids contained in the Associated Gas if the Ministry and the Contractor have agreed that such extraction is economically justifiable. Notwithstanding anything in this Article XXIII to the contrary, Associated Gas may be flared if necessary for the conducting of Well and production tests and during any emergency.

**23.7 Remedial Measures.** If the Ministry reasonably determines that any works or installations erected by the Contractor or any operations conducted by the Contractor endanger or may endanger persons or third party property or cause pollution or harm wildlife or the environment to an unacceptable degree, or are otherwise not in compliance with the provisions of the applicable laws and regulations or of this Contract, the Ministry may require the Contractor to take remedial measures and to repair any damage to the environment within a reasonable period established by the Ministry. In the event that the Contractor fails to take the remedial measures required by the Ministry within the time period established by the Ministry, the Ministry may carry out such remedial measures and the Contractor shall be liable for any costs related to such measures. If the Ministry deems it necessary, it may also require the Contractor to discontinue Hydrocarbons Operations in whole or in part until the Contractor has taken such remedial

measures or has repaired any damage. The period of discontinuance shall not exceed six (6) Months.

**23.8 Reporting of Accidents or Hazards.** The Contractor shall as soon as possible report any serious or fatal accident that occurs, or any imminent hazard that arises, in connection with the Hydrocarbons Operations by the most rapid means of communication to the Ministry and the local State administrative authorities under whose jurisdiction the accident or hazard occurs or arises.

**23.9 Emergency Measures.** In case of imminent threat to life, property, or the environment, the Contractor shall take every measure possible in accordance with the risk management plan to mitigate or avoid such imminent threat and such immediate action as is necessary to preserve life, prevent destruction of property, or protect the environment. The Contractor shall as soon as possible thereafter notify the Ministry of the action taken. The costs incurred by the Contractor in relation to such action shall be recoverable as Hydrocarbons Operations Expenditures so long as the imminent threat to life, property, or the environment is not a direct result of the Contractor's gross negligence or willful misconduct. The Ministry shall take such measures to assist in efforts to mitigate or avoid such imminent threat as it deems appropriate and issue such orders and/or instructions as it deems necessary.

## ARTICLE XXIV

### DISPUTE SETTLEMENT/ ARBITRATION

**24.1 ICSID Arbitration.** Subject to Section 24.2, any dispute, controversy or claim arising out of or relating to this Contract that is not resolved by mutual agreement within forty-five (45) Days from the date on which the existence of a dispute is notified in writing by a Party to another Party or Parties shall be settled by arbitration initiated by a Party by submission to the International Centre for Settlement of Investment Disputes (ICSID) pursuant to the Convention on the Settlement of Investment Disputes between States and Nationals of other States as of March 18, 1965 (ICSID Convention) and the arbitration rules promulgated thereunder. For the avoidance of doubt, the Ministry hereby expressly consents to the submission of any dispute which may arise under this Contract to ICSID for settlement by arbitration in accordance with Article 25 (1) of the ICSID Convention. For the purpose of Article 25 (2) (b) of the ICSID Convention, the Contractor shall be treated as a national of a state other than Afghanistan. The number of arbitrators shall be three. The arbitration shall be conducted in the English language. The arbitration award may take the form of an order to pay a sum of money, or an order to perform an act, or an order to refrain from an act, or any combination of such orders. The place of arbitration shall be London, England. The award rendered shall be final and conclusive. Judgment on the award rendered may be entered in any court having jurisdiction or application may be made in such court for a judicial acceptance of the award and an order of enforcement, as the case may be. As far as practicable, both the Contractor and the Ministry shall continue to implement this Contract during pendency of any dispute.



**24.2 Expertise Proceedings.** In the event (i) that the Ministry disagrees with the Contractor's determination of the Market Price or (ii) in the event of there being any dispute as to whether or the extent to which an expenditure is disqualified as a Hydrocarbons Operations Expenditure, the Parties shall submit the matter to administered expertise proceedings in accordance with the Rules for Expertise of the International Chamber of Commerce (the "Expertise Rules") provided that the Ministry or the Contractor may (but shall not be obliged to) refer any dispute which falls under paragraphs (i) and (ii) above to arbitration where it reasonably estimates that the disputed amount is likely to exceed twenty-five million U.S. Dollars (US\$ 25,000,000), in which case there shall be no expertise proceedings in respect of such dispute. The Request for Administration (as such term is defined in the Expertise Rules) shall be copied to all Parties concerned and shall specify that:

- (a) if the expert is not appointed pursuant to the agreement of the Parties, the expert should have appropriate experience in the administration of exploration and production sharing agreements for Hydrocarbons;
- (b) if the expert is not appointed pursuant to the agreement of the Parties, the expert shall not be a citizen of Afghanistan or of any jurisdiction in which any Contracting Entity or its ultimate parent entity is organized or has its principal place of business;
- (c) unless otherwise agreed by the Parties and the expert, the expert shall endeavor to deliver his report within sixty (60) Days after acceptance by the expert of his appointment;
- (d) the report shall include a determination by the expert as to the allocation of the costs of administration (including the fees and expenses of the expert) among the Parties;
- (e) the expert may require (including as a result of a suggestion by a Party) that any Party produce to the expert (and if the expert so determines, to such Persons as the expert may direct) any documentation or explanation relating to the matters in dispute;
- (f) the language of the expertise proceedings shall be English; and
- (g) as far as practicable both the Ministry and the Contractor shall continue to implement this Contract during the pendency of the expertise proceedings and pending any expert determination regarding the calculation of the Market Price the Market Price applicable shall be the Market Price determined by the Contractor.

Each Party shall bear its own costs of counsel in connection with the expertise proceedings, and pending determination by the expert as to the allocation of the costs of administration, such costs shall be borne equally by the Parties. The report of the expert shall be final and binding on the Parties. If a Party fails to comply with a determination contained in such report within thirty (30) Days after the date the report is delivered to

the Parties, such failure to comply shall constitute a breach of this Contract. Any dispute regarding a Party's failure to comply with a determination contained in the report may be referred to arbitration in accordance with Section 24.1.

**24.3 Contractor Parties.** For purposes of (i) the selection and appointment of arbitrators pursuant to Section 24.1 and (ii) the allocation of costs of administration in expertise proceedings pursuant to Section 24.2, the Contractor and the Contractor Entities shall be considered to be one (1) Party.

**24.4 Jurisdictional Defenses.** The Parties hereby stipulate that the investment contemplated by this Contract constitutes an investment for the purposes of the ICSID Convention and the Government and the Ministry each acknowledge that its rights and obligations hereunder are of a commercial and not a governmental nature. For purposes of this provision, the term "**Covered Persons**" shall mean the Ministry, the Government, or any of its or the Government's agencies or instrumentalities and the term "**Commercial Property**" shall mean the property of a Covered Person that: (a) is invested for a commercial purpose or (b) is used for a commercial activity, and specifically shall exclude any property that: (i) constitutes the assets of a diplomatic or consular mission outside Afghanistan; (ii) is used in connection with a military activity, is of a military character and is under the control of a military authority or defense agency of the Government; (iii) consists of assets of the central bank of Afghanistan, including accounts held by it in other financial institutions; or (iv) consists of aircraft or related equipment that is used predominantly for the transport of Government officials. It is agreed that any Covered Person shall not use its status as a state or instrumentality of the state to avoid any legal proceeding (including expertise proceedings) commenced in accordance with this Contract, including any application for interim relief and any action to enforce or execute any award or judgment or determination of an expert pursuant to Section 24.2 and it is further agreed that any property subject to any such action, including any property used to enforce or execute any award or judgment or determination of an expert, shall be limited to the Commercial Property of the Covered Persons.

## ARTICLE XXV

### **TERMINATION AND REVOCATION**

**25.1 Termination for Default.** The Ministry shall have the right to terminate this Contract upon giving thirty (30) Days' written notice of its intention to do so if the Contractor: (a) fails to provide or maintain in effect the Financial Guarantee as required under this Contract; (b) subject to Section 24.2, fails to make any monetary payment required by law or under this Contract, including any payment in respect of the purchase price of the Hydrocarbons deemed sold by the Ministry to the Contractor pursuant to Article X, for a period of thirty (30) Days after the due date for such payment; (c) fails to comply with any other material obligation that it has assumed under this Contract, including the obligation to perform the Winning Bidder's Exploration Program; (d) fails to comply with a material obligation imposed by the Hydrocarbons Law or regulations thereunder or



any lawful acts, regulations, orders or instructions issued by the Government or any department or agency of the Government.

**25.2 Termination for Default of a Contractor Entity.** The Ministry shall also have the right to terminate this Contract only in respect of the relevant Contractor Entity upon giving thirty (30) Days' written notice to such Contractor Entity, if such Contractor Entity: (a) fails to provide or maintain in effect its General Performance Guarantee as required under this Contract; or (b) becomes bankrupt, or goes into liquidation because of insolvency or makes a composition with its creditors.

**25.3 Cure Period.** If the circumstance or circumstances that result in termination under Section 25.1 are remedied (i) by the Contractor (x) in the case of Section 25.1(a) or (b), within the thirty (30) Day period following the notice of termination as aforesaid or (y) in the case of Section 25.1(c) or (d), within the sixty (60) Day period following the notice of termination as aforesaid or (ii) by the relevant Contractor Entity in the case of Section 25.2, within the thirty (30) Day period following the notice of termination as aforesaid, such termination shall not become effective.

**25.4 False or Fraudulent Information.**

- (a) If the Ministry finds that the Operator has presented false or fraudulent information in its capacity as Operator or information has been withheld by the Operator in such capacity, the Ministry may require the Operator to provide any necessary information and explanation. If the Operator fails to provide such information or the information and/or explanations provided are unsatisfactory, and the incorrect information provided or the omission to provide information constitutes a material breach of Contract, the Contract may be revoked and the State is entitled to compensation from the Contractor for losses incurred as a result of the breach of contract or other remedies for breach of contract.
- (b) If the Ministry finds that a Contractor Entity acting in its individual capacity has presented false or fraudulent information or information has been withheld by such Contractor Entity, the Ministry may require such Contractor Entity to provide any necessary information and explanation. If the Contractor Entity fails to provide such information or the information and/or explanations provided are unsatisfactory, and the incorrect information provided or the omission to provide information constitutes a material breach of Contract, the Contract may be terminated only in respect of the relevant Contractor Entity and the State is entitled to compensation from the Contractor for losses incurred as a result of the breach of contract or other remedies for breach of contract.
- (c) If an arbitral tribunal convened pursuant to Section 24.1 determines in a final decision that the Contractor or any Contractor Entity has breached the prohibition on bribing state officials pursuant to Afghanistan Law in respect of the award or operation of this Contract, the Contract may be revoked and the State is entitled to compensation from the Contractor for losses incurred as a result of the breach of contract or other remedies for breach of contract. In case of revocation, the

Ministry shall publish reasons justifying revocation of the Contract and shall send a copy thereof to the Contractor. In such case, the rights and privileges granted to the Contractor shall be revoked, and the Contract Area shall be forfeited as well as the Financial Guarantee in accordance with its terms.

- 25.5 Continuing Obligations.** The termination or revocation of this Contract for whatever reason shall be without prejudice to the obligations incurred and not discharged by the Contractor or the relevant Contractor Entity (as the case may be) prior to the date of termination or revocation. In the case of any termination or revocation of the Contract in respect of the Contractor, the Ministry and the Contractor shall promptly agree on a plan for take-over and/or abandonment. Subject to Section 7.3(f) and Section 27.3, termination or revocation of this Contract is without prejudice to accrued liabilities of each Party and in particular the Contractor is liable to rehabilitate as far as reasonably practicable the environment affected by Hydrocarbons Operations to its natural or prior state as established by the Baseline Environmental Assessment.
- 25.6 Continuing Performance.** In the event of termination or revocation pursuant to Section 25.1, Section 25.4 or Section 25.9, the Ministry may require the Contractor, for a period not to exceed one hundred eighty (180) Days from the effective date of termination, to continue, for the account of the Ministry, Liquid Hydrocarbons or Natural Gas production activities until the right to continue such production has been transferred to another entity. During such period, the Contractor shall be entitled to its share of Hydrocarbons production as determined in accordance with Section 10.1. Upon termination, the provisions of Sections 4.4 and 4.5 shall apply.
- 25.7 Mitigating Environmental Damages or Hazards.** Within ninety (90) Days after the termination or revocation of this Contract pursuant to Section 25.1, Section 25.4 or Section 25.9, unless the Ministry has granted an extension of this period, the Contractor shall complete any reasonably necessary action as directed by the Ministry to avoid environmental damage or a hazard to human life or third party property.
- 25.8 Transfer of Ownership.** Upon the termination or revocation of this Contract for any reason, ownership of all pipes, pipelines, installations, facilities, downhole well equipment, wellhead equipment and other equipment or materials within the geographic limits of the Contract Area and for which the Contractor has recovered the Hydrocarbons Operations Expenditures pertaining thereto shall be transferred to the Ministry, other than unused inventory, leased equipment and other Contractor equipment which can be removed without damage to the Contract Area.
- 25.9 Area Closed to Hydrocarbons Operations.** If, after the Contractor has signed this Contract, the State declares or designates a portion of the Contract Area as disputed, prohibited or unauthorized in accordance with the Hydrocarbons Law, then the Contractor shall be entitled to terminate or re-negotiate this Contract. The Contractor shall also be entitled to damages for losses incurred due to such declaration or designation.



- 25.10 Transfer of Participating Interest on Termination in respect of a Contractor Entity.** If the Contract is terminated under Section 28.2, Section 25.2 or Section 25.4, the Participating Interest of the terminated Contractor Entity shall be transferred to the other Contractor Entities in the proportions which their Participating Interests bear to the aggregate of the Participating Interests of all such Contractor Entities (unless otherwise agreed by the Contractor Entities).

## ARTICLE XXVI

### **BOOKS, ACCOUNTS AND AUDITS; RECORDS, REPORTS AND INSPECTIONS**

- 26.1 Maintenance of Accounts, Books and Records.** The Contractor shall, in accordance with prevailing legislation and regulations, be obliged to keep and maintain complete accounts, books and records at its registered office in Afghanistan reflecting all Hydrocarbons Operations, Hydrocarbons Operations Expenditures and Gross Contractor Revenues consistent with International Financial Reporting Standards, generally accepted procedures and standards in the international petroleum industry and the requirements of this Contract, including the Accounting Procedures.
- 26.2 Submission of Accounts.** No later than June 30 of each Calendar Year, the Contractor shall submit to the Ministry detailed accounts showing all Hydrocarbons Operations Expenditures and all Gross Contractor Revenues during the past Calendar Year. Before submission to the Ministry, the accounts shall be audited and certified by an independent chartered accountant or certified public accountant acceptable to both the Ministry and the Contractor, at the expense of the Contractor (such expense to be considered as Hydrocarbons Operations Expenditures recoverable by the Contractor in accordance with the Accounting Procedures). It is understood that the Ministry retains the authority to review and audit the Contractor's accounts, books and records with respect to Hydrocarbons Operations conducted hereunder either directly or through an independent accountant designated by the Ministry.
- 26.3 Inspection Rights.** The Ministry shall have full and complete access to the Contract Area at all reasonable times with a right to observe Hydrocarbons Operations and shall have the right to inspect all accounts, books, records, assets and data kept by the Contractor relating to Hydrocarbons Operations and this Contract, such observations and inspection to be conducted at the expense of the Ministry. The Ministry may, upon reasonable advance notice to the Person-in-Charge, perform examinations, surveys, drawings, tests and analyses, inspect and make copies for the purpose of implementing this Contract. In doing so, the Ministry shall not unduly interfere with the Contractor's Hydrocarbons Operations. The Ministry shall be entitled to make reasonable use of the equipment and instruments of the Contractor for purposes of this Section 26.3, provided that no damage to the equipment or instruments or impediment to the Hydrocarbons Operations hereunder shall result from such use. The Ministry shall indemnify and reimburse the Contractor for any loss or damage that may in fact result from any such use of equipment and instruments. The Ministry shall be given reasonable assistance by the

Contractor for such functions, and the Contractor, the Person-in-Charge and the Contractor's representatives shall be required to provide the Ministry with all reasonable facilities and assistance for the effective exercise of its functions, inter alia by affording to the Ministry all facilities and privileges afforded to its own personnel in the field including the use of available office space and housing free of charge.

- 26.4 Current Recordkeeping and Reporting.** The Contractor shall prepare and maintain accurate and current records of its activities in the Contract Area. The Contractor shall furnish all information, reports and data concerning its activities and operations under this Contract in such formats, at such times, and to such parties as may be required under the Hydrocarbons Law and any regulations issued thereunder or pursuant to any transparency principles or policies adopted by the Government, including the EITI.
- 26.5 Samples.** The Contractor shall save and keep for the duration of this Contract all unused cores and samples taken from the Wells drilled, which shall be forwarded to the Ministry or its representatives at such time and in the manner directed by the Ministry. All cores and samples acquired by the Contractor shall be available for inspection by the Ministry or its representatives at all reasonable times. Unless previously forwarded to the Ministry pursuant to instructions given under this Section 26.5, the Contractor shall forward to the Ministry all remaining cores and samples upon expiration or termination of this Contract. Unless otherwise agreed to by the Ministry, in the case of exporting any rock or Hydrocarbons samples from Afghanistan for the purpose of testing and analysis, samples equivalent in size and quantity shall, before such exportation, be delivered to the Ministry.
- 26.6 Exportation of Original Data.** Originals of records and other data can be exported only with the prior permission in writing of the Ministry; provided, however, that any data which must be processed or analyzed outside Afghanistan may be exported if a comparable record is maintained in Afghanistan to the extent feasible and such exported records and data, including processed and interpreted data, are repatriated to Afghanistan. Response to a request for such permission shall be given without undue delay.
- 26.7 Ownership and Confidentiality of Data.** The Contractor shall provide to the Ministry in appropriate form all original data resulting from Hydrocarbons Operations, including geological, geophysical, petrophysical, engineering, Well logs, production data and completion status reports and any other data (including derivative data) which the Contractor may compile during the term hereof, including all reports, analyses, interpretations, maps and evaluations thereof prepared by the Contractor and any contractors, subcontractors or consultants to the Contractor or by its Affiliated Entities, and cuttings of all samples that have been obtained or compiled during the term hereof ("**Data**"). The State shall have title to all Data. The Data shall not be disclosed to third parties by the Ministry prior to relinquishment of the area to which they relate, or prior to the end of the Exploration Phase if such area is not sooner relinquished, provided, however, that the Ministry may make copies available to professional consultants, legal counsel, accountants, underwriters, lenders and such Government entities as may need to be made aware thereof or have the right to require disclosure. In any event, the Contractor may retain copies of all Data. The Contractor shall not disclose the Data to



any third parties without the Ministry's prior written consent, provided, however, that the Contractor may make copies available to professional consultants, legal counsel, accountants, underwriters, lenders, its Affiliated Entities, the Contractor Entities, their respective Shareholders and Affiliated Entities, contractors and subcontractors of the Contractor and such government entities as may need to be made aware thereof or have the right to require disclosure. Any Data that are disclosed by the Ministry or the Contractor to third parties pursuant to this Section 26.7 shall be disclosed on terms that ensure that the Data are treated as confidential by the recipient. To the extent that there is any inconsistency between the provisions of this Section 26.7 and the provisions of Article XXXIII, the provisions of this Section 26.7 shall govern except to the extent that application of this Section 26.7 would violate applicable law.

## ARTICLE XXVII

### INSURANCE AND INDEMNIFICATION

- 27.1 **Insurance.** To ensure that the Contractor shall meet its obligations to third parties, or to Government agencies, that might arise in the event of damage or injury (including environmental damage or injury and cleanup of accidents in accordance with Good Oil Field Practices) caused by Hydrocarbons Operations, notwithstanding that the damage is accidental, the Contractor shall maintain in force a third party liability insurance policy through an internationally recognized insurance company reasonably acceptable to the Ministry covering the activities of itself, its contractors and subcontractors and the employees of all such parties, to the extent that such insurance is reasonably available to the Contractor. Such insurance policy shall include the Ministry as an additional insured, shall waive subrogation against the Ministry, and shall provide that it may not be cancelled except upon thirty (30) Days prior written notice to the Ministry. A certificate evidencing such insurance policy shall be provided to the Ministry within ninety (90) Days of the Effective Date. The limits, coverage, deductibles and other terms thereof shall be subject to approval in writing by the Ministry (such approval not to be unreasonably withheld or delayed). To the extent that such third party liability insurance is unavailable or is not obtained, or does not cover part or all of any claims or damage caused by or resulting from Hydrocarbons Operations, each Contractor Entity shall remain fully responsible for the obligations of the Contractor and shall defend, indemnify and hold the Ministry harmless against all such claims, losses and damages of any nature whatsoever.
- 27.2 **Indemnification.** Subject to Section 27.3, each Contractor Entity shall indemnify, defend and hold the Government harmless against all claims, losses and damages of any nature whatsoever, including, without limitation, claims for loss or damage to property or injury or death to persons, caused by or resulting from any Hydrocarbons Operations conducted by or on behalf of the Contractor, provided that a Contractor Entity shall not be held responsible to the Government under this Section 27.2 for any loss, claim, damage or injury caused by or resulting from any negligent action of personnel of the Government or from any environmental contamination existing in the Contract Area on or prior to the Effective Date.

