

**OFFSHORE MODEL PRODUCTION SHARING CONTRACT 2019**

**BANGLADESH OIL, GAS AND MINERAL CORPORATION (PETROBANGLA)  
3 KAWRAN BAZAR COMMERCIAL AREA  
DHAKA-1215**

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## ABBREVIATIONS

APPI	Asian Petroleum Price Index
AWP and B	Abandonment Work Program and Budget
BBL	Barrel
BCF	Billion Cubic Feet (10 <sup>9</sup> Cubic Feet)
BTU	British Thermal Unit
CIF	Cost, Insurance and Freight
CST	Centi Stoke
EED	Energy Exploration and Development
EIA	Environmental Impact Assessment
EMP	Environmental Management Plan
FOB	Free On Board
HSFO	High Sulphur Fuel Oil at 180 Centi Stokes (maximum)
ICSID	International Center for the Settlement of Investment Disputes
IEE	Initial Environmental Examination
LIBOR	London Inter Bank Offered Rate
lkm	line kilometer
LNG	Liquefied Natural Gas
LPG	Liquefied Petroleum Gas
MCF	Thousand Cubic Feet
MMCF	Million Cubic Feet
MOEB	Million Oil Equivalent Barrels
NGL	Natural Gas Liquids
SCF	Standard Cubic Feet
SPE	Society of Petroleum Engineers
TCF	Trillion Cubic Feet (10 <sup>12</sup> Cubic Feet)
tvd	true vertical depth
UNCITRAL Rules	United Nations Commission on International Trade Law Arbitration Rules
WP and B	Work Program and Budget
RKB	Rotary Kelly Bushing

## PREAMBLE

**THIS CONTRACT is made and entered into in Dhaka this \_\_\_\_\_ (day) \_\_\_\_\_ day of \_\_\_\_\_ (month) \_\_\_\_\_, (year) \_\_\_\_\_ AD.**

## BETWEEN

1. **THE PEOPLE'S REPUBLIC OF BANGLADESH** (represented by the Energy and Mineral Resources Division, Ministry of Power, Energy and Mineral Resources, Government of the People's Republic of Bangladesh) (hereinafter called "the Government") and **BANGLADESH OIL, GAS AND MINERAL CORPORATION**, a corporation established under The Bangladesh Oil, Gas and Mineral Corporation Ordinance, 1985 (Ordinance No. XXI of 1985 and as amended from time to time) (hereinafter referred to as "Petrobangla") of the one part.

**and**

2. [ \_\_\_\_\_ ], company organised under the laws of [ \_\_\_\_\_ ] (hereinafter called "Contractor") with its head office in [full address] of the other part.

## WHEREAS:

1. All mineral resources including Petroleum within the territory, continental shelf and economic zone of Bangladesh are vested in the People's Republic of Bangladesh; and
2. The Government has, under the Bangladesh Petroleum Act, 1974 (Act No. LXIX of 1974) as amended up to date, the exclusive right and authority to explore, develop, exploit, produce, process, refine and market Petroleum Resources within the territory, continental shelf and economic zone of Bangladesh and it has also the exclusive right to enter into Petroleum Agreements with any person for the purpose of any Petroleum Operations; and
3. Petrobangla shall have the power to exercise rights, authorities and powers of the Government to explore, develop, exploit, produce, process, refine and market Petroleum in the territory, continental shelf and economic zone of Bangladesh and also to enter into Petroleum Agreements with any person/company for the purpose of any Petroleum Operations; and
4. The Government and Petrobangla desire that exploration for Petroleum may be accelerated with a view to exploring and discovering any Petroleum resources, which may exist in the Contract Area in the overall interest of the People's Republic of Bangladesh; and
5. The Contractor has assured that it has the financial ability and technical competence necessary for carrying out Exploration, Development and other Petroleum Operations; and
6. The Government, Petrobangla and Contractor mutually desire to enter into this Contract with respect to the Contract Area.

**NOW, THEREFORE**, in consideration of the premises and the mutual covenants hereinafter set out, IT IS HEREBY MUTUALLY AGREED as follows:

## ARTICLE 1 DEFINITIONS

The following words, expressions, terms used in this Contract shall unless otherwise expressly specified in this Contract have the following respective meanings:

- 1.1 **"Abandonment" or "Abandonment Operations"** means the removal and abandonment of facilities, installations, structures, artificial islands, wells , bore holes or any other items which are related to Petroleum Operations and which are disused or no longer required for Petroleum Operations in respect of the Contract Area.
- 1.2 **"Abandonment Costs"** means, subject to Article 35 any cost, expense or other amount incurred in closing down, decommissioning, abandoning, or wholly or partly removing assets in the Contract Area, keeping assets in the Contract Area in a safe condition following cessation of production pending abandonment and restoration of land or seabed in the Contract Area. A cost, expense or other amount shall constitute an Abandonment Cost only to the extent that it is a cost, expense or other amount that is incurred in accordance with good international Petroleum industry practice or expressly approved by Petrobangla and / or Government for inclusion as an Abandonment Cost of the Contractor for the Contract Area, and is incurred prior to or within a reasonable time after the cessation of Commercial Production as per approved Abandonment Plan.
- 1.3 **"Accounting Procedure"** means the Accounting Procedure set out in "Annex-B" hereto.
- 1.4 **"Affiliated Company" or "Affiliate"** means a company:
  - (i) in which a Party hereto owns directly or indirectly share capital conferring a majority of votes at stakeholders meetings of such company;
  - (ii) which is the owner directly or indirectly of share capital conferring a majority of votes at stakeholders meetings of a Party hereto;
  - (iii) whose share capital conferring a majority of votes at stakeholders meetings of such company and the share capital conferring a majority of votes at stakeholders meetings of a Party hereto are owned directly or indirectly by the same party.
- 1.5 **"Annex"** means any integral part of this Contract identified herein as such and attached hereto.
- 1.6 **"Appraisal Area"** means that area within the Contract Area, which is designated by Contractor as part of its Appraisal Program pursuant to Article 8.2(b).
- 1.7 **"Appraisal" or "Appraisal Program"** means the proposal submitted by Contractor to Petrobangla to appraise a Discovery pursuant to the provisions of Article 8.2.
- 1.8 **"Article"** means an Article in the main body of this Contract including amendments, if any, to be made in the future.
- 1.9 **"Associated Natural Gas"** means all gaseous hydrocarbons produced in association with Oil and separated there from.
- 1.10 **"Available Condensate"** shall have the meaning set forth in Article 14.2.
- 1.11 **"Available Natural Gas"** shall have the meaning set forth in Article 14.2.

- 1.12 **"Available Natural Gas Liquids (NGL)"** shall have the meaning set forth in Article 14.2.
- 1.13 **"Available Oil"** shall have the meaning set forth in Article 14.2.
- 1.14 **"Available Petroleum"** means Available Oil, Available Natural Gas, Available Condensate and Available Natural Gas Liquids collectively.
- 1.15 **"Bangladesh"** means The People's Republic of Bangladesh.
- 1.16 **"Barrel" or "BBL"** means a barrel consisting of forty-two (42) United States gallons liquid measure, corrected to a temperature of sixty degrees (60°) Fahrenheit and to a pressure of fourteen point seventy (14.70) lb./sq. inch.
- 1.17 **"BTU"** means one thousand fifty-five and fifty-six one thousandths (1,055.056) Joules.
- 1.18 **"Budget"** means an estimate of investment and expenditure approved, or as the context may require, to be approved by Petrobangla in accordance with Article 6, Article 13 and Article 14 in respect of all Petroleum Operations included in a Work Program.
- 1.19 **"Calendar Quarter"** means a period of three (3) consecutive months under the Gregorian calendar beginning on the first day of January, the first day of April, the first day of July or the first day of October.
- 1.20 **"Calendar Year"** means a period of twelve (12) consecutive months under the Gregorian calendar beginning on the first day of January and ending on the thirty first day of December in the same year.
- 1.21 **"Commercial Discovery"** means a Discovery in the Contract Area determined to be a Commercial Discovery in accordance with Article 8.
- 1.22 **"Commercial Production"** means production following Declaration of Commercial Discovery of Oil or Natural Gas or both and delivery of such Oil or Natural Gas under a regular program of production.
- 1.23 **"Condensate"** means those low vapor pressure hydrocarbons obtained from Natural Gas through condensation or extraction and refers solely to those hydrocarbons that are liquid at normal surface temperature and pressure conditions.
- 1.24 **"Contract"** means this Contract concluded between the Government, Petrobangla and Contractor on the date set out in the preamble of this Contract.
- 1.25 **"Contract Area"** means the area specified in Article 3.1 hereof and delineated on the map set out in "Annex-A", as reduced from time to time in accordance with Article 5.
- 1.26 **"Contract Year"** means a period of twelve (12) consecutive months under the Gregorian calendar, within the term of this Contract, beginning on Effective Date or any anniversary thereof.
- 1.27 **"Contractor"** means the Contractor specified in the Preamble hereto, including assignee(s) in accordance with Article 32 and Article 33 hereof and where the context so requires includes Operator.

- 1.28 **"Cost Recovery"** means Cost Recovery in respect of Petroleum Operations in accordance with Articles 14.3, 14.4 and 14.5.
- 1.29 **"Credit"** means an amount of income associated with Petroleum Operations that is not resulting from the sale of Petroleum, and is to be applied as a reduction of recoverable costs; and "*Credited*" or other variations of that term shall have similar meanings;
- 1.30 **"Declaration of Commercial Discovery"** means the Declaration of Commercial Discovery made under Article 8.7.
- 1.31 **"Development" or "Development Operations"** shall, pursuant to Work Programs and Budgets approved under this Contract, include, but not be limited to:
- i) all the operations and activities under this Contract with respect to the drilling of other than Exploratory and Appraisal Wells and the deepening, plugging back, completing and equipping of such wells, together with the design, construction and installation of such equipment, lines, facilities, plants and systems relating to such wells as may be necessary and consistent with sound international oil/gas field practice and good economic practice;
  - ii) all operations and activities relating to servicing and maintenance of lines, systems, facilities, plants and related operations in order to produce and operate any wells in a Production Area;
  - iii) the taking, saving, treating, handling and storing of Petroleum within the Contract Area, or other locations in Bangladesh as may be agreed by Petrobangla and Contractor;
  - iv) re-pressuring, recycling and other secondary or tertiary recovery projects;
  - v) the design, engineering, construction and installation of pipelines and process facilities.
- 1.32 **"Development Plan"** means a plan prepared by the Contractor for the development of an Oil Field and/or Gas Field, or a group of Oil Fields and/or Gas Fields, which is reviewed by the Joint Management Committee and approved by Petrobangla and such plan shall include, but not be limited to, recoverable reserves, the development well pattern, master design, production profile, market profile, detailed economic analysis and evaluation, time schedule of the Development Operations and an estimate of development and operation costs.
- 1.33 **"Discovery"** means the finding of a previously unknown accumulation(s) of Petroleum in one or more reservoirs and which have for the first time been demonstrated through drilling to contain Petroleum that can be recovered at the surface in a flow measurable by conventional petroleum industry testing methods.
- 1.34 **"Dollar" and "\$"** means currency of the United States of America.
- 1.35 **"Effective Date"** means the date on which this Contract is signed by the Government, Petrobangla and the Contractor.
- 1.36 **"Exploration" or "Exploration Operations"** means the search for Petroleum in the Contract Area previously not known to have existed, using geological, geophysical and other methods and the drilling of Exploration Well(s) and includes any activity in connection therewith or in preparation therefore, and any relevant processing.



- 1.37 **"Exploration Area"** means all of the Contract Area outside all of the Production Area(s).
- 1.38 **"Exploration Period"** means the period specified in Article 4 during which Contractor shall conduct Exploration Operations at its sole risk and expense.
- 1.39 **"Evaluation Report"** has the meanings ascribed thereto in Article 8.5 and Article 8.6.
- 1.40 **"Field"** means an Oil Field or Gas Field or Field having both Oil and Gas.
- 1.41 **"Force Majeure"** has the meaning ascribed thereto in Article 27.
- 1.42 **"Gas"** means Natural Gas, both Associated Natural Gas and Non-Associated Natural Gas, and all of its constituent elements produced from any well in the Contract Area and all gaseous non-hydrocarbon substances therein. Gas may be produced from gas wells or in association with Oil from oil wells.
- 1.43 **"Government"** means the Government of the People's Republic of Bangladesh.
- 1.44 **"Gas Field"** means, within the Contract Area, a Natural Gas reservoir or a group of Natural Gas reservoirs within a common geological structure(s) or feature(s).
- 1.45 **"Included Risk"** means a risk relating to Petroleum Operations, other than political risks, abandonment, business interruption or any other risks that do not affect or result from the ongoing Petroleum Operations.
- 1.46 **"Initial Exploration Period"** shall have the meaning set forth in Article 4.
- 1.47 **"Joint Management Committee"** means the Committee consisting of representatives of the Government, Petrobangla and Contractor constituted under Article 12.2.
- 1.48 **"Joint Review Committee"** means the Committee consisting of representatives of the Government, Petrobangla and Contractor constituted under Article 12.1.
- 1.49 **"LIBOR"** means the London Inter-Bank Offered Rate for six-month deposits of United States Dollars as published in The Financial Times, London, for the day or days in question. Should The Financial Times not publish such rate, the rate published in The Wall Street Journal, U.S.A. shall be applied.
- 1.50 **"LNG"** means Liquefied Natural Gas, which is primarily methane gas that has been liquefied at a temperature of minus one hundred sixty one degree Centigrade (-161<sup>o</sup> C) and stored in heavily insulated containers to prevent vaporization.
- 1.51 **"MCF"** means one thousand (1000) standard cubic feet (SCF) of gas. One **"SCF"** is the amount of gas necessary to fill one cubic feet of space at atmospheric pressure of fourteen point seventy (14.70) pounds of pressure per square inch absolute at a base temperature of sixty (60) degree Fahrenheit. **"MMCF"** means million cubic feet and **"BCF"** means billion cubic feet and **"TCF"** means trillion cubic feet.
- 1.52 **"Marker Price"** means the price calculated under Article 15.10(i)b.
- 1.53 **"Measurement Point"** means the location at onshore of Bangladesh as designated in an approved Development Plan, where the Petroleum is delivered for further transportation there from by truck, barge, railway, marine tanker or pipeline.

- 1.54 **"Minimum Exploration Program"** means the Minimum Work Program specified in Articles 6.2 through 6.4.
- 1.55 **"Month"** means a calendar month according to the Gregorian calendar.
- 1.56 **"Natural Gas"** means Associated Natural Gas and Non-Associated Natural Gas.
- 1.57 **"NGL"** means Natural Gas Liquids, which are those hydrocarbons in Natural Gas that are extracted in a process plant. Included in these hydrocarbons are Condensate and LPG (i.e. Butane, Propane and Propane-Butane mixed).
- 1.58 **"Non-Associated Natural Gas"** means Natural Gas, which is produced either without association with Oil or in association with Oil which by itself cannot be commercially produced.
- 1.59 **"Oil"** means any hydrocarbons produced from the Contract Area, which is in a liquid state at the well-head or separated in a field separator, which is commonly known as crude oil and includes crude mineral oil, asphalt, ozokerite and bitumen, both in solid and in liquid form, in their natural state.
- 1.60 **"Oil Field"** means, within the Contract Area, an oil reservoir or a group of oil reservoirs within a common geological structure(s) or feature(s).
- 1.61 **"Operator"** means the entity, which is designated as such, from among the entities comprising Contractor, where it consists of more than one entity as described in Article 10.22.
- 1.62 **"Participating Interest"** means, in respect of each Party constituting the Contractor, the undivided share expressed as a percentage of such Party's participation in the rights and obligations under this Contract.
- 1.63 **"Party"** means (a) the Government and/or Petrobangla or (b) Contractor and "Parties" shall be construed accordingly.
- 1.64 **"Petrobangla"** means the Bangladesh Oil, Gas and Mineral Corporation, as specified in the Preamble of this Contract.
- 1.65 **"Petroleum"** means:
- i) any naturally occurring hydrocarbon, whether in a gaseous, liquid or solid state;
  - ii) any naturally occurring mixture of hydrocarbons, whether in a gaseous, liquid or solid state; or
  - iii) any naturally occurring mixture of a hydrocarbon or hydrocarbons, whether in a gaseous, liquid or solid state, and one or more of the following: hydrogen sulphide, nitrogen, helium and carbon dioxide.
- 1.66 **"Petroleum Operations"** means the Exploration, the Appraisal, the Development, the Production and Abandonment related operations along with other activities including environmental considerations (IEE and EIA) and Environmental Management Plan (EMP) related to those operations carried out under this Contract.
- 1.67 **"Pipeline"** means the items and facilities for transportation of Oil and/or Natural Gas and/or Condensate and/or NGL enumerated in Article 16.

- 1.68 **"Production Area"** means the portion of the Contract Area being the area designated by Contractor under Article 8 to encompass a particular Commercial Discovery.
- 1.69 **"Production"** or **"Production Operations"** means operations and all activities related thereto carried out for Petroleum production of an Oil Field and/or Gas Field from the date of commencement of Commercial Production, such as extraction, injection, stimulation, treatment, storage within the Production Area, lifting, and related operations, but do not include any storage or transportation beyond the Measurement Point.
- 1.70 **"Quarter"** means a period of three (3) consecutive months in a Calendar Year.
- 1.71 **"Reservoir"** means naturally occurring discrete accumulation of Petroleum.
- 1.72 **"Significant Discovery"** means a discovery determined in accordance with Article 8 to be a Significant Discovery for the purposes of that Article.
- 1.73 **"Subsequent Exploration Period"** means three (3) maximum consecutive Contract Years following the Initial Exploration Period subject to provisions contained in Article 4
- 1.74 **"Taka"** means the unit of the currency of Bangladesh.
- 1.75 **"Well"** means a borehole, made by drilling in the course of Petroleum Operations. Categories of Wells are defined below:
- i) **"Exploration Well"** means a well drilled for the purposes of searching for undiscovered Petroleum accumulations on any geological entity(ies) (be it of structural, stratigraphic, facies or pressure nature) to at least a depth or stratigraphic level specified in the Work Program.
  - ii) **"Appraisal Well"** means a well drilled for the purpose of delineating and evaluating the extent, the production capacity, the potential and commerciality of recoverable reserves of a Discovery in a geological structure or feature established by an Exploration Well.
  - iii) **"Development Well"** means a well drilled, deepened or completed after the date of approval of the Development Plan pursuant to Development Operations or Production Operations for the purposes of producing Petroleum, increasing production, sustaining production or accelerating extraction of Petroleum including production Wells, Injection Wells and dry Wells.
  - iv) **"Injection Well"** means a well drilled within a Production Area by injecting Gas or a fluid in order to enhance the recovery of Petroleum by pressure maintenance or by improving the quality of the Reservoir.
  - v) **"One Well"** means a well having a single entry through the Kelly including side track(s).
- 1.76 **"Work Program"** means a program itemizing the Petroleum Operations to be conducted within or with respect to the Contract Area or Production Areas and the time schedule for accomplishing such operations.

## **ARTICLE 2**

### **SCOPE**

- 2.1 This is a Production Sharing Contract. The object of this Contract is for the Contractor to undertake the Exploration, Appraisal, Development and Production of Petroleum in the Contract Area at Contractor's sole risk and expense and subject to the right of the Government and Petrobangla to share in production according to the terms of Article 14.
- 2.2 Subject to the terms and conditions of this Contract, Petrobangla hereby appoints Contractor as the exclusive agent to conduct Petroleum Operations in the Contract Area during the term of this Contract. Contractor shall have the exclusive right from the Effective Date to conduct Petroleum Operations in the Contract Area for a period as stipulated in Article 4.
- 2.3 Contractor shall be responsible to Petrobangla for the execution of such Petroleum Operations in accordance with the provisions of this Contract. The work to be done by Contractor shall be subject to the general supervision and review of Petrobangla in accordance with this Contract.
- 2.4 In performing Petroleum Operations, Contractor shall provide all financial requirements and employ the advanced state of the art scientific methods, procedures, technologies and equipment generally accepted in the international Petroleum industry.
- 2.5 Contractor shall receive no compensation for its services, nor any reimbursement of its expenditures under this Contract, except for the share of Petroleum from the Contract Area to which it may become entitled under Article 14. If there is no Commercial Discovery in the Contract Area or if the production achieved from any Oil Field or Gas Field developed by Contractor is insufficient to reimburse Contractor, Contractor shall bear its own losses.
- 2.6 This Contract has been agreed and entered into by the Parties hereto under the terms of the Bangladesh Petroleum Act 1974 (Act No LXIX of 1974) (as amended up to date).
- 2.7 Contractor shall conduct Petroleum Operations in accordance with an approved Work Program and Budget and shall not wilfully and without just cause suspend any material aspect of Petroleum Operations covered by an approved Work Program and Budget. In the event of an emergency or extraordinary circumstances the Contractor shall notify Petrobangla of such emergency or extraordinary circumstances within seventy-two (72) hours and take all actions deemed proper or advisable to protect life, assets, equipment, interest of Petrobangla and Contractor and the environment, provided that any costs so incurred shall be recoverable only if Contractor notify Petrobangla within thirty (30) days of the actions taken and can prove to the satisfaction of Petrobangla that such actions and costs were reasonably warranted by the circumstances.
- 2.8 Nothing contained in this Contract shall be deemed to confer any right to the Contractor other than those rights expressly granted hereunder.

**ARTICLE 3**  
**CONTRACT AREA**

- 3.1 The Contract Area as of the Effective Date of this Contract comprises a total area of [.....] square kilometers, as described in "Annex-A" attached hereto and delineated in the map which forms part thereof.
  
- 3.2 Except for the rights expressly provided by this Contract, no right is granted in favor of the Contractor to the surface area, sea-bed, sub-soil or to any natural resources or aquatic resources.

## **ARTICLE 4**

### **CONTRACT TERM**

- 4.1 The Exploration Period shall be for a period of maximum eight (8) consecutive Contract Years from the Effective Date, consist of Initial Exploration Period and Subsequent Exploration Period. The Initial Exploration Period shall be for five (5) consecutive Contract Years and Subsequent Exploration Period shall be for three (3) Contract Years.

if the Work Program consists of only Geological and Geophysical survey with no commitment for exploration drilling, the Initial Exploration Period shall be limited to three (3) consecutive Contract Years. If the Contractor wishes to continue after three (3) consecutive Contract Years, the Contractor shall have to commit drilling of an exploration well backed by requisite Bank Guarantee, for the remaining two years of the Initial Exploration Period Otherwise, this Contract shall terminate.

However, if a Well is still being drilled or tested at the end of the Initial Exploration Period, or the Subsequent Exploration Period, such period shall be extended for a period sufficient to allow Contractor to complete the drilling or testing of such Well, provided that such period shall not exceed one hundred and twenty (120) days in aggregate.

- 4.2 At the expiry of the Initial Exploration Period, the Contractor shall have the option to proceed to the Subsequent Exploration Period provided that the Contractor has completed the Minimum Work Program or relinquish the entire Contract Area excluding Appraisal and Production Area(s). To qualify for entering the Subsequent Exploration Period, the Contractor must have drilled at least one (1) exploration well during the Initial Exploration Period within or above the Minimum Work program as stipulated in Art 6.2.2. c) and proposed to drill at least one (1) exploratory well during Subsequent Exploration Period, if not already included in Art 6.3 c). Contractor's proposal for such extension shall be submitted to Petrobangla at least sixty (60) days prior to the expiry of the then current period. Such proposals shall be accompanied by a bank guarantee required by Article 7 covering the Minimum Work obligation for the proposed extended period.
- 4.3 In the event there is no Commercial Discovery in the Contract Area by (a) the end of the Exploration Period, or extensions thereof under Article 4.1, or (b) the end of the extended Exploration Period under Article 4.4, if such extension has been granted, then this Contract shall terminate on the latest of the above dates.
- 4.4 Where insufficient time is available to complete appraisal of a Discovery pursuant to an Appraisal Program approved under Article 8.2 within the Exploration Period including extensions thereof under Article 4.1, Contractor shall have the right upon prior written request made not less than sixty (60) days from the end of the Exploration Period, to an extension of the Exploration Period to enable Contractor to complete Appraisal within the time limit stipulated in the Appraisal Program approved under Article 8.2.
- 4.5 In the event of Commercial Discovery, the production period shall be twenty (20) years from the date of Petrobangla's approval of the Development Plan for an Oil Field and shall be twenty-five (25) years from the date of Petrobangla's approval of the Development Plan for a Gas Field.
- 4.6 If Commercial Production of an Oil Field or Gas Field remains possible beyond the applicable term specified in Article 4.5, Petrobangla may grant the Contractor an additional ten (10) years extension on terms and conditions to be mutually agreed between Petrobangla and Contractor. In the event if the production of oil/gas ceases or becomes uneconomical, Contractor shall relinquish its rights hereunder to conduct Petroleum Operations in all of the Contract Area upon giving Petrobangla at least ninety (90) days prior written notice.

## **ARTICLE 5 RELINQUISHMENTS**

- 5.1 At the end of the Initial Exploration Period, the Contractor shall have option to relinquish the entire area after completion of Minimum Work Program or to proceed to the Subsequent Exploration Period relinquishing fifty percent (50%) of the Contract Area in a single portion. The entire area (excluding Appraisal and Development area) shall be relinquished at the end of and eight (8) consecutive years of the Exploration Period.
- Contractor shall relinquish all of the Contract Area if the Contractor does not commit to drill an exploration well after completion of Geological and Geophysical survey during the first three (3) years of the Initial Exploration Period. If the Contractor commits to drill exploration well(s), the relinquishment shall be in accordance with this Article.
- 5.2 In the event of extension under Article 4.4 Contractor shall relinquish all portions of the Contract Area not designated as Appraisal Areas and Production Areas.
- 5.3 Contractor may at any time relinquish voluntarily its rights hereunder to conduct Petroleum Operations in all or any part of Contract Area upon giving Petrobangla at least ninety (90) days prior written notice. Such voluntary relinquishments during the Exploration Period shall be credited toward the relinquishments required by Article 5.1. Should Contractor voluntarily relinquish the entire Contract Area, this Contract shall terminate.
- 5.4 No relinquishment shall relieve Contractor of accrued but unfulfilled obligations under this Contract. In the event that Contractor desires to relinquish its rights hereunder to conduct Petroleum Operations in all of the Contract Area without having fulfilled all accrued Minimum Exploration Work obligations under Article 6 as well as all accrued Appraisal obligation, Contractor shall pay Petrobangla prior to the date of such proposed total relinquishment an amount equal to the amounts specified under Article 7.3 corresponding to all unfulfilled accrued items of work under the minimum Exploration program under Article 6.
- 5.5 At least ninety (90) days in advance of a proposed relinquishment under Article 5.1 or Article 5.4 Contractor shall notify Petrobangla of the designation and size of the portion of the Contract Area that Contractor proposes to relinquish.
- 5.6 Prior to relinquishment of any area, Contractor shall:
- a) perform all necessary clean-up activities to restore such area as nearly as possible to the condition in which it existed on the Effective Date, including removal of such facilities, equipment or installation as Petrobangla may instruct;
  - b) fulfill its obligations under Article 10.8; and
  - c) take action necessary to prevent hazards to environment and forests, human life or property.