- 27.3 Limitation on Liability.** Notwithstanding any other provision of this Contact, no Party shall be liable to any other Party (and for the benefit of the Contractor, the Ministry agrees that no Contractor Entity, its Shareholders or their respective Affiliated Entities, or any subcontractor of the Contractor shall be liable to the Ministry) for loss of profits, punitive damages, exemplary or indirect damages, business interruption damages or loss of goodwill arising out of a failure to comply with an obligation (including in respect of Hydrocarbons Operations) under this Contract (whether such failure is characterized as breach of contract or a tort or otherwise), including under any indemnity provision under this Contract, unless such Party has caused the damages or losses by its willful misconduct or gross negligence. Nothing contained in this Section 27.3 shall preclude the Ministry or any other agency or instrumentality of the Government that exercises regulatory functions from assessing fines to the extent specifically provided in Afghanistan Law and not assessed based on lost profits or loss of goodwill and not intended to indemnify for business interruption or indirect damages. Reference to “willful misconduct or gross negligence” means (a) a marked and flagrant departure from the standard of conduct that a reasonable and prudent person acting in such circumstances would have been expected to display at the time of the purported misconduct, or such wanton and reckless conduct as constitutes in effect an utter disregard for harmful, foreseeable, and avoidable consequences; or (b) an act or failure to act with knowledge or reckless disregard of the harmful, foreseeable, and avoidable consequences

## ARTICLE XXVIII

### ASSIGNMENT AND SUBCONTRACTORS

- 28.1 Assignment.** Subject to Section 28.4, a Contractor Entity may not sell, assign, transfer, convey, pledge or otherwise dispose of any part or all of its rights or obligations under this Contract to any person or entity, unless approved by the Council of Ministers and subsequently authorized by the Ministry. In the case of any assignment authorized under this Section 28.1, the assignor shall provide to the Ministry an unconditional undertaking by the assignee to assume all obligations of the assignor under this Contract. Notwithstanding the foregoing, (i) the assignor shall remain liable for all obligations under this Contract that the assignor has incurred prior to the date upon which such assignment, encumbrance or transfer takes effect and (ii) the assignor shall remain jointly and severally liable with the assignee for performance of the obligations of the assignor arising after the effective date of the assignment unless the assignor assigns its entire interest under this Contract.
- 28.2 Indirect Transfers; Change of Control.** The Ministry shall have the right to terminate this Contract only in respect of the relevant Contractor Entity upon notice to the relevant Contractor if, without the prior approval of the Council of Ministers and subsequent approval of the Ministry, such Contractor Entity shall, during the life of this Contract, undergo, directly or indirectly, a change of control (it being understood that for this purpose “control” of the Contractor Entity means the power, directly or indirectly, to direct or change its management or policies, whether through ownership of shares or other voting securities or by any other means). Notwithstanding the foregoing, nothing in



this Article XXVIII shall prohibit the ultimate parent entity of any Contractor Entity or any Shareholder from entering into any merger, acquisition or other business combination.

**28.3 Application to the Ministry.** Prior to any proposed assignment or change of control under this Article XXVIII, the Contractor Entity assignor or the Contractor Entity undergoing a change of control, as applicable, shall notify the Ministry in advance together with an application which shall include:

- (a) the name, address and nationality of the third party;
- (b) in the case of the third party organized as a corporation:
  - (i) its place of registration or incorporation, its principal place of business, the names, addresses and nationality of the directors, principal officers and authorized signatories of the company and its capital structure;
  - (ii) the corporate structure of the third party, its parent company, if any, and other Affiliated Entities;
  - (iii) financial information on the third party and its parent company, if any, including annual reports, audited balance sheets and profit and loss statements for the past three years, and any reports of relevance for the Hydrocarbons Operations which the third party or its parent company may have filed with government agencies responsible for securities regulation during that period;
- (c) how the Hydrocarbons Operations would be financed;
- (d) the third party's previous experience and technical expertise in Hydrocarbons Operations, specifically including the third party's experience in developing countries;
- (e) information concerning experience and technical competence of significance to the area or areas to which an application applies;
- (f) a description of the organization and expertise which the third party will have available in Afghanistan and elsewhere for activities in connection with the Contract Area;
- (g) a description of the relevant equipment, machinery, tools and personnel that will be available for the Hydrocarbons Operations of that third party;
- (h) an indication of who will be the representative in relation to the authorities;
- (i) a description of the third party's experience and procedures that will apply for securing the health, safety and welfare of persons involved in or affected by the Hydrocarbons Operations;

- (j) a description of the third party's experience and procedures that will apply for protecting the environment, preventing, minimizing and remedying pollution and other harm from the Hydrocarbons Operations;
- (k) proposals with respect to the training of Afghan nationals and expenditures to be incurred therefor;
- (l) such guarantees required pursuant to Article 40, Section 14 of the Hydrocarbons Law and as required herein, including a General Performance Guarantee executed by the ultimate parent entity of the third party in a maximum amount equal to the product of (i) the Participating Interest to be acquired by the third party and (ii) one hundred million US Dollars (US\$ 100,000,000).
- (m) such other particulars as the Ministry may reasonably require to be submitted within a reasonable specified timeframe.

If such further information is not submitted within the specified timeframe, the application shall be deemed to be withdrawn. The Ministry will not unreasonably withhold its consent to any such assignment or change of control, except that the Ministry may in its sole discretion withhold any such consent in the event of any transaction which would result in a change in the Operator or the ultimate parent entities of the pre-qualified parties in the consortium constituting the Winning Bidder owning in the aggregate, directly or indirectly, less than fifty-one percent (51%) of the Participating Interests at any time during the Exploration Phase.

**28.4 Assignments to Affiliated Entities.** A Contractor Entity may sell, assign, transfer, convey, pledge or otherwise dispose of any part or all of its rights or obligations under this Contract to an Affiliated Entity. In the case of any assignment authorized under this Section 28.4, the Contractor Entity shall notify the Ministry of such assignment and shall provide to the Ministry an unconditional undertaking by the assignee to assume all obligations of the assignor under this Contract. The assignment, encumbrance or transfer of this Contract or interests hereunder shall not affect any liability that the Contractor Entity has incurred prior to the date upon which such assignment, encumbrance or transfer takes effect. Notwithstanding such undertaking, the Contractor Entity shall remain jointly and severally liable with the assignee for performance of the obligations of the Contractor.

**28.5 Subcontractors.** The provisions of this Article XXVIII shall not apply to the engagement of subcontractors that are engaged to perform special operations or provide services. The Contractor undertakes to provide copies of all such subcontracts to the Ministry and the Ministry of Finance.



## ARTICLE XXIX

### LAW OF THE CONTRACT

This Contract shall be governed by, construed under and interpreted in accordance with the laws of Afghanistan.

## ARTICLE XXX

### FORCE MAJEURE

Except as otherwise provided in this Article, each Party shall be excused from complying with, or permitted to delay its performance of, this Contract, except for the payment of money due and only with respect to those terms that are directly affected by the event in question, for so long as such compliance is prevented or delay in performance is caused by Force Majeure. “**Force Majeure**” shall mean any act or cause that is reasonably beyond the control of such Party and does not result from the fault or negligence of such Party, including natural catastrophes, fires, earthquakes, strikes (except strikes by the Contractor’s employees), wars (declared or undeclared), acts of terrorism and acts of God. It is expressly understood that Force Majeure shall not mean economic hardship or change in market conditions. In the event that either Party hereto is rendered unable, wholly or in part, by any of these causes to carry out its obligations under this Contract, such Party shall give notice and details of Force Majeure in writing to the other Party within seven (7) Days after its occurrence. In such cases, the obligations of the Party giving the notice shall be suspended during the continuance of any inability so caused, and the duration of any period specified in this Contract for carrying out the obligations affected by any of the aforesaid causes, including, but not limited to, the Exploration Phase and the Development and Production Phase, shall be extended for a period equal to the impact of delay caused by the Force Majeure occurrence; provided, however, that the term of this Contract shall not be extended unless the delay caused by the Force Majeure event in question persists for a continuous period of at least three (3) Months. The Party claiming Force Majeure shall use all reasonable efforts to remove or correct the event that gave rise to the Force Majeure. If this Contract is subject to Force Majeure for more than ninety-six (96) consecutive Months, either the Ministry or the Contractor shall have the right, upon notice to the other, to terminate this Contract with respect to the part or parts of the Contract Area affected.

## ARTICLE XXXI

### ENTIRE CONTRACT AND AMENDMENTS

31.1 **Entire Agreement.** This Contract embodies the entire agreement and understanding between the Contractor and the Ministry relative to the subject matter hereof, and supersedes and replaces any provisions on the same subject in any other agreement between the Parties, whether written or oral, prior to the date of this Contract.

- 31.2 **Amendment.** This Contract may not be amended, modified, varied or supplemented except by mutual consent in writing, executed, endorsed and approved in accordance with the Hydrocarbons Law, and signed by the Contractor and the Ministry.
- 31.3 **Severability.** The provisions of this Contract shall be separate and severable each from the other to the extent that if any portion or any one provision or portion thereof is held to be inoperative or unenforceable in any jurisdiction then the remainder of this Contract shall remain binding upon and enforceable by the Parties hereto in that jurisdiction and shall be construed as if the Contract had been executed without such inoperative or unenforceable provision or portion thereof, provided that the provision or portion so severed shall not materially affect the remainder of this Contract.
- 31.4 **Governing Language and Duplicate Originals.** This Contract shall be executed in English and in Dari in eight (8) originals, with the Ministry holding two (2) originals, one (1) in English and one (1) in Dari and the Contractor holding six (6) originals, three (3) in English and three (3) in Dari. In the event that a dispute arises under this Contract between the English and Dari versions, the English version shall be definitive as to the terms and conditions of this Contract and the rights and obligations of the Parties.

## ARTICLE XXXII

### WAIVERS; CUMULATIVE REMEDIES

- 32.1 **Express Waiver Required.** Performance of any condition or obligation to be performed hereunder shall not be deemed to have been waived or postponed except by an instrument in writing signed by the Party that is claimed to have granted such waiver or postponement.
- 32.2 **No General Waivers.** No waiver by a Party of any one or more obligations or defaults by the other Parties in the performance of this Contract shall operate or be construed as a waiver of any other obligations or defaults, whether of a like or of a different character.
- 32.3 **Cumulative Remedies.** All rights, powers, and remedies provided hereunder are cumulative and not exclusive of any other rights, powers or remedies provided hereunder or under applicable laws.

## ARTICLE XXXIII

### TRANSPARENCY IN AFGHANISTAN HYDROCARBONS OPERATIONS

- 33.1 **Transparency.** The Ministry shall have the right to keep a copy of this Contract in the Hydrocarbons Register, publish and keep publicly available and distribute to provincial offices such information and reports on the Contract, related documents and the Contractor as is required pursuant to the Hydrocarbons Law and any regulations issued thereunder or pursuant to any transparency principles or policies adopted by the Government, including the EITI. Such information and reports may include production



and financial data concerning all revenues from income taxes, production shares, royalties, fees and other taxes and other direct or indirect economic benefits received by the Ministry and all amounts paid by the Contractor under or in relation to this Contract. The foregoing shall not preclude the Ministry from disclosing the Contract or any information relating to Hydrocarbons Operations if the Ministry concludes that such disclosure is in the national interest or complies with the EITI or other internationally accepted norms relating to transparency in the extractive industries.

- 33.2 Trade Secrets.** If any information referred to in Section 33.1 concerns technical devices, production methods, business analyses and calculations and any other industrial and trade secrets and are of such a nature that others may exploit them in their own business activities, the Ministry may approve that such information may rightfully be subject to confidentiality for a period of time determined by the Ministry.
- 33.3 No Corrupt Action.** Each of the Ministry and the Contractor Entities represents and covenants that it is, and during the term of this Contract will remain, in full compliance with all laws applicable to it prohibiting corrupt business practices, including the Hydrocarbons Law.

## ARTICLE XXXIV

### NOTICES

All notices, reports and other communications required or permitted hereunder or any notices that one Party may desire to give to the other Party shall be in writing in the English language and deemed to have been properly delivered if personally handed to an authorized representative of the Party for whom intended or sent by electronic mail, registered airmail or cable, except as otherwise provided herein, at or to the address of such Party for whom intended as indicated below, or such other address as either the Ministry or the Contractor may from time to time designate by notice in writing to the other Party:

CONTRACTOR: TP Afghanistan Limited  
Attn: Afghanistan Country Manager  
PRT, Sheberghan  
Mazar-i-Sharif, Afghanistan

and

TPAO Exploration Department  
Attn: Coşkun NAMOĞLU  
Söğütözü Mahallesi 2180. Cadde  
No:86 06100 Çankaya ANKARA  
Turkey

MINISTRY: Ministry of Mines & Petroleum  
Pashtoonistan Watt

Across from Ministry of Finance  
Kabul, Afghanistan  
Telephone: +93 (0) 202 100 309  
Attn: Director of Afghanistan Petroleum Authority

Any notice, report or other communication hereunder (other than reports under Article XXIII) that is required to be submitted within seven (7) Days or less shall be due on the next business Day if Government offices in Afghanistan are closed on the Day it would otherwise be due.

## ARTICLE XXXV

### EFFECTIVENESS AND REGISTRATION

- 35.1 Effective Date and Validity.** This Contract, which has been endorsed by the Inter-ministerial Committee and approved by the Council of Ministers, shall become effective and binding on the Parties on the Effective Date. The Ministry shall inform the Contractor of the Effective Date within forty-eight (48) hours thereof. The Ministry represents that it has all requisite power and authority to enter into this Contract and perform its obligations hereunder and that the execution, delivery and performance of this Contract by the Ministry has been duly authorized in accordance with the constitutional and administrative procedures for the Ministry and that only the approval of the Council of Ministers is required to give this Contract legal effect.
- 35.2 Registration of Contract; Publication.** Within ten (10) Days following the Effective Date, the Ministry shall (i) register this Contract in the Hydrocarbons Register and (ii) publish in at least three (3) newspapers of national circulation in Afghanistan and on the Ministry's website an announcement summarizing the material terms of the Contract.

*[signature page follows]*




IN WITNESS WHEREOF, the Parties hereto have caused this Contract to be executed by their respective duly authorized representatives as of the date first above written.


DRAGON OIL (MAZAR-I-SHARIF) LIMITED

By   
Mark W. Sawyer  
Manager, New Ventures and  
Business Development


TP AFGHANISTAN LIMITED

By 

GHAZANFAR INVESTMENT LTD.

By   
Ismael Ghazanfar  
Chief Executive Officer

THE MINISTRY OF MINES & PETROLEUM OF  
THE GOVERNMENT OF THE ISLAMIC  
REPUBLIC OF AFGHANISTAN

By   
Abdul Jalil Jumriany  
Director General  
Afghanistan Petroleum Authority

**EXHIBIT A**

**DESCRIPTION OF CONTRACT AREA**



**COORDINATES OF CONTRACT AREA**

The Contract Area consists of the following coordinates, comprising the interiors of the geographic region described by its corners, stated with reference to the meridian of Greenwich and the Equator:

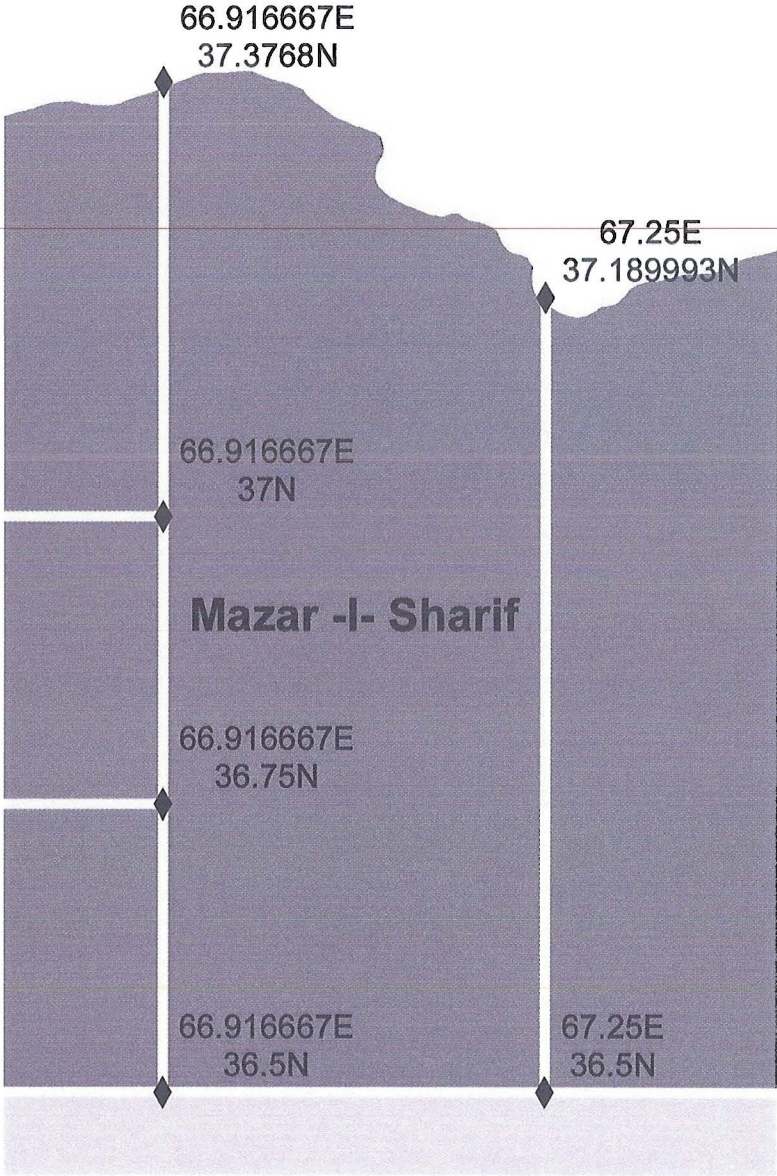
**MAZAR-I-SHARIF**

$66^{\circ} 55' 0''$ E	$37^{\circ} 22' 36.48''$ N
$66^{\circ} 55' 0''$ E	$36^{\circ} 30' 0''$ N
$67^{\circ} 15' 0''$ E	$36^{\circ} 30' 0''$ N
$67^{\circ} 15' 0''$ E	$37^{\circ} 11' 23.9748''$

**EXHIBIT B**

**MAP OF CONTRACT AREA**





**EXHIBIT C**  
**ACCOUNTING PROCEDURES**



TABLE OF CONTENTS

	<u>Page</u>
ARTICLE I General Provisions .....	C-3
1.1 Definitions and Scope.....	C-3
1.2 Inconsistency .....	C-3
1.3 Accounting Records and Reports .....	C-3
1.4 Language and Units of Account .....	C-4
1.5 Cash Basis .....	C-4
1.6 “R” Factor Expenditure Account.....	C-4
1.7 “R” Factor Income Account .....	C-6
1.8 Arm’s Length Transactions .....	C-6
1.9 General Exclusions .....	C-6
1.10 Currency Exchange Rates.....	C-8
1.11 Acceptance of Costs .....	C-8
ARTICLE II Accounting Methods and Principles .....	C-8
2.1 Labor Costs.....	C-8
2.2 Material Costs.....	C-9
2.3 Technical Services Costs .....	C-9
2.4 Insurance and Claims.....	C-10
2.5 Legal and Litigation Costs.....	C-10
2.6 General Administration and Services Overhead Costs.....	C-10
2.7 Office Costs, <i>et cetera</i> , in Afghanistan .....	C-11
2.8 Land Use and Surface Rental Fees .....	C-11
2.9 Training Costs .....	C-11
ARTICLE III Audit and Inspection Rights of the Ministry .....	C-11
APPENDIX 1: Escrow Account.....	C-13
APPENDIX 2: Procurement Manual.....	C-14

**EXHIBIT C**  
**ACCOUNTING PROCEDURES**

**ARTICLE I**

**General Provisions**

**1.1 Definitions and Scope**

The Accounting Procedures described herein are to be followed and observed in the performance of the Ministry's and the Contractor's obligations for purposes of Article X of the Contract. Except as otherwise provided in the Contract, these Accounting Procedures shall not apply to Contractor's Income Tax obligations, which shall be governed by the provisions of the Income Tax Law.

The definitions appearing in Article I of the Contract shall also apply to this Exhibit C.

In order to determine the "R" Factor, the Contractor shall keep a particular system of accounts to record, in U.S. Dollars, income and expenditure related to the Hydrocarbons Operations. This system shall consist of two main accounts: the "R" Factor Income Account, and the "R" Factor Expenditure Account as defined in this Exhibit C.

In all matters of procurement under the Contract, the Contractor shall comply with the policies and procedures set forth in the Procurement Manual, a form of which is attached as Appendix 2 to these Accounting Procedures. The Procurement Manual shall be subject to review by the Parties at the end of each Calendar Year, and may be amended, supplemented or replaced as mutually agreed between the Parties.

**1.2 Inconsistency**

In the event of any inconsistency or conflict between the provisions of this Exhibit C and the other provisions of the Contract, the other provisions of the Contract shall prevail.

**1.3 Accounting Records and Reports**

- (a) The Contractor shall establish and maintain at its business office in Afghanistan complete accounts, books and records of all revenues, costs and expenses relating to all Hydrocarbons Operations hereunder in accordance with International Financial Reporting Standards and generally accepted procedures and standards in the international petroleum industry. Such accounts, books, records and reports will be available for the inspection and use of the Government and its representatives in carrying out its supervisory, financial and fiscal functions under the Contract.



- (b) All accounts, books, records, reports and statements will be prepared in accordance with the Contract, applicable Afghanistan Law, and where there are no relevant provisions of either of these, in accordance with International Financial Reporting Standards and Good Oil Field Practices.
- (c) The Ministry may, in accordance with the prevailing laws and regulations, from time to time by no less than thirty (30) Days' notice to the Contractor, specify the style, format and level of details of the reports, documents and materials that the Ministry may reasonably require from the Contractor.

**1.4 Language and Units of Account**

Unless otherwise agreed or prescribed in prevailing legislation, all accounts, records, books and reports shall be maintained and prepared in the English language and shall be recorded in U.S. Dollars.

**1.5 Cash Basis**

Notwithstanding any other provision of this Contract, International Financial Reporting Standards or generally accepted procedures and standards in the international petroleum industry, the Contractor shall prepare on a cash basis the 'R' Factor Expenditure Account described in Section 1.6 of this Exhibit C and the 'R' Factor Income Account described in Section 1.7 of this Exhibit C. In such books, accounts, and records relating to the 'R' Factor Expenditure Account and the 'R' Factor Income Account, all cash receipts and cash expenditures shall be attributed to the time period in which the cash receipt or expenditure is realized.

**1.6 "R" Factor Expenditure Account**

Hydrocarbons Operations Expenditures may consist of capital and operating expenditures as follows:

- (a) Capital Expenditures

Capital expenditures are those Hydrocarbons Operations Expenditures for assets that normally have a useful life that extends beyond the year in which the asset was acquired.

In addition to expenditures relating to assets that normally have a useful life beyond the year in which the asset was acquired, the costs of exploration and development operations, as described in Sections 1.6(a)(v), (vi), (vii), (viii) and (ix) of this Exhibit C, will be classified as capital expenditures. Capital expenditures shall be reduced by the amount of any proceeds received by the Contractor from sales of Liquid Hydrocarbons or Natural Gas produced during production testing, such sales to be valued at the net realized price obtained by the Contractor therefor.

Capital expenditures include, but are not limited to, the following:

- (i) Construction utilities and auxiliaries – work shops, power and water facilities, warehouses, and field roads. Cost of Liquid Hydrocarbons treating plants and equipment, secondary recovery systems, Natural Gas plants and steam systems;
- (ii) Construction housing and welfare housing – recreational facilities and other tangible property incidental to construction;
- (iii) Production facilities – production rigs (including the costs of labor, fuel, hauling and supplies for both the offsite fabrication and onsite installation of rigs, and other construction costs in erecting rigs and installing pipelines), wellhead equipment, subsurface lifting equipment, production tubing, sucker rods, surface pumps, flow lines, gathering equipment, delivery lines and storage facilities;
- (iv) Movables – surface and subsurface drilling and production tools, equipment and instruments, barges, floating craft, automotive equipment, aircraft, construction equipment, furniture and office equipment and miscellaneous equipment;
- (v) Development and production drilling – labor, materials and services used in drilling Wells with the object of penetrating a proven reservoir, including the drilling of delineation Wells as well as re-drilling, deepening or recompleting Wells, and access roads, if any, leading directly to Wells;
- (vi) Exploration drilling – labor, materials and services used in the drilling of Wells with the object of finding unproven reservoirs of Liquid Hydrocarbons and Natural Gas, and access roads, if any, leading directly to Wells;
- (vii) Surveys – labor, materials and services used in aerial, geological, topographical, geophysical and seismic surveys, and core hole drilling;
- (viii) Security and de-mining – the engagement of private security providers licensed in Afghanistan and de-mining or mine clearance costs associated with Hydrocarbons Operations;
- (ix) Third-party assessments – the engagement of internationally recognized third parties to conduct assessments, including Baseline Environmental Assessments, wireline, well-logging and testing, logistics, security and de-mining assessments; and
- (x) Other exploration expenditures - auxiliary or temporary facilities having lives of one year or less used in exploration and purchased geological and geophysical information.



(b) Operating Expenditures

Operating expenditures are all Hydrocarbons Operations Expenditures other than capital expenditures.

**1.7 “R” Factor Income Account**

The following shall be recognized as income and recorded in the “R” Factor Income Account:

- (a) The value of Hydrocarbons allocated to the Contractor in accordance with Article X of the Contract.
- (b) Income from sales of assets acquired by the Contractor for Hydrocarbons Operations, the cost of which was recorded in the “R” Factor Expenditure Account.
- (c) Income from services rendered to third parties involving personnel whose remuneration and benefits are recorded in the “R” Factor Expenditure Account and/or involving goods whose acquisition cost has been recorded in the “R” Factor Expenditure Account.
- (d) Income from letting assets belonging to the Contractor, whose acquisition cost has been recorded in the “R” Factor Expenditure Account or subletting of goods whose hire is charged to the “R” Factor Expenditure Account.
- (e) Compensation received from insurance policies taken out in relation to Contract activities for damaged goods, including compensation for loss of profits.
- (f) Other income representing credits applicable to charges to the “R” Factor Expenditure Account.

**1.8 Arm’s Length Transactions**

Except as provided in Section 2.3 or as may be otherwise agreed in writing between the Ministry and the Contractor (including pursuant to Section 2.6), all transactions giving rise to revenues, costs or expenses which will be credited or charged to the books, accounts, records and reports prepared, maintained or submitted hereunder shall be conducted at arm’s length or on such a basis as will assure that all such revenues, costs or expenses will not be higher or lower, as the case may be, than would result from a transaction conducted at arm’s length on a competitive basis with third parties.

**1.9 General Exclusions**

The following expenditures shall not be included in Hydrocarbons Operations Expenditures:

- (a) costs and expenses incurred at any time prior to the Effective Date;

- (b) costs relating to Hydrocarbons refining, marketing or transportation beyond the Delivery Point (unless otherwise specifically agreed in an approved Development Program and Development Program Budget as constituting recoverable Hydrocarbons Operations Expenditures);
- (c) contributions and donations, except those approved by the Government;
- (d) gifts or rebates to suppliers, and gifts or commissions to intermediaries arranging service or supply contracts;
- (e) any costs relating to the provision of the Financial Guarantee including payments made to the Ministry pursuant thereto or otherwise for failure to perform the work commitments in accordance with Section 6.4 of the Contract;
- (f) any interest, fees and other financial charges relating to loans and credits obtained by the Contractor to acquire funds for the execution of Hydrocarbons Operations, as well as amortization of such loans and credits and any exchange gains or losses thereof;
- (g) any fines, interest, monetary corrections or increases in expenses resulting from the Contractor's failure to comply with its obligations under the Contract, applicable law or regulations or agreements with third parties;
- (h) overhead or payments to any Affiliated Entity of the Contractor, any Contractor Entity or any of Affiliated Entity of a Contractor Entity that are not allocable to Hydrocarbon Operations Expenditures pursuant to Article II;
- (i) income taxes paid in Afghanistan and all taxes paid outside of Afghanistan;
- (j) costs relating to equipment, inventory or fixtures removed by the Contractor from the Contract Area following relinquishment pursuant to Article IV of the Contract, Section 7.1 of the Contract or upon termination or revocation of the Contract for any reason;
- (k) any expenditures that are required to be made in accordance with the policies and procedures set forth in the Procurement Manual attached hereto as Appendix 2 (as it may be amended from time to time) to the extent such expenditures are not made in accordance with such policies and procedures and to the extent that such breach results in the Contractor incurring higher costs and/or results in material delays in Hydrocarbons Operations;
- (l) any other expenditures not directly related to Hydrocarbons Operations or not in compliance with the provisions of this Exhibit C; and
- (m) costs that would otherwise be recoverable as Hydrocarbons Operations Expenditures but exceed by ten percent (10%) or more the approved Work Program Budget as may be amended by the Parties from time to time; provided, however, that costs in excess of one hundred and ten percent (110%) of any



approved Work Program Budget shall be included in Hydrocarbons Operations Expenditures where such costs are associated with emergency measures taken in accordance with Section 23.9 of the Contract.

The following shall not be recognized as income for the purposes of calculating the “R” Factor:

- (a) Financial income in general.
- (b) Income received for services rendered by the Contractor or sales of Contractor’s assets occurring before the Effective Date.
- (c) Income received for activities not related to the Hydrocarbons Operations.

**1.10 Currency Exchange Rates**

For conversion purposes between Afghanis, or any other currency, and U.S. Dollars, the average of the buying and selling rate of exchange shall be used as issued by Da Afghanistan Bank on the first Day of the Month in which the revenues, costs or expenses are recorded.

**1.11 Acceptance of Costs**

The acceptance by the Ministry of the values and treatment proposed by the Contractor relating to all costs and expenses may be conditional upon the presentation by the Contractor, following a request by the Ministry or its representatives, of all records and original documents supporting such costs and expenses, such as invoices, cash vouchers, debit notes, price lists or similar documentation verifying the value and treatment proposed. Any dispute, claim or controversy regarding whether, or the extent to which, an expenditure should be disqualified as a Hydrocarbons Operations Expenditure shall be settled in accordance with Section 24.2 of the Contract.

**ARTICLE II**

**Accounting Methods and Principles**

Hydrocarbons Operations Expenditures incurred hereunder shall be calculated and accounted for in a manner consistent with the following principles and definitions and shall include:

**2.1 Labor Costs**

Costs of salaries and wages of the Contractor’s and Contractor Entities’ employees directly engaged in Hydrocarbons Operations, including costs of holidays, vacations, sickness, living and housing allowances, travel time, bonuses and other established plans for employee benefits customarily granted to the Contractor’s and Contractor Entities’ employees and their families in similar ventures.

## 2.2 Material Costs

Costs of materials, equipment, machines, tools and any other goods of a similar nature used or consumed in Hydrocarbons Operations, subject to the following:

Acquisition - the Contractor shall only supply or purchase materials for use in Hydrocarbons Operations that may be used in the foreseeable future. The accumulation of surplus stocks and inventory shall be avoided. Inventory levels shall, however, take into account the time lag for replacement, emergency needs and similar considerations;

Components of Costs - costs of materials purchased by the Contractor for use in Hydrocarbons Operations may include, in addition to the invoice price for such materials (subtracting the discounts given, if any) and provided that they are properly documented with invoices:

- (a) freight costs and costs of transportation between the supply point and delivery point (provided that such costs are not included in the invoice price);
- (b) inspection costs;
- (c) insurance; and
- (d) Customs Duties, taxes and other items that may be charged to imported materials or to materials purchased in Afghanistan; and

Inventories - the Contractor shall maintain both a physical and accounting inventory of all materials in stock in accordance with Good Oil Field Practices. The Contractor shall make a physical inventory of all such materials at least once in any Contract Year. The Ministry may carry out total or partial inventories whenever it deems it necessary.

## 2.3 Technical and Professional Services Costs

The value of technical and professional services costs relating to Hydrocarbons Operations, which shall be:

- (a) In the case of technical and professional services performed by third parties directly subcontracted, including outside consultants, contractors and utilities, the price paid by the Contractor, provided that such prices are no higher than the prices charged by other suppliers for comparable work and services; and
- (b) In the case of technical and professional services performed by the Contractor or its Affiliated Entities, prices which are no higher than the prevailing prices charged to other Affiliated Entities of the Contractor and to third parties for comparable services.



## **2.4 Insurance and Claims**

Costs relating to insurance, provided such insurance is customary, affords prudent protection against risks and is at a premium no higher than that charged on a competitive basis by insurance companies which are not Affiliated Entities of the Contractor. The proceeds of any insurance or claim shall be credited against Hydrocarbons Operations Expenditures. Except in cases where insurance coverage is required pursuant to Article XXVII of the Contract, if no insurance is carried for a particular risk, all costs incurred by the Contractor in settlement of any related loss, claim, damage (including payment under indemnities to third parties other than indemnities arising under this Contract or Afghanistan Law) or judgment, including legal services, shall be includable in Hydrocarbons Operations Expenditures, provided that such costs did not result from the Contractor's gross negligence or breach of its obligations under this Contract or Afghanistan Law.

## **2.5 Legal and Litigation Costs**

Costs and expenses of litigation and legal or related services necessary or expedient for the protection of the Contract Area. Any damages or compensation received shall be credited against Hydrocarbons Operations Expenditures. Under no circumstances may the Contractor's costs incurred in the course of arbitration or expertise proceedings entered into under Article XXIV of this Contract be included in Hydrocarbons Operations Expenditures.

## **2.6 General Administration and Services Overhead Costs**

General administration and services costs, other than direct costs, including:

- (a) Personnel of Contractor's Affiliated Entities, personnel of any Contractor Entity or any of its Affiliated Entities and services costs, incurred outside of Afghanistan, relating to administration, legal, accounting, treasury, auditing, taxation, planning, employee relations, purchasing and other functions required for Hydrocarbons Operations under the Contract; and
- (b) Reasonable travel expenses of the Contractor's Affiliated Entities' personnel, personnel of any Contractor Entity or any of its Affiliated Entities in the general and administrative categories listed in (a) above for the purpose of inspection and supervision of Hydrocarbons Operations in Afghanistan;

shall be allocable to Hydrocarbons Operations Expenditures according to methods agreed to by the Contractor and the Ministry. The methods agreed shall result from a detailed study and the methods selected following such study shall be applied each year consistently unless otherwise agreed by the Parties. These general and administration and services overhead costs shall not exceed two percent (2%) of the direct costs incurred in Hydrocarbons Operations in each Quarter.

**2.7 Office Costs, *et cetera*, in Afghanistan**

Staffing and maintenance of the Operator's head office in Afghanistan and other offices in Afghanistan, including rent, telephone and radio expenses, as well as the expenses of general facilities such as bases, warehouses, water, power and communications systems, roads and bridges.

**2.8 Land Use and Surface Rental Fees**

Any compensation paid to private landowners or occupiers pursuant to Section 9.2 of this Contract and any annual surface rental fees paid to the Ministry in respect of State-owned land in accordance with Article XIV of this Contract shall be included in Hydrocarbons Operations Expenditures.

**2.9 Training Costs**

Any expenditures pursuant to Sections 20.1 or 20.2 of this Contract for the purposes of training Afghan nationals and Ministry personnel.

**ARTICLE III**

**Audit and Inspection Rights of the Ministry**

The Ministry, upon thirty (30) Days advance written notice to the Contractor, shall have the right to inspect and audit, during normal business hours, the Contractor's accounts, books and records with respect to the Hydrocarbons Operations conducted hereunder, provided that such right shall apply only for a period of thirty-six (36) Months following the end of the year to which the relevant accounts, books and records relate and that such accounts, books and records shall in the absence of fraud conclusively be presumed to be true and correct after such period. During the Exploration Phase of the Contract, it may be necessary to conduct such an examination at the office of the Contractor, a Contractor Entity or their respective Affiliated Entities in a foreign jurisdiction. Where this is the case, the Contractor agrees to reimburse the Ministry direct economy airfare costs to such office and return and a reasonable foreign per diem living allowance for a reasonable period for two auditors to conduct such an examination. The cost of any audits or examinations by the Ministry within Afghanistan shall be for its sole expense. Any audit exceptions identified by the Ministry or its designated auditors following an audit of the Contractor's accounts, books and records (i) submitted to the Ministry pursuant to Section 26.2 of the Contract or (ii) obtained by the Ministry in connection with an inspection conducted pursuant to Section 26.3 of the Contract or this Article III must be submitted to the Contractor in writing within one hundred and eighty (180) Days following completion of such audit and failure to give such written exception within such time shall establish the correctness of the Contractor's books and accounts. The one hundred and eighty (180) Days referred to above shall be tolled for the number of Days during which the Contractor has failed to provide reasonable assistance to the Ministry or its auditors or otherwise satisfy their reasonable requests for access or documentation in connection with such audit.



For purposes of auditing, the Ministry may examine and verify, at reasonable times upon prior notice to the Contractor, all charges and credits relating to the Hydrocarbons Operations, such as books of account, accounting entries, material records and inventories, vouchers, payrolls, invoices and any other documents, correspondence and records necessary to audit and verify the charges and credits.

The auditors shall have the right in connection with such audit, to visit and inspect at reasonable times, all sites, plants, facilities, warehouses and offices of the Contractor directly or indirectly serving the Hydrocarbons Operations.

The Contractor shall include in its contracts with subcontractors provisions granting to the Ministry the same audit and inspection rights in respect of the subcontractors that it has in respect of the Contractor pursuant to this Contract.

The provisions of the present Article shall not infringe with the power of inspection for authorized representatives of the Ministry pursuant to the laws and regulations of Afghanistan.

All agreed adjustments resulting from an audit shall be made in the Contractor's accounts.

**APPENDIX 1: Escrow Account**

The amount in the Escrow Account shall be subtracted from the Decommissioning and Abandonment Budget to establish a net shortfall. The net shortfall shall be divided by the remaining RGIP/ROIP as of the beginning of the Quarter, then multiplied by that Quarter's production, in accordance with the following methodology:

**Example Calculation of Escrow Under Section 7.3(d) of the Contract:**

At beginning of Quarter,

ROIP = 2,000,000 Barrels

Decommissioning and Abandonment Budget = US\$ 2,400,000

Amount in Escrow Account = US\$ 800,000

Net shortfall = US\$ 2,400,000 – US\$ 800,000 = US\$ 1,600,000

Quarterly production = 100,000 Barrels

Quarterly contribution =  $100,000/2,000,000 \times \text{US\$ } 1,600,000 = \text{US\$ } 80,000$

At end of Quarter,

ROIP = 1,900,000 Barrels

Amount in Escrow Account = US\$ 880,000



**APPENDIX 2: Procurement Manual**

PROCUREMENT MANUAL  
FOR THE MAZAR-I-SHARIF CONTRACT AREA

**1. INTRODUCTION**

- 1.1 This Procurement Manual (the “**Manual**”) and any additional and more detailed Procurement procedures adopted in accordance with Paragraph 8 of this Manual (collectively, the “**Tender Procedures**”) establish the tendering, bidding and contract awarding policies and procedures for purchasing services, goods and other assets needed for the Contractor to perform its obligations in accordance with the Exploration and Production Sharing Contract for Hydrocarbons Exploration, Development and Production in the Mazar-i-Sharif Block dated October 8, 2013 (the “**Contract**”), by and among the Ministry of Mines & Petroleum of the Government of the Islamic Republic of Afghanistan (the “**Ministry**”) and TP Afghanistan Limited (“**TPAL**”), Dragon Oil (Mazar-i-Sharif) Limited (“**DOML**”), and Ghazanfar Investment Ltd. (“**GIL**”) (the “**Contractor**”). TPAL, DOML and GIL, and their respective successors and assignees (if any), may sometimes individually be referred to as “**Contractor Entity**” and collectively as the “**Contractor**”.
- 1.2 The Tender Procedures shall be applicable to all transactions of the Operator (as defined in the Contract) for the purchase of services, goods and other assets in relation to Hydrocarbons Operations, including, but not limited to, purchasing by means of commercial financing and long-term leasing (“**Procurement**”). The Contractor Entities, the Operator, the CPD (the Contracts and Procurement Department defined in Paragraph 5.1 of this Manual) and their respective employees shall adhere to the terms of the Tender Procedures.
- 1.3 This Manual has been adopted by agreement of the Ministry and the Contractor as an exhibit to the Contract. Notwithstanding Section 31.2 of the Contract, this Manual may be amended, supplemented or restated solely by written agreement of the Ministry and the Operator.
- 1.4 All terms that are capitalized in this Manual but are not defined herein shall, to the extent defined in the Contract, have the same meaning as set out in the Contract.
- 1.5 In the event of any inconsistency between the provisions of this Manual and the provisions of the Contract, the terms of the Contract shall prevail.
- 1.6 As contemplated in Section 1.9(k) of the Accounting Procedures, costs that are incurred by the Contractor pursuant to sub-contracts, purchase orders or any other contractual arrangements for the conducting of Hydrocarbons Operations (“**Sub-Contracts**”) awarded, issued or otherwise entered into by the Contractor in breach of the Tender Procedures shall be non-recoverable to the extent such breach results in the Contractor incurring higher costs and/or results in material delays in Hydrocarbons Operations.