**ARTICLE 6**  
**MINIMUM EXPLORATION WORK OBLIGATION**

- 6.1 Contractor shall commence Exploration Operations hereunder not later than sixty (60) days after the Effective Date, as set forth in Article 6.6 and continue such Exploration diligently for the duration of the Exploration Period and any extensions thereto.
- 6.2 During the Initial Exploration Period Contractor shall carry out at least the following Minimum Exploration Program:

6.2.1 Mandatory Work Program

In addition to the bidded Minimum Work Program in the Initial Exploration Period specified below in Article 6.2.2 the Contractor shall be required to undertake and complete the following works during the Initial Exploration Period (hereinafter referred to as "Mandatory Work Program"):

- a) Purchase/License (where multi-client seismic data is available) or acquire 2D seismic of .....lkm in grid size of 10 lkm x 8 lkm. covering the entire Contract Area; and
- b) The Mandatory Work Program should be carried out earlier than or simultaneously with the bidded work program under Article 6.2.2 below.

6.2.2 Minimum Exploration Program (bidded):

Contractor shall undertake to complete the following Geological and Geophysical survey within the first three (3) consecutive Contract Years of the initial Exploration Period of five (5) Contract Years:

- a) Geological: integrated geological study.
- b) Geophysical:
  - i) Purchase/License (where multi-client seismic data is available) or acquire at least ----- lkm (2D) and ----- sq.km. (3D) of high resolution seismic data commencing at the earliest after the Effective Date.
  - ii) Evaluate, integrate and map all seismic data related to the Contract Area.

If the Contractor wishes to continue exploration after completion of the Geological and Geophysical survey, Contractor shall have to commit drilling of 1 (one) Exploration Well not less than 3300m/ 2200 meter tvd, measured from sea bed within the last two (2) consecutive Contract Years of the initial Exploration Period of five (5) Contract Years, which shall be backed by requisite bank guarantee provided by Contractor pursuant to Article 7.2.

*[Note: 3300m tvd for shallow sea blocks and 2200m tvd for deep sea blocks]*

If the Contractor does not wish to continue after completion of the Geological and Geophysical survey, this Contract will terminate and Contractor shall relinquish all of the Contract Area pursuant to Article 5.1.



- 6.3 During the Subsequent Exploration Period of 3 (three) Contract Years, Contractor shall carry out at least the following Minimum Exploration Program:
- a) Geological: integrated geological study
  - b) Geophysical:
    - (i) Purchase/License (where multi-client seismic data is available) or acquire at least ----- lkm (2D) and ----- sq.km. (3D) of high resolution seismic data.
    - (ii) Evaluate, integrate and map all seismic data related to the Contract Area.
  - c) Drilling:
 

At least (in figure) \_\_\_\_\_ (in words) \_\_\_\_\_ Exploration Well(s); each not less than .....meter tvd, measured from sea bed.

*[Note: 3300m tvd for shallow sea blocks and 2200m tvd for deep sea blocks]*
- 6.4 For purposes of the Minimum Exploration Program in Articles 6.2 and 6.3:
- a) The obligations related to the Subsequent Exploration Period, will accrue only if Contractor continues to hold some part of the Contract Area during any part of such extension; and
  - b) Additional Exploratory Wells drilled or seismic data purchased/licensed or acquired beyond the committed Minimum Work Program for any period may be carried forward to satisfy obligations to drill Exploratory Wells or acquire seismic data during a subsequent period.
- 6.5 Within ninety (90) days after completion of the Minimum Exploration Program under Articles 6.2 and 6.3 respectively, Contractor shall prepare and present to Petrobangla a comprehensive technical evaluation of the Petroleum potential of the Contract Area, based on its work to that date.
- 6.6 Within sixty (60) days after the Effective Date, Contractor shall submit a proposed Work Program and Budget with full justification and detailed breakdown to Petrobangla for the Contract Area for the first Calendar Year. At least ninety (90) days prior to the beginning of each subsequent Calendar Year, Contractor shall submit a Work Program and Budget to Petrobangla with full justification and detailed breakdown for the Contract Area setting forth the Exploration Operations that Contractor proposes to carry out during the ensuing Calendar Year.
- 6.7 At the expiry of each phase of the Work Program under Article 6.2 and 6.3 Contractor has the option to either:
- a) enter the next phase of the Exploration Period or extension period(s) and continue Exploration Operations; or
  - b) terminate this Contract upon payment of liquidated damages for unfulfilled Minimum Work Obligations as per Article 7.3 and Article 7.4.

## **ARTICLE 7 GUARANTEES**

- 7.1 Within thirty (30) days of the signature of this Contract, and upon each request to Petrobangla under Article 4.2 for extension of the Exploration Period, Contractor shall provide Petrobangla from a scheduled bank(bank(s) authorized by Bangladesh Bank to carry out banking business) in Bangladesh, mutually acceptable to the Parties, an irrevocable and unconditional bank guarantee in form and substance as appended in "Annex-C" to Petrobangla securing Contractor's timely performance of the Mandatory Work Program and bidded Minimum Exploration Program under Article 6 for the relevant period in accordance with this Contract.
- 7.2 The respective amounts of such bank guarantees shall be:
- a) For the Geological and Geophysical survey to be completed within the first three (3) consecutive Contract Years of the initial Exploration Period of five (5) Contract Years, US\$[.....];
  - b) For the Drilling program to be completed within the last two (2) consecutive Contract Years of the initial Exploration Period of five (5) Contract Years, US\$[.....];
  - c) For the Subsequent Exploration Period of 3 Contract Years, total US\$ [.....].
- 7.3 The relevant bank guarantee shall be reduced Quarterly proportionate to the completion of the Minimum Work Program as per the Contract upon delivery to the issuing bank of a certificate from Contractor countersigned by Petrobangla that the corresponding item of work has been completed in accordance with the Contract and that all technical data related thereto and a comprehensive technical report thereon required by Article 6.5 has been delivered to Petrobangla.
- 7.4 It is understood among the Parties that notwithstanding the fact that Contractor incurs a cost for a particular item of work listed in the schedule to the bank guarantee furnished under Article 7.1 greater or less than the amount indicated in bank guarantee pursuant to Article 7.3, shall be of the amount set out in Article 7.2.
- 7.5 If, at the end of the Initial Exploration Period, any extension thereof or upon termination of this Contract, Contractor has failed to perform in accordance with this Contract all or any part of any of its accrued Minimum Exploration Program, then Contractor or its guarantor shall on demand from Petrobangla immediately pay Petrobangla the entire amount of such outstanding guarantee or guarantees as set out in Article 7.2 for the work not performed.
- 7.6 The bank guarantee shall not be affected by any change in the constitution of the guarantor bank, its successors or assigns or by the absorption of or by its amalgamation with any other bank or banks and the guarantee shall continue in force and be applicable, notwithstanding any change in the composition of the Contractor.
- 7.7 The companies constituting the Contractor shall procure and deliver to Petrobangla within thirty (30) days from the Effective Date of this Contract financial and performance guarantee in favor of Petrobangla from a parent company acceptable to Petrobangla, in the form and substance set out in Annex-E (EXHIBIT I), or, where there is no such parent company, financial and performance guarantee from the company itself in the form and substance set out in Annex-E (EXHIBIT II).

**ARTICLE 8**  
**DISCOVERY, APPRAISAL AND DETERMINATION**  
**OF COMMERCIAL DISCOVERY**

- 8.1 If a Discovery is made in an Exploratory Well, Contractor shall immediately notify Petrobangla of such Discovery. Within thirty (30) days of such Discovery, Contractor shall notify Petrobangla whether or not Contractor proposes to undertake an Appraisal.
- 8.2 If Contractor by its notice to Petrobangla under Article 8.1 indicates that Contractor proposes to undertake an Appraisal of the Discovery, Contractor shall within ninety (90) days of that notice present to Petrobangla for approval an Appraisal Program, which shall be deemed approved if no written objections are raised by Petrobangla within thirty (30) days following receipt thereof. The Appraisal Program shall:
- a) specify the time frame, not exceeding three (3) years, within which Contractor shall commence and complete the Appraisal Program;
  - b) identify the area to be appraised ("Appraisal Area"), which shall not exceed the area encompassing the geological structure or feature and a margin of five kilometers (5 km) surrounding such structure or feature;
  - c) include a Work Program and Budget.
- 8.3 Contractor shall carry out the approved Appraisal Program within the time frame specified therein.
- 8.4 Within one hundred and twenty (120) days after the completion of such Appraisal Program, Contractor shall submit to Petrobangla a comprehensive report ("Evaluation Report") on the Appraisal Program.
- 8.5 The Evaluation Report shall include, but not be limited to, the following information:
- a) geological conditions, such as structural configuration, physical properties, stratigraphy;
  - b) the thickness and extent of reservoir rocks;
  - c) petrophysical properties of the reservoirs;
  - d) estimated volumes of Oil and Natural Gas initially in place, and the estimated reserves in proved, probable and possible categories in accordance with the guidelines of World Petroleum Congress and Society of Petroleum Engineers (SPE);
  - e) the chemical composition, the physical properties and quality of Petroleum discovered;
  - f) pressure, volume and temperature analysis of the reservoir fluid;
  - g) the productivity indices for wells tested at various rates of flow;
  - h) fluid characteristics, including oil gravity, sulphur percentage, sediment and water percentage, and product yield pattern;

- i) gas composition, production capacity of the reservoir, production forecasts (per Well and per Field);
- j) estimates of recoverable reserves;
- k) the estimated Production capacity of the reservoirs;
- l) all relevant economic and commercial information which is necessary for the determination of a Discovery as a Commercial Discovery and
- m) Contractor's assessment, based on prevailing realistic assumptions of marketability of Petroleum at the time the Petroleum Field is to be produced.

8.6 With the submission of the Evaluation Report, the Contractor shall submit a declaration in writing to Petrobangla either:

- a) that it has determined that the Discovery is a Commercial Discovery and upon such Declaration of Commercial Discovery Contractor shall be obliged diligently to develop the Discovery and commence Commercial Production in accordance with Article 8.9;  
or
- b) that it has determined that the Discovery is not a Commercial Discovery, in which event the Appraisal Area concerned shall be relinquished, with such relinquishment being credited against the obligations under Article 5.1;  
or
- c) that it has determined that the Discovery is a Significant Discovery of Oil, which may become a Commercial Discovery conditional upon the outcome of further work under an Exploration or Appraisal Program in areas outside the Appraisal Area, for which further work Contractor has committed itself;  
or
- d) that it has determined that the Discovery is a Significant Discovery of Natural Gas, which:
  - i) may become a Commercial Discovery depending on the subsequent discovery of one or more Gas Fields, the production from which, taken together with the production from the Significant Discovery of Natural Gas, would result in a sufficient total volume of Natural Gas to declare a Commercial Discovery, or
  - ii) may become a Commercial Discovery of Natural Gas upon the development of infrastructure and agreement on a term sheet for a purchase and sales agreement.

8.7 In the event Contractor makes a declaration under Article 8.6 (c), it shall be entitled to retain the Appraisal Area pending the completion of the work under Article 8.6(c), at which time Contractor shall advise Petrobangla as to whether or not the Discovery is a Commercial Discovery of Oil and the provisions of Article 8.6(a) or 8.6(b) shall be applied accordingly.

8.8 If Contractor declares pursuant to Article 8.6 that the Discovery is a Commercial Discovery in shallow sea block, Contractor shall submit within one hundred and eighty days (180) days after submission of the Evaluation Report a proposed Development Plan and Budget for approval by Petrobangla and a designation of the Production Area. For deep sea blocks the time stipulated herein shall be 365 days. The Development Plan shall

be deemed approved if no written objections are delivered to Contractor by Petrobangla within one hundred and twenty (120) days following Petrobangla's receipt thereof. Upon approval of the Development Plan, Contractor shall proceed promptly and diligently and in accordance with good international Petroleum industry practice, to develop the Discovery, to install all necessary facilities and to commence Commercial Production.

- 8.9 The Development Plan referred to in Article 8.8 shall contain detailed proposals by Contractor for the construction, establishment of all facilities and services for and incidental to the recovery, storage and transportation of Petroleum from the Contract Area, including but not limited to:
- a) information regarding projections of the economics and profitability of the Petroleum Operations as well as indication of the proposed financing arrangements and terms of funding the Development.
  - b) proposals relating to the drainage spacing, intended reservoir operating policy and the scope for secondary recovery, drilling and completion of wells, the Production and storage installations, and transport and delivery facilities required for the Production, storage and transport of Petroleum. Such proposals will include, but not be limited to:
    - (i) the estimated number, size and capacity of Production facilities/platforms, if any;
    - (ii) estimated number of Production wells;
    - (iii) particulars of production equipment and storage facilities;
    - (iv) particulars of feasible alternatives for the transportation of Petroleum including pipelines;
    - (v) particulars of equipment required for the Petroleum Operations.
  - c) estimate of the rates of production to be established and projection of the possible sustained rate of Production in accordance with good international Petroleum industry practices under proposed Development Plan and/or alternative Development proposals;
  - (d) cost estimates under such Development Plan and alternative Development proposals, if any;
  - (e) proposals related to the establishment of processing facilities (if any);
  - (f) safety measures to be adopted in the course of the Petroleum Operations, including a contingency plan and measures to deal with emergencies;
  - (g) anticipated adverse impact on environment and measures proposed to be taken for prevention thereof and for general protection of the environment;
  - (h) a description of the organizational set up of Contractor in Bangladesh;
  - (i) an estimate of the time required to complete each phase of the proposed Development;
  - (j) a description of the measures to be taken regarding the employment and training of Bangladeshi personnel;

- (k) a description of the Abandonment plan, to be implemented whenever a piece of equipment, facility or a platform needs to be abandoned prior to or on termination of this Contract;
  - (l) a map or maps of the outline of the discovered reservoir(s) together with technical or other back-up justification;
  - (m) details of yearly forecast of expenditure of capital, operating and Abandonment expenditure; and
  - (n) contingencies for minimizing gas wastage, pressure maintenance program to optimize Petroleum recoveries and additional development.
- 8.10 If any Discovery extends beyond the Contract Area into one or more adjacent areas held by one or more of Petrobangla's other contractor's or any other entity, Petrobangla and Contractor and any other relevant contractor or contractors or entities in the adjacent areas shall meet and endeavor to agree on the most efficient method for jointly appraising the Discovery and on possible joint Development, Production and storage, and if appropriate, transportation of Petroleum from such accumulation and on the manner in which the costs and proceeds derived therefrom shall be equitably apportioned. Such agreement shall be submitted to Petrobangla for approval. The principles of co-operation between the parties referred above relating to a possible joint Development shall apply equally to (i) a Discovery outside the Contract Area which extends into the Contract Area and (ii) a Discovery which is encountered outside the Contract Area in the course of drilling a Well into the Contract Area which subsequently proves to be a Discovery.
- 8.11 If any Discovery extends beyond the Contract Area into an adjacent area that is not currently under contract with Petrobangla and is considered "open" the Contractor shall be entitled to define with seismic and other approved technical means, the limits of such Discovery. The Contractor and Petrobangla shall endeavor to obtain a supplemental agreement giving more profit share to Petrobangla to modify the relevant terms of the Contract Area to include the entire Discovery. Such modification shall be limited to the specific area defined as the vertical and horizontal productive limits of the Discovery. The boundary modification shall be submitted to Petrobangla for approval of the Government.

**ARTICLE 9**  
**ANCILLARY RIGHTS OF CONTRACTOR**

9. Contractor shall for the efficient conduct of Petroleum Operations have the right:
- 9.1 Unimpeded access to and from the Contract Area and to and from facilities pertaining to Petroleum Operations hereunder wherever located at all times, and to unimpeded use of the land required at the expense of Contractor.
  - 9.2 To use in Petroleum Operations sand, gravel and water belonging to the public domain by prior arrangement with the relevant authorities and on payment of the generally prevailing charge for such resources in the locality of use.
  - 9.3 Subject to Articles 10.13 and 10.14, to employ and utilise in Bangladesh qualified foreign nationals and qualified foreign sub-contractors that it deems necessary for the conduct of Petroleum Operations under this Contract. On the recommendation of Petrobangla, Government in accordance with the existing law of the country shall issue permits and visas required for said foreign nationals and their families to stay in Bangladesh.
  - 9.4 Subject to Article 10.15, to import goods and services required for conduct of Petroleum Operations.
  - 9.5 To use Petroleum from the producing Field within the Contract Area in Petroleum Operations for the particular producing Field free of charge.
  - 9.6 To produce Petroleum from the Contract Area consistent with sound international petroleum industry and good conservation economic practices.
  - 9.7 To undertake all Petroleum Operations pertaining to the Contract Area consistent with sound international petroleum industry and good conservation economic practices.
  - 9.8 To have free access to all geological and geophysical information and data available in Petrobangla pertaining to the Contract Area during the tenure of this Contract.
  - 9.9 Subject to Article 15.6(c) of this Contract to use the entitlement to Contractor's share of production as security for loans or other financing arranged for Development. Provided that the interests or share of production held by the Government or Petrobangla shall not be impaired or encumbered by such arrangements.

## **ARTICLE 10**

### **CONTRACTOR'S OBLIGATIONS**

10. Contractor shall in addition to its obligations under other provisions of this Contract be obliged to:
  - 10.1 Establish within one hundred and eighty (180) days of the Effective Date a subsidiary or a branch or representative office in the People's Republic of Bangladesh, and register such subsidiary or branch or representative office with Bangladesh Investment Development Authority (BIDA) as an investment project and any other related agencies in accordance with the relevant provisions of Applicable Law;
  - 10.2 Designate a representative residing in Bangladesh, who shall have full authority to represent Contractor in respect of matters related to this Contract in respect of the Contract Area and to receive notices including process of Court addressed to Contractor;
  - 10.3 Provide all necessary funds for Petroleum Operations, including but not limited to funds required for purchase or lease of all assets, materials and supplies to be purchased or leased pursuant to Work Program and such other funds for the performance of Work Program including payment to third parties, who may perform any contractual services and provide technical services, technology and such expatriate personnel as may be required for the performance of the Work Program;
  - 10.4 Conduct all Petroleum Operations in a diligent, conscientious and workmanlike manner, in accordance with the applicable laws and this Contract, and generally accepted standards of the international Petroleum industry designed to achieve efficient and safe exploration and production of Petroleum and prevent loss or waste of Petroleum above or below the surface and to maximize the ultimate economic recovery of Petroleum from the Contract Area;
  - 10.5 Ensure that all materials, equipment, technologies and facilities used in Petroleum Operations comply with generally accepted engineering standards in the international Petroleum industry, and are kept in good working order;
  - 10.6 While conducting Petroleum Operations, take necessary measures in accordance with good international petroleum industry practice to pay due regard to conservation, safety of life, property, crops, fishing and fisheries, navigation, protection of the environment, prevention of pollution and safety and health of personnel, including but not limited to:
    - a) ensuring security areas around all machinery, equipment and tools;
    - b) providing secured storage areas for all explosives, detonators, and similar dangerous materials used in Petroleum Operations;
    - c) preventing damage to any Petroleum and water bearing formations, and other natural resources;
    - d) preventing unintentional entrance of fluids into Petroleum formations and the productions of Oil or Natural Gas from reservoirs at higher rates than consistent with good international petroleum industry practice;



- e) taking all necessary precautions to prevent pollution of or damage to the environment;
  - f) maintaining records of workers working in each work area, and sending a copy thereof to Petrobangla within fifteen (15) days from the date of commencing of operations in the area;
  - g) maintaining a register of workers and sending details of workers joining or leaving every Month to Petrobangla within the first week of the following Months;
  - h) reporting to Petrobangla within seventy-two (72) hours in case any worker is injured while performing his duties in connection with Petroleum Operations;
  - i) arranging an adequate supply of first-aid medicines and equipment in each area and maintaining healthy environment for the workers; and
  - j) providing safety and fire-fighting equipment in each work area.
- 10.7 Evaluate prior to the Abandonment of any Exploratory or Appraisal Well all reservoirs identified in the well logs as containing zones of five (5) meters or more in thickness of Petroleum, in a manner that would make possible the determination of the contents of the reservoir fluids as well as the initial production capacity of the reservoirs;
- 10.8 Unless otherwise instructed by Petrobangla and contingent upon safety and additional cost considerations, ensure that any Exploratory or Appraisal Well technically capable of production, is left in a condition that it may be re-entered for further testing and/or completion;
- 10.9 Subject to Article 26.2 and 26.6 and unless otherwise agreed between the Parties, submit promptly to Petrobangla all such original geological, geophysical, drilling, production, core sample and any other data as it may collect and compile together with analysis and interpretations thereof during the term of this Contract. Contractor shall also submit to Petrobangla all other relevant data, subject to its other contractual obligations that may be obtained by it from any other source;
- 10.10 Keep Petrobangla regularly and fully informed of all Petroleum Operations and Contractor shall notify Petrobangla in advance of all individual Petroleum Operations scheduled and maintain full records of all such operations;
- 10.11 Submit to Petrobangla detailed daily drilling reports and monthly physical progress reports covering in reasonable detail all the activities carried out under Petroleum Operations hereunder and ensure that such monthly progress reports shall reach Petrobangla by the fifteenth (15th) day of the Month following the Month under report, and all other reports as may be required by Petrobangla, including but not limited to those enumerated in "Annex-D" hereto;
- 10.12 Furnish Petrobangla with the following:
- a) within ninety (90) days of the Effective Date, submit to Petrobangla for approval, which shall not be unreasonably withheld, Contractor's Employees /Labor Salary and Benefit Policy and Procurement Procedures for purchasing equipment, materials and services. Contractor's Employees /Labor Salary and Benefit Policy and Procurement Procedures shall comply with the provisions set out in "Annex-B" of this Contract.

- b) manuals, technical specifications, design criteria, design documents (including design drawings), construction records and information, relating to any work in connection with Petroleum Operations within 30 days of completion of works.
- 10.13 a) Together with its submission of the yearly Work Program and Budget, Contractor shall submit its manpower requirements including its organization chart. Contractor shall first obtain written approval from Petrobangla for any positions to be filled by expatriate personnel including from any third party before such expatriate personnel are employed and shall minimize the employment of such personnel in conducting Petroleum Operations by ensuring that expatriate personnel are employed only to occupy positions for which it has not been possible to obtain Bangladeshi personnel with the necessary qualifications and adequate experience that are acceptable to both Parties. Contractor shall apply for Work Permit for the expatriate personnel only after getting approval from Petrobangla. Contractor shall review its expatriate requirements with Petrobangla annually. In addition to the above, changes in the job functions of expatriate personnel shall require prior Petrobangla approval.

*[Note: This clause [10.13 (a)] will not be applicable for the Exploration Period]*

- b) Contractor shall undertake the development and training of its Bangladeshi personnel (including the training of Bangladeshi nationals for specific task of taking over positions held by expatriate personnel) for all positions including administrative, technical and executive management positions. Contractor shall prepare and submit yearly to Petrobangla for its approval plans and programs for such development and training.
- c) Contractor shall also submit to Petrobangla together with their submission of the yearly Work Program and Budget, the details of all payments, benefits and privileges accorded to each classified category of Contractor's personnel (both expatriate and Bangladeshi).
- d) Contractor shall maximize the employment of Bangladeshi nationals possessing the requisite qualifications and experience in Petroleum Operations. Contractor shall ensure that the employment of the Bangladeshi nationals including administrative, technical and executive management positions be maintained in the following proportion:

Exploration Period:	Initial Exploration Period not below 20%	
	Extended Exploration Period not below 50%	
Production Period:	1 <sup>st</sup> five years	- not below 60%
	Next five years	- not below 75%
	Period after ten years	- not below 90%

- e) Contractor shall prepare a personnel plan to be reviewed at least annually by the Joint Review Committee or the Joint Management Committee, as applicable.

10.14 Give priority to the local sub-contractors as long as their prices, equipment, performance and availability are comparable with prices, performance and availability of international sub-contractors;

10.15 Give preference to locally manufactured materials, equipment, machinery, supplies and consumables so long as their quality, price and time of delivery are comparable to internationally available materials, equipment, machinery, supplies and consumables c.i.f. Bangladesh;

- 10.16 Be always mindful, in the conduct of Petroleum Operations, of the rights and interests of the People's Republic of Bangladesh;
- 10.17 Assist and allow at any reasonable time the representative(s) of the Government and/or Petrobangla to inspect any part of Petroleum Operations, and all facilities, installations, offices, record books, or data related to Petroleum Operations, including but not limited to continued presence of a representative at any field installation or establishment;
- 10.18 At the request of Petrobangla, negotiate in good faith, technical assistance agreement with Petrobangla by which Contractor may render technical assistance and make available commercially proven technical information of the proprietary nature for use in Bangladesh by Petrobangla or its subsidiary company. The issues to be addressed in negotiating such technical assistance agreements shall include, but not be limited to, licensing issues, royalty conditions, confidentiality restrictions, liabilities, costs and method of payments;
- 10.19 The Contractor shall obtain insurance coverage during the term of this Contract, for and in relation to Petroleum Operations for such amounts and against such risks as are specified below and/or as may be specifically agreed by Petrobangla, and shall furnish to Petrobangla policies/certificates evidencing that such coverage is in effect. Such insurance policies shall include Petrobangla as additional name insured and shall waive subrogation rights against Government and Petrobangla. The said insurance shall, without prejudice to the foregoing, cover:
- a) Loss or damage to all installations, equipment and other assets for so long as they are used in or in connection with Petroleum Operations, provided however, that if for any reason the contractor fails to insure any such installation, equipment or assets it shall replace loss thereof or repair damage caused thereto without benefit of Cost Recovery.
  - b) Loss, damage or injury caused by pollution in the course of or as a result of Petroleum operations.
  - c) Loss of property or damage or bodily injury suffered by any third party in the course of or as a result of Petroleum Operations for which the Contractor may be liable.
  - d) Any claim for which Petrobangla may be liable relating to the loss of property or damage or bodily injury suffered by any third party in the course of Petroleum Operations.
  - e) The cost of cleaning up pollution following an accident in the course of or as a result of Petroleum Operations.
  - f) The cost of removing wreck or debris as a result of an accident during Petroleum Operations.
  - g) The Contractor's and/or Operators liability to its employees engaged in Petroleum Operations.
  - h) Cost of well control and re-drilling expenses in accordance with the Standard London Energy Exploration and Development wording (E.E.D.8.86) or such other form in common use in the International Petroleum Industry and as may be agreed by Petrobangla.

Insurances specified in clause 10.19 (a) to (h) above to be concluded with local insurance companies in accordance with Insurance Laws of Bangladesh as long as coverage is available as above and in accordance with International Petroleum Industry Standards. Policy limits and deductibles shall be commensurate with the applicable risks.

In case of Petroleum that has been produced to the surface, Contractor shall ensure against such risks of loss and damage for such amount and with such insurer or insurers as may be agreed with Petrobangla, and shall nominate Petrobangla and Contractor as joint beneficiaries under such insurances. Any benefits arising there from shall be divided between the Parties in proportion to their respective entitlements to Petroleum at the relevant time.