## 2. PRINCIPLES AND OBJECTIVES OF THE MANUAL

2.1 The principles and objectives of this Manual are as follows:

- 2.1.1 procuring services, goods and other assets required by the Operator in relation to Hydrocarbons Operations of good quality at the relevant times in a well-planned, economic and efficient manner through competitive bidding (except as noted in Paragraph 4.4 of this Manual) that results in best value to the citizens of Afghanistan;
- 2.1.2 procuring services, goods and other assets consistent with approved annual Work Programs and Work Program Budgets;
- 2.1.3 conducting ethical and transparent Procurement activities and ensuring equitable and unbiased treatment of suppliers of services, goods and other assets (the “Sub-Contractors”);
- 2.1.4 awarding Sub-Contracts to Sub-Contractors and otherwise implementing Procurement procedures in accordance with the requirements of this Manual, the Contract and the applicable requirements of Afghanistan Law;
- 2.1.5 acting with the participation and approval of the Operator and, to the extent required by this Manual, of the Government authority overseeing Procurement activities conducted pursuant to this Manual (the “Authority”), as such Authority may be appointed or substituted from time to time by the Ministry and notified to the Operator;
- 2.1.6 providing the Authority with the access, information, reports, training and tools necessary or useful for the Authority to carry out its functions under this Manual;
- 2.1.7 mitigating risk and reducing costs through effective and competitive contract terms; and
- 2.1.8 supporting the development of Afghanistan’s economy and petroleum industry.

## 3. OVERVIEW OF THE MANUAL

3.1 General

This Manual describes the contracting and procurement policies and procedures of the Operator with respect to Hydrocarbons Operations, which include the functions of the CPD and the Authority in the process leading up to the awarding of contracts to Sub-Contractors (each an “Award”) and the concluding of Sub-



Contracts between the Operator and Sub-Contractors, depending on the applicable method of Procurement.

A reasonable estimation of the total costs related to each Award in accordance with Good Oil Field Practices shall be made by the user department of the Operator and validated by the CPD prior to any tender or direct Award in order to determine which method of Procurement applies and whether and which approvals by the Authority will be required.

This Manual sets forth the policies and procedures applicable to all stages of Procurement, including the planning, tendering, awarding and concluding of Sub-Contracts and to any amendments of Sub-Contracts. The CPD shall develop additional and more detailed Procurement procedures to implement this Manual, subject to approval in accordance with Paragraph 8 of this Manual.

### 3.2 Methods of Procurement

3.2.1 The methods of Procurement shall be determined in accordance with this Manual and shall consist of:

- (A) Tenders conducted in accordance with Good Oil Field Practices for competitive bidding and open to any potential Sub-Contractors, where the invitation to participate in the tender or the invitation to pre-qualify is communicated by means of publication in appropriate Afghan and international mass media (each an “**Open Tender**”);
- (B) Tenders open only to potential Sub-Contractors invited to participate by the Operator pursuant to the requirements set forth herein (the “**Selective Tender**”); and
- (C) Direct Awards made to Sub-Contractors pursuant to Paragraph 4.4 of this Manual (each a “**Sole-Sourced Procurement**”).

3.2.2 Open Tenders conducted in accordance with Good Oil Field Practices for competitive bidding shall be the standard method for all Procurement exceeding one million five hundred thousand Dollars (US\$ 1,500,000).

3.2.3 Selective Tenders shall be the standard for all procurement of more than two hundred fifty thousand Dollars (US\$ 250,000) and less than or equal to one million five hundred thousand Dollars (US\$ 1,500,000) in value and shall require submission of written price quotations from potential Sub-Contractors.

- (A) For each Selective tender, unless otherwise agreed upon in writing by the Authority, the Operator shall issue at least two-thirds (2/3)

of the invitations to participate to Sub-Contractors that are not Related Parties as the term is defined in Paragraph 3.3.1(A).

- (B) For each Selective Tender, if the Operator does not issue at least two-thirds (2/3) of the invitations to participate to Sub-Contractors that are not Related Parties and the Operator does not obtain the Authority's written consent to conduct the Selective Tender with less than the required amount of non-Related Parties, the Tender shall be deemed to not comply with this Manual.

3.2.4 All potential Sub-Contractors shall confirm their compliance with Afghanistan Law and international standards with respect to transparency, accountability and the strict observance of business ethics and anti-corruption laws and regulations.

3.2.5 All potential Sub-Contractors shall confirm their compliance with health, safety and environmental requirements under Afghanistan Law and Good Oil Field Practices pursuant to the Contract.

3.2.6 Proposals received after the closing date of a tender shall not be accepted.

### 3.3 Related Party Transactions

3.3.1 All Awards to Related Parties shall be made on an arm's-length basis on terms that are no less favorable to the Operator than those that could have been obtained by the Operator in a comparable transaction with an unrelated third party.

- (A) For the purposes of this Manual, "**Related Parties**" means, in relation to any Contractor Entity, its Affiliated Entities and its Associates, all of them and each of them as the context admits.

- (B) For the purposes of this Manual, "**Associates**" means, in relation to any Party, an entity in which the Party has a holding of 20% or more of the voting power (directly or through Affiliated Entities).

3.3.2 The Operator shall not, without the prior written approval of the Authority, award any Sub-Contracts to any Related Parties or amend, supplement or otherwise modify any Sub-Contract awarded to any Related Parties, or waive or compromise rights or obligations for the benefit of any Related Parties. Notwithstanding the foregoing, any approval shall not be unreasonably withheld or delayed by the Authority.

3.4 Contract-Splitting; Material Amendments to Sub-Contracts; Extensions

3.4.1 The Operator shall not split potential Sub-Contracts or potential amendments to Sub-Contracts such that any thresholds established by this Manual are not met.

(A) With respect to Sole-Sourced Procurement, the prior written approval of the Authority shall be required before an Award is made that (i) would result in the award of more than one Sub-Contract with the same vendor or Affiliated Entities of such vendor for (a) the same, substantially similar or interchangeable goods or other assets, within the same Contract Award Period, or (b) the same, substantially similar or equivalent services, within the same Contract Award Period; and (ii) would result in the aggregate value of such Sub-Contracts within the same Contract Award Period exceeding the thresholds set forth in Paragraph 4.4 of this Manual.

(B) If the earlier of the Sub-Contracts contemplated in Paragraph 3.4.1(A) above is awarded between January 1 and June 30 of any Gregorian calendar year, then the term “Contract Award Period” shall mean January 1 of such calendar year through June 30 of the following calendar year. If the earlier of the Sub-Contracts contemplated in Article 3.4.1(A) above is awarded between July 1 and December 31 of any Gregorian calendar year, then the term “Contract Award Period” shall mean July 1 of such calendar year through December 31 of the following calendar year.

3.4.2 The Operator shall not make any Material Amendment to a Sub-Contract without the prior written approval of the Authority. For the purposes of this Manual, “Material Amendment to a Sub-Contract” means (a) any Amendment to a Sub-Contract (other than a Major Sub-Contract) that increases the consideration under the Sub-Contract such that the Sub-Contract becomes a Major Sub-Contract, or (b) any Amendment to a Major Sub-Contract that increases the consideration under such Major Sub-Contract by the lesser of (i) 15% of the consideration under such Major Sub-Contract, or (ii) one million Dollars (US\$ 1,000,000). The term “Amendment” includes any amendment, supplement or other modification of, or any waiver or compromising of rights or obligations under, any Sub-Contract (including any change order or similar discretionary modification of any Sub-Contract in connection with the implementation or administration thereof), or any series of such amendments, supplements, modifications, waivers or compromises.

3.5 As a general rule, Sub-Contracts shall be awarded for a fixed period of time. One extension option may be set forth in such Sub-Contracts but the duration of such Sub-Contracts should be planned to avoid the need for additional extensions. Any



additional extensions beyond the one extension option and any extension that consists of a Material Amendment to a Sub-Contract shall require the prior written approval of the Authority. In determining whether a potential Sub-Contract or a potential amendment to any Sub-Contract meets any thresholds established by this Manual, the consideration payable under the extension option and any additional extensions shall be aggregated with the consideration payable under the Sub-Contract, as if the Sub-Contract had been extended.

#### 4. **OPEN TENDERS; SOLE SOURCE PROCUREMENT; PURCHASE ORDERS**

- 4.1 Open Tenders conducted in accordance with Good Oil Field Practices for competitive bidding shall be used for all Awards of Sub-Contracts under which the aggregate consideration payable by any party thereto exceeds one million five hundred thousand Dollars (US\$ 1,500,000).
- 4.2 In all Open Tenders, the Operator shall require the submission of two sets of two separate proposals: (a) a “**Technical Proposal**”; and (b) a “**Commercial Proposal**”. A bidder’s Commercial Proposal will be opened and considered only after such bidder’s Technical Proposal is found to have met the tender’s technical criteria and has been scored.
- 4.3 In each Open Tender, the Operator shall (a) publish an Open Tender announcement in a local Afghan newspaper (in an official language of Afghanistan), in appropriate international mass media (in English), and on Operator’s or Operator’s parent company’s international website accompanied by brief information on the tender subject and (b) deliver an invitation to potential local, regional and international suppliers identified by the Operator. The invitations shall summarize the relevant terms, conditions and requirements for participation or pre-qualification. The tender announcement shall be issued at least thirty (30) days prior to the Operator’s issue of the formal invitation to bid. Invitations to bid shall be issued to pre-qualified bidders at least thirty (30) days in advance of the bid submission date. Exceptions to the preceding thirty (30) day periods may be approved by the Authority in special circumstances.
- 4.4 Sole-Sourced Procurement may be used to procure services, goods and other assets in the following cases:
  - 4.4.1 Awards of Sub-Contracts under which the aggregate consideration payable by any party thereto is up to or equal to two hundred and fifty thousand Dollars (US\$ 250,000);
  - 4.4.2 When the extension of an existing Sub-Contract, entered into in accordance with this Manual, offers obvious advantages and where conducting a tender would be uneconomic and inefficient;

- 4.4.3 When a tender conducted in accordance with this Manual has not resulted in bid conditions acceptable to the Operator and more favorable conditions can be obtained by the Operator through Sole-Sourced Procurement;
- 4.4.4 When certain services, goods or other assets can be provided by only one supplier as a result of the inability of any other suppliers to provide the required services, goods or other assets and there exists no reasonable alternative;
- 4.4.5 When only one supplier offers services, goods or other assets compatible with those utilized by the Operator;
- 4.4.6 When the provision of particular services, goods or other assets is urgently required, where such urgency was unforeseeable and did not arise as a result of the Operator's failure to act in a timely manner; or
- 4.4.7 In cases of emergency, where the failure to act may cause material damage or harm to Hydrocarbons Operations.
- 4.5 Except for any Procurement conducted pursuant to Paragraphs 4.4.1 or 4.4.7 of this Manual, Sole-Sourced Procurement shall not be conducted without the prior written approval of the Authority.
- 4.6 Sub-Contracts for routine services and supplies under which the aggregate consideration payable thereunder is up to or equal to two hundred and fifty thousand Dollars (US\$ 250,000) may be awarded by means of purchase orders issued in accordance with the following procedures:
  - 4.6.1 The CPD will pre-qualify and maintain a CPD approved vendor list for items normally procured through purchase orders. In accordance with the Contract, Afghan suppliers shall be the preferred source for services, goods and other assets procured pursuant to purchase orders.
  - 4.6.2 Procurement through purchase orders not exceeding two hundred and fifty thousand Dollars (\$250,000) requires price quotes from a minimum of three approved suppliers, must adhere to standard terms and conditions, and must be approved by the Operator. If the Operator is unable to identify at least three suppliers for the services, goods or other assets required by the Operator, or is unable to obtain price quotes from at least three suppliers in respect of such services, goods or other assets, then the Operator shall be deemed to have satisfied the obligations under this provision irrespective of the number of price quotes obtained.
  - 4.6.3 Procurement through purchase orders not exceeding ten thousand Dollars (\$10,000) may be accomplished through requests for quotes from entities listed on a vendor list pre-approved by the CPD.

## **5. FUNCTIONS OF THE CONTRACTS AND PROCUREMENT DEPARTMENT**

- 5.1 The Operator shall establish a Contracts and Procurement Department (the “CPD”) which shall be responsible for planning, initiating and managing all Procurement activities and supervising and administering all contracts for Hydrocarbons Operations and the performance of all Sub-Contractors in compliance with this Manual, the Contract and Afghanistan Law.
- 5.2 The Operator shall implement a Procurement management system that meets the needs of the Contract and Good Oil Field Practices for Procurement that provides for accurate preparation, transmission, review, approval, retrieval, maintenance and audit of all Procurement Documentation and Tender Documentation. All Procurement Documentation and Tender Documentation shall be maintained by the CPD in the Operator’s registered office in Afghanistan, provided that (unless otherwise agreed) the CPD shall open all proposals in Afghanistan.
- 5.3 Relevant departments of the Operator shall provide support to the CPD and participate in relevant Procurement activities.

## **6. FUNCTIONS OF THE AUTHORITY**

- 6.1 The Authority shall have an oversight function with respect to all aspects of Procurement. The Authority shall have the right to appoint one or more representatives to participate as observers (without approval powers except as contemplated in Paragraph 6.2 below) in all stages of Procurement, including Procurement planning, the preparation of tender strategies and vendor lists, the opening and scoring of bids, compliance with local preference rules and Award recommendations. The CPD shall provide quarterly reports during the Exploration Phase and monthly reports during the Development and Production Phase to the Authority describing the Operator’s ongoing Procurement activities and shall furnish such information as the Authority may from time to time reasonably request with respect to the Operator’s Procurement activities. The Authority shall also have the right to audit the Operator’s Procurement activities in accordance with Article III of the Accounting Procedures.
- 6.2 The following shall require the prior written approval of the Authority:
  - (a) The revision of Annual Procurement Plans and adoption of Development Procurement Plans, as provided in Paragraphs 9.1 and 9.2 of this Manual;
  - (b) The adopting of additional and more detailed Procurement procedures, as provided in Paragraph 8.1 of this Manual;



- (c) The conduct of certain Sole-Sourced Procurement, as provided in Paragraph 4.5 of this Manual;
  - (d) The award of any Major Sub-Contract. “Major Sub-Contract” shall mean a Sub-Contract under which the aggregate consideration payable by any party thereto exceeds four million Dollars (US\$ 4,000,000);
  - (e) Material Amendments to Sub-Contracts, as provided in Paragraph 3.4.2 of this Manual;
  - (f) Additional extensions of Sub-Contracts, as provided in Paragraph 3.5 of this Manual;
  - (g) Awards to Related Parties and any Amendments to Sub-Contracts with Related Parties, as provided in Paragraph 3.3.2 of this Manual; and
  - (h) Any requests by the Operator to waive any provision of this Manual with respect to any Sub-Contract or to otherwise conduct Procurement activities in a manner different from the procedures set forth in this Manual.
- 6.3 When requesting any of the foregoing approvals, the CPD shall provide to the Authority the commercial, technical or operational reasons for which the Operator believes that approval is justified. It is understood that any approval by the Authority under this Manual shall be based upon the information and justifications provided in writing by the Operator and that the participation of the Authority in Procurement activities and any approval by the Authority under this Manual shall not in any way lessen the Operator’s obligations under the Contract. In particular, it is understood that any approval by the Authority shall solely satisfy the procedural requirement for approval under this Manual and shall not imply approval by the Authority of the substance of any Sub-Contract, including the need for the Sub-Contract, the scope of work set forth in a Sub-Contract, the ability of the Sub-Contractor to perform the activities contemplated by the Sub-Contract, the performance by the Sub-Contractor of its duties under the Sub-Contract, and the reasonableness of the consideration payable under the Sub-Contract, all of which shall be and shall remain, under the Contract, the joint and several responsibility of the Contractor Entities.
- 6.4 If the Authority fails to respond within ten (10) Afghanistan business days regarding any requested approval, then the Authority shall be deemed to have granted the requested approval. In the event that the Authority requests any information in connection with a requested approval, the foregoing ten (10) day period shall be extended by one (1) day for every day required by the Operator to provide the information requested by the Authority. Any approval shall not be unreasonably withheld or delayed by the Authority.

- 6.5 In accordance with Article XX of the Contract, the Operator shall provide the Authority with the training and software tools necessary or useful for the Authority to carry out its functions under this Manual. Any expenses incurred by the Operator in this regard shall be counted towards the Contractor's minimum expenditure requirement pursuant to Section 20.3 of the Contract.

## 7. STORAGE AND OPENING OF PROPOSALS

- 7.1 All proposals received in relation to any tender shall be stamped with date and time of receipt, logged in the Procurement management system, and stored under the control and custody of the CPD. Any proposals relating to Awards of an estimated value equal to or exceeding two million Dollars (US\$ 2,000,000) shall be stored by the CPD in a single, secure location (the "Tender Box").
- 7.2 The CPD shall open all proposals during its regular meetings in order to ensure that all Procurement is conducted in accordance with this Manual.
- 7.3 Each of the Contractor Entities and the Authority shall have the right to access and audit the documents related to the tenders carried out under this Manual including those stored in the Tender Box.

## 8. ADDITIONAL PROCEDURES

- 8.1 Additional and more detailed Procurement procedures than those set forth in this Manual shall be developed by the CPD. If the additional and more detailed Procurement procedures are consistent with this Manual, they may be approved by the Operator and the Authority. If the additional and more detailed Procurement procedures are not consistent with this Manual, they may not be approved unless and until this Manual is amended to render the additional and more detailed Procurement procedures consistent with the amended Manual. In the event of any inconsistency between the provisions of the Manual and the additional and more detailed Procurement procedures, the terms of the Manual shall prevail.

## 9. PLANNING OF PROCUREMENT

- 9.1 The Operator shall prepare a plan of its proposed Procurement activities in relation to Hydrocarbons Operations for each calendar year (an "Annual Procurement Plan"). The Annual Procurement Plan shall form part of the annual Work Program and Work Program Budget. The Operator and the CPD shall conduct all Procurement activities in accordance with the Annual Procurement Plan and no Procurement exceeding two hundred and fifty thousand Dollars (US\$ 250,000) shall be conducted without an associated Annual Procurement Plan. All Procurements must be consistent with the applicable approved annual Work Program and Work Program Budget. Annual Procurement Plans may be

revised by the Operator with the prior written consent of the Authority, such consent not to be unreasonably withheld or delayed.

9.2 In addition to the Annual Procurement Plan, the Operator shall prepare a plan of its proposed Procurement activities in relation to Hydrocarbons Operations during the Development Phase (a “**Development Phase Procurement Plan**”). The Development Phase Procurement Plan shall form part of the Development Program and Development Program Budget and shall be approved or deemed approved in the same manner.

9.3 Annual Procurement Plans and Development Phase Procurement Plans shall include plans to: (a) provide the Authority with the training and software tools necessary or useful for the Authority to carry out its functions under this Manual, and (b) maximize the use of Afghan suppliers, including plans for developing the capability and competitiveness of in-country suppliers and workforce, in accordance with Section 21.1 of the Contract.

## 10. **MARKET RESEARCH**

10.1 At the outset of each Procurement, the user department of the Operator requesting the Procurement shall submit to the CPD a written request containing the specifics and scope of the Procurement requested.

10.2 The CPD shall, with reference to each request for Procurement and to the extent necessary, perform appropriate market research to determine which potential Sub-Contractors, both in Afghanistan and elsewhere, possess the relevant technical and financial capacities to satisfy the particular requirements of each request.

10.3 The CPD shall use information collected during market research exercises to develop and maintain a supplier database, which shall document the capabilities of potential Sub-Contractors and be used in the preparation of vendor lists.

## 11. **PROCUREMENT DOCUMENTATION**

11.1 For each Procurement, the proponent user department shall, in collaboration with the CPD and other relevant departments of the Operator, prepare a set of documents containing full and complete information on the subject of the Procurement and the terms and conditions of the Procurement (the “**Procurement Documentation**”).

11.2 For Open Tenders and Selective Tenders, the following documents shall comprise the Procurement Documentation:

11.2.1 tender documentation (the “**Tender Documentation**”), which shall itself comprise:



- (A) announcement of the tender (if applicable);
  - (B) an invitation to the tender and confidentiality agreement;
  - (C) instructions to tender participants;
  - (D) technical and financial requirements/conditions;
  - (E) a draft of the contract; and
  - (F) a bid guarantee (if used);
- 11.2.2 the criteria for evaluation of the bids, including technical and commercial evaluations;
- 11.2.3 the bids from participants; and
- 11.2.4 determination of the winning bidder.
- 11.3 For a Sole-Sourced Procurement, in addition to the above Tender Documentation, the following documents shall comprise the Procurement Documentation:
- 11.3.1 the justification for selection of the particular Sub-Contractor;
  - 11.3.2 the request for quotation sent to the particular Sub-Contractor and any other potential Sub-Contractor with respect to the Procurement; and
  - 11.3.3 the proposal from the Sub-Contractor.
- 11.4 For any method of Procurement, the following documents shall also be a part of the Procurement Documentation:
- 11.4.1 amendments to the Procurement Documentation, if any;
  - 11.4.2 resolutions of the Operator directly related to the specific Procurement, if applicable;
  - 11.4.3 any approvals of the Authority directly related to the specific Procurement, if applicable;
  - 11.4.4 the tender strategies and all other documents directly related to the specific Procurement.
- 11.5 If bidders submit incomplete information or if their proposals do not meet the requirements set out in Tender Documentation, such failures may be grounds for disqualification.

- 11.6 If bidders submit false information which the CPD determines to be material to the bid, they shall be disqualified and such bidders (and its owners and their affiliates) may be excluded from all other tenders.
- 11.7 To the extent that it is prepared by the Operator, the Procurement Documentation shall be prepared for each specific Procurement in accordance with this Manual.