- 10.20 Contractor shall require its subcontractors to obtain and maintain insurance against the risk referred to in Article 10.19 relating mutatis-mutandis to such subcontractors.
- 10.21 Contractor shall bear responsibility in accordance with laws applicable in Bangladesh for any loss or damage to third parties caused by the wrongful or negligent acts or omissions of the Contractor or the Contractor's employees or sub-contractor or sub-contractor's employees and indemnify Petrobangla and the Government against all claims and liabilities in respect thereof.
- 10.22 Where Contractor is comprised of more than one entity, the entities comprising Contractor shall designate, subject to the prior written approval of Petrobangla, one of such entities to act as Operator, with power to represent Contractor before Petrobangla and Government; and in such case, Contractor shall promptly provide a copy of the joint operating agreement and any amendments thereto to Petrobangla. Any subsequent change of Operator shall be subject to prior written approval by Petrobangla. Terms and conditions are described in the Annex F of this Contract.
- 10.23 (a) The Contractor shall abide by the laws, decrees, rules, regulations and ordinances on environment protection adopted by the People's Republic of Bangladesh and ensure prevention of pollution of the air, water, land and including but not limited to different ecosystem like forest ecosystem/agriculture ecosystem. Before undertaking Petroleum Operations, the Contractor shall conduct all environmental examinations, assessments and studies required under Bangladesh law including Initial Environmental Examination (IEE), Environmental Impact Assessment (EIA) and Environmental Management Plan (EMP) as per prevailing Environment Conservation Act, 1995 and Environmental Conservation Rules 1997 (as amended from time to time). IEE, EIA and EMP so conducted shall get due clearance from the Ministry of Environment and Forests of the Government. Thereafter, Contractor shall take necessary measures in line with the IEE, EIA and EMP recommendations and incorporate those measures in the Work Program.
- (b) Contractor shall submit a disaster management plan to the Ministry of Environment and Forest for approval prior to undertaking Petroleum Operations.
- (c) After completion of approved Petroleum Operations Contractor shall level, restore, demarcate and reclaim the affected sites. The cost for such work will be borne by Contractor. In case of no discovery, such work should be done before relinquishment of the area or before termination of this Contract.
- 10.24 In implementing any approved Work Program, Contractor shall:-
- a) be workmanlike and use proper scientific methods consistent with prudent, good and modern oil and gas field practices;

- b) observe sound technical and engineering practices in producing and conserving the petroleum deposits;
  - c) execute Petroleum Operations so as not to conflict with obligations of the Government of Bangladesh under international law or international conventions to which Bangladesh may be a signatory;
  - d) take necessary precautions to control the flow and prevent the escape or waste of Petroleum into the atmosphere or any waters in or in the vicinity of the Contract Area in accordance with normal industry practice and in accordance with the standards as may be established by the Government of Bangladesh (or any relevant governmental authorities or agencies) from time to time; and
  - e) not carry out any operations in or about the Contract Area in such manner as to interfere unjustifiably with navigation or fishing in the waters of the Contract Area or with the conservation of the living resources of the sea.
- 10.25 All procedures or other obligations or requirements for the conduct of Petroleum Operations under this Contract shall be consistent with good and modern petroleum industry practice. Petrobangla and Contractor shall regularly consult on such good and modern petroleum industry practices.
- 10.26 Contractor shall consult Petrobangla in relation to the measures to be undertaken by Contractor in compliance with the provisions of Article 10.24 including, without limitation, the installation of appropriate measuring systems and the adoption of measures for safety and environmental protection which are consistent with good and modern petroleum industry practice.
- 10.27 In case of any damage or expense, resulting from blowout(s), environmental damages etc, caused by careless or negligent activities of the Contractor:
- a) Contractor will not be allowed to recover the cost for such damage under Cost Recovery; and
  - b) Contractor shall pay due compensation for such damage.
- 10.28 The Parties shall make good faith efforts to assess the damage or expense mentioned in Article 10.27 amicably and submit a preliminary report to Petrobangla within ten(10) days of the incident. If the assessment has not been settled within fifteen (15) days' a Joint Investigation Committee comprising of representatives of the Parties and other independent Expert(s) will be formed by the Government to assess the cause of damage, extent of damage, fix the liabilities and suggest compensation for the affected Party(ies). The Committee will complete those tasks within ninety (90) days of the incident. If the assessment has not been settled through such Committee, provision of Article 30 will be followed.
- 10.29 To the extent practicable, Contractor shall-
- a) endeavor to optimize exploration expenditure by combining the Work Program with the Work Programs of other Contractor(s) in the deep sea blocks. Such endeavor shall be aimed at achieving a scale of economy for deep sea Petroleum Operations;
  - b) engage personnel from Petrobangla on secondment in all major Petroleum Operation with a view to impart transfer of technology. Petrobangla and Contractor shall mutually determine the number, discipline and tenure of secondment.

**ARTICLE 11**  
**ASSISTANCE BY PETROBANGLA AND GOVERNMENT**

- 11.1 To enable Contractor to implement this Contract expeditiously and efficiently, Petrobangla and where appropriate the Government shall have the obligation fully to assist and cooperate with Contractor at its request to:
- a) obtain the approvals or permits needed to open accounts with banks in Bangladesh;
  - b) comply with the formalities of converting currencies and with foreign exchange regulations;
  - c) obtain office space, office supplies, transportation and communication facilities and residential accommodation as required;
  - d) comply with customs formalities and import/export control and tax regulation;
  - e) obtain entry and exit visas for the expatriate employees, who will come to Bangladesh for the implementation of this Contract and for their dependants who will visit them or reside with them in Bangladesh;
  - f) obtain necessary permission to send abroad, if necessary, documents, data or samples for analysis or processing during the Petroleum Operations;
  - g) contact relevant Government departments and governmental agencies concerned, including those dealing with fishing and fisheries, aquatic products, meteorology, shipping, civil aviation, railway, transportation, communication, health and services for supply bases as required; and
  - h) lease and/or use of land, sub-soil, sea surface, sub-sea and sea-bed areas or other areas that may be required for the conduct of the Petroleum Operations, subject to applicable laws.
- 11.2 Having regard to Article 10.13 Petrobangla shall at the request of Contractor, assist Contractor with the recruitment of local personnel.
- 11.3 Petrobangla shall, at the request of Contractor, furnish Contractor with data and samples in Petrobangla's possession concerning the Contract Area, subject to Contractor reimbursing Petrobangla costs in providing such data and/or samples, and Petrobangla shall also assist Contractor to arrange the purchase of any geological, geophysical, soil survey, oceanic, environmental, hydrological and other data available from the relevant Government departments in Bangladesh.
- 11.4 Petrobangla shall, at the request of Contractor, also render such other assistance as Contractor may reasonably request from time to time for the purpose of the smooth implementation of this Contract.
- 11.5 All expenses incurred in the assistance provided by Petrobangla in accordance with this Article 11 shall be paid by Contractor and shall be dealt with in accordance with the provisions of the Accounting Procedure as set out in "Annex-B".

## ARTICLE 12 MANAGEMENT COMMITTEE

### 12.1 Joint Review Committee:

- 12.1.1 Within sixty (60) days after the Effective Date, a Joint Review Committee composed of eight (8) members shall be formed. Petrobangla shall nominate three (3) members, Government shall nominate one (1) member and the Contractor shall nominate four (4) members.
- 12.1.2 One member of Petrobangla shall be designated as the Chairman of the Joint Review Committee and one member of the Contractor shall be designated as the Member Secretary of the Committee.
- 12.1.3 From time to time by at least ten (10) days' notice to the other Party, a Party may replace one or more of its members on the Joint Review Committee. Additional representatives of each Party may attend meetings of the Joint Review Committee as observers or alternate members.
- 12.1.4 A quorum for transaction of business by the Joint Review Committee shall consist of at least six (6) members of the Committee. Decisions and recommendations of the Joint Review Committee shall be made by unanimous votes of the members attending a meeting. Failing which the matter shall be promptly presented to Petrobangla and Contractor for consensus decisions and recommendations. Where unanimous agreement cannot be reached despite discussion between Petrobangla and Contractor, the matter shall be promptly presented to the Secretary of the Energy and Mineral Resources Division of the Government of Bangladesh for consultation and the opinion of the Secretary shall be used to assist the Joint Review Committee to arrive at a unanimous decision.
- 12.1.5 Contractor shall submit the following matters to the Joint Review Committee for recommendations and/or approval:
- i) prior to the date of declaration of first Commercial Discovery, the annual Work Programs and Budgets in respect of Exploration Operations and any revisions or modifications thereto;
  - ii) after the date of declaration of first Commercial Discovery, the annual Work Program and Budgets in respect of Exploration Operations relating to Minimum Work Program during Initial Exploration Period and additional committed Work Program during Subsequent Exploration Period, if entered under Article 4.1 and any revisions and modifications thereto;
  - iii) annual work progress and costs incurred thereon;
  - iv) proposals for surrender or relinquishment of any part of the Contract Area as per Article 5;
  - v) proposals for an Appraisal Program or revisions or additions thereto and the declaration of a Discovery as a Commercial Discovery;
  - vi) any other matter required by the terms of this Contract to be submitted to it for review or advice.

## **12.2 Joint Management Committee:**

- 12.2.1 Within thirty (30) days after the date of declaration of the first Commercial Discovery, a Joint Management Committee composed of eight (8) members shall be formed. Petrobangla shall nominate three (3) members, Government shall nominate one (1) member and the Contractor shall nominate four (4) members.
- 12.2.2 One member of Petrobangla shall be designated as the Chairman of the Joint Management Committee and one member of the Contractor shall be designated as the Member Secretary of the Committee.
- 12.2.3 From time to time by at least ten (10) days' notice to the other Party, a Party may replace one or more of its members on the Joint Management Committee. Additional representatives of each Party may attend meetings of the Joint Management Committee as observers or alternate members.
- 12.2.4 A quorum for transaction of business by the Joint Management Committee shall consist of at least six (6) members of the Committee. Decisions and recommendations of the Joint Management Committee shall be made by unanimous votes of the members attending a meeting. Failing which the matter shall be promptly presented to Petrobangla and Contractor for consensus decisions and recommendations. Where unanimous agreement cannot be reached despite discussion between Petrobangla and Contractor, the matter shall be promptly presented to the Secretary of the Energy and Mineral Resources Division of the Government of Bangladesh for consultation and the opinion of the Secretary shall be used to assist the Joint Management Committee to arrive at a unanimous decision.
- 12.2.5 Meetings of the Joint Management Committee shall be held in Dhaka at least once in every calendar quarter on dates to be mutually agreed. By at least ten (10) days' prior written notice, the Chairman shall propose the time and venue for each meeting and notify each member by dispatching an agenda in accordance with this Article. Contractor shall submit the following matters to the Joint Management Committee for approval:
- a) annual Work Program and Budgets in respect of Development Operations and Production Operations and any modifications or revisions thereto;
  - b) determination of a Development Area;
  - c) collaboration with contractors of other areas;
  - d) progress of Contractors work;
  - e) Contractor's statement under Article 23.4;
  - f) terms of contracts with Subcontractors;
  - g) appointment of auditors, approval and adoption of audited accounts;
  - h) proposal about abandonment plan/site restoration;
  - i) Contractor's proposed production levels;
  - j) any problem arising in Petroleum Operations;



- k) loan agreements for Development Plan ;
  - l) the annual personnel plan in accordance with Article 10.13; and
  - m) such additional subject as may be requested by either Party.
- 12.2.6 Special meetings of the Joint Management Committee may be called on reasonable notice by either Party for the purposes of considering any major development or problem(s) in Petroleum Operations and of proposing appropriate actions to be taken.
- 12.2.7 Recommendations, opinions or decisions of the Joint Management Committee shall be delivered to Petrobangla and Contractor for information and for appropriate and timely action.

**ARTICLE 13**  
**WORK PROGRAM AND BUDGET FOR DEVELOPMENT PLAN**

- 13.1 Within sixty (60) days after Petrobangla's approval of a Development Plan pursuant to Article 8.9, Contractor shall prepare and present to the Joint Management Committee a proposed detailed Work Program and Budget for that Production Area for the remaining part of the Calendar Year in which Petrobangla's approval was obtained and for the ensuing Calendar Year. The Joint Management Committee shall act on such proposals.
- 13.2 Not later than 1<sup>st</sup> September of each Year following the Declaration of Commercial Discovery, Contractor shall present to the Joint Management Committee a proposed annual Production schedule, detailed Work Program and Budget for each Production Area for the ensuing Calendar Year. The Joint Management Committee shall act on such proposals within sixty (60) days after receipt thereof.
- 13.3 Each Work Program and Budget shall set out in detail by quarterly period all aspects of the proposed Petroleum Operations to be carried out including all relevant data and information and estimated costs, duration of each operation for each project and in the case of a Work Program for a producing Petroleum Field, the estimated monthly rate of production for each Petroleum Field. Such Work Program shall also include measures to be taken to comply with the obligations of Contractor as specified in Article 10.
- 13.4 Details of each Work Program and Budget shall be in such form as required by Petrobangla.
- 13.5 No Petroleum Operations shall be carried out unless and until the relevant Work Program and Budget has been approved in writing by the Joint Management Committee.
- 13.6 It is recognized by Petrobangla and Contractor that the details of a Work Program may require changes in the light of changing circumstances. Thus Contractor may without the prior approval of the Joint Management Committee make minor changes, provided that such changes shall not increase or decrease the approved Budget for any affected expenditure items by more than ten percent (10%) and do not substantially alter the general objectives of the Work Program. The Joint Management Committee shall be notified of such changes as soon as possible.
- 13.7 Contractor shall be solely responsible for the provision of all funds required directly or indirectly for the implementation of the Work Program.

**ARTICLE 14**  
**ALLOCATION OF PRODUCTION, RECOVERY OF COSTS**  
**AND EXPENSES AND PRODUCTION SHARING**

- 14.1 Contractor shall have the right to use free of charge Petroleum produced from the Contract Area to the extent reasonably required for Petroleum Operations under this Contract.
- 14.2 All Oil and/or Natural Gas and/or Condensate and/or Natural Gas Liquids (NGL) produced and saved from the Contract Area and not used in Petroleum Operations (hereinafter referred to as "Available Oil" or "Available Natural Gas" or "Available Condensate" or "Available Natural Gas Liquids (NGL)") shall be measured at the applicable Measurement Point and allocated as set forth hereinafter. Test or experimental production prior to an Appraisal Program shall not be subject to allocation and shall be retained exclusively by Petrobangla to the extent not required for the Petroleum Operations hereunder.
- 14.3 **Cost Recovery**
- Subject to the Accounting Procedure and the auditing provisions of this Contract, Contractor shall recover all costs and expenses not excluded by the provisions of this Contract and the Accounting Procedure in respect of all the Exploration, Appraisal, Development and related operations hereunder with respect to the Contract Area to the extent of and out of a maximum of fifty-five percent (55%) for the offshore gas from shallow sea blocks, and seventy percent (70%) for the offshore gas from deep sea blocks per Calendar Year of all Available Oil/ Natural Gas/ Condensate/ NGL from the Contract Area (hereinafter referred to as "Cost Recovery Petroleum").
- 14.4 Such costs and expenses shall be allocated to Available Petroleum and shall be recoverable from Cost Recovery Petroleum in the following manner and order:
- a) Operating Expenses after first Commercial Production
- All Operating Expenses incurred after first Commercial Production from the Contract Area shall be recoverable in the Calendar Quarter in which such expenses are incurred and paid.
- b) Capital Expenditures under Development Plan
- All capital costs incurred and paid by Contractor under Development Plan approved by Petrobangla, will be recovered either in the Calendar Quarter in which the expenditure was incurred and paid (if incurred after first commercial production) or the Calendar Quarter in which first Commercial Production occurs (if incurred prior to first commercial production).
- c) Exploration Costs and other costs not included under (a) and (b) above
- Costs relating to Exploration and Appraisal Programs before first Commercial Production as well as all other expenses related to Petroleum Operations, not directly related to items (a) or (b) above, but incurred and paid prior to first Commercial Production, will be recovered at the rate of twenty-five percent (25%) per year on a straight-line basis, commencing in the Calendar Quarter in which Commercial Production commences in the Contract Area.

Costs relating to Exploration and Appraisal Programs after first Commercial Production as well as other expenses not directly related to items (a) and (b) above will be recovered in the Calendar Quarter in which such expenses are incurred and paid.

- d) To the extent that in a Calendar Quarter costs or expenses recoverable under paragraph 14.4 items (a), (b) or (c) related to the Contract Area exceed the value of all Cost Recovery Petroleum from the Contract Area for such Calendar Quarter, the excess shall be carried forward for recovery in the next succeeding Calendar Quarter until fully recovered, but in no case after expiry of this Contract.

14.5 The procedures specified in Articles 17 and 18 shall be used for determining the quantity and value of Cost Recovery Petroleum to which Contractor is entitled hereunder during each Quarter.

14.6 **Production Sharing**

In any Month where Contractor is recovering costs and expenses under Article 14.4 of this Contract, the Petroleum remaining after Cost Recovery, including any portion of Cost Recovery Petroleum not required to cover costs (hereinafter referred to as "Profit Petroleum") shall be allocated between Petrobangla and Contractor in the proportions as shown in Table 14.6; based on total average daily Production over the Month.

**TABLE 14.6  
PROFIT PETROLEUM**

**A) PROFIT OIL/CONDENSATE/ NGL**

(Oil and /or Condensate and/or NGL produced and saved from the Contract Area and not used in Petroleum operations)	PROFIT ALLOCATION	
	Petrobangla Share (%)	Contractor Share (%)
<b>Production tranches</b>		
Up to 5,000 bbl per day	◆	◆
Portion in excess of 5,000 and up to 12,500 bbl per day	◆	◆
Portion in excess of 12,500 and up to 25,000 bbl per day	◆	◆
Portion in excess of 25,000 and up to 40,000 bbl per day	◆	◆
Portion in excess of 40,000 and up to 65,000 bbl per day	◆	◆
Portion in excess of 65,000 and up to 100,000 bbl per day	◆	◆
Portion in excess of 100,000 bbl per day.	◆	◆

◆[To be bid]

**B) PROFIT NATURAL GAS**

(Natural Gas produced and saved from the Contract Area and not used in Petroleum operations)	PROFIT ALLOCATION	
	Petrobangla Share (%)	Contractor Share (%)
<b>Production tranches</b>		
Up to 75 mmcf per day	◆	◆
Portion in excess of 75 mmcf per day and up to 150 mmcf per day	◆	◆
Portion in excess of 150 mmcf per day and up to 250 mmcf per day	◆	◆
Portion in excess of 250 mmcf per day and up to 400 mmcf per day	◆	◆
Portion in excess of 400mmcf per day and up to 600 mmcf per day	◆	◆
Portion in excess of 600 mmcf per day	◆	◆

◆[To be bid]

- 14.7 Each entity comprising Contractor shall receive during each Quarter at the Measurement Point and may separately dispose of its individual share of the Cost Recovery Petroleum and of Profit Petroleum. Title and risk of loss shall pass to each entity comprising Contractor at the outlet flange of such Measurement Point.
- 14.8 To the extent that the value of Cost Recovery Petroleum, as determined under Article 17, received by Contractor from the Contract Area during a Quarter is greater or less than the amount Contractor was entitled to receive as Cost Recovery for that Quarter, an appropriate adjustment shall be made in accordance with the Accounting Procedure.
- 14.9 Contractor and Petrobangla shall review annually Operator's production program from any Production Area having due regard to ensuring compliance with Contractor's obligations under Articles 10.4 and 10.6 (d) and (e).
- 14.10 Contractor shall, subject to its other obligations under this Contract, prepare not less than ninety (90) days prior to the beginning of each Quarter following commencement of Commercial Production and furnish in writing to Petrobangla and the Joint Management Committee a forecast setting out the total quantity of Petroleum that it estimates can be produced, saved and transported hereunder during each of the next four (4) Quarters in accordance with good international oil industry practices and the production program established in accordance with Article 14.9. Contractor shall endeavor to produce each Quarter the forecast quantity.
- 14.11 The Oil shall be run to storage facilities in accordance with the Development Plan, maintained and operated at the Measurement Point under this Contract where it shall be measured for purposes of this Contract. Petrobangla and each entity comprising Contractor shall have the right to take in kind and separately dispose of its respective entitlement.
- 14.12 Prior to commencement of Commercial Production of Oil from Contract Area, Petrobangla and Contractor shall agree on a procedure for taking volumes of Oil corresponding to their respective entitlements on a regular basis and in a manner that is appropriate having regard to the respective destinations and uses of the Oil.
- 14.13 Petrobangla may receive its share of Profit Oil, Profit Natural Gas, Profit Condensate and Profit NGL as set out in Article 14.6, in kind or in cash, as mutually agreed between the Parties.

## **ARTICLE 15 NATURAL GAS**

- 15.1 Contractor shall use with priority any Natural Gas in the Contract Area for the purpose of increasing the recovery of Oil, where good international reservoir practices indicate that the use of Natural Gas for this purpose is required.
- 15.2 Contractor may use free of charge any Natural Gas in the Contract Area for Petroleum Operations.
- 15.3 Any Associated Natural Gas as is not used under Article 15.1 or Article 15.2 and which Contractor does not consider possible to recover economically shall be offered to Petrobangla without any payment to Contractor but at Petrobangla's cost at the well-head or field facilities in the Production Area. To the extent that Petrobangla does not so take any of such Associated Natural Gas, Contractor may flare such Associated Natural Gas provided that such flaring is included in the Development Plan submitted under Article 8.9.
- 15.4 Following good reservoir management practices, Contractor shall have the right to produce annually a total volume of Gas up to seven and a half per cent (7.5%) or a greater percentage as may be agreed by Petrobangla and the Contractor of the Proven plus Probable Recoverable Gas reserves for each Gas Field, as the expression "Proven plus Probable" is defined and approved by the Society of Petroleum Engineers and the World Petroleum Council in 2007 or as subsequently amended.
- 15.5 The volumes of Marketable Natural Gas shall be the volumes of Natural Gas produced, less
- a) the Natural Gas used for Petroleum Operations;
  - b) the Natural Gas used for increasing recovery of Oil, and
  - c) any shrinkage as a result of processing such Natural Gas.
- 15.6 a) Contractor shall first offer its share of Cost Recovery Gas and Profit Gas to Petrobangla, and Petrobangla shall undertake that it or its Affiliates will purchase the gas. This obligation shall not be diminished if additional reserves of Gas are discovered outside the Contract Area as long as Contractor is fulfilling its obligation to deliver Natural Gas from the Production Area. The contractual terms of purchase and sale of such marketable Natural Gas shall be negotiated with Petrobangla or its Affiliate prior to approval of the Development Plan and shall include the financial terms set out in Article 15.10.
- b) If a written notice of a market outlet is not given by Petrobangla within six (6) months after the date of submission of the Evaluation Report as per Article 8.4, Contractor will be free to find a market outlet within Bangladesh. Petrobangla shall cooperate with Contractor to facilitate such sale.
  - c) Contractor has the option to sell Contractor's share of Natural Gas in the domestic market to a third party, at a price and on such other contractual terms as the Contractor may negotiate and agree, subject to Petrobangla's right of first refusal;
  - d) From the date of start of the Production, Contractor shall pay four percent (4%) of Contractor's total Natural Gas measured at the Measurement Point to Petrobangla

during a Calendar Year under a delivery schedule to be agreed upon between Contractor and Petrobangla to cover tariffs and losses incurred to supply Natural Gas to Bangladesh domestic market. This provision shall not be applicable for gas produced from deep sea blocks and sold to Petrobangla.

- e) In case the Contractor uses the pipeline of a distribution company to sell its share of Natural Gas to a third party, the distribution company shall be entitled to receive an additional tariff at a negotiated rate as distribution service charges.

15.7 Subject to Articles 15.6, 15.8 and 15.9 and Petrobangla's right of first refusal, Contractor shall have the right to export any Marketable Natural Gas, as defined in Article 15.5, produced from the Contract Area. Such volume shall consist of:

- (a) Contractor's Cost Recovery Natural Gas,
- (b) Contractor's Profit Natural Gas, and
- (c) Petrobangla's Profit Natural Gas or, where applicable, the remaining share of Petrobangla's Natural Gas over the reservation pursuant to Article 15.8.

Where Contractor intends to export the Natural Gas, the related facilities shall be constructed and operated on the basis of a special export agreement between Contractor and Petrobangla. Such agreement shall allow, if appropriate, for the use of facilities by third parties.

15.8 Where Petrobangla has installed necessary facilities to transport and use gas to meet domestic requirements, Petrobangla shall be entitled at its option to retain in kind any Natural Gas produced up to Petrobangla's share of Profit Natural Gas, but in no event more than twenty percent (20%) of the total Marketable Natural Gas. The actual Monthly amounts to be retained by Petrobangla shall be notified to Contractor prior to the conclusion of relevant export agreement(s) and such Monthly amounts shall be fixed for the duration of such agreements. At the request of Petrobangla, the limit of twenty percent (20%) stipulated herein will be increased to thirty percent (30%), at the beginning of the eleventh year following the start of deliveries for the purpose of export.

15.9 Contractor shall not enter into any agreement for export unless the price or the pricing formula and the agreement itself are previously approved by Petrobangla. Such approval shall not be withheld where Contractor can demonstrate that the price received or pricing formula established represents the fair market value at the point of export for gas taking into account the volumes of gas export to be sold and the nature and geographical location of the markets to be served, as well as the transport and distribution costs of gas from the point of export to the market are acceptable to Petrobangla.

*[Note: Articles 15.7, 15.8 and 15.9 are applicable for deep sea blocks only]*

15.10 The financial terms to be included in the purchase and sale agreement referred to in Article 15.6 shall be as follows:

- (i) The price for Natural Gas shall be calculated as follows:
  - a) subject to Article 15.10 (ii), the price shall be based on Marker Price as defined in Article 15.10(i)(b) converted into Dollars per mscf on the basis of thermal energy equivalents (BTU); for the purpose of thermal energy equivalence the



sales gas shall contain 950 BTU per scf as the lower heating value. The higher heating value shall be capped at 1045 BTU per scf;

- b) the Marker Price shall be calculated for each Calendar Quarter based on the arithmetic average of Asian Petroleum Price Index ("APPI") quotations of High Sulphur Fuel Oil 180 CST ("HSFO"), FOB, Singapore only for such days as such quotations are published for the six months ending on the last day of the second (2nd) month preceding the start of the quarter for which the calculation of the Marker Price is to be made; Such fuel oil price will have a floor of one hundred Dollars (\$100) per metric ton and a ceiling of two hundred fifteen Dollars (\$215) per metric ton;
- c) in the event that the trading of HSFO in the area covered by APPI ceases or HSFO prices cease to be quoted by APPI ceases to be published, the Parties shall meet and agree as soon as possible upon a suitable alternative. Until such time as a new basis of pricing is agreed, the last available Marker Price shall continue to be used;
- d) (i) for offshore gas from shallow sea blocks , the price shall be one hundred percent (100%) of the Marker Price as defined in Article 15.10(i)(b);

**or**

- (ii) for offshore gas from deep sea blocks the price will be at the wellhead and one hundred thirty percent (130%) of the Marker Price as defined in Article 15.10(i)(b). The price will be increased by one point five percent (1.5%) per year from the date of Commercial Production and purchased by Petrobangla;
  - e) Petrobangla shall receive a discount of one percent (1%) on the price of gas calculated as per Article 15.10 (i) (a) and 15.10 (i) (d) on the Natural Gas sold by Contractor to Petrobangla at the Measurement Point.
- (ii) Should the Marker Price for any Calendar Quarter, calculated as in Article 15.10(i)(d) above fall below a floor price of one hundred Dollars (\$100) per metric ton of HSFO or rise above a ceiling price of two hundred fifteen Dollar (\$215) per metric ton of HSFO, the Marker Price for that quarter shall be fixed at the floor price or ceiling price respectively.
  - (iii) The gas prices calculated in Articles 15.10 (i)(a), (i)(b), (i)(c), (i)(d)(i) and (i)(e), above shall be applicable to sales at the Measurement Point.
  - (iv) Sales of Gas to Petrobangla or its Affiliate shall be invoiced monthly and payment shall be made within sixty (60) days of issue of invoice. The invoice should be supported by necessary documents along with "Cost Recovery Statement" as on the invoiced month.
- 15.11 The price for Natural Gas sold to a third party(ies) shall be equal to the price obtained as per Article 15.10 or more.