## **12. PROCUREMENT VIA TENDERS**

### **12.1 Pre-qualification of bidders**

- 12.1.1 When appropriate, a process under which participants in an Open Tender must pre-qualify to submit proposals shall be carried out.
- 12.1.2 The invitation to pre-qualify shall be published in a local Afghan newspaper (in an official language of Afghanistan), in appropriate international mass media (in English), on Operator's or Operator's parent company's international website, and circulated to potential Sub-Contractors identified by the CPD. The invitation shall be accompanied by brief information on the tender subject. When drawing up the list of potential Sub-Contractors, it shall be mandatory for the CPD to review the leading companies in the relevant area of expertise as well as the relevant companies included in the database prepared pursuant to Paragraph 10.3 of this Manual and any potential Sub-Contractors in Afghanistan. In preparing the pre-qualification criteria, the CPD shall take into account the technical and financial qualifications of potential Sub-Contractors in Afghanistan and, to the extent possible, shall determine appropriate pre-qualification criteria that both meet the Contractor's requirements and maximize the participation of potential Sub-Contractors in Afghanistan.
- 12.1.3 Potential Sub-Contractors shall be provided with the pre-qualification requirements, forms for filling and list of documents required for submission.
- 12.1.4 The completed forms and documents submitted by participants seeking pre-qualification shall undergo an evaluation by at least three (3) Experts (as such term is defined in Paragraph 12.6.2 of this Manual) and a representative of the CPD.
- 12.1.5 A list of pre-qualified bidders shall be drawn up by the CPD on the basis of the Experts' conclusion on compliance of the participants with the pre-qualification requirements.
- 12.1.6 All participants seeking pre-qualification shall be notified by the CPD about the results of pre-qualification, and the participants that have pre-qualified may be invited by the CPD to participate in the Open Tender via

an invitation to bid without the need to further publicize the Open Tender in mass media.

## 12.2 Break Down into Items

12.2.1 Orders for the supply of services, goods and other assets may be separated into items in the Tender Documentation, with different applicable terms and conditions.

12.2.2 Turn-key contracts (e.g., for the supply of equipment for technical upgrading, construction, repair of power facilities, etc.) including such activities as engineering design, selection of main and auxiliary equipment, automated control systems' installation and commissioning need not be broken down into individual items, but grouped according to functional activity.

## 12.3 Tender Announcement

12.3.1 In each Open Tender, the Operator shall (a) publish an invitation to participate in the tender or an invitation to pre-qualify in appropriate media in accordance with Paragraph 4.3, and (b) deliver an invitation to appropriate potential suppliers identified by the Operator. The invitations shall summarize the relevant terms, conditions and requirements for participation or pre-qualification. The tender announcement shall precede the formal invitation to bid by at least thirty (30) days unless a shorter period is approved by the Authority.

12.3.2 Potential Sub-Contractors who confirmed their intention to participate in the tender and who paid the cost of Tender Documentation (if applicable) shall be provided with the Tender Documentation package described in Paragraph 11.2.1 of this Manual.

## 12.4 Invitation to Bid

12.4.1 Bidders who meet pre-qualification criteria will be informed of their qualification and will be issued a formal invitation to bid. Bidders who do not meet the pre-qualification criteria will be informed of the reasons therefor. The invitation to bid shall precede the bid closing date by at least thirty (30) days unless a shorter period is approved by the Authority.

12.4.2 Tender participants may receive additional information explaining tendering procedures and tender terms and conditions.

12.4.3 Changes and amendments may be introduced in the Tender Documentation prior to the deadline for submission of bids with a



mandatory notification to all bidders and, if necessary, with an extension of term for submission of bids.

12.4.4 A preliminary meeting with bidders for clarification of possible questions may be held prior to the deadline for submitting of bids.

12.4.5 Any clarification requested by any bidder shall be sent to all tender participants.

## 12.5 Bids Receiving and Opening

12.5.1 Each bidder shall submit its bid comprising a Technical Proposal (envelope A) and a Commercial Proposal (envelope B) in separate sealed envelopes.

12.5.2 The bid shall be in compliance with the rules of bid submission indicated in the Tender Documentation.

12.5.3 Each bidder shall be entitled to submit only one bid in the same tender. If the bidder submits more than one bid or participates directly or through its Affiliated Entities in several bids in the same tender, the bidder itself and any bids in which it is involved shall not be admitted to participate in the tender.

12.5.4 If the Procurement subject is broken down into items in the Tender Documentation, each bidder shall be entitled to bid for a particular item or for several items.

12.5.5 Each tender must involve not less than two bidders, otherwise such tender shall be considered unsuccessful and a second tender shall be conducted. However, a Sub-Contract may be awarded to a bidder in the second tender irrespective of the number of bidders that participate in the second tender in which the Sub-Contract is rebid.

12.5.6 Technical Proposals shall be opened first, by the CPD in the presence of one or more representatives of the Authority, with the results being recorded by the CPD in the minutes of the tender meeting. The CPD shall prepare a Technical Evaluation Report for submission to the Authority and the Operator prior to opening the Commercial Proposals. Thereafter, the Commercial Proposals of the bidders whose Technical Proposals are deemed technically acceptable according to the evaluation criteria shall be opened by the CPD in the presence of one or more representatives of the Authority. The CPD shall prepare a Commercial Evaluation Report to submit to the Authority and the Operator. Notwithstanding the foregoing, failure of the representative(s) of the Authority to attend, or participate in, the opening of the Technical Proposal or Commercial Proposal shall not

prevent CPD to commence with the opening of such Technical Proposal and/or Commercial Proposal.

## 12.6 Bids Evaluation

- 12.6.1 The evaluation of bids shall be carried out by the CPD on the basis of a balanced scorecard method in accordance with approved criteria of evaluation in two stages.
- (A) In the first stage, the Technical Proposals shall be evaluated and scored. The scoring shall result in a determination that a bidder is either technically qualified or technically not qualified;
  - (B) In the second stage, the Commercial Proposals of the technically qualified bidders shall be evaluated and scored.
  - (C) The relative weighting of scores for Technical Proposals and Commercial Proposals shall be specified in the Procurement Documentation package and shall be used in the bid evaluation process in accordance with the balanced scorecard method.
- 12.6.2 At least three (3) of the Operator's employees with relevant expertise (the "Experts") plus a representative from the CPD shall be appointed in writing to evaluate the Technical Proposals.
- 12.6.3 At least three (3) Experts plus a representative from the CPD shall be appointed in writing to evaluate Commercial Proposals.
- 12.6.4 If a Technical Proposal is determined by the Experts to be non-compliant with the requirements of the Tender Documentation or the bidder who has submitted a Technical Proposal is determined to be technically not qualified, such proposal shall not be admitted to the second stage of evaluation.
- 12.6.5 When a bid was not admitted to the second stage of evaluation, the envelopes containing the Commercial Proposal of such bids shall remain unopened and be kept for two years.
- 12.6.6 If necessary, bidders may be requested to provide additional data for clarification of information contained in the bids.
- 12.6.7 If necessary an additional stage of bid evaluation in the form of auction/reduction may be carried out.
- 12.6.8 In evaluating bids, the CPD shall comply with the requirements of Section 21.2 of the Contract. The Contractor and the Authority shall, from time to time, agree on the definition of "locally produced or available" as used in

Section 21.2 of the Contract and of “Afghan suppliers and “Sub-Contractors in Afghanistan” as used in this Manual. To be “**locally produced or available**”, (a) “services” shall be provided by companies formed in Afghanistan that are majority owned by Afghan nationals and that pay at least 75% of their total payroll costs to Afghan nationals, and (b) “goods and other assets” shall be provided by companies formed in Afghanistan that are majority owned by Afghan nationals that produce at least 50% of the value of the goods or other assets in Afghanistan. The Contractor and the Authority shall increase the preceding percentages over time, as compatible with the rising technical and financial capabilities of Afghan suppliers over time.

- 12.6.9 The technically qualified bidder whose bid received the highest total balanced scorecard shall be considered a winner of the tender (the “Winner”). The decision on the Winner shall be properly documented by the CPD.
- 12.6.10 The Contractor may elect to cancel the tender or not to award the contract to the Winner.
- 12.6.11 Notification of the recommended Award shall be promptly provided by the CPD to the Authority. Should the Authority fail to respond within ten (10) Afghanistan business days, then the Authority (when its approval is required under this Manual) shall be deemed to have approved the Award. In the event that the Authority requests any information in connection with a recommended Award, the foregoing ten (10) day period shall be extended by one (1) day for every day required by the CPD to provide the information requested by the Authority.

### **13. CONCLUSION OF THE SUB-CONTRACT**

- 13.1 Subject to Paragraph 12.6.10, the technically qualified bidder whose bid receives the highest score rating as a result of evaluation of the bids, shall be notified that it has won the tender. Forwarding of a notification by the Operator to such bidder shall be considered as a commitment for conclusion of the Sub-Contract.
- 13.2 In the event that additional negotiation of the final Sub-Contract with the Winner is required and the relevant Sub-Contract is a Major Sub-Contract, the Authority may, through one or more of its representatives, attend the negotiation as an observer.
- 13.3 In the event that, during the negotiations of the final Sub-Contract with the Winner, there has been a material deviation from the terms of the successful bid, the Operator shall obtain the prior written approval of the revised Award from the Authority (when its approval is required under this Manual), prior to entering into



the final Sub-Contract. Should the Authority fail to respond within five (5) Afghanistan business days, then the Authority (when its approval is required under this Manual) shall be deemed to have approved the Award. In the event that the Authority requests any information in connection with a recommended Award, the foregoing five (5) day period shall be extended by one (1) day for every day required by the CPD to provide the information requested by the Authority.

- 13.4 If applicable, the Winner of the tender shall provide a performance guarantee which amounts to no less than five percent (5%) of the Award value in the required form.
- 13.5 If the Winner refuses or avoids signing of the Sub-Contract within a reasonable period of time determined by the CPD, which may not exceed two (2) months from the announcement of the Winner, then the technically qualified bidder whose bid is next in the score rating shall be named as a Winner of the tender.
- 13.6 Preparation and signing of the Sub-Contract with the Winner shall be carried out in accordance with the CPD's policies on contract preparation, coordination and registration, provided that such policies do not have an adverse effect on carrying out Procurement activities under this Manual.
- 13.7 The CPD shall ensure that all Sub-Contracts contain all provisions necessary to satisfy the requirements with respect to the obligations of Sub-Contractors that are stipulated in the Contract.

#### **14. STORAGE OF CONTRACTS, PROCUREMENT DOCUMENTATION AND TENDER DOCUMENTATION**

- 14.1 All Sub-Contracts entered into under this Manual, and all Procurement Documentation and Tender Documentation in connection therewith shall be stored under the control and custody of the CPD which will maintain a good record of all such contracts and related documents so that they are easily accessible by the Operator or the Authority.

#### **15. PAYMENT POLICY**

- 15.1 Payment to suppliers will ordinarily be made within thirty (30) days after receipt of the Sub-Contractor's undisputed invoice or as agreed in the Sub-Contract.

#### **16. CONFIDENTIALITY**

- 16.1 The CPD shall take reasonable measures to ensure confidentiality of any confidential information provided by the CPD to potential Sub-Contractors. Any

breach by potential Sub-Contractors of their confidentiality obligations may be deemed grounds for disqualification.

- 16.2 Negotiations on behalf of the Operator with representatives of potential Sub-Contractors shall be held only by one or more authorized representatives of the CPD.

## 17. **TERM**

- 17.1 This Manual shall take effect on the Effective Date of the Contract and shall expire, unless renewed by the Contractor and the Ministry, on December 31 of the fifth (5<sup>th</sup>) calendar year from the Effective Date of the Contract.

**EXHIBIT D**  
**FINANCIAL GUARANTEE FOR**  
**MINIMUM EXPLORATION PROGRAM**



**EXHIBIT D**  
**FINANCIAL GUARANTEE**

Ministry of Mines & Petroleum  
Government of the Islamic Republic of Afghanistan  
Pashtonstan Watt, Across from Ministry of Finance  
Kabul, Afghanistan

Gentlemen:

Re: Our Irrevocable Letter of Guarantee No. \_\_\_\_\_

In compliance with the request of Dragon Oil (Mazar-i-Sharif) Limited, TP Afghanistan Limited and Ghazanfar Investment Ltd. (collectively, the "Contractor"), we, (Name of bank), issue this unconditional irrevocable letter of guarantee in your favor for a sum not exceeding \_\_\_\_\_ U.S. Dollars (US\$ \_\_\_\_\_), which represents the total estimated expenditures for the Minimum Exploration Program during [the Initial Exploration Period] [the First Extension Period] [the Second Extension Period], as set forth in Exhibit H of the Exploration and Production Sharing Contract for the Mazar-i-Sharif Block (the "Contract"), dated \_\_\_\_\_, between the Contractor and the Ministry of Mines & Petroleum of the Government of the Islamic Republic of Afghanistan (the "Ministry"), relating to Hydrocarbons Operations in Afghanistan, to guarantee the Contractor's faithful performance of such Minimum Exploration Program. The said sum of \_\_\_\_\_ U.S. Dollars (US\$ \_\_\_\_\_) shall be reduced at the end of each Contract Year in [the Initial Exploration Period] [the First Extension Period] [the Second Extension Period] by the amount determined in accordance with Section 8.2 of the Contract, as such amount is evidenced by a signed certificate from the Ministry.

The terms and conditions of this Letter of Guarantee are as follows:

1. Capitalized terms used herein and not otherwise defined shall have the meanings as set forth in the Contract.
2. The said amount, or any part thereof, shall be paid to the Ministry upon our receipt of your demand by way of a written statement that the amount claimed is duly payable under the Contract.
3. We hereby waive diligence, presentment, demand for payment, protest, any requirement that the Ministry exhaust any right or power or take any action against the Contractor, all notices (whether of non-payment by the Contractor, dishonor, protest or otherwise) and all demands whatsoever. Our obligations hereunder are continuing, absolute and

unconditional, and will not be in any way affected by giving of time or any forbearance by the Ministry, the waiver or consent by the Ministry with respect to any provision of the Contract, and irrespective of the validity, regularity, enforceability or value of the Contract, or by any other circumstances which might otherwise constitute a legal or equitable discharge or defense of a surety or guarantor, all of which are hereby expressly waived.

4. Our obligations hereunder shall be paid in U.S. Dollars to the bank account designated by the Ministry, free and clear of and without reduction by reason of any and all present and future taxes, levies, imposts, deductions, assessments, charges or withholdings whatsoever levied, assessed, imposed or collected with respect thereto by the government of [name of jurisdiction of issuing bank] or any political sub-division or taxing authority thereof or therein. We shall bear and pay any and all fees and expenses in relation to or in connection with this Letter of Guarantee.
5. In order to give effect to this Letter of Guarantee, we hereby declare that the Ministry shall be at liberty to act as though we were the principal debtor, and we hereby waive all and any of the rights as surety which may at any time be inconsistent with any of the above provisions.
6. Any claim or demand under this Letter of Guarantee shall be presented to us on or before the expiration of the date of the validity of this Letter of Guarantee.
7. This Letter of Guarantee shall be effective immediately and shall remain effective until [enter date that is ninety (90) days after the last day of the Initial Exploration Period, the First Extension Period or the Second Extension Period, as applicable], and shall thereafter automatically without any formality become null and void for all its effects and this Letter of Guarantee shall be returned to us immediately.

Yours very truly,

---

(Name of Bank)

**Dragon Oil plc**

C/o Dragon Oil (Holdings) Ltd. (Dubai Branch)  
P.O. Box 34666 Dubai, United Arab Emirates  
Tel. (971-4) 305 3600, Fax (971-4) 335 6954  
www.dragonoil.com



Afghan-Tajik Basin Phase I Tender

**EXHIBIT E**

**GENERAL PERFORMANCE GUARANTEE**

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E-1

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**Reg. Office** : Dragon Oil plc, 6th Floor, South Bank House, Barrow Street, Dublin 4, Ireland

**Reg. No.** : 35228, Registered in Dublin, Ireland

**Directors** : M. Al Ghurair (UAE), Dr.A. J. Al Khalifa (KSA), A. Sharaf (UAE), A. Al Muhairbi (UAE) , S. Al Mazrooei (UAE), T.K. Haugnaess (Norway)





## EXHIBIT E

### GENERAL PERFORMANCE GUARANTEE

Dragon Oil plc, a company organized and existing under the laws of Ireland with registered office at 6<sup>th</sup> Floor, South Bank House, Barrow Street, Dublin 4, Ireland (the “Guarantor”); and

The Ministry of Mines & Petroleum of the Government of the Islamic Republic of Afghanistan (the “Ministry”).

#### RECITALS

- (A) Reference is made to the Exploration and Production Sharing Contract for the Mazar-i-Sharif Block (the “Contract”), dated October 2013, entered into between (i) the Ministry and (ii) each of Dragon Oil (Mazar-i-Sharif) Limited, TP Afghanistan Limited and Ghazanfar Investment Ltd. (together with their respective successors and permitted assigns, collectively the “Contractor”).
- (B) Pursuant to Section 8.5 of the Contract, the ultimate parent entity of each Contractor Entity is required to deliver this Guarantee to the Ministry.
- (C) Under this Guarantee, the Guarantor guarantees the prompt payment and performance when due of the Guaranteed Obligations.

The Guarantor and the Ministry agree as follows:

1. Capitalized terms used and not otherwise defined herein shall have the meanings as set forth in the Contract. In this Guarantee, the following terms shall have the following meanings:

“Contract” shall have the meaning set forth in the preamble of this Guarantee.

“Contractor” shall have the meaning set forth in the preamble of this Guarantee.

“Demand” shall have the meaning set forth in Clause 5 of this Guarantee.

“Guarantee” shall mean this general performance guarantee.

“Guaranteed Obligations” means all obligations of the Contractor under the Contract (except those obligations that are covered by the Financial Guarantee) which arise or are incurred prior to the date on which the Guarantor Subsidiary ceases to hold a Participating Interest in compliance with the provisions of the Contract.



“Guarantor” shall have the meaning set forth in the preamble of this Guarantee.

“Guarantor Subsidiary” means Dragon Oil (Mazar-i-Sharif) Limited, a company organized and existing under the laws of Bermuda with registered office at Victoria Palace, 31 Victoria Street, Hamilton HM10, Bermuda and any successor entity and permitted assignee which is an Affiliated Entity of the Guarantor.

“Insurance” shall mean any insurance obtained pursuant to Section 27.1 of the Contract.

“Longstop Date” shall have the meaning set forth in Clause 8(b) of this Guarantee.

“Ministry” shall have the meaning set forth in the preamble of this Guarantee.

2. The Guarantor shall make available to the Contractor the necessary resources that the Contractor may require to meet, on a timely basis, the Contractor’s obligations under the Contract.
3. The Guarantor hereby expressly represents and warrants to the Ministry that (i) it is duly organized, validly existing and in good standing order under the laws of its jurisdiction of organization, (ii) it has all requisite corporate power and authority to execute, deliver and perform this Guarantee, (iii) the execution, delivery and performance of this Guarantee have been duly authorized by all necessary corporate action, (iv) this Guarantee constitutes the legal, valid and binding obligation of the Guarantor, enforceable against the Guarantor in accordance with its terms, (v) no governmental approvals are required in connection with the execution, delivery and performance of this Guarantee, except as has been obtained and is in force on this day of signature as set forth below or as may be required in Afghanistan for the Guarantor or its permitted subcontractors to perform Hydrocarbons Operations, (vi) execution, delivery and performance of this Guarantee by the Guarantor will not violate any provision of any existing law or regulation to which the Guarantor is subject or any provision of the Guarantor’s constitutive documents or of any material agreements to which it may be a party and (vii) it is the one hundred percent (100%) beneficial owner of the Guarantor Subsidiary.
4. Subject to Clause 5, in consideration of the Ministry entering into the Contract, the Guarantor hereby unconditionally and irrevocably guarantees to the Ministry the payment and performance of the Guaranteed Obligations when due (subject to any applicable cure periods).
5. The obligation of the Guarantor pursuant to Clause 4 in respect of any Guaranteed Obligation is conditioned on the receipt by the Guarantor of a written demand from the Ministry (the “Demand”) that:
  - (a) makes specific reference to this Guarantee;
  - (b) states the relevant Guaranteed Obligation(s);





- (c) states that the Contractor has not performed the specified Guaranteed Obligation(s);
  - (d) where applicable, specifies the amount(s) of such Guaranteed Obligation(s) or the date(s) on which such Guaranteed Obligation(s) were due to be performed; and
  - (e) is received by the Guarantor on or before the Longstop Date.
6. The liability of the Guarantor hereunder is irrevocable, continuing, absolute and unconditional and the obligations of the Guarantor hereunder shall not be discharged or impaired or otherwise affected by, and the Guarantor hereby irrevocably waives any defenses to enforcement it may have (now or in the future) by reason of:
- (a) any illegality or lack of validity or enforceability of any Guaranteed Obligation or the Contract related agreement or instrument;
  - (b) any change in the time, place or manner of payment or performance of, or in any other term of, the Guaranteed Obligations or any other obligation of any party under the Contract, or any rescission, waiver, amendment or other modification of the Contract or any other agreement, including any increase in the Guaranteed Obligations;
  - (c) any taking, failure to take, exchange, substitution, release, impairment or non-perfection of any collateral, or any taking, failure to take, release, reduction, impairment, amendment, waiver or other modification of any guaranty, for the Guaranteed Obligations;
  - (d) any default, failure or delay, willful or otherwise, in the performance of the Guaranteed Obligations;
  - (e) any change, restructuring or termination of the corporate structure, ownership or existence of any Contractor Entity or any of its Affiliated Entities or any insolvency, bankruptcy, reorganization or other similar proceeding affecting any Contractor Entity or any of its Affiliated Entities of its assets or any resulting release or discharge of any obligation; or
  - (f) the failure of the Ministry to assert any claim or demand or to exercise or enforce any right or remedy against any Person under the Guaranteed Obligations or otherwise.
7. After the Ministry has received indefeasible payment in full in cash of all Guaranteed Obligations for which it has issued a Demand, it shall, at the Guarantor's request and expense, execute and deliver to the Guarantor, without recourse or representation or warranty, appropriate documents necessary to evidence the transfer by subrogation to the Guarantor of the Ministry's interest in any Insurance proceeds in respect of such Guaranteed Obligations.