**ARTICLE 15A**  
**EXPLORATION/APPRaisal OF RING FENCED AREAS**

- 15A.1 Bangladesh Oil, Gas and Mineral Corporation (BOGMC) hereby grants Contractor the following exclusive rights during the term of this Contract concerning Teknaf ring-fenced area:
- (a) To conduct geophysical survey operations.
  - (b) To seek approval from BOGMC for the appraisal of the Teknaf structure. If approved, such appraisal will allow the Contractor to drill an Appraisal Well or wells to the depth of the reservoirs identified by each of the Discoveries.
- 15A.2 If the exploration/appraisal of the Teknaf structure is successful and the Contractor determines that the development of the Teknaf structure is commercial, either on a standalone basis or in combination with a field in the Exploration Contract Area, Contractor shall have the right to include it in the Development Plan.
- 15A.3 Allocation of Production:
- (a) Such costs and expenses shall be allocated to Oil or Natural Gas and shall be recovered from the applicable Cost Recovery Oil or Cost Recovery Natural Gas in the following manner provided that any costs in respect of Exploration Operations, Development Operations and Production Operations shall only be recovered from Available Oil and Gas from the relevant Oil Field or Gas Field.
  - (b) For the avoidance of doubt, all costs incurred in respect of Teknaf ring fence Exploration, Development and Production Operations and Appraisal shall be separately ring fenced, and such ring fenced cost may only be recovered against a commercial development/discovery, developed within the same area, and, as a result, no cross cost recovery between or among other areas of the Block shall be permitted.
  - (c) Production sharing of Profit Natural Gas for the Teknaf ring fenced area shall be treated in accordance with Article 14.6 B) except that the percentage shares applicable to BOGMC in each tranche of production shall be increased by five (5) percentage points. The percentage share applicable to the Contractor shall be reduced accordingly.

**ARTICLE 16**  
**PIPELINES AND FACILITIES**  
*[Note: For Shallow Sea Blocks]*

- 16.1 At any time following the declaration of Commercial Discovery, Contractor shall have the right to construct and to operate one or more Pipeline(s) or alternative transportation facilities within or from the Contract Area to one or more points in Bangladesh for the purpose of transporting Petroleum, from any Production Area to Measurement Point(s) in Bangladesh, at Contractor's option or jointly with other parties. For the purpose of this Contract, a Pipeline shall include related facilities.
- 16.2 If the Contractor constructs and operates the Pipeline(s), Contractor shall submit a Development Plan for construction of such Pipeline(s) to Petrobangla, which includes the following information and components:
- (a) the right of way and surface acreage for the trunk line or spur lines and any loops, lateral lines, feeder lines or branch lines, any pumping stations, measurement stations, valves, compressor stations, storage tanks, loading facilities (excluding port and terminal facilities) and any other facilities for the pumping, compression, measurement, or handling of the Petroleum or cleaning or maintenance of the Pipeline and other related facilities;
  - (b) the anticipated throughputs and capacity of the various components of the Pipeline;
  - (c) a proposed operating cost and tariff arrangement between the various companies utilizing the Pipeline.
  - (d) an estimate of the anticipated capital investments and operating costs related to the Pipeline;
  - (e) the technical description of the Pipeline and the specifications and standards used for construction and operations;
  - (f) the proposed construction methods and testing procedures;
  - (g) the remedial measures that may be required to remedy environmental or other damages as well as contingency plans in case of any accidents or spills;
  - (h) a draft Pipeline agreement for construction; and
  - (i) such other information as may be required by existing Pipeline regulations.
- 16.3 Petrobangla shall review such information and suggest such changes as may be essential in the national interest or as may be required by applicable law or conditions in the Pipeline development plan by Contractor.
- 16.4 Priority in the use of a Pipeline built by Contractor will be given to transportation of Petrobangla's and Contractor's Petroleum from the Contract Area or any other area in Bangladesh held by the Contractor. Development and Operating Costs of the Pipeline shall be subject to Cost Recovery under this Contract. Contractor shall operate the Pipeline upstream and/or downstream of Measurement Point until the Pipeline investment is recovered. If Petrobangla so desires the Contractor shall continue to operate the

Pipeline downstream of Measurement Point after the Pipeline investment for that part is recovered.

- 16.5 Except Petrobangla and Contractor, all parties who use the Pipeline upstream and/or downstream of Measurement Point shall pay tariff against their share of Petroleum transmitted through the Pipeline for transmission service. Any tariff received will be paid to the account of Petrobangla. Spare capacity in the Pipeline can be assigned to third parties for the transport of their Petroleum if the quality of such Petroleum is compatible with Petroleum from the Contract Area, subject to agreement of the parties concerned. The tariff for using the Pipeline shall be determined during the agreement with third party(ies).
- 16.6 Title to the Pipeline(s) shall be with Petrobangla.
- 16.7 Petrobangla shall assist Contractor in obtaining the right of way and surface acreage for the Pipeline(s) and access roads to the right of way as necessary.
- 16.8 If due to advancement of technologies, the transportation of Petroleum other than through Pipeline become economically viable, then the Parties may choose the alternative transportation option.

**ARTICLE 16**  
**PIPELINES AND FACILITIES**  
*[Note: For Deep Sea Blocks]*

- 16.1 At any time following the declaration of Commercial Discovery, Contractor shall have the right to construct and to operate one or more Pipeline(s) or alternative transportation facilities within or from the Contract Area to one or more points in Bangladesh for the purpose of transporting Petroleum, from any Production Area to Measurement Point(s) in Bangladesh, at Contractor's option or jointly with other parties. For the purpose of this Contract, a Pipeline shall include related facilities.
- 16.2 If the Contractor constructs and operates the Pipeline(s), Contractor shall submit a Development Plan for construction of such Pipeline(s) to Petrobangla, which includes the following information and components:
- (a) the right of way and surface acreage for the trunk line or spur lines and any loops, lateral lines, feeder lines or branch lines, any pumping stations, measurement stations, valves, compressor stations, storage tanks, loading facilities (excluding port and terminal facilities) and any other facilities for the pumping, compression, measurement, or handling of the Petroleum or cleaning or maintenance of the pipeline and other related facilities;
  - (b) the anticipated throughputs and capacity of the various components of the Pipeline;
  - (c) a proposed operating cost and tariff arrangement between the various companies utilizing the Pipeline.
  - (d) an estimate of the anticipated capital investments and operating costs related to the Pipeline;
  - (e) the technical description of the Pipeline and the specifications and standards used for construction and operations;
  - (f) the proposed construction methods and testing procedures;
  - (g) the remedial measures that may be required to remedy environmental or other damages as well as contingency plans in case of any accidents or spills;
  - (h) a draft pipeline agreement for construction; and
  - (i) such other information as may be required by existing pipeline regulations.
- 16.3 Petrobangla shall review such information and suggest such changes as may be essential in the national interest or as may be required by applicable law or conditions in the Pipeline development plan by Contractor.
- 16.4 Priority in the use of Pipeline built by Contractor will be given to transportation of Petrobangla's and Contractor's Petroleum from the Contract Area or any other area in Bangladesh held by Contractor. Spare capacity in the Pipeline can be assigned to third parties for the transport of their Petroleum by receiving a tariff at a negotiated rate if the quality of such Petroleum is compatible with Petroleum from the Contract Area, subject to agreement of the parties concerned. Development and Operating Costs of the Pipeline shall be subject to Cost recovery under this Contract. Contractor shall operate the Pipeline

upstream until the expiration of the of the production Period or the expiration of any sales contract(s) to be made in relation to the sale and purchase of the Petroleum produced hereunder, whichever is later.

- 16.5 Any tariff incurred for the Petroleum transportation by the Pipeline upstream shall be charged to and be paid by the buyer of the sales contract(s) relating to the sale and purchase of the Petroleum produced hereunder. Such tariff shall be proper value to secure a reasonable amount of Contractor's profit.
- 16.6 Title to the Pipeline(s) shall be with Petrobangla.
- 16.7 Petrobangla shall assist Contractor in obtaining the right of way and surface acreage for the Pipeline(s) and access roads to the right of way as necessary.
- 16.8 If due to advancement of technologies, the transportation of Petroleum other than through Pipeline become economically viable, then the Parties may choose the alternative transportation option.

## **ARTICLE 17**

### **VALUATION OF PETROLEUM**

- 17.1 The value of Oil from each Production Area for Cost Recovery shall be determined on the basis of the fair market value ("Value") of such Oil at the Measurement Point.
- 17.2 Under this Contract, "Value" means the price, which a willing buyer would pay to a willing seller under a long-term contract for the sale of a given product at a given time on an arm's length basis, taking into account the quality, volume, cost of transportation from the Measurement Point, terms of payment and any other relevant conditions, including the then prevailing market conditions for oil in South and South East Asia, and assuming that such buyer and seller are acting freely and independently, each in his own interest without being influenced by reciprocal dealing or any special relationship. Such Value shall be expressed in Dollars per Barrel.
- 17.3 Where the different grades of Oil are being produced in a Production Area, the Value shall be determined for each grade of Oil.
- 17.4 If there have been sales of Crude Oil produced from the Contract Area to third parties at arm's length sales during a particular Calendar Month or such other period as the Parties may agree (hereinafter referred to as "the Delivery Period"), all sales so made shall be valued at the weighted average of the prices actually received by Contractor, calculated by dividing the total receipts from all such sales FOB the delivery point by the total number of Barrels of the Crude Oil sold in such sales.
- 17.4.1 In the event that a portion of such third party arm's length sales are made on a basis other than an FOB basis as herein specified, the said portion shall be valued at prices equivalent to the prices FOB the delivery point for such sales determined by deducting all costs (such as transportation, demurrage, loss of Crude Oil in transit and similar costs) incurred downstream of the delivery point, and the prices so determined shall be deemed to be the actual prices received for the purpose of calculation of the weighted average of the prices of all third party arm's length sales for that particular month or the Delivery Period.
- 17.4.2 Contractor shall submit to Petrobangla within ten (10) days of the end of the Month in question or the Delivery Period, as appropriate, a report containing the actual prices obtained in their respective arm's length sales to third parties of any Crude Oil. Such reports shall distinguish between term sales and spot sales and itemize volumes with specifications in respect of quality and gravity, customs and prices received and the delivery and credit terms. Such reports shall also indicate for each sale the identity of the purchaser, and the Contractor shall allow Petrobangla to examine the relevant sales contracts.
- 17.5 The fair market value of Crude Oil shall be determined in Dollars per Barrel on a monthly basis in accordance with the following procedure:
- (a) Within ten (10) days following the end of each Month, Contractor shall determine in accordance with provisions of Articles 17.4, or 17.4.1, as the case may be, the value applicable for the Month concerned and shall notify Petrobangla in writing of that market value, indicating the method of calculation and all data used in the calculation-of that market value.
- (b) Within fifteen (15) days following receipt of the notice referred to in the preceding paragraph (a), Petrobangla shall notify Contractor in writing of its acceptance or objections to the value determined. Failing notification from Petrobangla within the

fifteen (15) days period, the fair market value provided for in Contractor's notice referred to in the preceding paragraph shall be deemed to have been accepted by Petrobangla.

- (c) In the event Petrobangla has given Contractor written objections to the Value within the fifteen (15) day period, the Parties shall meet within fifteen (15) days following Petrobangla's notification to mutually agree on the fair market value.

17.6 If there have been no sales of Crude Oil produced from the Contract Area to third parties at arm's length during a Month, the Value of Oil required by Article 17.5(c) shall be determined in accordance with the following procedure:

- (a) The Value shall be determined on the basis of either the FOB selling price per Barrel of a basket of three Crude Oils which, at the time of calculation, are being freely and actively traded in the international market and are similar in characteristics and quality to the Crude Oil in respect of which the price is being determined, or the spot market for the same Crude Oils ascertained in the same manner, whichever price, in the opinion of the Parties, more truly reflects the current value of such Crude Oils. Crude Oils which qualify for inclusion in the basket shall be those for which the spot price and term price FOB point of export is published on a regular basis in Platt's Oilgram or in the Asian Petroleum Price Index (APPI) whichever the parties mutually consider more relevant for this purpose. Contractor and Petrobangla hereby agree that the following three Crude Oils shall be used:

- (i) Crude Oil 1 : [to be agreed later]
- (ii) Crude Oil 2 : [to be agreed later]
- (iii) Crude Oil 3 : [to be agreed later]

- (b) The selection of three Crude Oils or the Value determination procedure pursuant to this Article 17.6 may be changed from time to time, by mutual consent, where prevailing market conditions would result in an unfair determination of the Value of the Oil to either Petrobangla or Contractor or where it is required by an arbitral decision following from a reference under Article 17.7.
- (c) In the event that at the relevant time, no Crude Oils of similar quality to the Crude Oil to be sold are being actively traded in the international markets where prices can be ascertained by international publication, or the official FOB selling prices and the international spot market price vary widely between producers, the Parties shall meet in good faith to determine an appropriate pricing basis.

17.7 (a) If the Parties have differences and cannot agree on the Value of Oil under Article 17.5 hereof, or

(b) If the Parties cannot agree on the methods of determining the Value pursuant to Article 17.6, or

- (c) If Contractor or Petrobangla is of the opinion that the determination method pursuant to Article 17.6 results in an unfair determination of the Value, the Parties agree to submit, in any of the aforementioned cases, their differences to a sole expert appointed pursuant to Article 30.3 for final determination.

17.8 The Value of Natural Gas shall be determined in Dollars per MCF on a Monthly basis.



17.9 The valuation of Natural Gas for domestic use shall be the sale price of Natural Gas by Contractor to Petrobangla as determined under Article 15.10.

17.10 Valuation of Condensate and/or Natural Gas Liquids (NGL):

The Value of Condensate and/or Natural Gas Liquids (NGL) shall be 75% of the price as shall be determined on the basis of either the FOB selling price per Barrel of a basket of three Crude Oils which, at the time of calculation, are being freely and actively traded in the international market or the spot market for the same Crude Oils ascertained in the same manner, whichever price, in the opinion of the Parties, more truly reflects the current value of such Crude Oils. Crude Oils which qualify for inclusion in the basket shall be those for which the spot price and term price FOB point of export is published on a regular basis in Platt's Oilgram or in the Asian Petroleum Price Index (APPI) whichever the parties mutually consider more relevant for this purpose. Contractor and Petrobangla hereby agree that the following three Crude Oils shall be used:

- |       |             |                      |
|-------|-------------|----------------------|
| (i)   | Crude Oil 1 | [to be agreed later] |
| (ii)  | Crude Oil 2 | [to be agreed later] |
| (iii) | Crude Oil 3 | [to be agreed later] |

**ARTICLE 18**  
**MEASUREMENT OF PETROLEUM**

- 18.1 All Petroleum produced, saved and not used in Petroleum Operations shall be measured at the Measurement Point.
- 18.2 The Measurement Point shall be the location at onshore of Bangladesh as designated in an approved Development Plan, where the Petroleum is delivered for further transportation therefrom by truck, barge, railway, marine tanker or pipeline.
- 18.3 The Production shall be measured in accordance with standards generally acceptable in the international Petroleum industry. All measurement equipment shall be installed, maintained and operated by Contractor. Petrobangla shall have the right to inspect the measuring equipment installed by Contractor and all charts and other measurement or test data at all reasonable times. The accuracy of Contractor's measuring equipment shall be verified by tests at regular intervals and upon the request of Petrobangla, using means and methods generally accepted in the international Petroleum industry.
- 18.4 Upon discovery of a meter malfunction, Contractor shall immediately have the meter repaired, adjusted and corrected and following such repair, adjustment or correction shall have it tested or calibrated to establish its accuracy. Upon the discovery of metering error, Contractor shall have the meter tested immediately and shall take the necessary steps to correct any error that may be discovered.
- 18.5 In the event a measuring error is discovered, Contractor shall use its best efforts to determine the correct Production figures for the period during which there was a measuring error and the corrected figures shall be used. Contractor shall submit a report on the corrections applied to Petrobangla for approval. In determining the correction, Contractor shall use, where required, the information from other measurements made inside or outside the Production Area. If it proves impossible to determine when the measuring error first occurred, the commencement of the error shall be deemed to be that point in time halfway between the date of the last previous test and the date on which the existence of the measuring error was first discovered.
- 18.6 All measurements shall for all purposes in this Contract be adjusted to standard conditions of pressure and temperature, that is, a pressure of fourteen point seven three (14.73) pounds per square inch and a temperature of sixty (60) degrees Fahrenheit.

**ARTICLE 19**  
**TAXES AND DUTIES**

*[Note: For Shallow Sea Block]*

- 19.1 In respect of Petroleum Operations undertaken by Contractor as envisaged hereunder Government will hold and keep Contractor harmless from the following:
- a) subject to the fulfillment of the terms and conditions of **SRO 202-Law/95/1639/Cus. dated 28 November, 1995**, customs duties, VAT and sales taxes and any other taxes of a similar nature on:
    - (i) equipment, spares and other consumables brought into Bangladesh by Contractor, its subcontractors or by any agent or representative on their behalf on a permanent basis.
    - (ii) all equipment and materials related to drilling, directional drilling workover, mud logging, mud engineering, wireline logging, cementation, well testing (production), DST, coil tubing, snubbing and seismic/ gravity/ magnetic/aeromagnetic services brought into Bangladesh by Contractor, its subcontractors or by any agent or representative on their behalf on a re-exportable basis.
    - (iii) equipment or spares that are consumed after use or that become unserviceable shall not be subject to duties or taxes. Petrobangla, however, before clearance from customs shall furnish to the NBR and the commissioners of customs a list of such consumables for which exemption shall be applicable.
    - (iv) jeeps and pick-ups solely used for oil and gas exploration, production and development and brought into Bangladesh by Contractor or its subcontractors on re-exportable basis shall not be subject to duties and taxes. Petrobangla shall obtain prior permission of NBR regarding the total number of such vehicles before importation. Likewise, Contractor shall furnish to Petrobangla the requisite number of such vehicles before importation.
    - (v) equipment, vehicles, spares and materials brought into Bangladesh under this SRO cannot be sold or transferred without the permission of NBR.
- 19.2 Except the items mentioned in Article 19.1, the Government will not hold the Contractor and its sub-contractors harmless in respect of all other taxes, duties, levies etc. including but not limited to the following:
- a) corporate income tax of Contractor;
  - b) taxes on tobacco and liquor;
  - c) income tax of sub-contractors;
  - d) income tax of employees of Contractor (including Operator) and sub-contractors,
  - e) duties and taxes on locally purchased goods and commercial services provided by public authorities;

- f) any levies or exaction in respect of property including leased property, capital, net worth, operations, remittances or transactions pertaining to operations performed by Contractor, Operator or their sub-contractors;
  - g) duties and VAT on imported office equipment, air conditioners, refrigerators (except built-in with the equipment), sedan cars and station wagons, minibuses, household utensils and such other materials which are not directly related to oil and gas exploration, development and production.
  - h) Value Added Tax and Supplementary Duty (if any) for goods and services purchased to implement Petroleum Operations as per provisions of the Value Added Tax Act, 1991 and the Value Added Tax Rules, 1991 or as may be amended from time to time.
- 19.3 Contractor shall be subject to the tax laws in force from time to time in Bangladesh which impose taxes on (referred to as "Bangladesh Income Taxes") and shall comply with the requirements of such laws with respect to the filing of returns, the assessment of tax and the keeping for review by authorized persons of books and records. For these purposes, any Bangladesh Income Taxes for which the Contractor may be liable shall be deemed to be a tax levied against Contractor.
- 19.4 For purposes of applying this Article, the total taxable income of Contractor with respect to any Calendar Year shall be an amount calculated in accordance with Bangladesh accounting principles and Bangladesh Income Tax laws.
- 19.5 Contractor shall prepare a tax return in Bangladesh and submit such return and shall promptly pay said taxes to the proper authorities and furnish Petrobangla, without fee, copies of receipts issued in the name of Contractor by the proper authorities of the Government.
- 19.6 For purposes of this Article, where Contractor is composed of more than one entity, the word "Contractor" shall be considered to mean "each entity constituting Contractor".
- 19.7 Contractor shall be responsible for paying its own taxes on all incomes derived in Bangladesh as per Article 19.2 and as prescribed by the Income Tax Ordinance 1984 and subsequent amendment thereof.
- 19.8 In the event, whether for the purpose of expediency or otherwise, Contractor or any other person on behalf of Contractor pays any amount on account of any of the aforementioned taxes or duties that Government has agreed to hold Contractor harmless from, Petrobangla shall arrange reimbursement to Contractor, subsequent to submission of documentary proof as to payment of such tax or duties by Contractor or such other person on behalf of Contractor provided however that Petrobangla shall have been consulted prior to the payment of such tax or duties.

**ARTICLE 19**  
**TAXES AND DUTIES**  
*[Note: For Deep Sea Block]*

- 19.1 In respect of Petroleum Operations undertaken by Contractor as envisaged hereunder Government will hold and keep Contractor harmless from the following:
- a) subject to the fulfillment of the terms and conditions of **SRO 202-Law/95/1639/Cus. dated 28 November, 1995**, customs duties, VAT and sales taxes and any other taxes other than Income Tax of a similar nature on:
    - (i) equipment, spares and other consumables brought into Bangladesh by Contractor, its subcontractors or by any agent or representative on their behalf on a permanent basis.
    - (ii) all equipment and materials related to drilling, directional drilling workover, mud logging, mud engineering, wireline logging, cementation, well testing (production), DST, coil tubing, snubbing and seismic/ gravity/ magnetic/aeromagnetic services brought into Bangladesh by Contractor, its subcontractors or by any agent or representative on their behalf on a re-exportable basis.
    - (iii) equipment or spares that are consumed after use or that become unserviceable shall not be subject to duties or taxes. Petrobangla, however, before clearance from customs shall furnish to the NBR and the commissioners of customs a list of such consumables for which exemption shall be applicable.
    - (iv) jeeps and pick-ups solely used for oil and gas exploration, production and development and brought into Bangladesh by Contractor or its subcontractors on re-exportable basis shall not be subject to duties and taxes. Petrobangla shall obtain prior permission of NBR regarding the total number of such vehicles before importation. Likewise, Contractor shall furnish to Petrobangla the requisite number of such vehicles before importation.
    - (v) equipment, vehicles, spares and materials brought into Bangladesh under this SRO cannot be sold or transferred without the permission of NBR.
  - b) Petrobangla shall assume, pay and discharge on behalf of Contractor, Contractor's Bangladesh Income Taxes out of the sums received by Petrobangla from the sale or other disposition of the Petrobangla share of Petroleum under the Contract. Contractor shall be responsible for paying its own taxes on any income derived in Bangladesh other than from Petroleum Operations.
- 19.2 Except the items mentioned in Article 19.1, the Government will not hold the Contractor and its sub-contractors harmless in respect of all other taxes, duties, levies etc. including but not limited to the following:
- a) taxes on tobacco and liquor;
  - b) income tax of sub-contractors;
  - c) income tax of employees of Contractor (including Operator) and sub-contractors,
  - d) duties and taxes on locally purchased goods and commercial services provided by public authorities;

- e) any levies or exaction in respect of property including leased property, capital, net worth, operations, remittances or transactions pertaining to operations performed by Contractor, Operator or their sub-contractors;
  - f) duties and VAT on imported office equipment, air conditioners, refrigerators (except built-in with the equipment), sedan cars and station wagons, minibuses, household utensils and such other materials which are not directly related to oil and gas exploration, development and production.
  - g) Value Added Tax and Supplementary Duty (if any) for goods and services purchased to implement Petroleum Operations as per provisions of the Value Added Tax Act, 1991 and the Value Added Tax Rules, 1991 or as may be amended from time to time.
- 19.3 Contractor shall be subject to the tax laws in force from time to time in Bangladesh which impose taxes on (referred to as "Bangladesh Income Taxes") and shall comply with the requirements of such laws with respect to the filing of returns, the assessment of tax and the keeping for review by authorized persons of books and records. For these purposes, any Bangladesh Income Taxes for which the Contractor may be liable shall be deemed to be a tax levied against Contractor.
- 19.4 For purposes of applying this Article, the total taxable income of Contractor with respect to any Calendar Year shall be an amount calculated in accordance with Bangladesh accounting principles and Bangladesh Income Tax laws.
- 19.5 Contractor shall prepare a tax return in Bangladesh and provide a copy of the return to Petrobangla along with any other required documentation to support Contractor's tax liabilities on profit Petroleum. Upon receipt of Contractor's preliminary tax documentation, after necessary examination, Petrobangla shall promptly pay said taxes to the proper authorities and furnish the Contractor, without fee, receipts issued in the name of the Contractor by the proper authorities of the Government. In the event of Contractor's failure to timely provide the required documentation to Petrobangla, any penalties or additional taxes assessed as a result of delinquency shall be borne by the Contractor.
- 19.6 For purposes of this Article, where Contractor is composed of more than one entity, the word "Contractor" shall be considered to mean "each entity constituting Contractor".
- 19.7 In the event, whether for the purpose of expediency or otherwise, Contractor or any other person on behalf of Contractor pays any amount on account of any of the aforementioned taxes or duties that Government has agreed to hold Contractor harmless from, Petrobangla shall arrange reimbursement to Contractor, subsequent to submission of documentary proof as to payment of such tax or duties by Contractor or such other person on behalf of Contractor provided however that Petrobangla shall have been consulted prior to the payment of such tax or duties.

## **ARTICLE 20 FEES AND BONUSES**

- 20.1 Within thirty (30) days after either the Date of Declaration of each Commercial Discovery of Oil or Gas in the Contract Area or approval of a Development Plan for Gas Field, Contractor shall pay Petrobangla Discovery Bonus of three (3) million Dollars.
- 20.2 Contractor shall pay Petrobangla the following Production Bonuses for Oil after a period of thirty (30) consecutive producing days, within thirty (30) days after the first date when the total average daily Production of Oil from each field separately from the Contract Area has been sustained at the rate of:
- a) 10,000 barrels per day, the sum of amount 500,000 Dollars (\$).
  - b) 20,000 barrels per day, the sum of amount 1,000,000 Dollars (\$).
  - c) 30,000 barrels per day, the sum of amount 2,000,000 Dollars (\$).
  - d) 40,000 barrels per day, the sum of amount 2,500,000 Dollars (\$).
  - e) 50,000 barrels per day, the sum of amount 3,000,000 Dollars (\$).
  - f) 100,000 barrels per day, the sum of amount 4,000,000 Dollars (\$).
- 20.3 Contractor shall pay to Petrobangla the following Production Bonuses for Gas after a period of thirty (30) consecutive producing days, within thirty (30) days after the first date when the total average daily production of Gas each field separately from the Contract Area has been sustained at the rate of:
- a) 75 MMCF/day, the sum of amount 500,000 Dollars (\$).
  - b) 150 MMCF/day, the sum of amount 1,000,000 Dollars (\$).
  - c) 225 MMCF/day, the sum of amount 2,000,000 Dollars (\$).
  - d) 300 MMCF/day, the sum of amount 2,500,000 Dollars (\$).
  - e) 375 MMCF/day, the sum of amount 3,000,000 Dollars (\$).
  - f) 450 MMCF per day, the sum of amount 4,000,000 US Dollars (\$).
  - g) 600 MMCF per day, the sum of amount 6,000,000 US Dollars (\$).
- 20.4 Contractor shall at the end of each Calendar Year, pay to Petrobangla at the rate of US cents ten (10) per Barrel of Contractor's Profit Oil and Profit Condensate and/or NGL and US cents point four (0.4) per MCF of their profit Natural Gas received pursuant to Article 14.6 hereof towards contribution to research and development activities related to Petroleum or any other activities as may be determined by Petrobangla.
- 20.5 The aforesaid Discovery and Production Bonuses and contribution towards research and development activities shall not be recoverable as cost under Article 14.
- 20.6 During the Exploration and Development Period, within the first thirty (30) days of each Contract Year, Contractor shall pay to Petrobangla a Contract Service Fee of two hundred thousand (200,000) Dollars and during the Production period Contractor shall pay to Petrobangla a Contract Service Fee of three hundred thousand (300,000) Dollars in each Calendar Year. This fee shall be recoverable as an Operating Cost under Article 14.4.

**ARTICLE 21**  
**TITLE TO ASSETS AND DATA**

- 21.1 Petrobangla shall become the owner of all assets acquired and owned by Contractor in connection with Petroleum Operations carried out by Contractor as provided hereunder:
- a) Title to any immovable property purchased or acquired by Contractor shall pass to Petrobangla as soon as it is purchased;
  - b) Title to any fixed or movable asset: (a) purchased by Contractor outside Bangladesh shall pass to Petrobangla when it is landed in Bangladesh and (b) purchased in Bangladesh shall pass to Petrobangla as soon as it is purchased.

The provisions of this Article shall not apply to machinery and equipment or other property, which is rented or leased to Contractor or which belongs to subcontractors, Contractor's Affiliates, their respective employee or employees of Contractor, and these may be freely exported from Bangladesh.

- 21.2 Contractor shall have the exclusive use of all assets mentioned under Article 21.1 for the conduct of Petroleum Operations under this Contract as long as they are required therefore. So long such assets are not exclusively needed by Contractor and their use by others, designated by Petrobangla would not hinder or delay Petroleum Operations hereunder, Contractor shall make such assets available for use by others so designated by Petrobangla.
- 21.3 Title to all original geological, geophysical, geochemical, drilling, engineering, well logs, production and other data obtained or compiled by Contractor as a result of Petroleum Operations from time to time as well as interpretations and interpretative and derivative data shall vest in Petrobangla. Contractor shall, however, be entitled to make use of all such data, free of cost, for the purpose of Petroleum Operations under this Contract.
- 21.4 Whenever Contractor relinquishes any part of the Contract Area, all moveable property located within the part of the Contract Area so relinquished may be removed to any part of the Contract Area which has been retained. All immovable properties of whatever nature in such relinquished area shall be handed over to Petrobangla free of charge.



## **ARTICLE 22**

### **PAYMENT AND CURRENCY**

- 22.1 All payments, which this Contract obligates Contractor to make to Petrobangla, shall be made in Dollars to a bank designated by Petrobangla. Contractor may make payment in other currencies, if acceptable to Petrobangla.
- 22.2 Payments due to Contractor from Petrobangla shall be made in Dollars or any other currency acceptable to Petrobangla and Contractor at a bank inside or outside of Bangladesh to be designated by Contractor, except that minimum 7.5% of invoiced amount may be paid in Taka (converted from Dollar to Taka at the exchange rate applicable on the date of payment) to meet local expenses of the Contractor at any scheduled bank of Bangladesh as designated by Contractor.
- 22.3 Contractor shall have the right to receive, retain abroad and use without restriction the entirety of proceeds received from its export sales of its share of Petroleum from the Contract Area, as well as any proceeds paid for Petroleum sold by Contractor to meet internal demand.
- 22.4 Contractor shall during the term of this Contract have the right without the imposition of any control, except as otherwise imposed by the terms of this Contract, to make any payments and to maintain and operate bank accounts outside Bangladesh in whatsoever currency; Contractor shall also operate and maintain Dollar or other foreign currency bank accounts within Bangladesh subject to applicable laws.
- 22.5 Except as otherwise provided, any payments, which Petrobangla is required to make to Contractor and which Contractor is required to make to Petrobangla pursuant to this Contract, shall be made within sixty (60) days following the end of the month in which the obligation to make such payments arise.
- 22.6 In respect of other matters of foreign exchange arising in any way out of or in connection with this Contract and not specifically mentioned herein, Contractor shall be entitled to receive similar treatment as accorded to any other international Petroleum exploration or production company carrying on business in Bangladesh.
- 22.7 Contractor is to pay abroad, in any currency it may desire, from its accounts outside Bangladesh, without conversion into Taka, for the goods and services it may require or any other expenses incurred for Petroleum Operations under this Contract.
- 22.8 Where applicable, the provisions of this Article shall also apply to the foreign sub-contractors of Contractor working in Bangladesh.

**ARTICLE 23**  
**BOOKS OF ACCOUNT, FINANCIAL REPORTING AND AUDIT**

- 23.1 Contractor shall maintain in accordance with the Accounting Procedure in "Annex-B" and accepted accounting practices generally used in the international Petroleum industry, at its business office in Dhaka, books of account and such other books and records as may be necessary to show the work performed under this Contract, the costs incurred and the amount and value of all Petroleum produced and saved from the Contract Area. Contractor shall keep such books of account and records in English and in Dollars.
- 23.2 Contractor shall furnish Petrobangla a monthly return showing the amount of Petroleum produced and saved hereunder. Such return shall be prepared in the form required by Petrobangla and shall be signed by the General Manager or by the Deputy General Manager or a duly designated deputy, and delivered to Petrobangla within fifteen (15) days after the end of the Month covered in the return.
- 23.3 Contractor shall prepare for each Calendar Year a balance sheet and profit and loss statement reflecting its operations under this Contract. Accounting methods, rules and practices applied for determining revenue and expense shall be consistent with sound and usual international Petroleum industry practice and the laws of Bangladesh. Each such balance sheet and profit and loss statement shall be certified by an independent certified firm of chartered accountants acceptable to Petrobangla and shall be submitted, along with the auditor's report, to Petrobangla within one hundred and twenty (120) days after the end of the Calendar Year to which it pertains.
- 23.4 Contractor shall supply in respect of each Quarter within thirty (30) days after the end of that Quarter the Statements required by Section 1.4 of the Accounting Procedure.
- 23.5 Contractor shall also provide Petrobangla such other financial information, reports or statements required by the Accounting Procedure.
- 23.6 Petrobangla shall have the right to inspect and audit Contractor's books, accounts and records relating to Petroleum Operations under this Contract for the purpose of verifying Contractor's compliance with the terms and conditions hereof. Such books, accounts and records shall be available in Dhaka at all reasonable times for inspection and audit by duly authorized representatives of Petrobangla, including independent auditors that may be employed by it. Financial audits shall be carried out in accordance with the procedure and within the times specified in the Accounting Procedure. Contractor shall bear the cost of independent auditors, which shall be subject to Cost Recovery.
- 23.7 Petrobangla may require Contractor to engage Contractor's parent company auditors to examine at Contractor's cost and in accordance with generally accepted auditing standards, the books and records of Contractor's Affiliate to verify the accuracy and compliance with the terms of this Contract in so far as a charge from the Affiliate of Contractor (or of any entity comprising Contractor) is included directly or through Contractor as a reimbursable cost under this Contract. Whenever audit of an Affiliate's books is requested, Petrobangla shall specify in writing the item or items for which it requires verification from such independent auditor. A copy of the independent auditor's findings shall be delivered to Petrobangla within thirty (30) days after completion of such audit.

**ARTICLE 24**  
**SUPPLY OF INTERNAL DEMAND, STATE'S RIGHT OF REQUISITION AND**  
**MARKETING OF PETROBANGLA'S SHARE OF OIL**

- 24.1 Out of the total quantity of Oil to which it is entitled from the Contract Area in a Calendar Year, Contractor shall be required to provide for the period requested by Petrobangla up to Contractor's pro-rata share of Oil determined in accordance with Article 24.2 at fifteen percent (15%) discount over the price calculated in accordance with Article 17 up to eighty percent (80%) of its share of Oil received pursuant to Article 14.6 to meet internal demand, delivery shall be made at the Measurement Point. Petrobangla shall pay Contractor therefor abroad in Dollars within sixty (60) days after delivery.
- 24.2 Contractor's pro-rata share of internal demand requirements equals (a) total internal demand in Bangladesh during the relevant Calendar Year, reduced by (b) all Oil produced in Bangladesh during such period to which Petrobangla is entitled, with such remainder multiplied by the volume of Contractor's total entitlement to Oil from the Contract Area for such Calendar Year and the product divided by the total amount of entitlements to Oil of all contractors producing in Bangladesh for such period.
- 24.3 If Contractor is required to sell more than the agreed percentage of its share of Oil as per Article 24.1 to meet internal demand, delivery shall be made at Measurement Point, the sales price of such additional Oil shall be the price calculated in accordance with Article 17, and Petrobangla shall pay Contractor therefor abroad within sixty (60) days after delivery in Dollars.
- 24.4 Recognizing that Contractor may have long term sales commitments, Petrobangla shall provide Contractor with prior notice at least two (2) Quarters before exercising its right under Article 24.1 and 24.3. On such notice Petrobangla shall specify the volume of Contractor's entitlement required, the particular quality desired (where more than one Oil quality is produced in the Contract Area) and the duration for which such Oil shall be purchased. The Parties shall enter into an Oil sales agreement covering such purchase/sale containing normal commercial terms prevailing in the International Petroleum Industry.
- 24.5 In the event Oil purchased from Contractor pursuant to this Article is incompatible with Petrobangla's needs, Petrobangla shall have the right to trade such Oil for a quality that meets its requirements.
- 24.6 In case of war or imminent apprehension of war or grave national emergency, the Government may requisition all or a part of the Oil production from the Contract Area and require Contractor to maximize such production. The provisions of Article 24.3 regarding delivery, price and payment shall also apply to any Oil so requisitioned from Contractor.
- 24.7 Petrobangla may at its option and upon at least ninety (90) days' prior notice require Contractor to market all or part of Petrobangla's share of Oil produced from the Contract Area. In such event Petrobangla will enter into an appropriate agency contract with Contractor.
- 24.8 As soon as possible after receipt of any such notice from Petrobangla under Article 24.7, Contractor shall provide Petrobangla all information available to it concerning possible purchasers of Petrobangla's Oil price and other terms and conditions of sale. With

transmittal of such information Contractor shall specify the time within which Petrobangla must determine whether or not Contractor should proceed with such sale.

- 24.9 Contractor shall not enter into any contract for sale of any part of Petrobangla's Oil from the Contract Area without Petrobangla's prior specific consent.
- 24.10 Petrobangla shall give instructions or consents as required under this Article in a timely manner so as not to interfere with agreed storage and lifting arrangements.

**ARTICLE 25**  
**EMPLOYMENT, TRAINING AND TECHNOLOGY TRANSFER**

- 25.1 In the performance of Petroleum Operations under this Contract, Contractor shall have the obligation to arrange for the systematic transfer of its technology, know-how and experience to Petrobangla provided, however, where the use of the technology is restricted by license or agreement with a third-party, Contractor is obligated to use its best efforts to obtain approval from the third-party for its transfer.
- 25.2 a) Contractor shall offer a mutually agreed number of Bangladeshi nationals the opportunity for on-the-job training and practical experience in Petroleum Operations during the Exploration, Development and Production Period. Not later than six (6) months after approval of the Development Plan, Contractor shall, in consultation with Petrobangla, establish and implement training programs for staff positions including skilled, technical, executive and management positions to improve their knowledge and skill, and to replace in phased manner the expatriate personnel of Contractor. An annual program for training and phasing in of Bangladesh nationals shall be established by Contractor and shall be submitted for approval of Petrobangla along with the annual Work Programs and Budgets referred to in Article 6 and Article 13. Within thirty (30) days of the end of each Calendar Year, Contractor shall submit a written report to Petrobangla describing the number of personnel employed, their nationality, their positions and the status of training programs for Bangladesh nationals. Contractor will also require its subcontractors to do the same.
- b) During the Exploration and Development Period, Contractor shall expend a minimum of fifty thousand Dollars (\$50,000) each Calendar Year for training pursuant to Article 25.2(a). Following the Date of Commencement of Commercial Production, the minimum expenditure for training pursuant to Article 25.2(a) in each Calendar Year during the term hereof shall be one hundred thousand Dollars (\$100,000). Such costs shall be cost recoverable. No cost shall be incurred to train the expatriate personnel abroad.
- 25.3 Pursuant to Article 25.2, Contractor shall associate and involve mutually agreed numbers of Petrobangla's or any of its company's personnel in the technological aspects of the then ongoing Petroleum Operations without charge of a fee for such association or involvement. Such aspects shall include:
- (a) seismic data acquisition, processing and interpretation;
  - (b) computerized formation evaluation using well logs;
  - (c) computerized analysis of geological data for basin analysis;
  - (d) laboratory core analysis;
  - (e) reservoir simulation and modeling;
  - (f) geochemistry, including analytical methods, source rock studies, hydrocarbon generation, modeling;
  - (g) measurement-while-drilling techniques;
  - (h) production engineering including optimization methods for surface and subsurface facilities (e.g. nodal analysis and implementation);
  - (i) reservoir engineering and management including gas and water injection;

- (j) enhanced oil recovery techniques;
- (k) gas production technology;
- (l) pipeline technology;
- (m) well design and drilling technology;
- (n) design of offshore facilities;

25.4 Within ninety (90) days following the Effective Date, Contractor shall, after consultation with Petrobangla and taking into consideration the reasonable requirements of the Petroleum Operations, submit an overall training program in the Exploration Period and the corresponding budget to Petrobangla for scrutiny and approval and upon approval by Petrobangla implement the program. Contractor shall, before the commencement of the Development Operations and the Production Operations, taking into consideration the requirement and the economics of the Petroleum Operations in the Contract Area, submit to Petrobangla for its scrutiny and approval, training programs and corresponding budgets for the Development period and the Production period, and upon approval by Petrobangla implement the program.

25.5 All the expenses and costs wherever incurred under this Article 25, except those under Article 25.6, before the date of approval of the Development Plan for the first Oil Field and/or Gas Field shall be charged to Exploration Costs, and those respectively incurred before the date of commencement of Commercial Production of the first Oil Field and/or Gas Field and after the date of commencement of Commercial Production of the first Oil Field and/or Gas Field shall be charged respectively to Development Costs and Operating Costs.

25.6 In addition to the training program pursuant to Article 25.4, Contractor shall undertake training outside Bangladesh for Petrobangla officials to be nominated by Petrobangla. Expenditure on such training shall be subject to the following limits:

- (i) during the Initial Exploration Period and Subsequent Exploration Period, a limit of one hundred and fifty thousand Dollars (\$150,000) per Contract Year or part of the Year.
- (ii) Following the Date of Commencement of Commercial Production, a limit of two hundred thousand Dollars (\$200,000) per Contract Year or part of the year.

Amounts paid under this Article 25.6 shall not be subject to Cost Recovery. Any fund remains unutilized at the end of the Contract Year, the Contractor shall deposit the remaining fund to Petrobangla.

25.7 Contractor shall also be required to establish a program, satisfactory to Petrobangla to train personnel of Petrobangla and its affiliates, locally and abroad to develop the capability of such personnel to effectively perform their duties. Such training program shall cover both technical and management disciplines including but not limited to geology, geophysics, engineering, project management, accounting, economics and legal and shall include on-the-job training and participation in in-house seminars. Costs of such training shall be cost recoverable.

**ARTICLE 26**  
**RESEARCH, RECORDS INSPECTION AND CONFIDENTIALITY**

- 26.1 Contractor shall prepare and maintain at all times during the term of this Contract accurate and current records of its operations hereunder. Contractor shall furnish Petrobangla in conformity with Applicable Law or as Petrobangla may reasonably require information and data concerning operations under this Contract.
- 26.2 Contractor shall save and keep for a reasonable period of time a representative portion of each sample of cores and cuttings taken from drilling wells to be disposed of or forwarded to Petrobangla in the manner directed by Petrobangla. All samples acquired by Contractor for its own purpose shall be considered available for inspection at any reasonable time by Petrobangla or its designee. Any such samples, which Contractor has kept for a period of sixty (60) months without receipt of instructions to forward them to Petrobangla, may be disposed of by Contractor at its discretion, after at least ninety (90) days' prior notice of intention to do so.
- 26.3 Unless otherwise specifically agreed by Petrobangla, in case of exporting any rock samples outside Bangladesh, Contractor shall deliver to Petrobangla samples equivalent in size and quality before such exportation.
- 26.4 Originals of technical data and records can only be exported with the prior written permission of Petrobangla; provided, however, that magnetic tapes and any other data, which are to be processed or analyzed outside Bangladesh, may only be exported if a monitor or a comparable records is maintained in Bangladesh and provided that such exports shall be repatriated to Bangladesh on the basis that they belong to Petrobangla.
- 26.5 Petrobangla through Petrobangla's duly appointed representatives or employees shall have full and complete access to all assets, records and data kept by Contractor and Operator. On exercising such rights Petrobangla shall endeavor not to interfere unduly with Contractor's operations.
- 26.6 Contractor at its own cost shall provide Petrobangla for its own use at the same time as available to Contractor any and all data (including, but not limited to, geological and geophysical report, logs and well surveys), reports, information, interpretation of such data and all other information or work product pertaining to the Contract Area including in particular all data the cost whereof was recorded by Contractor as a cost subject to Cost Recovery pursuant to Article 14 hereof.
- 26.7 Either Party may disclose any such information to its employees, Affiliates, Consultants, Sub-contractors or others to the extent required to efficiently conduct Petroleum Operations provided it obtains from such individuals or entities prior to disclosure a written confidentiality undertaking no less restrictive than the obligation of the disclosing Party under this Article.
- 26.8 For purposes of obtaining new offers on relinquished portions of the Contract Area, Petrobangla may show at any time any other entity data related to the relinquished area. For purposes of obtaining offers on areas adjacent to or in the vicinity of the Contract Area, Petrobangla may show any other entity data related to the Contract Area during the term of this Contract, provided the age of these data at the time of showing is not less than twenty-four (24) months old.
- 26.9 Except as provided in Article 26.7 and 26.8 all such data and information shall be maintained by the Parties as strictly confidential and shall not be divulged during the

term of this Contract by either Party without prior written consent of the other Party, except to the extent required to comply with Applicable Law, unless such data become part of the public domain. Such confidentiality undertaking shall continue to apply to Contractor for a period of five (5) years after the termination of this Contract.

- 26.10 Contractor shall not trade or sell data pertaining to the Contract Area.
- 26.11 Contractor shall not publish a compilation of such data without the prior written consent of Petrobangla.
- 26.12 At the end of the term of this Contract all original data shall be delivered by Contractor to Petrobangla.
- 26.13 No public announcement or statement related to Petroleum Operations shall be issued or made by Contractor without prior written approval from Petrobangla.



## **ARTICLE 27**

### **FORCE MAJEURE**

- 27.1 Neither Party to this Contract shall be considered in default of the performance of any of its obligations hereunder if the failure to perform or the delay in performing such obligations results from events occurring in the circumstances set out hereunder:
- a) The performance of any obligations hereunder is prevented, hindered or delayed because of any event or combination of events including but not limited to war, earthquake, fire, flood, cyclone or other natural disaster, which could not be foreseen and was beyond the control of such Party;
  - b) Any such event or combination of events is the direct cause of preventing, hindering or delaying of such Party's performance of its obligations hereunder and such Party could not by exercise of reasonable care have avoided such effect of those event(s); and
  - c) When any such event or combination of events has occurred, such Party shall take all reasonable actions to overcome any cause that prevents, hinders or delays performance of its obligations and to minimize its consequences and shall in so far as is practicable continue to perform its obligations hereunder.
- 27.2 Notice of any event of Force Majeure and the conclusion thereof shall forthwith be given in writing to the other Party by the Party claiming Force Majeure specifying the cause of Force Majeure.
- 27.3 If the Petroleum Operations in the Contract Area are partially or entirely suspended as a result of the Force Majeure referred to in article 27.1 herein, the period of the Petroleum Operations shall be extended by a period not exceeding the corresponding period of such suspension. Within fifteen (15) days following the end of each Calendar Year, Contractor shall report to Petrobangla in writing a total period of such suspension of the Petroleum Operations caused by Force Majeure, if any, during the preceding Calendar Year.
- 27.4 Contractor shall resume Petroleum Operations immediately after the cessation of any Force Majeure event.
- 27.5 Neither Party to this Contract shall be considered in default of the performance of any of its obligations under this Contract if the failure to perform or the delay in performing such obligations results from any events or combination of events arising out of any overlapping claims in maritime areas, which event or combination of events cause prevention, hindrance or delaying of such Party's performance of its obligations under this Contract.

## **ARTICLE 28 TERMINATION**

- 28.1 Government shall have the right to terminate this Contract upon giving Contractor sixty (60) days' written notice of its intention to do so and subject to Contractor not having remedied its failure within this period, and to take without payment all property of whatever nature of Contractor in Bangladesh or offshore of Bangladesh, if Contractor shall:
- a) fail to make any of the payments prescribed in this Contract on the dates prescribed for such payments;
  - b) fail to fulfill the obligations provided for in Article 6 or a Development Plan hereof,
  - c) fail to conform to the provision of an arbitration award under Article 30 hereof within the period stipulated in such award;
  - d) fail to declare a Commercial Discovery in the Contract Area within the time limits specified in Article 4.3, or
  - e) fail to resume Petroleum Operations within one hundred and twenty (120) days after cessation of any Force Majeure event.
- 28.2 Contractor shall have the right to terminate by electing to relinquish the entire Contract Area under Article 5.5 hereof.
- 28.3 If either Party to this Contract commits a material breach of this Contract, the other Party to the Contract shall have the right to terminate this Contract:
- a) In the event that either Party declares its intention to terminate this Contract pursuant to this Article 28.3, it shall give to the other Party notice in writing specifying the particular material breach complained of and requiring the other Party, within three (3) Months of such notice or within such extended time as the Party giving notice may deem fair having regard to the circumstances of the particular case ("the Specified Period"), to remedy the same or make reasonable compensation to the complaining Party, as the case may be, in a manner acceptable to that Party;
  - b) If the Party receiving the notice shall fail to comply with said notice, the complaining Party may, after the expiration of the Specified Period, terminate this Contract provided, however, that where there is any dispute between the Parties as to:
    - i) whether there has been any material breach by the Party to which notice was given of any term, obligation, or condition of the Contractor, or
    - ii) whether any breach is remediable or as to the manner in which it should be remedied, either Party may, within the Specified Period, refer the dispute to arbitration under Article 30, and neither Party shall exercise its power of termination until the result of arbitration is known, and then subject to the terms of the award. Provided, however, that the Party which elects to refer the dispute to arbitration shall be diligent in prosecuting its claim in the arbitration proceedings.

28.4 Upon the termination of this Contract by the Government all rights granted to Contractor hereunder shall terminate, subject and without prejudice to any rights, which may have accrued to the Government and Contractor under this Contract, and any obligation or liability imposed or incurred under this Contract prior to the effective date of termination.

**ARTICLE 29**  
**APPLICABLE LAW**

29. The validity, interpretation and implementation of this Contract shall be governed by the law of the People's Republic of Bangladesh.

## **ARTICLE 30**

### **CONSULTATION, EXPERT DETERMINATION AND ARBITRATION**

- 30.1 The Parties shall make good faith efforts to settle amicably through consultation any dispute arising in connection with the performance or interpretation of any provision of this Contract and deadlocks in decisions of Joint Management Committee.
- 30.2 If any dispute mentioned in Article 30.1 has not been settled through such consultation within ninety (90) days after the dispute arises either Party may by notice to the other Party propose that the dispute be referred either for determination by a sole expert or to arbitration in accordance with the provisions of this Article.
- 30.3 Following the notice given under Article 30.2, the Parties may, by mutual agreement, refer the dispute for determination by a sole expert to be appointed by agreement between the Parties.
- 30.4 As an alternative to the procedure described in Article 30.3, and if agreed upon by the Parties, such dispute shall be referred to arbitration by an agreed sole arbitrator.
- 30.5 If the Parties fail to refer such dispute to a sole expert under Article 30.3 or to a sole arbitrator under Article 30.4, within sixty (60) days' notice under Article 30.2, such dispute shall be referred to an arbitral tribunal for final decision as hereinafter provided.
- 30.6 Arbitration pursuant to Article 30.5 shall be by an arbitration tribunal consisting of three (3) arbitrators. The Parties shall each appoint an arbitrator and the two (2) arbitrators so appointed shall designate a third arbitrator. If one of the Parties does not appoint its arbitrator within sixty (60) days after the first appointment or if the two (2) arbitrators once appointed, fail to appoint the third within sixty (60) days after the appointment of the second arbitrator, the relevant appointment shall be made in accordance with the United Nations Commission on International Trade Law Arbitration Rules ("UNCITRAL Rules").
- 30.7 The arbitrators shall be citizens of countries, which have formal diplomatic relations with both the People's Republic of Bangladesh and any home country of the companies comprising Contractor, and shall not have any economic interest in or economic relationship with the Parties.
- 30.8 The proceedings before the sole arbitrator or the arbitration tribunal shall be governed by the Arbitration Act, 2001 of Bangladesh. In pursuance of section 25 of the Arbitration Act 2001, the Parties agree that the sole arbitrator or the arbitration tribunal shall conduct the arbitration in accordance with the UNCITRAL Rules. However, if the above mentioned arbitration rules are in conflict with the provisions of this Article 30 the provisions of this Article 30 shall prevail.
- 30.9 The English language shall be the language used in the arbitral proceedings. All hearing materials, statements of claim or defense, award and the reasons supporting them shall be in English.
- 30.10 The place of arbitration shall be Dhaka unless both the Parties elect Singapore or any other Place.
- 30.11 The absence or default of any Party to the arbitration shall not be permitted to prevent or hinder the arbitration procedure in any way or at any stages.

- 30.12 Any arbitration award given pursuant to this Article 30 shall be final and binding upon the Parties and any reference in this Contract to such an award shall include any determination by a sole expert.
- 30.13 The right to arbitrate disputes under this Contract shall survive the termination of this Contract.

## **ARTICLE 31 NOTICES**

31.1 Any notice and other communications required or given under this Contract shall be deemed given when delivered in writing either by hand or through the mail, courier service or by facsimile (fax), e-mail, appropriately addressed as follows, provided however, that notices sent by facsimile or e-mail shall be confirmed by hard copies sent by mail or courier.

### **TO PETROBANGLA** (for itself and for the Government)

**Attention:** Director (PSC), Petrobangla

- i) By Hand or Mail: 3 Kawran Bazar Commercial Area  
Dhaka-1215, Bangladesh
- ii) By Facsimile: (880-2) 9112400
- iii) By Email: [dpscpb@petrobangla.org.bd](mailto:dpscpb@petrobangla.org.bd)

### **TO CONTRACTOR**

- i) By Hand or Mail: (to official designated under Article 10.2)
- ii) By Facsimile:
- iii) By Email:

31.2 Each of the Parties may change its address or addresses or representative for purpose of receiving notices by giving at least ten (10) days prior written notice of the change to the other Party.