8. If a Demand is delivered to Guarantor that requires the performance of non-monetary Guaranteed Obligations, the Ministry shall provide to the Guarantor (or its approved subcontractor) permits that are required to conduct Hydrocarbons Operations associated with such Guaranteed Obligations, subject to fulfillment of reasonable and customary requirements for the grant of such permits (e.g. qualifications and safety programs to conduct blasting operations).
9. The aggregate liability of the Guarantor under this Guarantee to the Ministry shall not exceed forty million U.S. Dollars (US\$ 40,000,000); provided that if the Participating Interest of the Guarantor Subsidiary increases, the aggregate liability shall henceforth be equal to the product of (i) the new Participating Interest of the Guarantor Subsidiary and (ii) one hundred million U.S. Dollars (US\$ 100,000,000).
10. This Guarantee is irrevocable and unconditional and shall remain in full force and effect until the earlier of the date that:
  - (a) all of the Guaranteed Obligations are fully and irrevocably satisfied and discharged; or
  - (b) five (5) years following termination of the Contract (the "Longstop Date").
11. The Guarantor's obligations under this Guarantee shall be independent and absolute, and the Guarantor shall have no right to set-off or counterclaim with respect to any other claims it may have against the Ministry or any other Person.
12. All of the obligations of the Guarantor set forth herein shall bind the Guarantor and its successors and permitted assigns. The Guarantor may not assign or delegate its duties hereunder without the prior written consent of the Ministry, and any purported assignment or delegation without such consent shall be null and void. The Guarantor confirms that this Guarantee shall remain in effect notwithstanding the assignment of the Guarantor Subsidiary's Participating Interest to an Affiliated Entity of the Guarantor Subsidiary. Upon any such assignment the assignee shall be considered the Guarantor Subsidiary for all purposes hereunder to the extent of the assigned obligations. The Guarantor also confirms that any assignee of the Ministry under the Contract may exercise all rights and remedies of the Ministry under this Guarantee. No other person or entity shall be a beneficiary of this Guarantee or have or acquire any rights by reason of this Guarantee.
13. This Guarantee shall be governed and construed in accordance with Afghanistan Law. Any dispute, controversy or claim arising out of or relating to this Guarantee that is not resolved by mutual agreement within forty-five (45) Days from the date on which the existence of a dispute is notified in writing by one party to the other shall be settled by arbitration initiated by either party by submission to the International Centre for Settlement of Investment Disputes ("ICSID") pursuant to the Convention on the Settlement of Investment Disputes between States and Nationals of other States as of March 18, 1965 ("ICSID Convention") and the arbitration rules promulgated thereunder.



For the avoidance of doubt, the Ministry hereby expressly consents to the submission of any dispute which may arise under this Guarantee to ICSID for settlement by arbitration in accordance with Article 25 (1) of the ICSID Convention. For the purpose of Article 25 (2) (b) of the ICSID Convention, the Guarantor shall be treated as a national of a state other than Afghanistan. The number of arbitrators shall be three. The arbitration shall be conducted in the English language. The arbitration award may take the form of an order to pay a sum of money, or an order to perform an act, or an order to refrain from an act, or any combination of such orders. The place of arbitration shall be London, England. The award rendered shall be final and conclusive. Judgment on the award rendered may be entered in any court having jurisdiction or application may be made in such court for a judicial acceptance of the award and an order of enforcement, as the case may be. Each party agrees that at the request of the other party it will consent (and will cause its Guarantor Subsidiary to consent) to the consolidation of any arbitration brought under the provisions of this Clause 13 with any arbitration under Section 24.1 of the Contract in which the Ministry, on the one hand, and the Contractor or any Contractor Entity, on the other hand, is a party that relates to matters at issue in the arbitration brought under this Clause 13.

14. Any failure of the Ministry to exercise any right, in whole or in part, hereunder shall not be construed as a waiver of the right to exercise the same or any other right.
15. No amendment or modification of this Guarantee shall be effective unless in writing and signed by both the Guarantor and the Ministry.
16. The Guarantor shall pay upon demand and presentation of invoices all reasonable and actual costs and expenses incurred by the Ministry in connection with the successful enforcement of this Guarantee (excluding all costs and expenses incurred by the Ministry in connection with claims under the Insurance), including, without limitation, reasonable fees and expenses of counsel.
17. All notices, demands, instructions, waivers, consents or other communications hereunder shall be in writing in the English language and deemed to have been properly effective upon receipt, and shall be sent by personal delivery, courier, first class mail or fax to the following addresses:

GUARANTOR: Dragon Oil Plc  
C/O Dragon Oil (Holdings) Limited  
PO Box: 34666, Dubai, United Arab Emirates

MINISTRY: TO BE CONFIRMED



The Addresses and fax numbers by either party to this Guarantee for notices given pursuant to this Guarantee may be changed by means of written notice to the other party at least fourteen (14) working days prior to effective date of such change.

18. This Guarantee shall be effective immediately.

IN WITNESS WHEREOF, the Guarantor has caused this Guarantee to be executed and the Ministry duly authorized the same, both parties represented by their respective duly authorized representatives on this day of 8<sup>th</sup> October 2013.

DRAGON OIL PLC

By: **Mark William Sawyer**  
Authorised Signatory

THE MINISTRY OF MINES & PETROLEUM OF  
THE GOVERNMENT OF THE ISLAMIC  
REPUBLIC OF AFGHANISTAN

By \_\_\_\_\_  
The Minister of Mines & Petroleum



## EXHIBIT E

### GENERAL PERFORMANCE GUARANTEE

Turkiye Petrolleri Anonim Ortakligi, a company organized and existing under the laws of the Republic of Turkey with registered office at [Sogutozu Mahallesi 2180. Cad, No:86, 06100, Cankaya/Ankara Turkiye] (the “Guarantor”); and

The Ministry of Mines & Petroleum of the Government of the Islamic Republic of Afghanistan (the “Ministry”).

#### RECITALS

- (A) Reference is made to the Exploration and Production Sharing Contract for the Mazar-i-Sharif Block (the “Contract”), dated 08 October 2013, entered into between (i) the Ministry and (ii) each of Dragon Oil (Mazar-i-Sharif) Limited, TP Afghanistan Limited and Ghazanfar Investment Ltd. (together with their respective successors and permitted assigns, collectively the “Contractor”).
- (B) Pursuant to Section 8.5 of the Contract, the ultimate parent entity of each Contractor Entity is required to deliver this Guarantee to the Ministry.
- (C) Under this Guarantee, the Guarantor guarantees the prompt payment and performance when due of the Guaranteed Obligations.

The Guarantor and the Ministry agree as follows:

1. Capitalized terms used and not otherwise defined herein shall have the meanings as set forth in the Contract. In this Guarantee, the following terms shall have the following meanings:

“Contract” shall have the meaning set forth in the preamble of this Guarantee.

“Contractor” shall have the meaning set forth in the preamble of this Guarantee.

“Demand” shall have the meaning set forth in Clause 5 of this Guarantee.

“Guarantee” shall mean this general performance guarantee.

“Guaranteed Obligations” means all obligations of the Contractor under the Contract (except those obligations that are covered by the Financial Guarantee) which arise or are incurred prior to the date on which the Guarantor Subsidiary ceases to hold a Participating Interest in compliance with the provisions of the Contract.

“Guarantor” shall have the meaning set forth in the preamble of this Guarantee.

“Guarantor Subsidiary” means TP Afghanistan Limited, a company organized and existing under the laws of Jersey and any successor entity and permitted assignee which is an Affiliated Entity of the Guarantor.

“Insurance” shall mean any insurance obtained pursuant to Section 24.1 of the Contract.

“Longstop Date” shall have the meaning set forth in Clause 8(b) of this Guarantee.

“Ministry” shall have the meaning set forth in the preamble of this Guarantee.

2. The Guarantor shall make available to the Contractor the necessary resources that the Contractor may require to meet, on a timely basis, the Contractor’s obligations under the Contract.
3. The Guarantor hereby expressly represents and warrants to the Ministry that (i) it is duly organized, validly existing and in good standing order under the laws of its jurisdiction of organization, (ii) it has all requisite corporate power and authority to execute, deliver and perform this Guarantee, (iii) the execution, delivery and performance of this Guarantee have been duly authorized by all necessary corporate action, (iv) this Guarantee constitutes the legal, valid and binding obligation of the Guarantor, enforceable against the Guarantor in accordance with its terms, (v) no governmental approvals are required in connection with the execution, delivery and performance of this Guarantee, except as has been obtained and is in force on this day of signature as set forth below or as may be required in Afghanistan for the Guarantor or its permitted subcontractors to perform Hydrocarbons Operations, (vi) execution, delivery and performance of this Guarantee by the Guarantor will not violate any provision of any existing law or regulation to which the Guarantor is subject or any provision of the Guarantor’s constitutive documents or of any material agreements to which it may be a party and (vii) it is the one hundred percent (100%) beneficial owner of the Guarantor Subsidiary.
4. Subject to Clause 5, in consideration of the Ministry entering into the Contract, the Guarantor hereby unconditionally and irrevocably guarantees to the Ministry the payment and performance of the Guaranteed Obligations when due (subject to any applicable cure periods).
5. The obligation of the Guarantor pursuant to Clause 4 in respect of any Guaranteed Obligation is conditioned on the receipt by the Guarantor of a written demand from the Ministry (the “Demand”) that:
  - (a) makes specific reference to this Guarantee;
  - (b) states the relevant Guaranteed Obligation(s);
  - (c) states that the Contractor has not performed the specified Guaranteed Obligation(s);
  - (d) where applicable, specifies the amount(s) of such Guaranteed Obligation(s) or the date(s) on which such Guaranteed Obligation(s) were due to be performed; and
  - (e) is received by the Guarantor on or before the Longstop Date.
6. The liability of the Guarantor hereunder is irrevocable, continuing, absolute and unconditional and the obligations of the Guarantor hereunder shall not be discharged

or impaired or otherwise affected by, and the Guarantor hereby irrevocably waives any defenses to enforcement it may have (now or in the future) by reason of:

- (a) any illegality or lack of validity or enforceability of any Guaranteed Obligation or the Contract related agreement or instrument;
  - (b) any change in the time, place or manner of payment or performance of, or in any other term of, the Guaranteed Obligations or any other obligation of any party under the Contract, or any rescission, waiver, amendment or other modification of the Contract or any other agreement, including any increase in the Guaranteed Obligations;
  - (c) any taking, failure to take, exchange, substitution, release, impairment or non-perfection of any collateral, or any taking, failure to take, release, reduction, impairment, amendment, waiver or other modification of any guaranty, for the Guaranteed Obligations;
  - (d) any default, failure or delay, willful or otherwise, in the performance of the Guaranteed Obligations;
  - (e) any change, restructuring or termination of the corporate structure, ownership or existence of any Contractor Entity or any of its Affiliated Entities or any insolvency, bankruptcy, reorganization or other similar proceeding affecting any Contractor Entity or any of its Affiliated Entities of its assets or any resulting release or discharge of any obligation; or
  - (f) the failure of the Ministry to assert any claim or demand or to exercise or enforce any right or remedy against any Person under the Guaranteed Obligations or otherwise.
7. After the Ministry has received indefeasible payment in full in cash of all Guaranteed Obligations for which it has issued a Demand, it shall, at the Guarantor's request and expense, execute and deliver to the Guarantor, without recourse or representation or warranty, appropriate documents necessary to evidence the transfer by subrogation to the Guarantor of the Ministry's interest in any Insurance proceeds in respect of such Guaranteed Obligations.
  8. If a Demand is delivered to Guarantor that requires the performance of non-monetary Guaranteed Obligations, the Ministry shall provide to the Guarantor (or its approved subcontractor) permits that are required to conduct Hydrocarbons Operations associated with such Guaranteed Obligations, subject to fulfillment of reasonable and customary requirements for the grant of such permits (e.g. qualifications and safety programs to conduct blasting operations).
  9. The aggregate liability of the Guarantor under this Guarantee to the Ministry shall not exceed forty million U.S. Dollars (US\$ 40,000,000); provided that if the Participating Interest of the Guarantor Subsidiary increases, the aggregate liability shall henceforth be equal to the product of (i) the new Participating Interest of the Guarantor Subsidiary and (ii) one hundred million U.S. Dollars (US\$ 100,000,000).
  10. This Guarantee is irrevocable and unconditional and shall remain in full force and effect until the earlier of the date that:



- (a) all of the Guaranteed Obligations are fully and irrevocably satisfied and discharged; or
  - (b) five (5) years following termination of the Contract (the "Longstop Date").
- 11. The Guarantor's obligations under this Guarantee shall be independent and absolute, and the Guarantor shall have no right to set-off or counterclaim with respect to any other claims it may have against the Ministry or any other Person.
- 12. All of the obligations of the Guarantor set forth herein shall bind the Guarantor and its successors and permitted assigns. The Guarantor may not assign or delegate its duties hereunder without the prior written consent of the Ministry, and any purported assignment or delegation without such consent shall be null and void. The Guarantor confirms that this Guarantee shall remain in effect notwithstanding the assignment of the Guarantor Subsidiary's Participating Interest to an Affiliated Entity of the Guarantor Subsidiary. Upon any such assignment the assignee shall be considered the Guarantor Subsidiary for all purposes hereunder to the extent of the assigned obligations. The Guarantor also confirms that any assignee of the Ministry under the Contract may exercise all rights and remedies of the Ministry under this Guarantee. No other person or entity shall be a beneficiary of this Guarantee or have or acquire any rights by reason of this Guarantee.
- 13. This Guarantee shall be governed and construed in accordance with Afghanistan Law. Any dispute, controversy or claim arising out of or relating to this Guarantee that is not resolved by mutual agreement within forty-five (45) Days from the date on which the existence of a dispute is notified in writing by one party to the other shall be settled by arbitration initiated by either party by submission to the International Centre for Settlement of Investment Disputes ("ICSID") pursuant to the Convention on the Settlement of Investment Disputes between States and Nationals of other States as of March 18, 1965 ("ICSID Convention") and the arbitration rules promulgated thereunder. For the avoidance of doubt, the Ministry hereby expressly consents to the submission of any dispute which may arise under this Guarantee to ICSID for settlement by arbitration in accordance with Article 25 (1) of the ICSID Convention. For the purpose of Article 25 (2) (b) of the ICSID Convention, the Guarantor shall be treated as a national of a state other than Afghanistan. The number of arbitrators shall be three. The arbitration shall be conducted in the English language. The arbitration award may take the form of an order to pay a sum of money, or an order to perform an act, or an order to refrain from an act, or any combination of such orders. The place of arbitration shall be London, England. The award rendered shall be final and conclusive. Judgment on the award rendered may be entered in any court having jurisdiction or application may be made in such court for a judicial acceptance of the award and an order of enforcement, as the case may be. Each party agrees that at the request of the other party it will consent (and will cause its Guarantor Subsidiary to consent) to the consolidation of any arbitration brought under the provisions of this Clause 13 with any arbitration under Section 24.1 of the Contract in which the Ministry, on the one hand, and the Contractor or any Contractor Entity, on the other hand, is a party that relates to matters at issue in the arbitration brought under this Clause 13.
- 14. Any failure of the Ministry to exercise any right, in whole or in part, hereunder shall not be construed as a waiver of the right to exercise the same or any other right.

15. No amendment or modification of this Guarantee shall be effective unless in writing and signed by both the Guarantor and the Ministry.
16. The Guarantor shall pay upon demand and presentation of invoices all reasonable and actual costs and expenses incurred by the Ministry in connection with the successful enforcement of this Guarantee (excluding all costs and expenses incurred by the Ministry in connection with claims under the Insurance), including, without limitation, reasonable fees and expenses of counsel.
17. All notices, demands, instructions, waivers, consents or other communications hereunder shall be in writing in the English language and deemed to have been properly effective upon receipt, and shall be sent by personal delivery, courier, first class mail or fax to the following addresses:

**GUARANTOR:**

**[TÜRKİYE PETROLLERİ A.O.**

Sogutozu Mahallesi 2180. Cad, No:86, 06100, Cankaya/Ankara Turkiye]

**MINISTRY:**

Ministry of Mines & Petroleum  
Pashtoonistan Watt  
Across from Ministry of Finance  
Kabul, Afghanistan  
Telephone: +93 (0) 202 100 309  
Attn: Director of Afghanistan Petroleum Authority

The Addresses and fax numbers by either party to this Guarantee for notices given pursuant to this Guarantee may be changed by means of written notice to the other party at least fourteen (14) working days prior to effective date of such change.

18. This Guarantee shall be effective immediately.

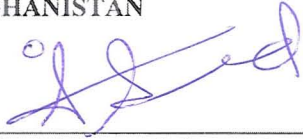
IN WITNESS WHEREOF, the Guarantor has caused this Guarantee to be executed and the Ministry duly authorized the same, both parties represented by their respective duly authorized representatives on this day of 08 October 2013.

TÜRKİYE PETROLLERİ A.O.]

By   
[Title]

Besim ŞİŞMAN  
President and CEO Act.

THE MINISTRY OF MINES &  
PETROLEUM OF THE GOVERNMENT OF  
THE ISLAMIC REPUBLIC OF  
AFGHANISTAN

By   
The Minister of Mines & Petroleum



**EXHIBIT F**

**LONG RANGE PLAN FOR  
THE TRAINING OF AFGHAN NATIONALS**

## EXHIBIT F

# LONG RANGE PLAN FOR THE TRAINING OF AFGHAN NATIONALS

### 1. Overview & General Approach

Contractor is committed to the training and development of a competent Afghan workforce that meets the needs of our business and increases the capability and percentage of Afghan personnel in our operations over time. Consistent with this, as well as the requirements of the EPSC, Contractor will foster an environment where training and development is a key activity within our operations. All Afghan employees will be encouraged to participate in developing their own skills to enhance their knowledge for use in their current job, as well as jobs that they can reasonably expect to progress to during their careers. Our training plans will be based on individual job evaluations and competency assessments, which will help Contractor identify the optimal training requirements for each Afghan employee. A sophisticated computer-based assessment system will be used to design and track each Afghan employee's skills levels to track progress and future training needs.

In this regard, Contractor will:

- *Implement on-the-job, course-based in-house as well as external training. In-house training will be conducted by experienced personnel from the Operator as well as international-standard trainers from well reputed training companies from all over the world. External training will be in the form of training activities or professional conferences located inside or (subject to the reasonable availability of visas) outside of Afghanistan.*
- *Use performance reviews to identify individual development plans that will encompass enhanced performance in an employee's current position as well as on their long term development.*
- *Manage and develop training activities via an annual training program that reflects individual, team and organizational needs.*
- *Work with sub-contractors to establish training program requirements for their personnel.*
- *Provide training programs to the Ministry and other Afghan Government entities consistent with their needs and as agreed in the annual training program.*

## **2. Annual Training Program**

Each year, the Operator will submit an Annual Training Program ('ATP') at the same time as the Work Program and Work Program Budget. The ATP shall identify the specific classes or other training activities that will be conducted for Afghan employees, Afghan subcontractors and Ministry personnel in the coming year. The ATP shall be subject to approval by the Ministry.

The minimum ATP cost will meet the amounts specified in the Contract.

## **3. Post Commercial Discovery, In-Country Training – 'Center of Excellence'**

Once Contractor proves a Commercial Discovery and has an approved Development Program and Development Program Budget, Contractor, in association with the Ghazanfar Group, will establish a 'Center of Excellence' dedicated training facility to be located in Northern Afghanistan, which will provide classroom space and resources for course work offered by expert teachers from inside and outside the company together with computer-based, self-paced courses driven by specialized software.

The Center will enhance training activities by providing our Afghan employees with the necessary onsite physical classroom facilities for more and better quality, cost-effective training in-country.

## **4. Contractors**

As a significant portion of the operations that will be provided by third party contractors working in Afghanistan on behalf of Contractor, we will routinely seek to include Afghan training commitments in our contracts with such third party contractors.