31.3 All notifications and communications between the Parties shall be in English language.

## **ARTICLE 32 ASSIGNMENT**

- 32.1 Petrobangla shall have the right to assign any or all of its rights, interests and obligations under this Contract to any company or enterprise under its control, provided that assignment of any part of Petrobangla's rights, interests and obligations under this Contract shall not relieve Petrobangla from its obligations under this Contract.
- 32.2 Contractor may with prior written approval of Petrobangla assign any or all of its rights, interests and obligations under this Contract to any of its Affiliates. Such approval shall not be unreasonably withheld. Any Affiliated assignee shall be as qualified as the assignor with respect to its technical and financial competence. The assignor shall remain jointly and severally liable with its Affiliate for all obligations under this Contract. The assignor shall submit a valuation and all material terms of the assignment. If Petrobangla does not object to or ask for any clarification as to a proposed assignment within sixty (60) days after receiving notice thereof, it shall be deemed that Petrobangla has approved the said assignment.
- 32.3 Subject to the prior written approval of Government, such approval not to be unreasonably withheld, Contractor may assign any part or all of its rights, interests and obligations under this Contract to a non-Affiliated third Party. For consideration to be given to any such request for approval:
- a) all accrued obligations of the assignor deriving from this Contract must have been duly fulfilled as of the date such request is made, or assignor and assignee must jointly and severally guarantee fulfillment of any unfulfilled accrued obligations of assignor;
  - c) the proposed assignee or assignees must produce reasonable evidence to Government of its or their financial and technical competence;
  - c) the instruments of assignment shall be submitted to Petrobangla and Government for scrutiny and approval and shall include provisions stating precisely that the assignee is bound by all covenants contained in this Contract and any amendments thereto; and
  - d) the assignor shall submit a valuation and all material terms of the assignment.
- 32.4 The Government reserves the right to employ the services of an independent consultant, at the cost of Contractor or any of the entities comprising Contractor, to be mutually agreed by Government and such entity, to carry out an independent valuation of the assignment transaction.
- 32.5 Cost of any transfer or related taxes, stamps, duties, charges or other fees from any assignment shall be borne by Contractor.



**ARTICLE 33**  
**CHANGE OF STATUS OF COMPANIES**

- 33.1 Subject to the terms of this Article and other terms of the Contract, any party comprising the Contractor may enter into transaction which may result in change in the management or share or interest or ownership and/ or control of the Company(ies) or the relationship with any guarantor of the Company(ies) with prior written approval of the Government provided that the Government is satisfied on:
- a) Technical and Financial strength of the participating company (transferee); and
  - b) Details of shareholder agreement.
- 33.2 The transferee(s) shall remain jointly and severally liable for all obligations under this Contract.
- 33.3 The Contractor shall submit the terms and conditions agreed between the transferee(s) and transferor(s) before requesting the approval from the Government.
- 33.4 Cost of any transfer or related taxes, stamps, duties, charges or other fees from any transfer of share or ownership or interest shall be borne either by the transferor or the transferee.

## **ARTICLE 34 UNITIZATION**

- 34.1 If at any time during the term of this Contract Petrobangla shall be satisfied that the strata in this Contract Area or any part thereof form part of a single geological structure or Petroleum Field the other parts of which are situated under separate contract or contracts and Petrobangla shall consider that it is in the national interest in order to secure the maximum ultimate recovery of petroleum and in order to avoid unnecessary competitive drilling that the said Petroleum Field be worked and developed as a unit cooperation by all persons, including the Contractor, whose contract extend to or include any part thereof then the following provisions of this Article shall apply.
- 34.2 Upon notification by Petrobangla, Contractor shall cooperate with such other party as may be specified in the said notice (hereinafter referred to as "the other Contractor") in the preparation of a scheme (hereinafter referred to as "a development scheme") for the working and development of the Petroleum Field as a unit by Contractor and the other Contractor in cooperation and shall, jointly with the other Contractor, submit such scheme for the approval of Petrobangla.
- 34.3 The said notice shall also contain or refer to a description of the area in respect of which Petrobangla requires a development scheme to be submitted and shall state the period within which such scheme is to be submitted for approval by Petrobangla.
- 34.4 If a development scheme is not submitted to Petrobangla within the period so stated or if a development scheme so submitted is not approved by Petrobangla, Petrobangla may itself prepare a development scheme in consultation with Contractor and Contractor shall perform and observe all the terms and conditions thereof.
- 34.5 Where international boundaries are involved Government shall after consulting Contractor be the party representing the Contract Area in the international unitization agreement and the terms and conditions agreed thereto by Government (after consulting Contractor) shall bind Contractor, and Contractor shall reimburse Government for all reasonable expenses incurred by Government in regard to such agreements within thirty (30) days after the submission of the unitization agreement to the Contractor. Such reimbursement shall be deemed to be recoverable cost incurred by Contractor and shall be taken into account for the purposes of calculating Cost Recovery Oil or Gas or Condensate under the provisions of Article 14 as the case may be.

## **ARTICLE 35 ABANDONMENT**

### **35.1 STANDARDS OF ABANDONMENT**

The Parties recognize that they must comply with their Abandonment obligations in accordance with the relevant Bangladeshi law which is applicable or which may become applicable and in the absence of specific Bangladeshi law such Abandonment obligations to be undertaken or proposed to be undertaken shall be in accordance with good and modern international practice. Accordingly the Parties agree as follows:-

### **35.2 CONTRACTORS' OBLIGATIONS**

#### 35.2.1 Responsibility:

During the term of this Contract, Contractor shall be responsible for Abandonment of all Petroleum facilities. Contractor shall conduct Abandonment Operations in accordance with the approved Abandonment Work Program and Budget ("AWP and B") described in Article 35.3. Contractor's responsibility with respect to the Petroleum facilities identified for Abandonment after the term of this Contract shall be as set out in Articles 35.3 and 35.4 and fulfilled during the term of this Contract. In relation to Abandonment as set out in this Article, Contractor shall continue to be liable as provided by law, after the term of this Contract, for any damage, claim, cost, or expense arising from the Petroleum facilities, due to causes which have arisen or which have accrued during the terms of this Contract and which are attributable to the willful misconduct or negligence of Contractor.

#### 35.2.2 Abandonment Cost Recovery:

All cost incurred by Contractor for the Abandonment of Petroleum facilities during the term of this Contract shall be cost recoverable subject always to the provisions of Article 35.4.1

### **35.3 ABANDONMENT WORK PROGRAM AND BUDGET AND SUBSEQUENT REVIEW.**

#### 35.3.1 Annual Abandonment Work Program and Budget:

(a) Submission of annual Abandonment Work Program and Budget:

During the term of this Contract, Contractor shall submit for the review and approval of Petrobangla a comprehensive annual AWP and B together with the annual Work Program and Budget required pursuant to Article 13 for the year immediately preceding the planned year of the first Commercial Production of each Petroleum Field in the Contract Area.

(b) Detailed Plans and Cost Estimates:

The AWP and B shall describe in detail the Abandonment plan specified in the Development Plan or any revision thereof, of such Petroleum Field. The AWP and B shall contain detailed plans for the Abandonment of Petroleum facilities and the itemized cost estimates for the implementation of such AWP and B.

(c) Abandonment Cost Estimates:

The itemized cost estimates shall be projected to reflect a realistic estimate of the costs to be incurred at the time Abandonment Operations are to be

conducted or at the termination of this Contract whichever is earlier. The projected cost estimates for each Petroleum Field which have been reviewed and approved by Petrobangla shall hereinafter be referred to as "Abandonment Cost Estimates".

(d) Production Forecast and Estimates:

The Abandonment Work Program and Budget shall also set out the following:

- (i) The yearly production forecast profile for each Petroleum Field in Barrels for Crude Oil, Condensate/NGL and Standard Cubic Feet for Natural Gas and Barrels of Oil Equivalent for Crude Oil, Condensate/NGL and Natural Gas based on estimated reserves to be developed through the Petroleum facilities for the duration of this Contract.
- (ii) The annual production forecast for the current year for each Petroleum Field in Barrels for Crude Oil, Condensate/NGL and Standard Cubic Feet for Natural Gas and Barrels of Oil Equivalent for Crude Oil, Condensate/NGL and Natural Gas (hereinafter referred to as "Annual Production").
- (iii) The estimated total remaining petroleum production after the current year of such Petroleum Field in Barrels for Crude Oil, Condensate/NGL and Standard Cubic Feet for Natural Gas and Barrels of Oil Equivalent for Crude Oil, Condensate/NGL and Natural Gas based on estimated reserves to be developed through the Petroleum facilities for the duration of this Contract (hereinafter referred to as "Estimated Remaining Total Production").

(e) Implementation of Abandonment Operations:

Subject to Article 35.5, no Abandonment Operations during the term of this Contract shall be carried out unless and until the relevant AWP and B has been approved in writing by Petrobangla. Petrobangla shall notify Contractor of its approval (whether conditional or not) or otherwise, of a proposed AWP and B by 31st December of the year when such AWP and B is submitted. Petrobangla may give notice to Contractor that a proposed AWP and B submitted by Contractor is approved subject to such conditions as Petrobangla may specify in such notice and may give Contractor notice that a proposed AWP and B is to be revised either in whole or in part. In the event Contractor disagree with any revision required by Petrobangla, Contractor shall within thirty (30) days notify and substantiate to Petrobangla their reasons for disagreement.

Thereupon, Petrobangla and Contractor shall meet and discuss the revision required by Petrobangla to resolve such differences. If the Parties fail to resolve their differences within sixty (60) days from the date of the first meeting held between the Parties to resolve such differences, Contractor shall then incorporate the revisions required by Petrobangla into AWP and B under this Article. Discussion held pursuant to this Article shall be treated separately from discussions held between the Parties pursuant to Article 13.

(f) Revision of AWP and B:

Contractor shall on the first anniversary of the submission of the first AWP and B and annually thereafter (or at such extended periods as may be

agreed by Petrobangla) during the term of this Contract, submit to Petrobangla revised AWP and B(s) taking into account changes in the Development Plan, advances in techniques/ technology and methods available for Abandonment of Petroleum facilities, and Abandonment Cost Estimates.

(g) Review and approval right of Petrobangla:

In reviewing and approving the AWP and B, Petrobangla shall have the right to instruct Contractor not to abandon certain Petroleum facilities or to specify the time and schedule for Abandonment within the term of this Contract.

### 35.4 ABANDONMENT FUND

#### 35.4.1 Commencement of Payment into Abandonment Fund:

Contractor shall commence payment to Petrobangla into a fund to be hereinafter referred to as the "Abandonment Fund" on the first anniversary of the First Commercial Production (hereinafter referred to as "Commencement of Payment into the Abandonment Fund").

If any Petroleum Field is brought into commercial production after the Commencement of Payment into the Abandonment Fund, then the payment into Abandonment Fund for such Petroleum Field shall become payable on the next anniversary of the Commencement of Payment into the Abandonment Fund.

It is the intent of the Parties that Contractor shall not have to be liable for both payment into the Abandonment Fund and the actual cost for Abandonment of Petroleum facilities carried out by Contractor during the term of this Contract. In the event Contractor abandon Petroleum facilities during the term of this Contract for which payments into the Abandonment Fund have already been made then Contractor shall request Petrobangla to procure from the Abandonment Fund the anticipated cost of such abandonment operations. In the event Contractor does not receive the requested payment from Petrobangla at least ninety (90) days prior to the proposed commencement of abandonment operations, Contractor shall not be obliged to carry out such abandonment operations and shall not have further liability related to such abandonment obligations. Contractor's costs for the Abandonment of Petroleum facilities and / or payment into the Abandonment Fund should not be recovered more than once under the Cost Recovery Oil or Cost Recovery Gas or Cost Recovery Condensate/NGL as the case may be.

#### 35.4.2 Determination of amount of payment into the Abandonment Fund

Payment into the Abandonment Fund for any one Petroleum Field shall be determined by using the following formula:

$$\text{Payment into the Abandonment Fund Cumulative for any one Petroleum Field for any year} = \frac{\text{Annual Production MOEB}}{\text{Estimated Remaining Total Production MOEB} + \text{Annual Production MOEB}} \times (\text{Abandonment Cost Estimates} - \text{Payment into the Abandonment Fund})$$

Where;

(i) "Annual Production", "Estimated Remaining Total Production" and "Abandonment Cost Estimates" are as defined in Article 35.3.1;

- (ii) "Cumulative Fund Payment" means the total amount of payments made into the Abandonment Fund for that Petroleum Field from the Commencement of Payment into the Abandonment Fund up to the current year; and
- (iii) "MOEB" means Million Oil Equivalent Barrels and for the purpose of this Article 35.4.2 only, a conversion factor of six (6) Billion Cubic Feet (BCF) equals one (1) Million Oil Equivalent Barrels (MOEB) shall be used.

In determining the amount of the payment into the Abandonment Fund the cost estimate of abandoning wells shall be excluded.

The Abandonment Fund of the Contract Area shall be the aggregate of the payments into the Abandonment Fund made in respect of all the Petroleum Fields in the Contract Area.

In the event of early termination of this Contract pursuant to Article 28 hereof or upon expiry of this Contract, Contractor shall make any outstanding payment into the Abandonment Fund in full within a period of three (3) months from the date of notice of early termination duly given or within three (3) months prior to the expiry of this Contract as the case may be.

It is the intent of the Parties that the total payment into the Abandonment Fund made by Contractor for any Petroleum Field shall equal the Abandonment Cost Estimates of such Field at the time Abandonment Operations are to be conducted or at the termination of this Contract whichever is earlier.

In the event that Petroleum from the Contract Area is produced through any of the existing Petroleum facilities, whether or not such Petroleum facilities are located inside or outside the Contract Area, the Parties shall discuss and agree on Contractor's contribution to the Abandonment Fund of such Petroleum facilities.

#### 35.4.3 Abandonment Fund: Cost Recovery

Abandonment Fund payments made by Contractor to Petrobangla shall be cost recoverable.

#### 35.4.4 Failure to make Payment into the Abandonment Fund:

In the event Contractor fail to make payment into the Abandonment Fund to Petrobangla as stated in Article 35.4, Petrobangla shall have the right to terminate this Contract in accordance with Article 28.

### **35.5 ABANDONMENT OF WELL / SALVAGE:**

35.5.1 No Well(s) shall be abandoned and no cemented string or other permanent form of casing shall be withdrawn from any Well which is proposed to be abandoned without the prior written consent of Petrobangla. Consent shall not be unreasonably withheld in respect of Wells which have become or are unproductive and in such cases shall be given promptly with due regard to the cost of any delay. Petrobangla may in any case require that no Well shall be plugged or any works be executed for that purpose save in the presence of its officials, provided such requirement does not unduly delay the agreed operations.

35.5.2 Any salvage operation from any abandoned Well shall be accounted for and reported to Petrobangla.

**ARTICLE 36**  
**PROTECTION OF ENVIRONMENT**

- 36.1 The Government and the Contractor recognize the Petroleum Operations will cause some impact on the environment in the Contract Area. Accordingly, in performance of the Contract, the Contractor shall conduct its Petroleum Operations with due regard to concerns with respect to protection of the environment and conservation of forests and natural resources. In this connection the Contractor shall employ modern oilfield and petroleum industry with advanced techniques, practices and methods of operation for prevention of environmental damages and biodiversity loss during their operations.
- 36.2 The Contractor shall take necessary and adequate steps to:
- (i) prevent environmental damage and, where some adverse impact on the environment is unavoidable, to minimize such damage and consequential effects thereof on lives and properties;
  - (ii) ensure adequate compensation for injury to persons or damage to environment and property caused by the effect of Petroleum Operation; and
  - (iii) comply with the requirements of applicable laws environment and conservation acts & rules and the reasonable requirements of the Government from time to time.
- 36.3 If the Contractor fails to comply with the provisions of Article 36.2 or contravenes any relevant law, and such failure or contravention results in any environmental damage, the Contractor shall forthwith take all necessary and reasonable measures to remedy the failure and the effects thereof.

**ARTICLE 37**  
**EFFECTIVENESS AND AMENDMENT**

- 37.1 This Contract shall come into effect on Effective Date.
- 37.2 Without prejudice to the Government's prerogative of Sovereign powers to act in the public interest, this Contract shall not be amended or modified except by mutual agreement in writing of the Government, Petrobangla and Contractor.
- 37.3 All Annexes to this Contract shall be regarded as integral part of this Contract. If there is any inconsistency between the provisions of the Annexes and the Articles, the Articles shall prevail.
- 37.4 The companies comprising Contractor signing this Contract agree to be jointly and severally liable to the Government and Petrobangla for Contractor's obligations. As between companies comprising Contractor their rights and obligations may be varied by agreement between them with the approval from Petrobangla.

**IN WITNESS WHEREOF** the Government, the Petrobangla and the Contractor have signed this Contract in quadruplicated originals in the English language on the date first hereinbefore stated.

SIGNED on behalf of the GOVERNMENT by:

(Name and designation)

SIGNED on behalf of the PETROBANGLA by:

(Name and designation)

SIGNED on behalf of the CONTRACTOR:

(Name and designation)



**ANNEX-A**  
**DESCRIPTION AND MAP OF CONTRACT AREA**

**ANNEX-B**  
**ACCOUNTING PROCEDURE**  
**SECTION-1**  
**GENERAL PROVISIONS**

**1.1 Purpose:**

The purpose of this Accounting Procedure is to set out the principles and procedures of accounting to enable Petrobangla to monitor effectively the Contractor's costs, expenditure, production and income so that Petrobangla's entitlement to Profit Oil, Profit Gas, and Profit Condensate can be accurately determined pursuant to the terms of this Contract. Such purpose includes:

- (a) classify costs and expenditure and to define which cost and expenditure shall be allowable for recovery;
- (b) specify the manner in which the Contractor's accounts shall be prepared and approved; and
- (c) address other accounting related matters.

This Accounting Procedure is intended to apply to the provisions of this Contract and is without prejudice to the computation of income tax under applicable provisions of Bangladesh tax law.

This Contract establishes the provisions that govern the costs, which may be recovered as Cost Recovery Oil, Cost Recovery Gas, and Cost Recovery Condensate. The provisions of this Accounting Procedure requiring Contractor to maintain and report certain costs does not mean that such costs are recoverable as Cost Recovery Oil, Cost Recovery Gas, and Cost Recovery Condensate.

**1.2 Definitions:**

The definitions contained in Article 1 of this Contract shall apply to this Accounting Procedure and have the same meaning. References herein to Section refer to Sections hereof unless otherwise indicated.

**1.3 Precedence of Documents:**

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

**1.4 Statements:**

- (a) Within sixty (60) days from the end of each Calendar Quarter, Contractor shall submit to Petrobangla:
  - i) a Statement of Expenditure classified in accordance with Sections 3, 4 and 6 hereof containing the information required by Section 12; and
  - ii) an Inventory Statement containing the information required by section 8.
- (b) Consolidated annual summaries of these statements shall be provided to Petrobangla, within sixty (60) days after the end of the relevant year.

- (c) Commencing with the Calendar Quarter in which Commercial Production of Petroleum is initiated in the Contract Area, Contractor shall also submit to Petrobangla within sixty (60) days from the end of each Calendar Quarter:
  - i) a Statement of Receipts in accordance with Section 13,
  - ii) a Cost Recovery Statement in accordance with Section 11;
  - iii) a Production Statement in accordance with Section 9; and
- (d) a Value of Production Statement in accordance with Section 10 consolidated annual summaries of each of these Statements shall be provided to Petrobangla within sixty (60) days after the end of the relevant year.

#### 1.5 **Books of Account:**

Contractor's books for Petroleum Operations shall be kept on the cash basis in Dollars. Such books of account shall be kept in Dhaka, in the English language and in accordance with internationally accepted financial reporting standards as published by the International Accounting Standards Board, from time to time and consistent with modern petroleum industry practices and procedures and the provisions of this Contract and this Accounting Procedure. In addition for information purposes only Contractor will maintain accounts on the accrual basis in United States Dollars. All Dollar expenditures shall be charged in the amount expended. All expenditures in Bangladesh currency shall be translated into Dollars in conformity with Article 22 of this Contract, and all other non-Dollar expenditures shall be translated into Dollars at the documented cost of purchase. Contractor shall maintain a record and document of the cost of purchase. Contractor shall maintain original record and documentation of the exchange rates used in translating Bangladesh currency or other non-Dollar expenditures to Dollars. Any realized gains or losses from the exchange of currency in respect of Petroleum Operations shall be Credited or charged to the accounts. Accounts should show current month as well as year to date amounts.

#### 1.6 **Revision of Accounting Procedure:**

This Accounting Procedure may be revised from time to time by written agreement of Petrobangla and Contractor.

#### 1.7 **Detailed outline of Accounting System:**

Within ninety (90) days after the Effective Date, Contractor shall present to Petrobangla for approval, a proposed outline of charts of accounts, detailed classifications of costs, detailed nature of cost centers (as specified in Section 4 hereof), to be used and operation records and reports to be established in accordance with this Contract and this Accounting Procedure. Within one hundred and eighty (180) days from the Effective Date of this Contract, the Contractor and Petrobangla shall agree on the outline of charts of accounts, records and reports which shall also describe the basis of the accounting system and procedures to be developed and used under this Contract. Following such agreement, Contractor shall promptly prepare and provide Petrobangla with it's:

- (a) comprehensive charts of accounts and a soft copy of the accounting system that the Contractor is using;
- (b) organization chart, showing recording and reporting functions;

- (c) manuals to be used in implementing this Accounting Procedure, and
- (d) an agreed detailed budget format which should be prepared in consultation with Petrobangla.

**1.8 Procurement Procedure:**

Within ninety (90) days after the Effective Date, Contractor shall furnish to Petrobangla for approval, the procurement procedures to be followed thereafter by Contractor for obtaining materials, equipment and services. Such Procurement Procedure should follow Section 16.

**1.9 Late Payment:**

If a Party fails to make any payment due under the provisions of this Contract within the time specified for such payment, then such overdue payment shall bear interest at a rate equal to the London Inter-Bank Offered Rate (LIBOR) as per Article 1.49 from the date of overdue payment until such overdue payment is made.

**1.10 Non-Duplication of Charges and Credits:**

Notwithstanding any provision to the contrary in this Accounting Procedure, it is the objective of the Parties that there shall be no duplication of Charges or credits to the accounts under this Contract.

## **SECTION-2**

### **CLASSIFICATION, DEFINITION AND ALLOCATION OF COSTS AND EXPENDITURES**

#### **2.1 Segregation of Costs**

Costs shall be segregated in accordance with the purposes for which such expenditures are made. All costs and expenditures allowable under Section 3 hereof relation to Petroleum Operations, shall be classified, defined and allocated as set out below in this Section.

#### **2.2 Exploration Costs**

Exploration Costs are all direct and allocated indirect expenditures incurred in the search for Petroleum in an area which is, or was at the time when such costs were incurred part of the Contract Area, including expenditures incurred in respect of :

- 2.2.1 Aerial, geophysical, geochemical, paleontological, geological, topographical and seismic surveys, analysis and studies and their interpretation.
- 2.2.2 Bore hole drilling and water Well drilling.
- 2.2.3 Labor, materials, supplies and services used in drilling Wells with the object of finding Petroleum or in drilling appraisal Wells provided that if such Wells are completed as producing Wells or Injection Well for enhancing Oil recovery, the costs of completion thereof shall be classified as Development Costs.
- 2.2.4 Facilities used solely in support of the purposes described in Sections 2.2.1, 2.2.2 and 2.2.3 above, including access roads, all separately identified.
- 2.2.5 Any Service Costs and General and Administrative Costs directly incurred on exploration activities.
- 2.2.6 Geological and geophysical information purchased or acquired in connection with Exploration Operations.

#### **2.3 Development Costs**

Development Costs are all direct and allocated indirect expenditures incurred with respect to the development of discoveries within the Contract Area including expenditures incurred on account of:

- 2.3.1 Geological and Geophysical information acquired in connection with Development Operations.
- 2.3.2 Drilling of Development Wells, whether these Wells are dry or producing and drilling of Wells for the injection of water or Gas to enhance recovery of Petroleum.
- 2.3.3 Completion of Exploration Wells by way of installation of casing or equipment or otherwise or for the purpose of bringing a Well into use as a producing Well or as a Well for the injection of water or Gas to enhance recovery of Petroleum.
- 2.3.4 Purchase, installation or construction of production, transport and storage facilities for production of Petroleum, such as pipelines, flow lines, production and

treatment units, wellhead equipment, subsurface equipment, enhanced recovery systems, offshore and onshore platforms, , harbors and related facilities and access roads for production activities.

2.3.5 Engineering and design studies for facilities referred to in Section 2.3.4.

2.3.6 Any Service Costs and General and Administrative Costs directly incurred in Development Operations.

## 2.4 **Production Costs**

Production Costs are expenditures incurred for Production Operations after the start of production from the Field (which are other than Exploration and Development Costs). The balance of General and Administrative Costs and Service Costs not allocated to Exploration Costs or Development Costs shall be allocated to Production Costs.

## 2.5 **Service Costs**

Service Costs are direct and indirect expenditures incurred in support of Petroleum Operations in the Contract Area, including expenditures on warehouses, piers, marine vessels, vehicles, motorized rolling equipment, aircraft, fire and security stations, workshops, water and sewerage plants, telecommunication, power plants, housing, community and recreational facilities and furniture and tools and equipment used in these activities. Service Costs in any Year shall include the costs incurred in such Year to purchase and/or construct the said facilities as well as the annual costs of maintaining and operating the same, each to be identified separately. All Service Costs shall be regularly allocated as specified in Sections 2.2.5, 2.3.5 and 2.4 to Exploration Costs, Development Costs and Production Costs and shall be separately shown under each of these categories. Where Service Costs are made in respect of shared facilities, the basis of allocation of costs to Petroleum Operations hereunder shall be specified.

## 2.6 **General and Administrative Costs**

General and Administrative Costs are expenditures incurred on general administration and management primarily and principally related to Petroleum Operations in or in connection with the Contract Area, and shall include:

2.6.1 main office, field office and general administrative expenditures in Bangladesh including supervisory, accounting and employee relations services;

2.6.2 an annual overhead charge for services rendered by the parent company or an Affiliate to support and manage Petroleum Operations under this Contract, and for staff advice and assistance including financial, legal, accounting and employee relations services, but excluding any remuneration for services charged separately under this Accounting Procedure, provided that:-

(i) for the period from the Effective Date until the date on which the first Development Plan under this Contract is approved by the Government, this annual charge shall be the Contractor's verifiable expenditure but shall in no event be greater than the following percentages of the total Yearly Expenditure incurred during the Contract Year in or in connection with the Contract Area and qualifying for recovery pursuant to Section 3 herein:

Yearly Expenditure in any Contract year (in million US\$)	Annual overhead charge
0-2	3%
over 2-5	2% of Yearly Expenditure in excess of US\$ 2 million.
over 5	1% of Yearly Expenditure in excess of US\$ 5 million

- (ii) from the date on which the first Development Plan is approved, the charge shall be at an amount or rate to be agreed on between the Parties and stated in the Development Plan.

2.6.3 All General and Administrative Costs shall be regularly allocated as specified in Sections 2.2.5, 2.3.5 and 2.4 to Exploration Costs, Development Costs and Production Costs respectively, and shall be separately shown under each of these cost categories.