## **5. Training Program for 2013**

During the Initial Exploration Period (i.e., the first four years of Hydrocarbons Operations), training will be primarily focused on introductory skills appropriate to setting up office operations, the exploration activities being conducted and preparation for development activities.

It is hard to predict the exact training program during the first year of Hydrocarbons Operations, as the specific needs of staff yet to be hired cannot be ascertained now. However, subject to further evaluation of need and availability, the following lays out the training areas (subject to revision) for the first year of Hydrocarbons Operations:



<b>Preliminary Training Areas</b>	
<u>Staff Category</u>	<u>Course</u>
Support	<ul style="list-style-type: none"> <li>• Safe Driving</li> </ul>
Administrative	<ul style="list-style-type: none"> <li>• Basic Secretarial &amp; Office Administration</li> <li>• Microsoft Office Applications</li> </ul>
Financial	<ul style="list-style-type: none"> <li>• Introduction to Accounting Software</li> </ul>
Technical	<ul style="list-style-type: none"> <li>• Basic Geology and Geophysics</li> <li>• Basic Seismic Acquisition</li> </ul>
Ministry	<ul style="list-style-type: none"> <li>• Mini Oil &amp; Gas MBA</li> <li>• Oversight of Procurement Activities</li> </ul>
All	<ul style="list-style-type: none"> <li>• English Language</li> <li>• Introduction to HSE Practices</li> </ul>

Ministry personnel may attend any of the courses offered, and/or attend a ‘Mini Oil & Gas MBA’ program, which would most likely be outside of Afghanistan. Ministry feedback on proposed training for their personnel is appreciated.

During the first year of Hydrocarbons Operations, Contractor will provide more details on the specific courses to be offered, how the courses will be conducted and the location in Afghanistan (or elsewhere) for such training. Contractor will appoint a Human Resources Manager who shall be the person accountable for assessing training needs and planning training events.

Training plans for future years will be submitted along with the Work Program and Work Program Budget for that year. Such training plans shall take into account the training activities carried out during the first year of Hydrocarbons Operations for the purposes of assessing whether the Contractor has fulfilled the training requirements under the Contract for such future years.

**EXHIBIT G**  
**BIDDING FORM**

**Bid Form**  
**AFGHAN-TAJIK BASIN PHASE I TENDER**

Ministry of Mines of the Islamic Republic of Afghanistan  
Kabul, Islamic Republic of Afghanistan

**BIDDER:** Türkiye Petrolleri Anonim Ortaklığı  
Dragon Oil (International) Limited  
Kuwait Energy Afghanistan Limited  
Ghazanfar Investment Limited

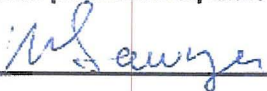



**BLOCK:** Block 4 – Mazar-I-Sharif Block

**ROYALTY BID:** Twelve point six percent (12.6 %)

**BIDDER'S REPRESENTATIVE:** Mark W. Sawyer (Dragon Oil), Michael Andersen (Kuwait Energy), Murat Fehmi Karci (TPAO) and Ismail Ghazanfar (Ghazanfar)

The undersigned, Türkiye Petrolleri Anonim Ortaklığı, Dragon Oil (International) Limited, Kuwait Energy Afghanistan Limited and Ghazanfar Investment Limited, hereby unconditionally commit that, if selected as the winning Bidders in the above-referenced tender process, they will cause a company organized under the laws of the Islamic Republic of Afghanistan and wholly owned by them to enter into the Exploration and Production Sharing Contract for the Mazar-I-Sharif Block (the "EPSC") in the final form distributed to the Bidders in the above-referenced tender process, with the royalty referred to in the EPSC being the percentage indicated above. Unless such period is extended by the Ministry, the EPSC shall be executed no later than thirty (30) days after notification by the Ministry of award of the EPSC. The undersigned acknowledge that noncompliance with the obligation set forth above shall result in a drawing on the Bid Guarantee.

The undersigned further certifies that the electronic version of the bid submitted with the original paper version is the same as the original paper version, except for electronic format.

Dragon Oil (International) Limited 	Kuwait Energy Afghanistan Limited 
Title: <u>MANAGER, NEW VENTURES</u>	Title: <u>Sr. V.P. Strategic Planning</u>
Türkiye Petrolleri Anonim Ortaklığı 	Ghazanfar Investment Limited 
Title: <u>Vice President</u>	Title: <u>CEO</u>



**EXHIBIT H**

**MINIMUM EXPLORATION PROGRAM**

**EXHIBIT H**

**MINIMUM EXPLORATION PROGRAM**

The Contractor shall perform the following minimum Exploration Operations during the Exploration Phase:

	<b>Exploration Wells</b>
<b>Initial Exploration Period</b>	2
<b>First Extension Period</b>	2
<b>Second Extension Period</b>	2

Each Exploration Well shall be drilled to a target depth that penetrates the Guri/Bukhara horizon. For purposes of determining the original amount of the Financial Guarantee, each such Exploration Well shall be deemed to have a value of fifteen million U.S. Dollars (US\$ 15,000,000.00). For the Initial Exploration Period, drilling in respect of one of the two (2) Exploration Wells must commence prior to the end of the second (2<sup>nd</sup>) Contract Year, and drilling on both must commence prior to the end of the third (3<sup>rd</sup>) Contract Year; provided, however, that such deadlines shall be extended by the Ministry to later dates within the Initial Exploration Period if the Contractor demonstrates to the Ministry's reasonable satisfaction that such extension would allow the Contractor to efficiently, adequately and in a technically sound fashion comply with its Work Program obligations to better prioritize its operations in order to optimize production of Hydrocarbons from the Contract Area. The amount of any Exploration Wells drilled in excess of the required minimum Exploration Operations for any given period shall be carried forward to the next period and shall be taken into account to satisfy the required minimum Exploration Operations and/or calculate the amount of the Financial Guarantee required for such subsequent period.

**EXHIBIT I**

**WINNING BIDDER'S EXPLORATION PROGRAM**



EXHIBIT I

WINNING BIDDER'S EXPLORATION PROGRAM  
FOR THE MAZAR-I-SHARIF BLOCK

**Part 1**  
**Work commitments**

1. Geological and geophysical (“G&G”) studies and services, including:
  - approximately fifteen hundred square kilometers (1500 km<sup>2</sup>) high resolution aeromagnetic and gravity survey and interpretation
  - G&G studies and services outsourced from specialized service companies
2. Seismic program, including:
  - at least one thousand two hundred line kilometers (1200 line km) of new reconnaissance and detailed 2D seismic
3. Two (2) Exploration Wells to the shallower of three thousand five hundred meters (3500 m) or the top of the Lower Cretaceous formation
4. Logging runs for all Wells, including, at a minimum, the following logs:
  - Gamma ray
  - Sonic
  - Density
  - Neutron
  - Caliber

In sections where target reservoirs are expected, the following additional logs will be run:

- Resistivity
  - FMI
5. VSP at the end of each Well

6. Coring program, including cuts at a minimum of thirty-five meters (35 m) of two (2) or more cores in each Well
7. Wellsite operations including:
  - collection of ditch samples
  - tagging and description of samples for lithology and shows
  - strip log plotting showing drill time, lithology, porosity and verbal description of sample
  - bottoms-up sample of drilling breaks and evaluation for shows and porosity
  - core cut if shows and porosity are detected
  - drill stem test if core results show encouragement, drilling is determined to be safe and required equipment is available within a reasonable time
8. Post-drilling evaluation of each Well

**Part 2**  
**Total estimated cost**

Sixty four million U.S. Dollars (US\$ 64,000,000) (excluding G&A, training and land rentals)

**EXHIBIT J**

**ARTICLE X CALCULATION EXAMPLE**



## Afghan Tajik Exploration & Development

### Example of R-Factor Calculation

Row	(US\$ '000 Except Oil & Gas Volumes)	Period 1	Period 2	Period 3	Period 4	Period 5	Period 6	Period 7	Period 8	Period 9	Period 10	Total
<b>Revenue</b>												
<b>Oil</b>												
6	Actual Sale Price (Bbl)	80.00	80.00	80.00	80.00	80.00	80.00	80.00	80.00	80.00	80.00	
7	Total Oil Sold (Bbl)	0	0	0	2,000,000	4,000,000	5,000,000	6,000,000	7,000,000	7,000,000	7,000,000	38,000,000
8	Cumulative Oil Sold (Bbl)	0	0	0	2,000,000	6,000,000	11,000,000	17,000,000	24,000,000	31,000,000	38,000,000	
9	Total Actual Revenue for Oil	0	0	0	160,000	320,000	400,000	480,000	560,000	560,000	560,000	3,040,000
10												
11	<b>Associated Gas (AG)</b>											
12	Actual Sale Price for AG (MCF)	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	
13	Total AG Sold (MCF)	0	0	0	1,515,160	3,030,320	3,787,900	4,545,480	5,303,060	5,303,060	5,303,060	28,788,040
14	Cumulative AG Sold (MCF)	0	0	0	1,515,160	4,545,480	8,333,380	12,878,860	18,181,920	23,484,980	28,788,040	
15	Total Actual Revenue for AG	0	0	0	7,576	15,152	18,940	22,727	26,515	26,515	26,515	143,940
16												
17	<b>Condensates from Associated Gas</b>											
18	Actual Sale Price for Condensates (Bbl)	80.00	80.00	80.00	80.00	80.00	80.00	80.00	80.00	80.00	80.00	
19	Total Condensates Sold (Bbl)	0	0	0	57,600	115,200	144,000	172,800	201,600	201,600	201,600	1,094,400
20	Cumulative Condensate Sold (Bbl)	0	0	0	57,600	172,800	316,800	489,600	691,200	892,800	1,094,400	
21	Total Actual Revenue for Condensates	0	0	0	4,608	9,216	11,520	13,824	16,128	16,128	16,128	87,552
22												
23	<b>Oil, AG and Condensates Combined</b>											
24	Total Actual Revenue	0	0	0	172,184	344,368	430,460	516,551	602,643	602,643	602,643	3,271,492
25	Cumulative Actual Revenue	0	0	0	172,184	516,551	947,011	1,463,562	2,066,206	2,668,849	3,271,492	
26	Effective Actual Price on Physical Sales / Bbl of Oil Sold	0.00	0.00	0.00	86.09	86.09	86.09	86.09	86.09	86.09	86.09	
27												
28	<b>All Recoverable Capex &amp; Expenses</b>											
29	Total Capex, SG&A & Opex	5,000	25,000	35,000	160,000	200,000	200,000	200,000	200,000	150,000	75,000	1,250,000
30	Cumulative Capex, SG&A & Opex	5,000	30,000	65,000	225,000	425,000	625,000	825,000	1,025,000	1,175,000	1,250,000	
31	Effective Cumulative Cost/Bbl of Oil Sold	n/a	n/a	n/a	112.50	70.83	56.82	48.53	42.71	37.90	32.89	
32												
33	<b>Production Sharing</b>											
34	Royalty Oil to GoIRA at 12.6% (Bbl)	0	0	0	252,000	504,000	630,000	756,000	882,000	882,000	882,000	4,788,000
35	Oil Remaining for Exp & Profit Share	0	0	0	1,748,000	3,496,000	4,370,000	5,244,000	6,118,000	6,118,000	6,118,000	33,212,000
36												
37	<b>Cost Recovery Hydrocarbons</b>											
38	Unrecovered Exp From Previous Period	0	5,000	30,000	65,000	74,511	0	0	0	0	0	
39	Recoverable Exp This Period	5,000	25,000	35,000	160,000	200,000	200,000	200,000	200,000	150,000	75,000	1,250,000
40	Total Recoverable Exp Due to Operator - \$	5,000	30,000	65,000	225,000	274,511	200,000	200,000	200,000	150,000	75,000	
41	Remaining Hydrocarbons Allocated to Exp (Bbl)	0	0	0	1,748,000	3,188,585	2,323,099	2,323,099	2,323,099	1,742,324	871,162	14,519,368
42	Value of Hydrocarbons Allocated to Exp	0	0	0	150,489	274,511	200,000	200,000	200,000	150,000	75,000	1,250,000
43	Unrecovered Exp Carried Forward	5,000	30,000	65,000	74,511	0	0	0	0	0	0	
44	Cumulative Recoverable Exp Paid to Operator	0	0	0	150,489	425,000	625,000	825,000	1,025,000	1,175,000	1,250,000	
45												
46	Net Hydrocarbons (Bbl)	0	0	0	0	307,415	2,046,901	2,920,901	3,794,901	4,375,676	5,246,838	18,692,632
47	R Formula Calculation	0.000	0.000	0.000	0.000	0.669	1.062	1.183	1.291	1.393	1.499	
48	Net Hydrocarbons to Contractor (%)	100.0%	100.0%	100.0%	100.0%	100.0%	50.0%	50.0%	49.7%	48.9%	48.0%	
49	Net Hydrocarbons to Contractor (Bbl)	0	0	0	0	307,415	1,023,451	1,460,451	1,884,917	2,137,862	2,518,790	9,332,885
50	NH to Contractor - Value	0	0	0	0	26,466	88,111	125,733	162,276	184,053	216,847	803,486
51	Gross Contractor Revenue (GCR)	0	0	0	150,489	300,977	288,111	325,733	362,276	334,053	291,847	2,053,486
52	Cumulative GCR	0	0	0	150,489	451,466	739,577	1,065,310	1,427,586	1,761,638	2,053,486	
53												
54	Net Hydrocarbons to GoIRA (Bbl)	0	0	0	0	0	1,023,451	1,460,451	1,909,984	2,237,814	2,728,048	9,359,747
55	Total Hydrocarbons to GoIRA w/ Royalty (Bbl)	0	0	0	252,000	504,000	1,653,451	2,216,451	2,791,984	3,119,814	3,610,048	14,147,747
56	Total \$ Paid to GoIRA for Royalty & Profit Oil	0	0	0	21,695	43,390	142,349	190,818	240,367	268,591	310,796	1,218,006
57	Cumulative Paid to GoIRA for Royalty & Profit Oil	0	0	0	21,695	65,085	207,434	398,253	638,620	907,211	1,218,006	

## Afghan Tajik Exploration & Development

### Example of R-Factor Calculation

Row	(US\$ '000 Except Oil & Gas Volumes)	Notes
<b>Revenue</b>		
<b>Oil</b>		
6	Actual Sale Price (Bbl)	Assumption. For demonstration purposes only.
7	Total Oil Sold (Bbl)	Assumption. For demonstration purposes only.
8	Cumulative Oil Sold (Bbl)	
9	Total Actual Revenue for Oil	Formula: Row16*Row7/1000
10		
<b>Associated Gas (AG)</b>		
12	Actual Sale Price for AG (MCF)	Assumption. For demonstration purposes only.
13	Total AG Sold (MCF)	Assumption of 0.75758 mcf of Associated Gas for each barrel of oil
14	Cumulative AG Sold (MCF)	
15	Total Actual Revenue for AG	Formula: Row12*Row13/1000
16		
<b>Condensates from Associated Gas</b>		
18	Actual Sale Price for Condensates (Bbl)	Assumption. For demonstration purposes only.
19	Total Condensates Sold (Bbl)	Assumption of 0.0288 mcf of condensate for each barrel of oil
20	Cumulative Condensate Sold (Bbl)	
21	Total Actual Revenue for Condensates	Formula: Row18*Row19/1000
22		
<b>Oil, AG and Condensates Combined</b>		
24	Total Actual Revenue	Formula: Row9+Row15+Row21
25	Cumulative Actual Revenue	
26	Effective Actual Price on Physical Sales / Bbl of Oil Sold	Expressed in terms of bbls of oil sold.
27		
<b>All Recoverable Capex &amp; Expenses</b>		
29	Total Capex, SG&A & Opex	Assumption. For demonstration purposes only.
30	Cumulative Capex, SG&A & Opex	
31	Effective Cumulative Cost/Bbl of Oil Sold	Expressed in terms of bbls of oil sold. Formula: Row30*1000/Row8
32		
<b>Production Sharing</b>		
34	Royalty Oil to GoIRA at 12.6% (Bbl)	Expressed in terms of bbls of oil, but GIRoA also receives proportional AG & condensates. Formula: Row7*12.6%
35	Oil Remaining for Exp & Profit Share	Formula: Row7-Row34
36		
<b>Cost Recovery Hydrocarbons</b>		
38	Unrecovered Exp From Previous Period	Formula: [Previous Period]Row43
39	Recoverable Exp This Period	Formula: Row29
40	Total Recoverable Exp Due to Operator - \$	Formula: Row38+Row39
41	Remaining Hydrocarbons Allocated to Exp (Bbl)	Measured in oil. Formula: =IF(Row35=0,0,IF(Row26=0,0,IF(Row35>(Row40*1000/Row26),(Row40*1000/Row26),Row35)))
42	Value of Hydrocarbons Allocated to Exp	Includes value of oil & proportional AG & condensates. Formula: Row41*Row26/1000
43	Unrecovered Exp Carried Forward	Formula: Row40-Row42
44	Cumulative Recoverable Exp Paid to Operator	Formula: Row42+[Previous Period]Row44
45		
<b>Net Hydrocarbons (Bbl)</b>		
46	R Formula Calculation	Formula: [Previous Period]Row52/[Previous Period]M30. Note: Contract stipulates Previous "Period" is Previous "Month".
48	Net Hydrocarbons to Contractor (%)	Formula: IF(Row47<1,1,IF(Row47<1.25,0.5,IF(Row47>2.5,0.4,(0.4+((2.5-Row47)/(2.5-1.25))*(0.5-0.4))))
49	Net Hydrocarbons to Contractor (Bbl)	Measured in oil - Contractor also receives proportional AG & condensates. Formula: Row48*Row46
50	NH to Contractor - Value	Includes value of oil & proportional AG & condensates. Formula: Row49*Row26/1000
51	Gross Contractor Revenue (GCR)	Includes value of oil & proportional AG & condensates. Formula: Row42+Row49*Row26/1000
52	Cumulative GCR	Formula: Row51+[Previous Period]Row52
53		
54	Net Hydrocarbons to GoIRA (Bbl)	Measured in oil - GIRoA also receives proportional AG & condensates. Formula: Row46-Row49
55	Total Hydrocarbons to GoIRA w/ Royalty (Bbl)	Measured in oil - GIRoA also receives proportional AG & condensates. Formula: Row54+Row34
56	Total \$ Paid to GoIRA for Royalty & Profit Oil	Includes value of oil & proportional AG & condensates. Formula: Row55*Row26/1000
57	Cumulative Paid to GoIRA for Royalty & Profit Oil	Formula: Row56+[Previous Period]Row57

**EXHIBIT K**

**FORM OF HYDROCARBONS LICENSE**





**Islamic Republic of Afghanistan**  
**Ministry of Mines**  
**Exploration License**  
Issued to \_\_\_\_\_

Persuant to contract \_\_\_\_\_  
For \_\_\_\_\_  
Basin of northern Afghanistan

Valid From \_\_\_\_\_ To \_\_\_\_\_

\_\_\_\_\_  
Ministry of Mines

Date: \_\_\_\_\_

STAMP OF MINISTRY OF MINES



جمهوری اسلامی افغانستان  
وزارت معادن  
لایسنس تفحص و اکتشافه  
مطابق به قرارداد شماره \_\_\_\_\_

اعطاگردید

تاریخ اعتبار از \_\_\_\_\_ الی \_\_\_\_\_

وزارت معادن

تاریخ: \_\_\_\_\_

مهر وزارت معادن

**EXHIBIT L**

**FORM OF PERMIT FOR DEVELOPMENT AND  
PRODUCTION OPERATIONS**





**Islamic Republic of Afghanistan**  
**Ministry of Mines**  
**Permit for Development and Production Operation**

Issued to

\_\_\_\_\_

Persuant to contract \_\_\_\_\_

For \_\_\_\_\_

Basin of northern Afghanistan

Valid From \_\_\_\_\_ To \_\_\_\_\_

STAMP OF MINISTRY OF MINES

\_\_\_\_\_

Ministry of Mines

Date: \_\_\_\_\_



جمهوری اسلامی افغانستان  
وزارت معادن  
اجزہ نامہ انکشاف و عملیات تولیدی  
مطابق به قرارداد شماره \_\_\_\_\_

اعطا گردید

تاریخ اعتبار از \_\_\_\_\_ الی \_\_\_\_\_

وزارت معادن

تاریخ: \_\_\_\_\_

مهر وزارت معادن

**MEMORANDUM OF UNDERSTANDING**

**between**

**THE MINISTRY OF MINES & PETROLEUM  
OF THE  
GOVERNMENT OF THE ISLAMIC REPUBLIC OF AFGHANISTAN,**

**DRAGON OIL (MAZAR-I-SHARIF) LIMITED,**

**TP AFGHANISTAN LIMITED,**

**and**

**GHAZANFAR INVESTMENT LTD.**

**for**

**CUSTOMS DUTY EXEMPTION FOR ITEMS USED EXCLUSIVELY FOR  
HYDROCARBONS OPERATIONS**

**1. Parties.** This Memorandum of Understanding (“MOU”) is entered into on this 8th day of October 2013 between the Ministry of Mines & Petroleum of the Government of the Islamic Republic of Afghanistan (the “MoMP”), acting on behalf of the Government of the Islamic Republic of Afghanistan (the “Government”), Dragon Oil (Mazar-i-Sharif) Limited (“Dragon Oil”), TP Afghanistan Limited (“TPAL”), and Ghazanfar Investment Ltd. (“Ghazanfar”). Each of the MoMP, Dragon Oil, TPAL and Ghazanfar may be referred to as a “Party,” and collectively they may be referred to as the “Parties.” Each of Dragon Oil, TPAL and Ghazanfar may be referred to as a “Contractor Entity” and collectively as the “Contractor”.

**2. Background and Scope.** On behalf of the Government, the MoMP has entered into an Exploration and Production Sharing Contract, dated October 8, 2013, with the Contractor for hydrocarbons exploration, development and production in the Mazar-i-Sharif Block of the Afghan-Tajik Basin of Afghanistan (the “EPSC”). Pursuant to Section 17.1(a) of the EPSC, the Parties have agreed that for the duration of the EPSC, each of the Contractor Entities shall be entitled to import into Afghanistan (including by its subcontractors as joint consignees) free of Customs Duties the equipment and supplies designated by the Parties as required to be imported for Hydrocarbons Operations and shall be entitled to export the same (provided that no transfer of ownership of such equipment or supplies has occurred after the date of their import into Afghanistan) free of Customs Duties pursuant to the terms and conditions of this MOU, as it may be amended from time to time. Capitalized terms used but not defined herein have the meanings provided in the EPSC.

**3. Import of Equipment and Supplies.** To import equipment and supplies into Afghanistan free of Customs Duties, a Contractor Entity, either on behalf of itself or its subcontractor as joint consignee, shall submit to the MoMP an application for exemption from Customs Duties that:



- a. Categorizes the items under one or more of the imported items within the categories stipulated in “Appendix 1 to the MOU for Customs Duty Exemption for Items Used Exclusively for Hydrocarbon Operations” attached hereto;
- b. Identifies the number and value of each item to be imported (on the basis of delivery FOB and CIF, as such terms are defined in Incoterms 2010);
- c. Identifies the applicable Harmonized Commodity Description and Coding System (“H.S. Code”) heading of each item to be imported and the tariff rate applicable to such heading under the Customs Tariff (2012) of Afghanistan, as the same may be amended from time to time;
- d. Certifies that the items to be imported are required for Hydrocarbons Operations within the contract area and will be exclusively devoted to that purpose;
- e. Certifies that items similar in quality and quantity to the items to be imported are not produced or available in Afghanistan at prices that are no more than 15% higher than the prices of the items to be imported, after transportation and insurance costs have been added; and
- f. Complies with such other formalities as may be required by the Customs Law of Afghanistan as instructed by the MoMP.

A Contractor Entity shall submit such application for review and approval at least forty-five (45) days prior to the date the items are to arrive in Afghanistan or at a time requested by the Contractor and accepted by the MoMP.

**4. Export of Equipment and Supplies.** To export from Afghanistan free from Customs Duties equipment and supplies previously imported into Afghanistan for use in Hydrocarbons Operations, a Contractor Entity, either on behalf of itself or its subcontractor as joint consignee, shall submit to the MoMP an application for exemption from Customs Duties that:

- a. Identifies the number and value of each item to be exported (on the basis of delivery FOB and CIF, as such terms are defined in Incoterms 2010);
- b. Identifies the applicable H.S. Code heading of each item to be exported and the tariff rate applicable to such heading under the Customs Tariff (2012) of Afghanistan, as the same may be amended from time to time;
- c. Certifies that the items to be exported were previously imported free from Customs Duties, were used in Hydrocarbons Operations, and that no transfer of ownership of such items has occurred after the date of their import into Afghanistan; and
- d. Complies with such other formalities as may be required by the Customs Law of Afghanistan as instructed by the MoMP.

A Contractor Entity shall submit such application for review and approval at least forty-five (45) days prior to the date the items are to be exported from Afghanistan or at a time requested by the Contractor and accepted by the MoMP.

**5. MoMP Review and Approval; Objections.** Following consultation with the Afghanistan Customs Department (“ACD”), the MoMP shall endeavor to respond to any application submitted by a Contractor Entity pursuant to Paragraphs 3 or 4 of this MOU as soon as reasonably practicable, but in any event within thirty (30) days or at a time requested by the Contractor and accepted by the MoMP following the MoMP’s receipt of such application. If the MoMP, the ACD or any other Government ministry or instrumentality determines that any equipment or supplies identified in an application submitted pursuant to Paragraphs 3 or 4 of this MOU are not entitled to an exemption from Customs Duties, the MoMP shall inform the Contractor Entity that submitted the application of the relevant objection(s) and the reason(s) therefore. Within fifteen (10) days following the Contractor Entity’s receipt of the MoMP’s response, the Contractor Entity and the MoMP shall meet to agree upon any required revisions to the relevant application.

**6. Joint and Several Liability.** The Contractor is jointly and severally liable with its subcontractors for any infraction in the use of the Customs Duties exemptions and preferences set out in this MOU. Without prejudice to Section 1.9(g) of the Accounting Procedures to the EPSC, any fines, penalties and payments of any nature incurred by the Contractor or its subcontractors in violation of the Customs Law of Afghanistan or any formalities required by the ACD shall not constitute a Hydrocarbons Operations Expenditure under the EPSC.

**7. Term.** This MOU is effective upon signature by the Parties and terminates upon termination of the EPSC.

**8. General Terms and Conditions.**

- a. **Binding Effect.** The provisions of this MOU shall create a binding legal obligation on the Parties.
- b. **Dispute Resolution.** Any dispute, controversy or claim arising out of or relating to this MOU that is not resolved by mutual agreement within forty-five (45) days from the date on which the existence of a dispute is notified in writing by a Party to another Party or Parties shall be settled in accordance with Article XXIV of the EPSC. Under no circumstances may the costs incurred in the course of any dispute resolution proceeding commenced under this MOU be included in Hydrocarbons Operations Expenditures under the EPSC.
- c. **Notices.** Any notice or other communication required or permitted to be given under this MOU shall be communicated in writing on the official letterhead of the communicating Party, shall be signed by an authorized representative of such Party, and shall be deemed to have been sufficiently given or made upon delivery.
- d. **No Waiver.** The failure of any Party to seek redress for violation, or to insist on strict performance, of any provision of this MOU will not prevent a subsequent act that would have constituted a violation from having the effect of an original violation.
- e. **Separability.** If a provision of this MOU should be held illegal, void, or unenforceable by any court or administrative body having proper jurisdiction, such determination shall not affect the remaining provisions of this MOU, which shall remain in full force and effect as if such illegal, void, or unenforceable provision had not been included.

- f. Assignment and Succession. This MOU shall be binding and shall inure to the benefit of the Parties and their respective assigns, executors, administrators, and successors in interest.
- g. Choice of Law. This MOU shall be governed by, construed under and interpreted in accordance with the internal laws of Afghanistan, as such laws may be amended from time to time and without regard to conflicts of law principles.
- h. Costs. Each Party shall bear and pay its own legal costs and expenses incurred in the preparation and review of this MOU.
- i. Sole Benefit. This MOU is for the sole benefit of the Parties and their successors and assigns. No other person shall be entitled to enforce this MOU, rely on any representation, warranty, covenant, or other agreement contained herein, receive any rights hereunder, or be a third-party beneficiary of this MOU. No Party shall have any direct liability or obligation to any third party for any election or non-election or any act or failure to act or in regard to any term of this MOU. Nothing in this MOU shall be construed to create any duty, standard of care, or liability to any person not a Party to this MOU.

*(Signature page follows)*



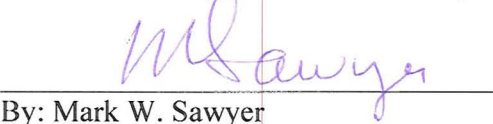
AGREED AND ACCEPTED:

MINISTRY OF MINES & PETROLEUM  
OF THE ISLAMIC REPUBLIC OF AFGHANISTAN



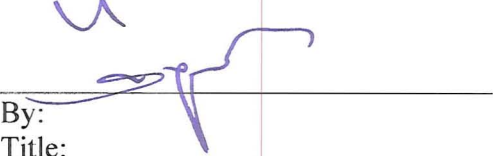
By: Abdul Jalil Jumriany  
Title: Director General, Afghanistan Petroleum Authority  
Date:

DRAGON OIL (MAZAR-I-SHARIF) LIMITED



By: Mark W. Sawyer  
Title: Manager, New Ventures and Business Development  
Date:

TP AFGHANISTAN LIMITED



By:  
Title:  
Date:

GHAZANFAR INVESTMENT LTD.



By: Ismael Ghazanfar  
Title: Chief Executive Officer  
Date:

**ADDENDUM 1**  
**to the**  
**MOU FOR CUSTOMS DUTY EXEMPTION**  
**FOR ITEMS USED EXCLUSIVELY FOR**  
**HYDROCARBONS OPERATIONS**

- 1.) Heavy Equipment:**
  - a. Graders
  - b. Dozers
  - c. Dump trucks
  - d. Backhoes
  - e. Trenchers
  - f. Loaders
  - g. Rock crushers
  - h. Screen shakers for gravel sorting
  - i. Hydraulic jackhammers (hand held and mounted on backhoes)
  - j. Portable rock drills and associated explosive material for blasting rock
  - k. Culverts for roads
  - l. Road rails
  - m. Asphalt plants
  - n. Asphalt trucks
  - o. Paving equipment
  - p. Spare parts for all of the above
  
- 2.) Cranes (all sizes)**
  
- 3.) Transportation Vehicles:**
  - a. Trucks
  - b. Cars
  - c. Vans
  
- 4.) Support Equipment**
  - a. Diesel tanks
  - b. Fuel stations
  - c. Service equipment (hydraulic jacks, oil incinerators, maintenance tools)
  
- 5.) Storage Depots**
  - a. Explosive bunkers (for dynamite used in seismic and for perforating charges)
  - b. Radioactive source pits (lead lined bunker which would be cemented into the ground with which to gain access and secure lead cover)
  - c. Fuel storage tanks

- d. Oil storage tanks
- e. Ventilation

**6.) Pipeline Requirements**

- a. Pipe, all sizes from 4" to 36"
- b. Wrapping for pipe
- c. Cathodic protection for pipe
- d. Sand bags for pipe
- e. Flanges and bolts
- f. Welding equipment (gas and electric)
- g. Welding rods
- h. Generators
- i. Welding safety equipment (eye protection, breathing apparatus, gloves, aprons, etc.)
- j. Survey equipment
- k. Pressure gauges
- l. Painting equipment and paint

**7.) Life Support**

- a. Portable office containers
- b. Portable living containers and associated furnishings
- c. Refrigeration units for cold storage
- d. Generators
- e. Portable kitchen units containers w/ associated kitchen accessories
- f. Portable light plants
- g. Air conditioners
- h. Heaters
- i. Cables/wiring
- j. Electrical infrastructure equipment for networking a closed grid

**8.) Office Equipment**

- a. Computers
- b. Printers (all sizes)
- c. Office supplies (paper, pens, staplers, etc.)
- d. Scanners
- e. Furnishings (desks, chairs, etc.)
- f. VTC (video conferencing)
- g. Projectors
- h. Whiteboards and markers
- i. Teleconferencing equipment
- j. Plotters
- k. Cables/wiring



**9.) Drilling Equipment**

- a. Drill rigs (all sizes and depth requirements)
- b. Drill pipe
- c. Casing
- d. Tubing (all sizes and weights)
- e. Bits
- f. Drill components (travelling block, drill line, weight indicators, slips, blocks, blowout preventers, tongs, etc.)
- g. Mud pumps
- h. Mud storage tanks/pits
- i. Piping (2" to 6")
- j. Tools (sledge hammers, wrenches, etc.)
- k. Spare parts

**10.) Security Equipment**

- a. Video monitoring
- b. Infrared detectors
- c. Metal detectors (walkways, wands, etc.)
- d. Hescos
- e. Fencing material
- f. Entry control (barricades, road blocks, etc.)
- g. Binoculars
- h. Alarm system/warning sirens
- i. Spotlights
- j. Cables/wiring

**11.) Safety Equipment**

- a. Safety glasses
- b. Coveralls (preferably Nomex)
- c. Gloves
- d. Boots (steel toed)
- e. Hearing protection
- f. Communication equipment (radios, walkie-talkies, headsets)
- g. First aid (containers, kits, equipment, medicines, bandages, etc.)
- h. Ambulances
- i. Firefighting equipment
- j. Signage
- k. H2S detectors
- l. SCBAs (Self Contained Breathing Apparatus)

- m. Dusk masks/filters
- n. Eyewash stations
- o. Cold weather gear

**12.) Chemicals**

- a. Cement
- b. Hydrochloric acid
- c. Hydroflouric acid
- d. Barite
- e. Bentonite
- f. Surfactants
- g. Polymers
- h. Anti-foam agents
- i. Dispersants
- j. Emulsifiers
- k. De-emulsifiers
- l. Lost circulation material
- m. Hematite
- n. Ilmenite
- o. Extenders
- p. Fluid loss additives

**13.) Laboratory Equipment**

- a. Viscometers
- b. Beakers
- c. Microscopes
- d. Consistometers
- e. Compressive strength testers
- f. Test tubes
- g. Blenders
- h. Sample containers
- i. Associated lab equipment

**14.) Well Services**

- a. Wireline logging equipment
- b. Wireline logging tools
- c. Radioactive sources
- d. Pressure pump trucks
- e. Pneumatic silos (truck and mobile units)
- f. Hoses
- g. High pressure pipes

- h. Blenders
- i. Cementing equipment
- j. Slickline equipment
- k. Well-testing equipment (separators, flares, manifolds, valves, etc. and their components)
- l. Chart recorders
- m. Pressure recorders
- n. Spares for all of the above

**15.) Seismic Equipment**

- a. Vibrators
- b. Dynamite
- c. Recording equipment
- d. Cables
- e. Computers
- f. Batteries
- g. Geophones
- h. Junction Boxes

**16.) Gravity/Magnetic Surveys**

- a. Aerial borne vehicles
- b. Gravimeter
- c. Magnetometer
- d. Differential GPS
- e. Geophysical measuring equipment
- f. Spares





د افغانستان اسلامي جمهوریت  
دکانونو او پترولیم وزارت

جمهوری اسلامی افغانستان  
وزارت معادن و پترولیم



Islamic Republic of Afghanistan  
Ministry of Mines & Petroleum  
ریاست عمومی اداره پترولیم

October 6, 2013

Mr. Mark Sawyer  
Manager – New Ventures  
Dragon Oil (International) Ltd.  
c/o Dragon Oil (Holdings) Ltd.  
P.O. Box 34666  
Dubai  
United Arab Emirates

Mr. Murat Karci  
Director  
Türkiye Petrolleri Anonim Ortaklığı (TPAO)  
Söğütözü Mahallesi 2180  
Cadde No. 86 06100  
Çankaya/Ankara  
Türkiye

Mr. Ismail Ghazanfar  
Ghazanfar Investment Ltd.  
Kart-e-Parwan  
Kabul  
Afghanistan

***Subject: Memorandum of Understanding for Customs Duty Exemption (“Customs Duty MOU”) for Sanduqli and Mazar-i-Sharif EPSCs***

Dear Consortium:

Reference is made to the subject Memorandum of Understanding, which defines the process for the Contractor and its subcontractors to document and legally import into Afghanistan equipment and supplies, exempt from Customs Duty, for exclusive use in Hydrocarbons Operations, said right established in Article 17 of the EPSCs for both the Sanduqli and Mazar-i-Sharif blocks.

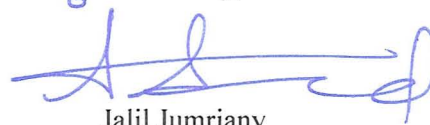
As the Contractor and the Ministry of Mines & Petroleum (the “Parties”) wish to proceed with the signing of the EPSCs for both the Sanduqli and Mazar-i-Sharif blocks, the Parties agree that they shall also sign the Customs Duty MOU.

The Ministry of Mines & Petroleum acknowledges that the Contractor believes additional discussion between the Parties, and with representatives of the Ministry of Finance, will lead to greater clarity and efficiencies in the customs duties exemption process and hence to smoother Hydrocarbons Operations.

The Ministry of Mines & Petroleum agrees to facilitate further discussions between the Parties and the Ministry of Finance to identify and mutually agree in good faith on amendments to the Customs Duty MOU to result in an amended version of that document in a timely fashion, consistent with the applicable customs laws and regulations of Afghanistan and the requirements of the EPSCs.

We appreciate the Consortium's commitment to Afghanistan and look forward to a successful signing ceremony for the EPSCs.

Sincerely,

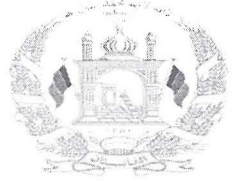
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Jalil Jumriany  
Director General  
Ministry of Mines & Petroleum



د افغانستان اسلامي جمهوريت  
د کانونو او پتروليم وزارت

جمهوری اسلامی افغانستان  
وزارت معادن و پتروليم



Islamic Republic of Afghanistan  
Ministry of Mines & Petroleum

رياست عمومي اداره پتروليم

October 8, 2013

Mr. Mark Sawyer  
Manager – New Ventures  
Dragon Oil (International) Ltd.  
c/o Dragon Oil (Holdings) Ltd.  
P.O. Box 34666  
Dubai  
United Arab Emirates

Mr. Tayfun Yener Umucu  
Director  
Türkiye Petrolleri Anonim Ortaklığı (TPAO)  
Söğütözü Mahallesi 2180  
Cadde No. 86 06100  
Çankaya/Ankara  
Türkiye

Mr. Ismael Ghazanfar  
Ghazanfar Investment Ltd.  
Kart-e-Parwan  
Kabul  
Afghanistan

***Subject: Final Exploration and Production Sharing Contracts (“EPSCs”) for the Mazar-i-Sharif and Sanduqli Blocks***

Dear Consortium:

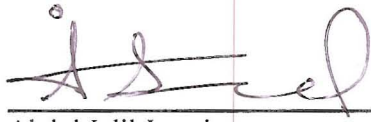
Reference is made to the EPSCs for the Mazar-i-Sharif and Sanduqli Blocks initialed on July 15, 2013 on behalf of the Ministry of Mines & Petroleum and the Consortium (the “Initialed EPSCs”). The Ministry notes that the final execution copies of the EPSCs it provided to the Consortium on October 5, 2013 included various ministerial changes to the Initialed EPSCs required to prepare the documents for signature at the signing ceremony to be held today, October 8, 2013.

In recognition of the limited time available to the Consortium to review and approve these ministerial changes, the Ministry agrees to provide the Consortium until October 22, 2013 to review the final EPSCs and notify the Ministry regarding any material changes from the Initialed EPSCs that may be contained therein. Upon receiving such notification, the Ministry and the



Consortium will endeavor to agree on such material changes to the final EPSCs as may be required to bring the final EPSCs into conformity with the Initialed EPSCs.

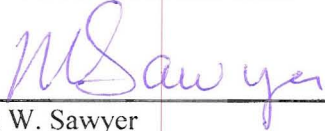
Sincerely,



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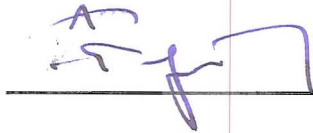
Abdul Jalil Jumriany  
Director General  
Afghanistan Petroleum Authority  
Ministry of Mines & Petroleum  
Government of the Islamic Republic of Afghanistan

AGREED AND ACCEPTED:

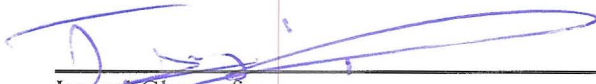


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Mark W. Sawyer  
Manager, New Ventures and  
Business Development  
Dragon Oil (Mazar-i-Sharif) Limited and  
Dragon Oil (Sanduqli) Limited



TP Afghanistan Limited



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Ismael Ghazanfar  
Chief Executive Officer  
Ghazanfar Investment Ltd.



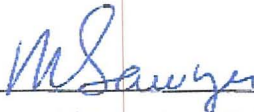
October 3, 2013

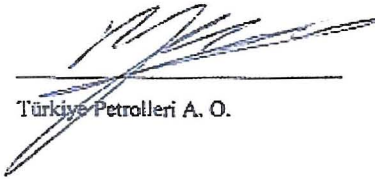
Dear Ministry:

Subject: Procurement Manual for Sanduqli and Mazar-i-Sharif EPSCs

Reference is made to the subject Agreements which will be signed together with the EPSCs. The Consortium members expect to learn a great deal about the procurement process during the first year of operations as they implement the Procurement Manual and may identify improvements to the process. Accordingly, where improvements are identified by the Consortium, it will make suitable recommendations to the Ministry. The Consortium and the Ministry will use their reasonable efforts and act in good faith to incorporate agreed improvements into the Procurement Manual in a timely fashion.


Respectfully yours,

  
Dragon Oil (International) Limited

  
Türkiye Petrolleri A. O.

  
Ghazanfar Investment Ltd.

Agreed this \_\_\_ day of October, 2013:

  
Minister of Mines and Petroleum