## SECTION-3 COSTS AND EXPENDITURES

### 3.1 Classification of Costs and Expenditures:

Costs and expenditures shall be accounted for in accordance with the following classifications:

a) **Surface Use Rights:**

All direct costs attributable to the acquisition, renewal or relinquishment of surface use rights for areas required by Contractor for installations and operations forming part of Petroleum Operations.

b) **Labor:**

- (i) Actual salaries and wages of Contractor's employees directly engaged within the Contract Area in Bangladesh in the Petroleum Operations under this Contract. Salaries and wages paid to employees temporarily assigned to and employed in such activities shall be allocated on the basis of approved time sheets or other methods approved by Petrobangla.
- (ii) Actual costs for work performed at hourly rates by employees of Contractor's Affiliates, whose services are not covered by Section 3.1(f)(i) or (ii) hereof, attributable to time worked within or outside Bangladesh on Petroleum Operations under this Contract and documented by time sheets format of which shall be approved by Petrobangla. Prior approval from Petrobangla will be required for any off-site technical work.
- (iii) Cost of overseas service premiums and living and housing allowances of expatriate employees. Expatriates staying in Bangladesh for more than 4 (four) months, shall be responsible for hiring their accommodations at their own. There would be no reimbursible refurbishment cost within 2 (two) years from the date of rent for any single accommodation.
- (iv) Paid bonuses, overtime and other customary allowances applicable to salaries and wages of national employees chargeable under Section 3.1 (b)(i) hereof
- (v) Expenditures or contributions made pursuant to law or assessments imposed by Government, which are applicable to labor costs chargeable under Section 3.1 (b)(i) hereof.

c) **Employee Benefits:**

- (i) Cost of Contractor's established plans and policies (approved by Petrobangla as per Article 10.12(a)) for employee group life insurance, social security, hospitalization, pension, retirement, stock purchase, thrift, expatriate tax equalization and dependent education.
- (ii) Severance pay to national employees charged at a fixed rate applied to the national payroll, which will equal an amount equivalent to the maximum liability for such severance payments under applicable Bangladesh law.

d) **Materials, Equipment & Supplies:**

- (i) Material, equipment and supplies purchased or furnished by Contractor valued in accordance with the provisions of Section 5 hereof.



(ii) Material and equipment rented or leased charged at actual cost.

e) **Transportation:**

(i) Transportation of equipment, materials, and supplies necessary for the conduct of Contractor's activities under this Contract.

(ii) Business travel and transportation expenses to the extent covered by established policies of Contractor (approved by Petrobangla as per Article 10.12(a)), as incurred and paid by or for expatriate and national employees in the conduct of Contractor's business.

(iii) Employee relocation costs for expatriate and national employees to the extent covered by established policy of Contractors (approved by Petrobangla as per Article 10.12(a)). Transportation costs chargeable for employees and their families incurred as a result of a transfer from Bangladesh to a location other than the point of origin shall not be charged as a cost under this Contract.

f) **Services:**

i) Outside Services:

The cost of consultants, contract services and utilities procured from third parties.

ii) Affiliated Services:

Cost of services, including laboratory analysis, drafting, geophysical treatment and interpretation, geological interpretation, engineering and data processing, performed by Contractor's Affiliates in facilities inside or outside Bangladesh that are not covered by Section 3.1 (b)(ii) or 3.1(k) hereof. Use of an Affiliate's wholly owned equipment shall be charged at a rental rate commensurate with the cost of ownership and operation, but not in excess of competitive rates prevailing in South and Southeast Asia at the time of usage. Other services performed by an Affiliate shall be charged at a negotiated contract rate not exceeding the then prevailing rate for similar services performed in an Arm-length transaction on a competitive basis.

Cost of professional and administrative services provided by Affiliates for the direct benefit of Petroleum Operations, including but not limited to services related to exploration, production, legal, financial, insurance, accounting and computer which the Contractor may use if prior approval is given by Petrobangla.

g) **Damages and Losses:**

All costs or expenses necessary to replace or repair damages or losses incurred by fire, flood, storm, theft, accident or any other cause not controllable by Contractor through the exercise of reasonable diligence and not resulting through Contractor's failure to file timely claims and to diligently pursue such against the insurers. Contractor shall furnish Petrobangla written notice of damages or losses incurred in excess of ten thousand Dollars (\$ 10,000) per occurrence, as soon as practicable after report of the same has been received by Contractor.

h) **Insurance and Claims:**

The cost of insurance, including public liability, property damage and other insurance including the coverage against liabilities of Contractor to its employees

and/or outsiders as may be carried by Contractor, or required by the laws, rules and regulations of Bangladesh as Petrobangla and Contractor may agree upon. Contractor shall not provide such insurance through Affiliates or self-insure for a premium without prior specific written approval of Petrobangla and however, such approval not to be unreasonably withheld. The proceeds of any such insurance or claim collected shall be credited against the appropriate expenditure account and reduce recoverable costs. If no insurance is carried for a particular risk, all related actual expenditures incurred and paid by Contractor in settlement of any and all losses, claims, damages, judgments and any other expenses, including legal services, shall be charged to the appropriate expenditure account, provided such loss, claim or damage did not result from Contractor's failure to operate in accordance with the standards required by this Contract.

i) **Field Offices, Camps, Warehouses, Miscellaneous Facilities:**

Field offices camps and other facilities such as shore bases, warehouses, water systems, and road or other transportation systems.

j) **Legal Expenses:**

All costs and expenses of litigation, or legal services otherwise necessary or expedient for the protection of the Contract Area, Petroleum Operations and facilities against third party claims, including outside attorney's fees and expenses, together with all judgments obtained against the Parties or any of them on account of the operations under this Contract, and actual expenses incurred by a Party in securing evidence for the purpose of defending against any action or claim prosecuted or urged in connection with the operations or the subject matter of this Contract. In the event actions or claims affecting the interests hereunder shall be handled by the legal staff of Contractor or its Affiliates the cost of such personnel shall be chargeable under Section 3.1 (b)(i) or (ii) hereof.

k) **General Expenses:**

Cost of staffing and maintaining Contractor's head office in Bangladesh and other offices established in Bangladesh (excepting field offices), excepting salaries of employees of Contractor or an Affiliate, who are assigned to the various activities under this Contract, which will be charged as provided in Section 3.1 (b) hereof.

l) **Administration Overhead:**

i) Contractor's administrative overhead outside Bangladesh applicable to the Petroleum Operations under this Contract prior to the date of the first Declaration of Commercial Discovery in the Contract Area shall be charged in accordance with the following rates with respect to all expenditures allowable for Cost Recovery other than administrative overheads:

Three percent(3%) of the first two million Dollars (\$ 2,000,000) paid during the Calendar Year; two percent(2%) of the subsequent three million Dollars (\$ 3,000,000) of such expenditures paid during the Calendar Year; and one per cent (1%) of amounts exceeding five million Dollars (\$ 5,000,000) of such expenditures paid during the Calendar Year.

ii) Contractor's administrative overhead outside Bangladesh applicable to Petroleum Operations under this Contract shall be from the date on which the first Development Plan is approved. The charge shall be at an amount or

rate to be agreed on between the Parties and stated in the Development Plan.

- iii) Contractor shall make provisional quarterly charges to the accounts based on the above rates.
- iv) Such overhead charges shall be considered full compensation to Contractor's Affiliate wherever located for the following type of assistance provided:
  - A) Executive - Time of executive officers above the rank of regional exploration manager.
  - B) Treasury - Financial and exchange problems and payment of invoices.
  - C) Purchasing and Forwarding - Procuring materials, equipment and forwarding supplies.
  - D) Exploration and Production - Directing, advising and controlling the entire project.
  - E) All indirect services of Contractor's Affiliates not chargeable as direct charges under Sections 3.1 (b) or 3.1 (f) hereof, provided by other departments such as legal, engineering, employee relations and personnel recruiting, administrative, accounting and audit, which contribute, time, knowledge and experience to the operation.

m) **Taxes**

All taxes, duties, levies or any other imposts paid in Bangladesh by Contractor under Article 19 of this Contract other than Corporate income tax.

n) **Bank Charges and Interest**

Routine bank charges for transfers of funds and currency exchange.

Interest payable to a bank or lending institution or group thereof for any loan taken out by Contractor to finance any Development (a "Development Loan"), subject to the amount of the Development Loan being approved by Petrobangla and subject to the following conditions:

- (i) the rate of interest payable on the Development Loan shall be competitive in comparison to rates generally available in Bangladesh or, failing which, in the surrounding region for development loans for comparable projects;
- (ii) interest shall not be recoverable to the extent that it is payable on any loan, or part thereof, which relates to Exploration or Appraisal operations; and
- (iii) where a Development Loan does not exceed fifty percent (50%) of the overall costs of the Development, interest thereon shall be a recoverable cost in full; where any Development Loan exceeds said fifty percent (50%) then interest thereon shall be recoverable only insofar as it relates to that fifty percent (50%).

o) **Other Expenses**

Any justified costs, expenses or expenditures, other than those which are covered, dealt with or excluded by this Section 3, incurred by Contractor for the

proper conduct of the Petroleum Operations under approved Work Programs and Budgets.

**3.2 For the purpose of Cost Recovery all recoverable costs shall be further classified as follows:**

a) Operating Expenses after first Commercial Production:

All Operating Expenses incurred and paid after first Commercial Production from the Contract Area shall be recoverable in the Calendar Year in which such expenses are incurred and paid.

b) Capital Expenditures under Development Plan:

All costs incurred and paid by Contractor under Development Plan approved by Petrobangla, will be recovered either in the Calendar Quarter in which the expenditure was incurred and paid (if incurred after first commercial production) or the Calendar Quarter in which first Commercial Production occurs (if incurred prior to first commercial production).s

c) Exploration Costs and other costs not included under a) and b) above:

Costs relating to Exploration and Appraisal Programs before first Commercial Production as well as all other expenses related to Petroleum Operations, not directly related to items (a) or (b) above, but incurred and paid prior to first Commercial Production, will be recovered at the rate of twenty-five per cent (25%) per year on a straight-line basis, commencing in the Calendar Year in which Commercial Production commences in the Contract Area.

Costs relating to Exploration and Appraisal Programs after first Commercial Production as well as other expenses not directly related to items (a) or (b) above will be recovered in the Calendar Year in which such expenses are incurred and paid.

d) To the extent that in a Calendar Year costs or expenses recoverable under Section 3.2 a), b) or c) related to the Contract Area exceed the value of all Cost Recovery Petroleum from the Contract Area for such Calendar Year, the excess shall be carried forward for recovery in the next succeeding Calendar Year until fully recovered, but in no case after expiry of this Contract.

3.3 (a) For the purpose of cost recovery, all recoverable costs shall be recoverable from the date such costs are incurred in accordance with this Contract and the Accounting Procedure.

(b) The chart of accounts shall be organized so that goods and services which have been procured from Bangladeshi suppliers can be identified.

(c) Use of an Affiliate's services or wholly owned equipment shall be charged in accordance with the principles set out in Section 3.1 f(ii) herein.

## SECTION-4 COST CENTERS

- 4.1 In order to provide for an efficient control of the Recoverable Costs under this Contract, all costs must be presented for Petrobangla's review on the basis of Cost Centers. The detailed division shall be agreed upon pursuant to Section 1.7 hereof. However, as a minimum the following divisions shall be established:
- a) The costs shall be allocated per area in the following manner:
    - i) Exploration Area
    - ii) each individual Production Area
    - iii) costs that cannot be related to a certain area.
  
  - b) The costs shall be allocated per Petroleum Operations in the following manner:
    - i) Exploration Operations, sub-divided further into:
      - A) aerial, geological, geochemical, paleontological, topographical and other surveys
      - B) each individual seismic survey
      - C) each individual Exploratory or Appraisal Well
      - D) infrastructure (roads, airstrips, etc.)
      - E) support facilities (warehouses etc.), including an allocation of common service costs (costs related to various Petroleum Operations)
      - F) administrative overhead and general expenses
      - G) other costs.
  
    - ii) Development Operation, sub-divided further into:
      - A) aerial, geological, geochemical, geophysical and other surveys
      - B) each individual Development Well
      - C) gathering lines
      - D) field facilities
      - E) pipelines
      - F) tank farms and other storage facilities for Petroleum
      - G) infrastructure within Contract Area
      - H) support facilities, including an allocation of common service costs (costs related to various Petroleum Operations)
      - I) an allocation of the Administrative Overhead and General Expenses
      - J) other costs.
  
    - iii) Production Operations, sub-divided in the same manner as Development Operations.

- c) Costs shall be allocated to Oil, Natural Gas, Condensate and NGL where all are being produced and saved. The allocation shall be in accordance with the following principles:
  - i) Where costs are exclusively related to either Oil or Natural Gas or Condensate or NGL such costs shall be allocated completely to the respective fuel;
  - ii) Where costs can be attributed to all Oil, Natural Gas, Condensate and NGL the costs shall be allocated on a basis agreed between the Parties in accordance with good practices in the international petroleum industry.

## SECTION-5 VALUATION OF MATERIALS

5.1 Materials either charged to the accounts pursuant to Section 4 hereof or credited to the accounts pursuant to Section 6 hereof shall be valued in accordance with the principles of this Section.

5.2 **Purchases:**

Material, equipment and supplies required shall be purchased by Contractor directly from the supplier, whenever practicable and in such event, shall be charged at the price paid by Contractor after deduction of all discounts actually received.

5.3 **Material furnished by Contractor:**

Materials provided by Contractor from Contractor's or Contractor's Affiliate's stocks outside Bangladesh at prices specified in (a) and (b) below:

- a) New material (Condition "A")  
New material transferred from Contractor's Affiliate's warehouses or other properties shall be priced at net cost provided that the cost of material supplied is no higher than prices in South and South-East Asia for material of similar quality, supplied on similar terms, prevailing at the time such material was supplied.
- b) Used material (Conditions "B" and "C")
  - 1) Material which is in sound and serviceable condition and is suitable for reuse without reconditioning shall be classified as Condition "B" and priced at seventy-five percent (75%) of allowable value of new material as defined in Section 5.3(a) above.
  - 2) Material which cannot be classified as Condition "B" but which
    - i) after reconditioning will be further serviceable for original function  
or;
    - ii) is serviceable for original function but substantially not suitable for reconditioning shall be classified as Condition "C" and price at fifty percent (50%) of the allowable price of new material as defined in Section 5.3(a) above. The cost of reconditioning shall be charged to the reconditioned material provided that the value of Condition "C" material plus the cost of reconditioning do not exceed the value of Condition "B" material.
- c) Material, which cannot be classified as Condition "B" or "C", shall be priced at a value commensurate with its use.
- d) Tanks, buildings and other equipment involving erection costs shall be charged at applicable percentage of knocked down allowable new price.

## **SECTION-6 RECEIPTS**

6.1 Credits in favor of Contractor as a result of the Petroleum Operations or incidental thereto shall be credited to the respective accounts and including credits in the Statement of Expenditures. Such credits shall include the following transactions:

a) **Claims Recovery**

The proceeds of any insurance or claim in connection with the Petroleum Operations or any assets charged to the accounts.

b) **Third Party Revenues**

Revenues received from third parties for the use of property or assets, for the delivery of any services by Contractor or for any information or data.

c) **Adjustments**

Any discounts or adjustments received by Contractor from the suppliers/manufacturers or their agents in connection with goods purchased or defective equipment or materials, the costs of which were previously charged to the accounts.

d) **Refunds**

Rentals, refunds or other credits received by Contractor, which apply to any charge, which has been made to the accounts.

e) **Sale or Export of Materials**

In case Contractor sells or exports or transfers any material to Affiliates or other entities or persons, the value of such transfers shall be credited to the accounts, the costs of which were previously charged to the accounts.



## **SECTION-7**

### **NON-RECOVERABLE COSTS**

- 7.1 The following costs shall be non-recoverable for purpose of Cost Recovery under Article 14 of this Contract
- a) except as permitted under Section 3.1(n) above, interest or financing charges on investment in the Contract Area; for the avoidance of doubt, such charges in respect of Exploration and Appraisal Operations shall be non-recoverable.
  - b) costs for which original records do not exist or are not correct in any material respect;
  - c) costs incurred before the Effective Date of this Contract that were not incurred within the relevant Work Program and Budget, or that are of a category not permitted by the Contract or the Accounting Procedure;
  - d) costs of goods and services in excess of the international market price for goods or services of similar quality supplied on similar terms prevailing in South and South East Asia at the time such goods or services were contracted by Contractor;
  - e) charges for goods and services, which are not in accordance with the relevant agreement with the sub-contractor or supplier;
  - f) charges for goods in excess of the amount allowed by Section 5 hereof and/or for which the condition of the material does not tally with their prices;
  - g) any costs not reasonably required for the Petroleum Operations;
  - h) costs incurred beyond the measurement point;
  - i) income taxes and other taxes (direct or indirect) incurred outside Bangladesh;
  - j) amounts paid under Articles 20.1 through 20.4 and 25.6 of this Contract;
  - k) costs of expert determination or arbitration pursuant to Article 30 of this Contract;
  - l) fines and penalties imposed by any authority;
  - m) donations or contributions, unless previously approved by Petrobangla;
  - n) any costs not included in approved work program and budget, unless resulting from an emergency as mentioned in Article 2.7 of this Contract;
  - o) income tax as per Article 19 paid by the Contractor;
  - p) the emergency expenditure incurred (as per Article 2.7) but not reported to Petrobangla within the stipulated time;
  - q) expenditure in respect of any financial transaction to negotiate, float or otherwise obtain or secure funds for Petroleum Operations including but not limited to interest, commission, brokerage and fees related to such transaction as well as exchange losses on loan or other financing whether between Affiliates or otherwise;

- r) Expenditure incurred in obtaining, furnishing and maintaining the guarantees required under this Contract and any other amount spent on indemnities with regard to non-fulfillment of contractual obligations;
- s) costs related to administrative overhead outside of Bangladesh for the following types of assistance (which are considered to be fully compensated by the appropriate overhead charges detailed in Section 3.1(l)):
  - Executive: time of executive officers above the rank of regional exploration manager;
  - Treasury: financial and exchange problems and payment of invoices;
  - Purchasing and Forwarding: procuring and forwarding equipment and supplies; and
  - Exploration and Production: directing, advising and controlling the entire project;
- t) costs of materials and services in excess of the values established under the principles in Section 3.1 f) and Section 5. Costs shall include such costs as export broker's fees, transportation charges, loading and unloading fees, import duties, surcharges and license fees associated with the procurement of materials and equipment, and applicable taxes;
- u) costs involved in creation and management of any partnership or joint venture arrangement, or costs of acquisition of an interest in this Contract or the Contract Area;
- v) benefits not mentioned in section 3.1c).
- w) costs incurred which:
  - (i) are covered by insurance for Included Risks;
  - (ii) are a result of failure to insure where insurance is required pursuant to the Contract;
  - (iii) are receivable for any insured loss that is an Included Risk and which was not claimed by Contractor under its policies of insurance; or
  - (iv) would have been receivable by Contractor where Contractor has self- insured with Petrobangla's approval within Section 3.1(h) hereof;
- x) costs and expenditure incurred as a result of willful misconduct or negligence of Contractor;
- y) expenses of the members of the Joint Management Committees (JMC) and Joint Review Committees (JRC);
- z) amounts paid with respect to non-fulfillment of a contractual obligation and any loss or expenses due to non-compliance with this Contract including its Annexes

## **SECTION-8 INVENTORIES AND INVENTORY STATEMENT**

### **8.1 Periodic Inventories, Notice and Representation:**

At reasonable intervals as agreed between Petrobangla and Contractor, but in any event at least once a year and on termination of this Contract, inventories shall be taken by Contractor of the operations material, which shall include all such material, physical assets and construction projects.

Written notice of intention to take an inventory shall be given by Contractor to Petrobangla at least thirty (30) days before any inventory is to begin so that Petrobangla may be represented when any inventory is taken.

Failure of Petrobangla to be represented at an inventory shall bind Petrobangla to accept the inventory taken by Contractor, who shall, in that event, furnish Petrobangla with a copy.

### **8.2 Reconciliation and Adjustment of Inventories:**

Reconciliation of inventory shall be made by Contractor and Petrobangla, with a list of shortages and overages being jointly determined, and the inventory shall be accordingly adjusted by Contractor.

### **8.3 Inventory Statement:**

- (a) Contractor shall maintain detailed records of property acquired for Petroleum Operations.
- (b) On a Quarterly basis, Contractor shall provide Petrobangla an inventory statement containing:
  - (i) description and codes of all controllable assets and materials;
  - (ii) amount charged to the accounts for each asset;
  - (iii) date on which each asset was charged to the account; and
  - (iv) whether the costs of such asset has been recovered pursuant to Article 14 of this Contract.

### **8.4 Identification:**

To the extent possible and reasonable all assets shall be identified for easy inspection with the respective codes specified in the manuals prepared by Contractor under Section 1.7 hereof.

## **SECTION-9 PRODUCTION STATEMENT**

- 9.1 Contractor's Production Statement shall contain the following information and shall be prepared in accordance with the following principles:
- (a) The production sharing shall be determined on the basis of all Oil, Natural Gas, Condensate and NGL produced and saved from the Contract Area and measured at the Measurement Point or Points during the respective Calendar Quarter in accordance with Article 18 of this Contract. The production of Oil, Condensate and NGL in Barrels per day, for the purpose of applying the provisions of Article 18 of this Contract, shall be determined by dividing the total measurements of Oil, Condensate and NGL for the Calendar Quarter by the number of days in such Calendar Quarter. Where different grades of Oil, Condensate and NGL are being delivered at the Measurement Point(s), the volumes of each grade shall be determined separately.
  - (b) The volumes of each grade of Oil or Condensate or NGL will be determined separately at the Measurement Point.
  - (c) The volumes of Oil or Condensate or NGL shall be corrected for water and sediments, and shall be determined on the basis of standard temperatures and pressures. The gravity, Sulphur content, and other quality indicators of the Oil or Condensate or NGL shall be determined and registered regularly.
  - (d) The volume of Natural Gas shall be determined on the basis of standard temperatures and pressures. The energy content, Sulphur content and other quality indicators of the Natural Gas shall be determined and registered regularly.

**SECTION-10**  
**VALUE OF PRODUCTION STATEMENT**

- 10.1 Petrobangla and Contractor shall prepare a Statement providing calculations of the Value of the Oil, Natural Gas, Condensate and NGL produced and sold at the Measurement Point(s) in accordance with Article 17 of this Contract. This Value of Production Statement shall include:
- (a) the quantities and prices realized by the Contractor as a result of sales of Oil, Condensate and NGL to third parties during the Month in question;
  - (b) the quantities and prices realized by the Contractor as a result of sales of Oil, Condensate and NGL during the Month in question to parties other than third parties;
  - (c) the quantity of stocks owned by the Contractor at the beginning and end of the Month;
  - (d) information available to Contractor concerning the prices of Crude Oil produced by the main petroleum exporting countries of relevance for the determination of the value of the Oil, including contract prices, discounts and premiums and prices obtained in the spot market, in accordance with Article 17 of this Contract;
  - (e) the quantities and prices realized by Contractor and Petrobangla as a result of the sales of Natural Gas.

**SECTION-11**  
**COST RECOVERY STATEMENT**

- 11.1 Contractor shall, pursuant to Section 1.4 hereof, render to Petrobangla not later than sixty (60) days after each Calendar Quarter a statement for that Calendar Quarter showing:
- (a) recoverable costs carried from the previous Calendar Quarter, if any;
  - (b) recoverable costs incurred during the Calendar Quarter;
  - (c) total recoverable costs for the Calendar Quarter;
  - (d) quantity and value of Cost Oil or Cost Natural Gas or Cost Condensate or Cost NGL taken and separately disposed of by Contractor during the Calendar Quarter;
  - (e) amount of costs recovered for the Calendar Quarter;
  - (f) amount of recoverable costs carried into succeeding Calendar Quarter, if any;  
and
  - (g) quantity of Profit Sharing Oil or Natural Gas or Condensate or NGL taken and separately disposed of by Contractor and Petrobangla during the Calendar Quarter.

**SECTION-12**  
**STATEMENT OF EXPENDITURES**

- 12.1 Contractor shall prepare each Quarter a Statement of Expenditures. This Statement shall show the following:
- (a) the Expenditures contemplated for the Calendar Year in the Budget, on the basis of the Cost Classification and Cost Centers as provided for in this Accounting Procedure;
  - (b) the Expenditures (less credits) accrued during the Months in question;
  - (c) the cumulative Expenditures (less credits) for the Calendar Year under consideration;
  - (d) modifications to the Budget agreed to in accordance with this Contract by Petrobangla, without prejudice to the provisions of Article 2.7 of this Contract, which provisions shall prevail regarding emergency expenditures;
  - (e) the latest forecast of cumulative Expenditures for year end; and
  - (f) variations between Budget forecast (as amended by sub-paragraph (d) hereof, where applicable) and latest forecast and reasonable explanations thereof

**SECTION-13**  
**CONTROL STATEMENT AND OTHER ACCOUNTS**

**13.1 Control Statements**

Contractor shall establish a cost recovery account and an off-setting contra account therein the amount of costs remaining to be recovered and the amount of costs recovered.

**13.2 Other Accounts**

Revenue accounts shall be maintained by Contractor to the extent necessary for the control of recovery of costs and the treatment of Cost Oil or Natural Gas or Condensate or NGL.



## **SECTION-14**

### **AUDITS AND ADJUSTMENTS**

- 14.1 Each Statement of Expenditure supplied by Contractor shall be presumed to be true and correct with regard to the issue of whether the type of Cost is subject to Cost Recovery unless within six (6) months after receipt thereof Petrobangla takes written exception to any item.
- 14.2 Each annual audited accounts and statement of expenditure supplied by Contractor shall be presumed to be true and correct, as to the sums charged as expenses or credited as receipts, twenty-four (24) months after receipt by Petrobangla unless within the said twenty-four (24) months Petrobangla takes written exception to any charge or credit. Financial audits shall also be carried out within the said twenty-four (24) months after receipt of annual audited accounts by Petrobangla.
- 14.3 Without prejudice to statutory rights, Petrobangla, upon at least twenty (20) Days advance written notice to the Contractor, shall have the right to inspect and audit, during normal business hours, all records and documents supporting costs, expenditures, expenses, receipts and income, such as the Contractor's accounts, books, records, invoices, cash vouchers, debit notes, price lists or similar documentation with respect to the Petroleum Operations conducted under this Contract in each Year, within two (2) years (or such longer period as may be required in exceptional circumstances) from the end of such Year.
- 14.4 In conducting the audit, Petrobangla or its auditors shall be entitled to examine and verify, at reasonable times, all charges and credits relating to the Contractor's activities under this Contract and all books of account, accounting entries, material records and inventories, vouchers, payrolls, invoices and any other documents, correspondence and records considered necessary by Petrobangla to audit and verify the charges and credits. The auditors shall also 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 Petroleum Operations, and to physically examine other property, facilities and stocks used in Petroleum Operations, wherever located and to question personnel associated with those operations. Where Petrobangla requires verification of charges made by an Affiliate, Petrobangla shall have the right to obtain an audit certificate from an internationally recognized firm of public Accountants acceptable to both the Petrobangla and the Contractor. Submission of the audit certificate, shall in no way relieve or diminish the responsibility of the Contractor for the compliance with the obligations under this Contract.
- 14.5 Pending expiry of the periods referred to in Section 14.1 and 14.2 hereof, Petrobangla shall have the right to inspect, with reasonable notice, Contractor's accounts, records and supporting documents in Bangladesh.
- 14.6 Contractor's administrative overheads pursuant to Section 3.1(l) hereof shall not be subject to audit except as to their application in calculating sums charged as expenses.
- 14.7 Petrobangla may require Contractor to engage Contractor's parent company's auditors to examine at Contractor's cost and in accordance with generally accepted auditing standards, the books and records of Contractor's Affiliate to verify the accuracy and compliance with the terms of this Contract and this Accounting Procedure in so far as a charge from the Affiliate of Contractor (or of any entity comprising Contractor) is included directly or through Contractor as a reimbursable cost under this Contract. Whenever audit of an Affiliate's books is so requested, Petrobangla shall specify in writing the item or items for which it requires verification from such independent auditors. A copy of the independent auditor's findings shall be delivered to Petrobangla within thirty (30) days after completion of such audit.

- 14.8 All documents must be maintained by Contractor and made available for inspection for five years following their date of issue, or for such longer period as may be legally required.
- 14.9 Petrobangla shall make every reasonable effort to conduct audits in a manner, which will result in a minimum of inconvenience to Contractor and Petroleum Operations. Contractor shall make every reasonable effort to cooperate with Petrobangla and will provide, as appropriate, reasonable facilities and assistance.
- 14.10 An exception referred to in Section 14.1 and 14.2 hereof shall specify the particular cost or costs being contested and the reason for being contested. Contractor shall answer any exception within sixty (60) days of the receipt of such exception. In the event that the Contractor does not respond to the exception within sixty (60) days of receipt, the exception in question will be deemed accepted by the Contractor.
- 14.11 If the Parties are unable to reconcile an exception within ninety (90) days of the receipt of the exception, Contractor and Petrobangla shall promptly present the matter to the Secretary of the Ministry of Energy and Mineral Resources of the Government for consultation and if the matter has not been resolved within the next ninety (90) days, then at any time thereafter either Party may refer the dispute thereon for resolution in accordance with Article 30 of this Contract.
- 14.12 Notwithstanding any reference to a Sole Expert or Arbitration in accordance with the provisions of this Contract, in case any amount is claimed as due to Petrobangla resulting from the audit exception but not accepted or settled by the Contractor, then the Contractor shall provide a parent company guarantee for such claimed amount within ninety (90) days from the date when the amount is disputed by the Contractor.
- 14.13 Any adjustments required by an agreed exception or by the settlement of a disputed exception pursuant to Section 14.10 shall be made within 30 (days) by adding LIBOR + one (1) percent interest (from the date of agreement) in the Contractor's accounts and any consequential adjustments to the allocation of production under Article 14 of this Contract shall be made within thirty (30) days.

## **SECTION-15 TERMINATION**

As soon as practical after termination of this Contract, or where applicable, after Abandonment Costs have been incurred, the accounts shall be finally settled and balanced by whatever cash payment between the Contractor and Petrobangla are necessary.

**SECTION-16**  
**PROCEDURE FOR ACQUISITION OF GOODS AND SERVICES**

**I. OBJECTIVES**

The objectives of these procedures are to:

- (a) ensure that the goods and services acquired by the Operator for carrying out the Petroleum Operations are acquired at the optimum cost taking into consideration all relevant factors including price, quality, delivery time and the reliability of potential suppliers.
- (b) ensure that goods and services are delivered in a timely manner taking into consideration the consequences of delay in the acquisition of these goods and services on the project as a whole.

**II. PRINCIPLES**

The principles upon which these procedures are based on:

- (a) The Parties must be satisfied that the Operator is working in accordance with an agreed procedure for acquiring goods and services which is auditable and in accordance with the provisions of this Contract.
- (b) The Operator must have the ability to acquire goods and services expeditiously so that the project schedules in respect of Approved Work Program are maintained.

**III.** A set of vendor qualifications criteria for each major category contract/supply shall be proposed by the Operator and approved by Petrobangla within thirty (30) days of its submission. In the event Petrobangla fails to approve vendor qualification criteria within thirty (30) days of the date the same is first submitted by the Operator, the matter shall be referred to the JRC/JMC for decision. The Committee may revise the qualification criteria.

**IV.** Contracts will be awarded to qualified vendors/contractors who are identified as approved vendors for the specified activities. A list of such approved vendors shall first be established as follows:

**Operator shall:**

- 1) provide Petrobangla with a list of the entities from whom Operator proposes to invite tender for contracts; and such list shall be approved by Petrobangla,
- 2) add to such list entities who subsequently are deemed qualified subject to approval of Petrobangla, Such list shall thereafter be maintained by the Operator. Petrobangla may add to or delete vendors from such list.

**V. PROCEDURES**

The procedures to be adopted by the Operator for the acquisition of goods and services shall be as follows:

	<b>Procedure A</b>	<b>Procedure B</b>	<b>Procedure C</b>
Applicable to Exploration, Appraisal, Development and Production operation	\$50,000 to less than \$500,000	\$ 500,000 to less than \$ 10,000,000	Equal to or more than \$10,000,000

### **For contracts valued at less than \$ 5000**

The Operator will be at liberty to determine the procurement procedures and methods to procure goods and services valued at less than five thousand Dollars (\$ 5000).

### **For Contracts valued at \$ 5000 and above but less than \$ 50,000**

The Operator will be at liberty to determine the preferred method of acquiring goods and services valued at five thousand Dollars (\$ 5000) and above but less than fifty thousand Dollars (\$ 50,000) provided that at least three (3) quotations from selected suppliers (including at least one (1) Bangladeshi supplier, if available) will be obtained. For items valued at greater than twenty thousand Dollars (\$ 20,000) Operator is required to report to the Petrobangla if the quoted price accepted exceed the lowest quoted price by more than twenty (20) percent. Operator will promptly report to the Petrobangla the Operator's reasons for not selecting the lowest quote.

### **For Contracts valued at \$ 50,000 and above but less than \$ 1,000,000 (Procedure A):**

Operator Shall:

- (1) provide Petrobangla with a list of the entities from whom the Operator proposes to invite tender;
- (2) add to such list the entities proposed by Petrobangla within five (5) Business Days of receipt of such proposal from Petrobangla;
- (3) Provide Petrobangla a comparative bid analysis stating Operator's choice of the entity for award of contract. Provide also reasons for such choice in case entity chosen is not the lowest bidder;
- (4) inform Petrobangla of the entities to whom this Contract has been awarded; and
- (5) Provide Petrobangla with a copy of the signed contract.

### **For Contracts valued at \$ 1,000,000 and above but less than \$10,000,000 (Procedure B):**

Operator shall:

- (1) publish invitations for the proposed contract in at least three (3) daily national Bangladeshi newspaper. Provide Petrobangla with a list of responding vendors including those not included in the approved vendor list established under Section 16(IV) above. Subject to Petrobangla's approval, bids received from qualified vendors not included in the approved vendor list shall be accepted for evaluation.
- (2) provide Petrobangla with a comparative bid analysis stating Operator's recommendation as to the entity to whom this Contract should be awarded, the reasons therefore, and the technical, commercial and contractual terms to be agreed upon;
- (3) obtain the approval of the JRC/JMC to the recommended bid; and
- (4) Provide Petrobangla with a copy of the signed contract.

**For Contracts valued at \$ 10,000,000 and above (Procedure C):**

Operator shall:

- (1) Award of contracts must be given thorough competitive bidding.
- (2) publish invitations for the proposed contract in at least three (3) daily national Bangladeshi newspaper. Provide Petrobangla with a list of responding vendors including those not included in the approved vendor list established under Section 16(IV) above. Subject to Petrobangla's approval, bids received from qualified vendors not included in the approved vendor list shall be accepted for evaluation.
- (3) provide Petrobangla with all bids received from the bidders as soon as the bids are received.
- (4) obtain the approval of the JRC/JMC to the recommended bid; and
- (5) Provide Petrobangla with a copy of the signed contract.

**ANNEX-C**  
**FORM OF BANK GUARANTEE**

Bangladesh Oil, Gas and Mineral Corporation (Petrobangla)  
Petrocenter  
3 Kawran Bazar Commercial Area  
Dhaka-1215  
The People's Republic of Bangladesh

In consideration of your concluding a Production Sharing Contract on [date] with [Name of the Contractor] a company incorporated under the companies Acts of [Country of incorporation] and having its registered office at (address) (hereinafter called the Contractor) concerning oil and gas exploration and production in Block No. [.....] ("the Contract") for which Contractor has certain obligations for timely performance of the Minimum Exploration Program under Article 6 of this Contract for the relevant period in accordance with this Contract, we the undersigned bank, [name of bank, Dhaka address] hereby irrevocably, absolutely, unconditionally and independently bind ourselves and give this unqualified Bank Guarantee to you on behalf of [Name of the Contractor].

- 1) To make immediate payment to you of maximum.....US\$ (figure) [United State Dollars (words) only] on receipt at this office of your first written demand in the form of Exhibit I attached hereto, with the signatures thereon duly authenticated by your Bankers, without any question or argument or dispute and without any reference to Contractor in any manner whatsoever.
- 2) This Guarantee shall remain valid and in force for written demand received by us until the earlier of (i) the date of receipt by us of a certificate from Contractor, countersigned by you, in the form of Exhibit II attached hereto; and (ii) 1400 hours Dhaka time on [date execution plus .....years] (which earlier date is hereinafter called "Expiry"), after which time our liability to you under this Guarantee will be of no further effect and it is to be returned to this office.
- 3) In the event of your requiring an extension to this Guarantee, we should be notified in writing at least fifteen (15) days before Expiry.
- 4) This Bank Guarantee shall come into force upon its issue.
- 5) This Bank Guarantee shall be binding on us and on our successors in interest and shall be irrevocable.
- 6) That our liability under this Bank Guarantee is restricted to US\$ (figure as in (1) (United states Dollar [words] only).
- 7) This Bank Guarantee is personal to yourselves and is not assignable.
- 8) This Guarantee shall not be affected by any change in the constitution of the guarantor bank, its successors or assigns or by the absorption of or by its amalgamation with any other bank and the Guarantee shall continue in force and be applicable notwithstanding any change in the composition of the contracting company.

Yours faithfully,

[Name of Bank]

## FORM OF EXHIBIT-I

### EXHIBIT-I TO BANK GUARANTEE

[name and address of issuing bank]

Gentlemen,

With reference to Bank Guarantee No..... issued by your Bank in favor of Bangladesh Oil, Gas and Mineral Corporation (Petrobangla), we hereby request you to deliver to us US\$.....(United states Dollars..... ) to be drawn under the aforementioned Bank Guarantee, since Contractor has not completed the Minimum Exploration Program for the current period under the terms and conditions of Article 6 of the PSC dated .....

The amount thus drawn by Petrobangla does not exceed the current available amount under the Bank Guarantee.

As a consequence of the foregoing, please pay to Petrobangla the amount stated above. [Add payment instructions.]

Yours faithfully,

TITLE:

Bangladesh Oil, Gas and Mineral Corporation (Petrobangla)

(minimum of 2 signatories)



**FORM OF EXHIBIT-II (two copies to be submitted)**

**EXHIBIT-II TO BANK GUARANTEE  
[letterhead]**

Bangladesh Oil, Gas and Mineral Corporation (Petrobangla)  
[Address]

Dear Sirs,

**PRODUCTION SHARING CONTRACT - BLOCK ..... ("THE CONTRACT")**

(Name of the Contractor) under this Contract, hereby certifies that the Minimum Exploration Program required pursuant to the provisions of Article.....of this Contract has been completed in accordance with this Contract and that both

- i) all technical data related thereto; and
- ii) a technical report thereon as required pursuant to the provision of Article.....of this Contract have been delivered to Petrobangla.

Contractor hereby requests Petrobangla to countersign this Certificate pursuant to the provisions of Article.....of this Contract.

Yours faithfully,

Countersigned by:

\_\_\_\_\_  
For and on behalf of  
(Name of the Contractor)

\_\_\_\_\_  
For and on behalf of  
Petrobangla

## ANNEX-D

### REPORTS TO BE SUBMITTED BY CONTRACTOR (ARTICLES 10.9, 10.10 and 10.11)

1. Monthly, quarterly and annual progress reports.
2. Reports on surface geological surveys, to be submitted after completion of such survey, including but not limited to:
  - (a) Geological maps in 1:50,000 and 1:250,000 scales
  - (b) Analysis of Petroleum reservoirs specifying the rock types, petrology, permeability and porosity.
  - (c) Petroleum source rocks analysis, consisting of total organic carbon contents, types and maturity.
  - (d) Palaeontology analysis, stratigraphy and environment of deposition.
3. Reports on magnetic, gravity and oil slick surveys, including but not limited to:
  - (a) Flight path maps in and 1:250,000 scale.
  - (b) Aerial magnetic recording tapes.
  - (c) Daily records of the earth's magnetic fields.
  - (d) Specifications of equipment used in the magnetic, gravity and oil slick surveys.
  - (e) Reports on the interpretation of clause (a), (b) and (c) together with maps showing the intensity of magnetic and gravity and depth of basement, and structural maps both in soft and hard copy in 1:250,000 scales. Report on the observations and interpretation of the results of the oil slick survey.

Reports on clauses (a), (b), (c) and (d) shall be submitted within thirty (30) days after completion of the magnetic, gravity and oil slick surveys, and reports on clause (e) shall be submitted within ninety (90) days thereof.

4. Reports on seismic data acquisition, processing and interpretation thereof including but not limited to the following in relation to seismic surveys:
  - a) Source and receiver pattern diagrams.
  - b) Specifications of equipment used in seismic surveys.
  - c) Seismic shot point maps in digital files.
  - d) Source wave form characteristic analysis.
  - e) Processing sequence and parameters.
  - f) Magnetic tapes containing raw and processed seismic data. The processed data should have navigation information in the header file.

- g) PDF files of all seismic sections.
- h) Root mean square velocity and interval velocity analysis of shot points carried out in each line Velocity files should be provided as soft copy.
- i) Seismic interpretation of relevant horizon as well as the geological age of the horizons.
- j) Structural contour maps prepared on the basis of the interpretations of clause (g) and (h) in 1:250,000 scale.

Reports on clauses (a), (b), (c), (d), (e), (f), shall be submitted sixty (60) days after completion of the processing of the survey.

Reports on clauses (g), (h) and (i) shall be submitted within one hundred and twenty (120) days after completion of the processing of the survey.

5. Reports on drilling operations including the following:

- (a) A daily report within 13:00 hours of the following day, which must contain the following details:
  - (i) Names of well and Contractor.
  - (ii) Date and time of operation.
  - (iii) Name of drilling rig.
  - (iv) Days of previous operation on the particular well.
  - (v) Depth of well at time of report.
  - (vi) Diameter of well.
  - (vii) Type and size of drill bit.
  - (viii) Deviation of well.
  - (ix) Type, weight, and specification of drilling mud.
  - (x) Operation and problem during previous 24 hours.
  - (xi) Lithology within previous 24 hours
  - (xii) Petroleum found.
  - (xiii) Type, size, weight and depth of casing.
  - (xiv) Cementing.
  - (xv) Pressure test of Petroleum blow-out preventer, casing and other related equipment.
  - (xvi) Well logging, including type and depth of logging.

- (xvii) Core sampling.
  - (xviii) Flow tests and the depth thereof
  - (xix) Well abandonment.
  - (xx) Drilling rig, released.
  - (xxi) Conditions of weather.
- (b) Well completion reports on well test analysis and details of geology and lithology within thirty (30) days after completion of operations in relation to drilling of a Well.
- (c) One complete set of well logs at (1:500 and 1:200) spliced into continuous logs, both as hard and digital copy within thirty (30) days after the completion of well logging operations. The well completion logs should include at least the following:
- (i) Log curves.
  - (ii) Lithologic plot and description.
  - (iii) Formation tops.
  - (iv) Velocity information.
  - (v) Shows and tests.
  - (vi) Casing and plugs.
  - (vii) Cores.
  - (viii) Paleo markers.
  - (ix) Environment of deposition.
  - (x) Any other information, which Contractor has plotted on its own 1: 1000 logs and which contributes to an interpretation of the results of the well.
- (d) Interpretation of well logging, including formulae and methods of calculation within thirty (30) days after completion of operations.
- (e) Reports on sample analysis within thirty (30) days after completion of operations in relation to drilling of a Well.
- (f) Well test reports within thirty (30) days after completion of operations, including the following details:
- (i) Depth of test.
  - (ii) Hydrocarbon and water.
  - (iii) Analysis of hydrocarbon and water.
  - (iv) Pressure analysis.

6. Reports on production of Petroleum including the following:
  - a) A daily report within 13:00 hours of the followings day, with following details:
    - (i) Amount of Petroleum produced.
    - (ii) (ii) Amount of Petroleum stored, sold or disposed.
    - (iii) Amount of Petroleum used as fuel.
    - (iv) Amount of Petroleum flared.
    - (v) Gravity and viscosity.
    - (vi) Vapor pressure.
    - (vii) Pour point.
    - (viii) Dew-point and composition of Natural Gas.
    - (ix) Impurities.
    - (x) Water produced and result of the analysis.
    - (xi) Tubing and casing pressure.
    - (xii) Choke size.
    - (xiii) Well test.
    - (xiv) Operation during the previous 24 hours.
  - b) Workover report, giving reasons, length and details of workover within thirty (30) days after the completion of the workover.
  - c) Stimulation report, stating methods and details of materials used for the purpose within thirty (30) days after the completion of operations.
  - d) Bottom hole pressure test report within fifteen (15) days after the completion of the test.
  - e) Production test report including details of calculation within thirty (30) days after completion of the test.
  - f) Structural contour maps for all horizons together with well location, reserves assessment, and detailed calculation and reservoir simulation report, if applicable, within thirty (30) days prior to production and every six (6) months during production in the event of change.
7. Reports on investigation of Petroleum reserves, field limits and economic evaluations.
8. Safety programs and reports on accidents.

9. Procurement plans for goods and services, and copies of all contracts with sub-contractors.
10. Design criteria, specifications, maps and construction records.
11. Reports technical investigations relating to Petroleum Operations.
12. Statements of Petroleum Costs.
13. Reports on education and training programs.
14. Such other reports as may be required according to the Accounting Procedure or by Petrobangla or Government.

## ANNEX-E

### (EXHIBIT-I)

#### FORM OF PARENT COMPANY FINANCIAL AND PERFORMANCE GUARANTEE

(to be furnished pursuant to Article 7.7 of this Contract)

WHEREAS \_\_\_\_\_ a company duly organized and existing under the laws of \_\_\_\_\_ having its registered office at \_\_\_\_\_ (hereinafter referred to as ' the Guarantor' which expression shall include its successors and assigns) is [ the indirect owner of one hundred percent (100%) of the capital stock of XYZ Company and direct owner of its parent company; ] and

WHEREAS **XYZ** Company is signatory to a Production Sharing Contract in respect of an (offshore) (onshore) area identified as Block \_\_\_\_\_ (hereinafter referred to as ' the Contract') made between the Government of Bangladesh (hereinafter referred to as ' the Government'), and XYZ Company (hereinafter referred to as XYZ which expression shall include its successors and permitted assigns); and

WHEREAS the Guarantor wishes to guarantee the performance of XYZ Company or its Affiliate Assignee under the Contract as required by the terms of the Contract;

NOW, THEREFORE this deed hereby provides as follows:

1. The Guarantor hereby unconditionally and irrevocably guarantees to the Government that it will make available, or cause to be made available, to XYZ Company or any other directly or indirectly owned Affiliate of XYZ Company to which any part or all of XYZ Company's rights or interest under the Contract may subsequently be assigned (' Affiliate Assignee'), financial, technical and other resources required ensure that XYZ Company or any Affiliate Assignee can carry out its obligations as set forth in the Contract.
2. The Guarantor further unconditionally and irrevocably guarantees to the Government the due and punctual compliance by XYZ Company or any Affiliate Assignee, of any obligations of XYZ Company or any Affiliate Assignee under the Contract.
3. The Guarantor hereby undertakes to the Government that if XYZ Company, or any Affiliate Assignee, shall, in any respect, fail to perform its obligations under the Contract or commit any breach of such obligations, then the Guarantor shall fulfill or cause to be fulfilled the said obligations in place of XYZ Company or any Affiliate Assignee, and will indemnify the Government against all losses, damages, costs, expenses or otherwise which may result directly from such failure to perform or breach on the part of XYZ Company.
4. This guarantee shall take effect from the Effective Date and shall remain in full force and effect for the duration of the said Contract and thereafter until no sum remains payable by XYZ Company, or its Affiliate Assignee, under the Contract or as result of any decision or award made by any expert or arbitral tribunal there under.
5. This guarantee shall not be affected by any change in the articles of association and byelaws of XYZ Company or the Guarantor or in any instrument establishing the Company or Guarantor.
6. The liabilities of the Guarantor shall not be discharged or affected by (a) any time indulgence, waiver or consent given to XYZ Company; (b) any amendment to the Contract or to any security or other guarantee or indemnity to which XYZ Company has agreed; (c) the enforcement or

waiver of any terms of the Contract or of any security, other guarantee or indemnity; or (d) the dissolution, amalgamation, reconstruction or reorganization of XYZ Company.

7. This guarantee shall be governed by and construed in accordance with the laws of Bangladesh.

IN WITNESS WHEREOF the Guarantor, through its duly authorized representatives, has caused its seal to be duly affixed hereto and this guarantee to be duly executed the \_\_\_\_\_ day of \_\_\_\_\_ 201\_\_.



**ANNEX-E**  
**(EXHIBIT-II)**

**FORM OF COMPANY FINANCIAL AND PERFORMANCE GUARANTEE**

(to be furnished pursuant to Article 7.7 of the Contract)

WHEREAS \_\_\_\_\_ XYZ company duly organized and existing under the laws of \_\_\_\_\_ having its registered office at \_\_\_\_\_ (hereinafter referred to as 'the Guarantor' which expression shall include its successors and assigns) is signatory to a production Sharing Contract in respect of an (offshore) (onshore) area identified as Block \_\_\_\_\_ (hereinafter referred to as 'the Contract') made between the Government of Bangladesh (hereinafter referred to as 'the Government'), and XYZ Company (hereinafter referred to as XYZ which expression shall include its successors and permitted assigns); and

WHEREAS the Guarantor wishes to guarantee its performance under the Contract as required by the terms of the Contract;

NOW, THEREFORE this Deed hereby provides as follows:

1. The Guarantor hereby unconditionally and irrevocably guarantees to the Government that it will make available, or cause to be made available, financial, technical and other resources required to ensure that XYZ Company can carry out its obligations as set forth in the Contract.
2. The Guarantor further unconditionally and irrevocably guarantees to the Government the due and punctual compliance by it of any obligations under the Contract.
3. The Guarantor hereby undertakes to the Government that it shall fulfill or cause to be fulfilled all its obligations under the Contract, and if it fails to perform its obligations under the Contract or commits any breach of such obligations, then it shall indemnify the Government against all losses, damages, costs, expenses or otherwise which may result directly from such failure to perform or breach on its part.
4. This guarantee shall take effect from the Effective Date and shall remain in full force and effect for the duration of the said Contract and thereafter until no sum remains payable by XYZ Company, under the Contract or as a result of any decision or award made by any expert or arbitral tribunal there under.
5. This guarantee shall not be affected by any change in the articles of association and byelaws of XYZ Company or in any instrument establishing the Company.
6. The liabilities of the Guarantor shall not be discharged or affected by (a) any time indulgence, waiver or consent given to XYZ Company; (b) any amendment to the Contract or to any security or other guarantee or indemnity to which XYZ Company has agreed; (c) the enforcement or waiver of any terms of the Contract or of any security, other guarantee or indemnity.

7 This guarantee shall be governed by and construed in accordance with the laws of Bangladesh.

IN WITNESS WHEREOF the Guarantor, through its duly authorized representatives, has caused its seal to be duly affixed hereto and this guarantee to be duly executed the \_\_\_\_\_ day of \_\_\_\_\_ 201\_\_.

**ANNEX-F**  
**JOINT OPERATING AGREEMENT**  
**(BLOCK \*\*)**

**THIS JOINT OPERATING AGREEMENT** is dated this ..... day of .....20\*\*

**BETWEEN:-**

- (1) ..... (“Contractor”)  
(2) **BANGLADESH PETROLEUM EXPLORATION AND PRODUCTION CO. LTD. (“Bapex”)**

(together the “Parties”)

**WHEREAS:-**

- (A) the Parties have signed or are about to sign a Production Sharing Contract for Block \*\*, Bangladesh with the Government of Bangladesh and Petrobangla (“PSC”).  
(B) the Parties are together the “Contractor” under the PSC, and  
(C) the Parties wish to record certain matters upon which they are agreed in relation to their respective rights and obligation as Contractor under the PSC and operations thereunder.

**NOW THEREFORE** it is hereby **AGREED** as follows:-

**1. Definitions and Interpretation**

Unless the context otherwise requires, words and expressions defined in the PSC shall have the same meanings herein.

**2. Equity Shares**

the Parties will share the rights and obligations of Contractor under the PSC in the following proportions:-

Contractor	** %
Bapex	10% (for Shallow Sea Blocks)

**3. Bapex Carried Interest**

3.1 Bapex’s 10% interest shall be carried by the other Party/Parties (in proportion to their respective interests) through all costs and expenses of Exploration under the PSC i.e. in respect of all expenditure prior to each Declaration of Commercial Discovery.

3.2 the carried interest amount shall bear interest at LIBOR from the date such costs and expenses are incurred until repaid.

3.3 Bapex shall repay the carried interest amount, plus interest, from the first available Cost Recovery Petroleum and Profit Petroleum which would otherwise be attributable to its 10% interest. In other words, Bapex shall not be entitled to any Cost Recovery Petroleum or Profit Petroleum, regardless of the manner and

order of Cost Recovery stated in the PSC, unless and until the outstanding carried interest amount plus interest has been repaid in full.

3.4 For the avoidance of doubt, in the event that no Commercial Discoveries are made in the Contract Area, Bapex shall have no obligation to repay any part of the carried interest amount.

**4. Operatorship**

\*\* shall be the operator.

**5. Transfers of Interest**

After the Effective Date, any transfer of all or any part of a Party's interest in the PSC, whether directly or indirectly by any means (including but not limited to merger, consolidation, sale of stock or other conveyance) shall not be subject to any preferential rights by the other Parties. The Party transferring its interest at its sole discretion may elect to assign all or any part of its interest to any party of its choosing. Approval of the Government will be needed for any such transfer.

**6. Joint Operating Agreement**

6.1. Each of the Parties undertakes to negotiate in good faith a comprehensive Joint Operating Agreement ("JOA") to cover their respective rights and obligations under the PSC. Such JOA which will be on usual industry terms shall include the following principles:-

- i) the provisions of this Agreement shall be included and expended as necessary;
- ii) the voting pass-mark for operational decisions shall be \*\* %.
- iii) there shall be rights to non-consent from operations, other than minimum work obligations, with the commensurate sole risk provisions.

6.2. The Parties shall use their best endeavours to negotiate and finalize the JOA within three (3) months after the Effective Date.

**7. Government Law**

This Agreement shall be governed by and construed in accordance with the laws of the People's Republic of Bangladesh.

**IN WITNESS WHEREOF:** each of the Parties has executed this Agreement as follows:-

By: .....

For: .....(**"Contractor"**)

Name:

Title:

By: .....

For: **BANGLADESH PETROLEUM EXPLORATION AND PRODUCTION CO. LTD. (“Bapex”)**

Name:

Title: