Model Petroleum Concession Agreement

(2001)

TABLE OF CONTENTS

Page

ARTICLE-I
DEFINITIONS 6
ARTICLE-II
RIGHTS AND LIABILITIES 11
ARTICLE-III
EXPLORATION WORK PROGRAMME 12
ARTICLE-IV
RELINQUISHMENT 15
ARTICLE-V
WORKING INTEREST OWNERSHIP 16
ARTICLE-VI
DISCOVERY AND DEVELOPMENT 18
ERTICLE-VII
ASSIGNMENT, SURRENDER OF AREAS AND TERMINATION
OF AGREEMENT 23
ARTICLE-VIII
WELLHEAD VALUE 25
ARTICLE-IX
ROYALTY 26
ARTICLE-X
RIGHT OF ACQUISITION OF PETROLEUM 27
ARTICLE-XI
DISPOSAL OF PETROLEUM 33
ARTICLE-XII
FOREIGN EXCHANGE 34
ARTICLE-XIII
IMPORTS AND EXPORTS 36
ARTICLE-XIV
TAXATION 39
ARTICLE-XV
MANAGEMENT AND OPERATIONS 40
ARTICLE-XVI
REPORTS AND INFORMATION 41
ARTICLE-XVII
TRAINING AND EMPLOYMENT 42
ARTICLE-XVIII
CONTRIBUTION TO JOINT OPERATIONS 43
ARTICLE-XIX
DEVELOPMENT FINANCING 44
ARTICLE-XX
REFINERY, LPG AND NATURAL GAS PROCESSING PLANTS 45
ARTICLE-XXI

OTHER MINERALS 46
ARTICLE-XXII
AUDIT 47
ARTICLE-XXIII
PRODUCTION BONUSES 48
ARTICLE-XXIV
INSURANCE AND INDEMNIFICATION 59
ARTICLE-XXV
BANK GUARANTEE/PARENT COMPANY GUARANTEE 50
ARTICLE-XXVI
EFFECTIVENESS AND DURATION 51
ARTICLE-XXVII
FORCE MAJEURE 52
ARTICLE-XXVIII
ARBITRATION 53
ARTICLE-XXIX
MISCELLANEOUS 54
ARTICLE-XXX
NOTICES 56

ANNEXES

ANNEX-I MAP OF THE AREA AND GEOGRAPHICAL DESCRIPTION 58

ANNEX-II JOINT OPERATING AGREEMENT.....…. 59

APPENDIX A ACCOUNTING PROCEDURE..... 99

ANNEX-III STANDARD FORM OF DEVELOPMENT AND PRODUCTION LEASE. 115

ANNEX-IV SRO 367(I)/94 DATED 9th MAY, 1994 117

ANNEX-IV-A SRO360 (I)/2000 DATED 15TH JUNE, 2002……128

ANNEX-V SRO 749 (I)/98 DATED 29TH JUNE, 1998..... 134

ANNEX-V-A SRO 750 (I)/98 DATED 29TH JUNE, 1998……...……..... 135

ANNEX-V-B SRO 984 (I)/99 DATED 30TH AUGUST, 1999……...……..... 136

ANNEX-VI SRO 336(I)/94 DATED 26TH APRIL, 1994 138

ANNEX-VII LIST OF MACHINERY AND EQUIPMENT REQUIRED FOR JOINT OPERATIONS 139

ANNEX-VIII C.NO.10(14)/93-ICM&CON DATED 13TH JUNE, 1994.....142

ANNEX-IX LIST OF COMMISSARY STORES .....……..... 144

ANNEX-X BANK GUARANTEE 145

ANNEX-XI PARENT COMPANY GUARANTEE 147

ANNEX-XII FUNCTIONS INCLUDED IN ADMINISTRATIVE OVERHEAD…….148

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MODEL PETROLEUM CONCESSION AGREEMENT

THIS AGREEMENT made and entered into between THE PRESIDENT OF THE ISLAMIC REPUBLIC OF PAKISTAN (which term shall include his successors and assigns) of the first part, hereinafter, referred to as "THE PRESIDENT", (Local Company), a company existing under Laws of Pakistan having its registered office at Islamabad, Pakistan (which term shall include its successors and assigns) Pakistan hereinafter referred to as "ABC" of the second part and GOVERNMENT HOLDINGS (PRIVATE) LIMITED a company existing under Laws of Pakistan having its office at House No. 9, Street No. 29, F-10/1, Islamabad, Pakistan (which term shall include its successors and assigns) hereinafter referred to as “GHPL” (if applicable) of the third part and _____ existing under laws of _____having its principal office at_____ (which term shall include its successors and assigns) hereinafter referred to as "XYZ" of the fourth part.

WITNESSETH

WHEREAS, THE PRESIDENT is desirous that exploration be undertaken for the discovery and production of Petroleum in Pakistan; and

WHEREAS, "XYZ" and "ABC" represents that they are financially sound and have the technical expertise and experience in exploring for, developing and producing Petroleum and recognizes the importance to Pakistan of the development of its Petroleum resources; and

WHEREAS, "XYZ" and "ABC" are desirous of undertaking Petroleum exploration, development and production operations; in Pakistan in conjunction with GHPL (if applicable) and

WHEREAS, THE PRESIDENT is willing in the lawful exercise of the authorities vested in him and in particular by virtue of his powers under the Regulation of Mines and Oilfield and Mineral Development (Government Control) Act, 1948 (XXIV of 1948) as amended and the Rules (as hereinafter defined), to grant to XYZ/"ABC" and GHPL (if applicable) the concessions and rights hereinafter more particularly set forth;

NOW THEREFORE, THE PRESIDENT, XYZ, ABC and GHPL (if applicable) (hereinafter individually referred to as the “Party” and collectively as the “Parties”) agree as follows:

ARTICLE-I
DEFINITIONS

Whenever used in this Agreement, the following terms shall have the meanings set forth below:

1.1 “Accounting Procedure” means the procedure as outlined in Appendix A of Annex-II.

1.2 "Affiliate" means a company or other entity directly or indirectly effectively controlling, or effectively controlled by, or under direct or indirect effective common control with, a specified entity. For the purposes of this definition, "control", when used with respect to any specified entity, means the power to direct, administer and dictate policies of such entity (it being understood and agreed that it is not necessary to own directly or indirectly fifty percent (50%) or more of such entity's voting securities to have effective control over such entity, but ownership, direct or indirect, of fifty percent (50%) or more of such entity's voting securities shall automatically indicate effective control), and the terms "controlling" and "controlled" have meanings corresponding to the foregoing.

1.3 "Appraisal” or “Appraisal Programme" means an activity or programme carried out to evaluate and appraise a Discovery in the Area pursuant to the Rules and this Agreement.

1.4 "Appraisal Well" means a well drilled pursuant to an approved Appraisal Programme.

1.5 "Arm’s Length Sales " means the sales as defined in the Rules.

1.6 "Area" means the entirety of the area or areas outlined and more particularly described in Annex-I, less any portion thereof which may be relinquished or surrendered under the terms of this Agreement.

1.7 "Associated Gas" means Natural Gas associated with Crude Oil in a Liquid Reservoir and produced by separation at the surface.

1.8 "Barrel" or "BBL" means a quantity equivalent in volume to forty-two (42) United States Gallons adjusted to sixty degrees Fahrenheit (60°F) and pressure of 14.65 pounds per square inch (PSI) after correction for basic sediments and water (BS&W).

1.9 "Calendar Year" means the period from January 1 to December 31, both inclusive, according to the Gregorian Calendar.

1.10 "Commercial Discovery" means a commercial discovery of Petroleum as defined in Rules.

1.11 "Commercial Production" means commercial production of Petroleum as defined in the Rules.

1.12 "Condensate" means the liquid Petroleum excluding Crude Oil and LPG produced, at surface by processing or separation of Natural Gas from a Gaseous/Gas Condensate Reservoir.

1.13 "Crude Oil" means the liquid Petroleum, other than Condensate and LPG, produced by separation at the surface from a Liquid Reservoir in its natural state before the same has been refined but after extraction of water and foreign substances.

1.14 "Calendar Month" or "Month" means any of the twelve months of the Calendar Year.

1.15 "Commencement of Commercial Production" means the first occurrence of Commercial Production in an Area.

1.16 "Contract Year" means a period of one Year from the Effective Date or any anniversary thereof

1.17 "Date of Commercial Discovery" means, the date when the Government approves a Commercial Discovery pursuant to Article 1.10.

1.18 "Date of Significant Gas Discovery" means the date when Contractor formally notifies the Director General, Petroleum Concessions in accordance with Article 6.4 hereof that a Significant Gas Discovery has been made.

1.19 "Day" means a continuous period of twenty-four (24) hours beginning at 8 A..M. Pakistan Standard Time or such other time as may be mutually agreed by the Parties.

1.20 "Director General, Petroleum Concessions" or "DGPC" means any officer or authority appointed by the Government to exercise the powers and perform the functions of the Director General Petroleum Concessions under the Rules.

1.21 "Discovery" means discovery of Petroleum as defined in the Rules.

1.22 "Discovery Area" means the area, as defined in the Rules.

1.23 "Designated Area" means the area pertaining to a Discovery that does not merit Appraisal or is not a Commercial Discovery or a Significant Gas Discovery, as provided for in Article 6 .2.

1.24 "Development" or "Development Operations" means any activity carried out under an approved Development Plan, in accordance with the Rules.

1.25 "Development Plan" means the plan submitted to the Government for approval pursuant to Article-VI in accordance with the Rules.

1.26 "Development Well" means a well drilled in accordance with the approved Development Plan for the purpose of producing Petroleum or injecting fluids into the reservoirs.

1.27 "Dollar" or "$" means the lawful currency of the United States of America.

1.28 "Effective Date" means the date on which the Licence has been granted and this Agreement has been executed.

1.29 "Expenditure" for purposes, other than assessment of Income Tax, means expenditure incurred in connection with or incidental to the conduct of Joint Operations whether chargeable to the capital or the revenue account, including operating costs, whether or not with respect to producing wells. Such expenditures are more particularly classified and identified and set forth in the Accounting Procedure.

1.30 "Exploration" or "Exploration Operations" means the search for Petroleum in the Area previously not known to have existed, using geological, geophysical and other methods and the drilling of Exploration Well(s) is more particularly defined in the Rules.

1.31 "Exploration Well" means a exploration well as defined in the Rules.

1.32 "Gaseous/Gas Condensate Reservoir" means a Petroleum reservoir, which under reservoir conditions of original temperature and pressure is predominantly in the gaseous phase.

1.33 "Government" means the Federal Government of the Islamic Republic of Pakistan.

1.34 "Good Oilfield Practices" means practices followed in Petroleum Industry as defined in the Rules.

1.35 "Joint Account" means the set of accounts maintained by the Operator in accordance with the Accounting Procedure and normal accounting practices, in which the Operator shall record all charges, Expenditures and credit made by it in carrying out the Joint Operations hereunder which are chargeable or creditable to the Working Interest Owners as provided herein.

1.36 "Joint Operations" means all marine and land activities, including but not limited to Petroleum exploration, prospection, development and production activities conducted by Working Interest Owners under and pursuant to the terms and provisions of this Agreement and the Joint Operating Agreement. It includes any platform, subsea facilities, gas-oil separation, pressure maintenance, pipeline and other transportation, storage or other ancillary activities necessary to facilitate the production, processing, storage, transportation and disposal of Petroleum.

1.37 “Joint Operating Agreement" (JOA) means the Joint Operating Agreement attached hereto as Annex-II.

1.38 "Lease" means any and all Petroleum Development and Production Leases which may be granted by the Government in accordance with the Rules.

1.39 "Licence" means a licence for Petroleum Exploration granted in accordance with the Rules.

1.40 "Liquid Reservoir" means a Petroleum reservoir which under reservoir conditions of original temperature and pressure is predominantly in the liquid phase.

1.41 "Liquefied Petroleum Gas" or "LPG" means a mixture of Propane and Butane separated from Natural Gas by compression, extraction or other processes and marketed in conformity with the quality and specifications established by Pakistan Standard Specification No. 1705-1976 for Commercial Butane - Propane Mixture as amended from time to time.

1.42 "Minimum Expenditure" means the minimum Expenditure referred to in Article III in respect of the initial term of the Licence or any renewal thereof.

1.43 "Minimum Work" means the minimum work programme referred to in Article III in respect of the initial term of the Licence or any renewal thereof.

1.44 "Ministry" means the Ministry for the time being in charge of Petroleum affairs.

1.45 "Natural Gas" means all petroleum which at standard atmospheric conditions of pressure and temperature are in a gaseous phase including non-hydrocarbon gas which is in association with and produced together with such gaseous hydrocarbons.

1.46 "Non Associated Gas" means Natural Gas produced by separation or otherwise at the surface from a Gaseous/Gas-Condensate Reservoir.

1.47 "Operating Committee" means the Committee constituted pursuant to this Agreement and the Joint Operating Agreement.

1.48 "Operator" means the entity designated by the Working Interest Owners to carry out the Joint Operations pursuant to this Agreement and the Joint Operating Agreement and approved by the Government pursuant to the Rules.

1.49 “Pakistani Incorporated Petroleum Company” means a company incorporated and existing under the Companies Ordinance 1984 for the purpose of Petroleum Exploration, Development and Production in Pakistan.

1.50 "Petroleum" means all liquid and gaseous hydrocarbons existing in their natural condition in the strata, as well as all substances, including sulphur, produced in association with such hydrocarbons, but does not include basic sediments and water (B.S & W).

1.51 “Projected Domestic Demand” means the demand of Petroleum as determined by an entity designated by the Government from time to time.

1.52 "Production" or "Production Operations" means activities, not being Development Operations, undertaken in order to extract, save, treat, measure, handle, store and transport Petroleum to storage or loading points or both and to carry out any type of primary and secondary operations, including recycling, recompression, maintenance of pressure and water flooding and all related activities such as planning and administrative work and shall also include maintenance, repair and replacement or facilities, and well workovers, conducted after the commencement of Commercial Production.

1.53 "Rules" means the Pakistan Petroleum (Exploration and Production) Rules, 2001, including all Schedules, in effect on the Effective Date.

1.54 "Significant Gas Discovery" means a Discovery of Natural Gas from an Exploration Well in an Area as defined in the Rules.

1.55 "Significant Gas Discovery Area" means the portion of the Area defined by Working Interest Owners with the approval of the Government pursuant to Article 6.6 covering a Significant Gas Discovery

1.56 "Surrender" means the termination or expiry or surrender of rights with respect to the whole or any part of the Area including the expiration of rights according to the terms of the Licence, the Lease(s), this Agreement and the Rules.

1.57 "Surrendered Area" means whole or part of the Area with respect to which the rights of a party have terminated by Surrender or by assignment or by termination of the business pursuant to this Agreement.

1.58 "Wellhead Value" means the value of the Petroleum as defined in the Rules.

1.59 "Working Interest" means all or any undivided interest in the entirety of the Petroleum concessions, rights and obligations and liabilities imposed by the Rules, this Agreement, the Licence and any Lease(s) granted pursuant to the Rules and this Agreement, including the enjoyment of the exclusive right to explore and prospect for, develop, produce, sell and otherwise dispose of Petroleum from the Area, proportionate to which all working interest owners are obligated to bear and pay its share of all costs and Expenditures (including royalties on production and rentals), in exploring and prospecting for, drilling, developing, producing, selling and otherwise disposing of Petroleum from the Area.

1.60 "Working Interest Owner" means an owner of a Working Interest.

1.61 "Year" means a period of twelve consecutive Months according to the Gregorian calendar.

ARTICLE-II
RIGHTS AND LIABILITIES

2.1 THE PRESIDENT hereby grants to XYZ, ABC and GHPL (if applicable) the Petroleum concessions and other rights more particularly described in this Agreement, including but not limited to conducting or causing to be conducted Petroleum exploration, prospecting, development and Production Operations hereunder including the transportation (whether by pipeline or otherwise), storage, terminalling, export and sale of Petroleum, subject to the provisions of this Agreement.

2.2 In respect of Joint Operations conducted under the authority of this Agreement, the Licence or any Lease(s) granted over any part of the Area:

a) XYZ/ ABC shall be the Operator, subject to the provisions of the Joint Operating Agreement and no change in operatorship will take place without the consent of the Government.

b) The Joint Operations shall be conducted diligently, with due regard to Good Oilfield Practices and in conformity with the requirements of the Rules and all applicable laws and regulations.

c) Every important agreement and contract relating to Joint Operations shall be consistent with the provisions of this Agreement and the Rules.

2.3 This Agreement contemplates Joint Operations which may require the construction and operation of temporary or permanent exploration and production facilities (including pipelines) both within and outside the Area whether on-shore or off-shore. THE PRESIDENT, subject to relevant rules, laws and policies, agrees to assist the Working Interest Owners in the carrying out of all Joint Operations contemplated hereunder including the construction and operation of such facilities and in obtaining for the Operator and its contractors and subcontractors such communication permits (radio, telex, telefax, telephone, PABX, etc.) or other clearances, permits and authorizations as shall be necessary or convenient in this regard including the approval required for opening a branch office in Pakistan.

2.4 This Agreement does not create a partnership or any taxable entity but is solely a joint operating arrangement among the Parties.

ARTICLE-III
EXPLORATION WORK PROGRAMME

3.1 THE PRESIDENT has prior to or simultaneously herewith granted to XYZ, ABC and GHPL (if applicable) a Licence in accordance with the Rules.

3.2 a) The License shall be for an initial term of five (5) years divided into two phases (each referred to as a "Phase-I" and "Phase-II"), the first having a duration of three Contract Years and the second having a duration of Two Contract Years. Subject to Working Interest Owners meeting the requirements relating to renewal set forth in the Rules, the licence may be renewed for two (2) further renewal periods not exceeding two years each, if the Working Interest Owners request for such a renewal in writing to THE PRESIDENT, in accordance with the Rules. Subject to the Working Interest Owners meeting the requirements of the Rules, the Licence may be renewed for the purpose of Appraisal of a Discovery and may be extended for drilling an Exploration Well in progress. The Licence will also remain valid until a decision is made on a pending application for the grant of a Lease in accordance with the Rules.

b) The Operator shall commence Joint Operations within ninety (90) Days after the Effective Date.

3.3 Subject to the provision of this Article III, the Minimum Work and Minimum Expenditure to discharge the obligations, during the initial term provided for in Rule 20(2) shall be as follows:

		Contract Year	**Minimum Work**	**Minimum Expenditure (US Dollars)**
Initial Term	Phase I	First Year		
		Second Year		
		Third Year		
	Phase II	Fourth Year	At least one Exploration Well	
		Fifth Year		
First Renewal		Sixth Year	At least one Exploration Well	
		Seventh Year		
Second Renewal		Eight Year	At least one Exploration Well	
		Ninth Year		

(Indicate the Seismic grid, the objective formation and depth of the Exploration Wells also).

3.4 The Minimum Expenditure obligations will be deemed to have been satisfied in the event the Working Interest Owners are able to complete the Minimum Work programme at an Expenditure which is less than the Minimum Expenditure; provided that the Working Interest Owners shall not be liable to meet any Minimum Work programme or Minimum

Expenditure obligation which is contingent. Minimum Work shall in all circumstances be accomplished irrespective of the Minimum Expenditure as an obligation of each Licence Year. Subject to Article 3.5 below, nothing in this Article shall be construed as extinguishing, postponing or modifying the Minimum Work programme.

3.5 If a Working Interest Owner has performed and accomplished work obligation in excess of Minimum Work obligation, any such excess work shall be carried to the succeeding phase or Renewal Period whichever is applicable, and shall be adjusted against the obligations undertaken provided, however, that nothing in this Article shall be construed as extinguishing, postponing or modifying the Minimum Work obligations (seismic surveys or drilling of Exploration Wells etc.) pursuant to Article 3.3 which is a firm obligation.

3.6 Neither wells nor seismic surveys carried out as part of an Appraisal Programme drawn up pursuant to Article-VI nor the Expenditure incurred by the Working Interest Owners in carrying out such an Appraisal Programme shall discharge the Minimum Work or the Minimum Expenditure set out in Article 3.3.

3.7 a) On the Effective Date, and where the Licence has been renewed pursuant to Article 3.2(a), on the first Day of each such renewal period, XYZ/ABC shall provide, substantially in the form specified in Annex-X/XI, attached hereto, a bank guarantee or a parent company guarantee as required and notified by the Government or such other security package as may be prescribed by the Government for local Working Interest Owners as per applicable policy.

b) The amount of bank guarantee submitted pursuant to Article 3.7(a) shall be reduced annually by an amount pro-rata to the Minimum Work obligation discharged during the year**,** subject to other provisions of the Agreement**,** by an amount equal to the Expenditure incurred by XYZ/ABC during the year in discharge of their Minimum Work under Article 3.3 on pro-rata basis.

3.8 a) All Exploration Wells drilled by the Working Interest Owners pursuant to Article III shall be treated as fulfillment of the Minimum Work obligation of the Working Interest Owners, if drilled to the objective depth or formation as provided herein.

b) An Exploration Well, other than that specified in Article 3.3 or committed as a firm Minimum Work obligation for a renewal period under Article 3.2, shall be drilled to the objective depth, as determined by the Operating Committee and approved by Director General, Petroleum Concessions, necessary to test a clearly separate geological formation.

c) If the Operating Committee, is of the opinion that it is impossible to satisfactorily complete an Exploration Well to the objective depth or formation, the Working Interest Owners shall drill a substitute well within 6 months after the abandonment of the Exploration Well in order to discharge the Minimum Work obligation. The Initial Term or the Renewal Period as the case may be, shall be extended in

accordance with the Rules for a period of time equal in length to the time needed for drilling and testing the substitute well. In the case of failure to drill the substitute well, the obligation to drill a particular well, shall be deemed to have been satisfied provided the Working Interest Owners Surrender the area covering such geological structure and pay THE PRESIDENT the amount by which the budgeted cost of the said Exploration Well exceeds the amount spent on the drilling of the said well.

3.9 For the purpose of establishment of a Discovery Area, if there is difference of opinion between Working Interest Owners and THE PRESIDENT and the Parties are unable to reach a decision within thirty (30) Days, the boundaries of such Discovery Area shall be determined by a recognized Petroleum consultant to be appointed by THE PRESIDENT in consultation with the Working Interest Owners within twenty (20) Days of the expiry of the aforesaid period to provide an independent opinion for the purpose whose opinion shall be binding on the Parties. The cost of such a consultant will be charged to the Joint Account.

ARTICLE-IV
RELINQUISHMENT

4.1 On or before the end of Phase-I of the Licence the Working Interest Owners shall relinquish not less than 30% of the original Area.

4.2 The Working Interest Owners shall relinquish an additional area equal to 20% of the original Area, on or before the end of the Phase-II.

4.3 The Working Interest Owners shall relinquish an additional area equal to 10% of the original Area, on or before the end of the first renewal.

4.4 Except as otherwise provided herein or in the Rules, the Working Interest Owners shall relinquish the remainder of the original Area, at the expiration of the Licence, or final renewal thereof.

4.5 The shape of the Area to be relinquished shall be determined by the Working Interest Owners, provided, however, that (a) the Working Interest Owners shall inform the Government of the description and the portion or portions of the Area to be relinquished at least ninety (90) Days in advance of the date of relinquishment or such lesser period as DGPC may allow, (b) the Working Interest Owners shall consult with the Director General, Petroleum Concessions, regarding the shape and size of each individual portion of the Area being relinquished and (c) the area being relinquished shall be of sufficient size and convenient shape (conforming to the grid system in force) to enable Petroleum operations to be conducted thereon.

4.6 Working Interest Owners shall not be obligated to relinquish, pursuant to Articles 4.1, 4.2 and 4.3, any part of the Area which has been made subject to a Lease and for which an application for grant of a Lease has been submitted in accordance with the Rules.

4.7 Upon at least ninety (90) Days written notice to the Government, the Working Interest Owners shall have the right to relinquish any portion of the Area, subject to Article 4.4 and Article VII and such portion can be credited against the mandatory relinquishments pursuant to Articles 4.1, 4.2 and 4.3.

4.8 Relinquishment made in accordance with this Article IV shall not relieve the Working Interest Owners of: (a) the obligations to make payments to the Government under the Rules and this Agreement prior to such relinquishment; and or (b) the Minimum Work and Minimum Expenditure obligations set out in Article III

ARTICLE-V
WORKING INTERST OWNERSHIP

5.1 As of the Effective Date and during the validity of this Agreement, the Working Interests throughout the Area will be as under:

Local Company(ABC)/GHPL (if applicable)	:	15% (Zone-I)
	:	20% (Zone-II)
	:	25% (Zone-III)
XYZ	:	85% (Zone-I)
	:	80% (Zone-II)
	:	75% (Zone-III)

5.2 At all times ABC will maintain the Working Interest, which is specified in Article 5.1 (Required Minimum Local Working Interest), provided however, if ABC subsequently intends to reduce its Working Interest below the Required Minimum Local Working Interest, GHPL will have the right to secure unconditional assignment of such Required Minimum Local Working Interest on full participation basis. Such assignment shall be at no cost to GHPL, which shall become Working Interest Owner on a point forward basis as per JOA from the effective date of the assignment agreement.

5.3 Where no or insufficient interest is expressed by Pakistani Incorporated Petroleum Companies with respect to Required Minimum Local Working Interest, GHPL shall have the option to acquire entire of or "make up" the remaining Required Minimum Local Working Interest on a full participation basis.

5.4 The foreign Working Interest Owner shall be deemed to have fulfilled its obligations with respect to Required Minimum Local Working Interest if Pakistani Incorporated Petroleum Companies and/or GHPL do not take any interest fully or partially.

5.5 If Licence has been granted to a foreign Working Interest Owner that does not meet the requirements of Required Minimum Local Working Interest, the Operator on behalf of such Working Interest Owner shall place an advertisement in the press within 15 days of the grant of the Licence, inviting Pakistani Incorporated Petroleum Companies to participate in the joint venture with a Working Interest equivalent to Required Minimum Local Working Interest on full participation basis under JOA. Pakistani Incorporated Petroleum Companies shall have the option to participate in the joint venture within 30 days and another 30 days for GHPL to acquire entire or "make up" for any difference between the Working Interest taken up by the Pakistani Incorporated Petroleum Companies and the Required Minimum Local Working Interest.

5.6 Notwithstanding anything contained herein the GHPL may elect to contribute its share of Expenditure out of funds allocated to it from IBRD Loan, or any other loan, in which event the Operator shall be required to adopt the procedures for procurement of goods and services of such loan funds in accordance with procurement procedures/guidelines laid

down by loan giving agency provided such terms and conditions are in accordance with the prudent Good Oilfield Practices and do not hinder or delay the Joint Operations hereunder.

5.7 The Working Interest Owners may produce Petroleum from the Area as test or early production as may be permitted by the Government pursuant to the Rules, prior to the grant of a Lease.

ARTICLE-VI
DISCOVERY AND DEVELOPMENT

6.1 In the event of a Discovery of Petroleum in the Area, Operator shall promptly inform the DGPC, and, by further notice in writing within three (3) Months from the date of termination of drilling and testing of the respective Exploration Well inform the DGPC whether or not the Discovery, in the opinion of Operator, merits Appraisal.

6.2 If Operator notifies the DGPC that the Discovery does not merit Appraisal, DGPC shall have the option, on three (3) Months written notice, to require Operator to immediately relinquish the Designated Area unless the Operator has provided valid justification to retain the area covering the Discovery. The Designated Area shall:

(a) not comprise more than the vertical projection to the surface of the geological structure on which the Exploration Well resulting in the Discovery was drilled; and

(b) be determined based on geophysical and other technical information obtained from the Discovery.

6.3 If Operator notifies DGPC that the Discovery merits Appraisal, Operator shall submit to the DGPC for approval within six (6) Months from the date of completion of the Exploration Well resulting in the Discovery, an Appraisal Programme which highlights the Appraisal area and provides for the Appraisal of the Discovery in the most efficient and timely manner.

6.4 Not later than three (3) Months from the date on which the Appraisal Programme has been completed, or within such further period as the DGPC may reasonably allow (taking into account the relevant technical and economic conditions), Operator shall by notice in writing inform the DGPC, whether or not, in the opinion of Operator, the Discovery is a Commercial Discovery or a Significant Gas Discovery.

6.5 Where Operator has not informed the DGPC that the Discovery is a Commercial Discovery or Significant Gas Discovery, the DGPC may, by notice in writing, require Operator to immediately relinquish the Designated Area unless the Operator has provided valid justification to retain the area covering the Discovery. The Designated Area shall be determined as specified in Article 6.2.

6.6 In the event the Operator considers that the Discovery is a Commercial Discovery or a Significant Gas Discovery, Operator will select the Discovery Area or Significant Gas Discovery Area, which should not exceed the geological entity covering the Commercial Discovery or a Significant Gas Discovery subject to the limitations of the Area. The Operator will request DGPC for retention for Significant Gas Discovery for period as allowed in accordance with the Rules together with the justification. If the Operator does not declare a Significant Gas Discovery as a Commercial Discovery during the allowed retention period, the Operator shall relinquish the Significant Gas Discovery Area and the Licence shall terminate automatically upon the termination of the allowed retention period. If Operator declares a Commercial Discovery during the allowed retention period,

Operator will select the Discovery Area out of the Significant Gas Discovery Area, and the provisions of the Agreement and the Rules for grant of approval of Development Plan and the grant of Lease shall apply mutatis mutandis.

6.7 Where the Operator has by written notice notified the DGPC that the Discovery is a Commercial Discovery such notice shall accompany, a detailed report on each Commercial Discovery as provided for in the Rules for approval by DGPC. Within a period no later than six (6) Months from the Date of Commercial Discovery or within such time period as may be allowed by DGPC, the Operator will submit an application for grant of Lease together with Development Plan for the each Commercial Discovery for approval by DGPC.

6.8 When the Government has approved the Development Plan, pursuant to Rule 33 of the Rules, it shall grant to the Working Interest Owners a Lease covering the Discovery Area in accordance with the Rules promptly provided the Working Interest Owners have furnished all requisite information to DGPC. The said Lease shall, on the basis of the available seismic and well data, comprise the Discovery Area to enable each Commercial Discovery to be developed and produced efficiently. The duration of the Lease shall not exceed the time limit as indicated in the Rules.

6.9 The report on each Commercial Discovery shall cover all the relevant factors as required under the Rules including, but not be limited to:

(a) the chemical composition, physical properties and quality of Petroleum discovered;
(b) the thickness and extent of the production strata;
(c) petrophysical properties of the reservoirs;
(d) the productivity indices for wells tested at various rates of flow;
(e) permeability and porosity of the reservoirs;
(f) the estimated Production capacity of the reservoirs; and
(g) all relevant economic and commercial information which is necessary for the determination of a Discovery as a Commercial Discovery.

6.10 Each Development Plan shall contain detailed proposals by Operator for the construction, and establishment of all facilities and services for and incidental to the recovery, storage and transportation of Petroleum from the Area, as required under the Rules including but not limited to:

(a) description of the nature and characterization of reserves, data, statistics, interpretation and conclusion of all aspects of the geology, reservoir evaluation, Petroleum engineering factors, reservoir models, estimates of reserves in place, possible Production estimates, nature and ratio of Petroleum fluids and analysis of produceable Petroleum;
(b) proposals for the Development and Production of the Commercial Discovery including possible alternatives, work programmes and budgets and proposals relating to the disposition of Associated Gas. Operator should make specific

recommendations as to the particular Development proposal that it would prefer. This should include information regarding projections of the economics and profitability of the Joint Operations related to such Development proposals.

(c) proposals relating to the spacing, 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 Production 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 Joint Operations;

(d) estimate of the rates of Production to be established and projection of the possible sustained rate of Production in accordance with Good Oilfield Practices under proposed Development proposal and/or alternative Development proposals;

(e) cost estimates under such Development proposal and alternative Development proposals, if any;

(f) proposals related to the establishment of processing facilities (if any);

(g) safety measures to be adopted in the course of the Joint Operations, including a contingency plan and measures to deal with emergencies;

(h) anticipated adverse impact on environment and measures proposed to be taken for prevention thereof and for general protection of the environment;

(i) a description of the organizational set up of Operator in Pakistan;

(j) an estimate of the time required to complete each phase of the proposed Development;

(k) a description of the measures to be taken regarding the employment and training of Pakistani personnel in accordance with the Rules;

(l) a description of the abandonment plan, to be implemented whenever a piece of equipment or facility or installation needs to be abandoned prior to or on termination of this Agreement;

(m) a map or maps of the outline of the discovered reservoir(s) together with technical or other back up justification; and

(n) a plan for utilization of local goods and services.

6.11 After approval of a Development Plan, Operator shall carry out the Joint Operations substantially in accordance with this plan, subject to such modifications, which may be necessary from time to time, which are approved by the DGPC in accordance with the Rules.

6.12 Not less than ninety (90) Days prior to the beginning of each Calendar Year following the commencement of regular shipments of Crude Oil, Condensate, LPG or Natural Gas, Operator shall prepare and furnish to DGPC a forecast statement, and the basis thereof, setting forth by quarters the total quantity of Crude Oil, Condensate, LPG and Natural

Gas (by quality, grade and gravity) that Operator estimates can be produced, saved and transported hereunder during such Calendar Year.

6.13 Operator shall, with respect to each Lease:

(a) annually update and submit to DGPC maps required under Article 6.10(m) on the basis of the then most recent well, geological, and geophysical information indicating on such maps which reservoirs are in Commercial Production including such parts of reservoirs which are required for water injection;
(b) within ten (10) Years of the commencement of Commercial Production from each Commercial Discovery, relinquish such part of Development Area which does not cover wholly or partially the vertical projections to the surface of reservoirs from which Commercial Production is being obtained or which are not required for water injection as per approved Development Plan; and
(c) provide DGPC with a map with description of the relinquished areas and map referred to in Article 6.13(a) and (b) upon such relinquishment.

6.14 DGPC shall, within ninety (90) Days of receipt of the maps specified in Article 6.13(c) inform Operator in writing of:

(a) DGPC approval of the relinquished areas, or
(b) the need for Operator to relinquish further areas which are not vertical projections to the surface of reservoirs from which Commercial Production is being obtained, or which are not required for water injection.

Operator shall, within sixty (60) Days of DGPC notification under Article 6.14(b) relinquish such area unless Operator disputes such notification in writing to DGPC in which case dispute resolution proceedings may be initiated by Operator through a sole expert unless mutually agreed otherwise, the cost of which will be charged to Joint Account.

6.15 The Operator shall have an organisation in Pakistan with sufficient competence and capacity to conduct the Joint Operations as required under the Rules.

6.16 If following the Discovery of Petroleum, a Working Interest Owner considers the Discovery to be a Commercial Discovery, it may give notice in writing to the other Working Interest Owners, stating in the said notice all the reasons for the evidence supporting its opinion and inviting the other Working Interest Owners to participate in the preparation of a Development Plan. If within ninety (90) Days of receipt of the notice, other Working Interest Owners inform the Operator, that they agree to participate in the Development of the Commercial Discovery, the Operating Committee shall define the Discovery Area and instruct the Operator to proceed with the preparation of the Development Plan. If any Working Interest Owner elects not to join in the Development of the Commercial Discovery, it shall assign its Working Interest in the Commercial Discovery on a pro rata basis to the remaining Working Interest Owners as may be mutually agreed. The remaining Working Interest Owners have the right to define the Discovery Area and develop the

Commercial Discovery at their own cost and THE PRESIDENT shall in accordance with the Rules grant a Lease to the remaining Working Interest Owners. If a Working Interest Owner proceeds to develop the Commercial Discovery at its own cost, it shall own all of the production from such discovery and shall bear all the cost of developing and operating such Commercial Discovery and the other Working Interest Owners shall assign to it all their rights, title, and interest in and to the Petroleum in the Discovery Area in accordance with the Rules, provided always that such assignment shall be and remain contingent upon the Working Interest Owners carrying out such development expeditiously.

ARTICLE-VII
ASSIGNMENT, SURRENDER OF AREAS AND TERMINATION OF AGREEMENT

7.1 In accordance with Rule 8 of the Rules, neither XYZ, ABC nor GHPL (if applicable) shall sell, assign, transfer, convey or otherwise dispose of all or any part of its rights or Working Interest under the Agreement, the Licence and any Lease without the previous consent in writing of the Government.

7.2 a) In the event XYZ or ABC or GHPL (if applicable) wishes to sell, transfer, convey or otherwise dispose of, or assign all or any part of its rights or Working Interest to a third party or an Affiliate, the request for such assignment shall be processed in accordance with Rule 9 of the Rules provided however, the provisions of this Agreement regarding Required Minimum Local Working Interest will be fully observed before such application for assignment is made to the Government. The terms and conditions of any assignment shall be subject to the approval of the Government.

b) The rights and privileges granted to and obligations assumed by the assignor under and pursuant to this Agreement, the Licence and any Lease, to the extent of such assignment, shall inure to the benefit of and be binding upon the assignee.

c) As a condition to any assignment, the assigning Working Interest Owners shall provide to THE PRESIDENT an unconditional undertaking by the assignee to assume all obligations of this Agreement, the Licence and any Lease. In the case of a partial assignment, notwithstanding such undertaking, the assigning Working Interest Owner remains jointly and severally liable with the assignee for performance of its obligations.

d) Any assignment covering less than a five percent (5%) Working Interest shall not entitle an increase the number of representatives on the Operating Committee and assignor and assignee shall agree upon a single representative to represent their combined Working Interest.

7.3 If any Working Interest Owner deems it advisable to Surrender his rights in any Licence or Lease, such Working Interest Owner shall notify THE PRESIDENT and other Working Interest Owners in writing of the proposed Surrender provided that such Surrender shall not take place during the Phase I of the initial three years term of the Licence before due fulfillment of Minimum Work and other obligations. If, within thirty (30) Days thereafter, the other Working Interest Owners, notify such surrendering Working Interest Owner in writing that they wish to retain their Working Interest with respect to such Licence or Lease, any such Working Interest Owner shall, to the extent that it legally may, assign all its rights and obligations therein to the other Working Interest Owners pro-rata to their respective Working Interests or as they may agree otherwise.

7.4 If no Commercial Discovery is made within a period of five (5) years from the Effective Date, THE PRESIDENT shall have the right to terminate this Agreement provided Working Interest Owners have not applied for extension or renewal pursuant to the Rules.

7.5 If all Joint Operations are terminated, a Working Interest Owner, subject to the Rules, shall be entitled to its share of non committed remaining funds and other assets of the Joint Account.

7.6 THE PRESIDENT shall have the right in accordance with the Rules to terminate this Agreement and revoke the Licence or Lease upon giving notice as required under the Rules.

7.7 If the circumstance or circumstances that result in termination under Article 7.6, are remedied by the Working Interest Owners within a period of sixty (60) Days following the notice of termination as aforesaid, or, where the breach is in-capable of remedy and the Working Interest Owners have offered a reasonable compensation in respect thereof, such termination shall not be effective.

7.8 Except as provided for in Article 27.3 if the circumstance or circumstances that would otherwise result in termination under Article 7.6 are the result of Force Majeure, then termination shall not take place so long as such Force Majeure continues and for such period thereafter as THE PRESIDENT may determine to be reasonable.

7.9 The termination of this Agreement for whatever reason shall be without prejudice to the obligations incurred and not discharged by the Working Interest Owners prior to the date of termination.

7.10 In the event of termination pursuant to Article 7.6, THE PRESIDENT may require the Working Interest Owners for a period not exceeding one hundred eighty (180) Days, to continue Petroleum production activities at the cost of the Government until the right to continue such production has been transferred to another entity.

7.11 Within ninety (90) Days after the termination of this Agreement pursuant to Article 7.6, unless THE PRESIDENT has granted an extension of this period, the Working Interest Owner shall complete all reasonable and necessary action as directed by THE PRESIDENT to avoid environmental damage or hazard to human life or third party property.

ARTICLE-VIII
WELLHEAD VALUE

8.1 Wellhead Value for all Petroleum produced and saved under a Licence or a Lease will be determined in accordance with the Rules.

8.2 To facilitate computations, the Wellhead Value of Petroleum shall be determined at the end of each Month as the weighted average value of all such transactions that took place during the Month.

ARTICLE-IX
ROYALTY

9.1 The Working Interest Owners shall pay to the Government a royalty equal to 12.5% of the Wellhead Value of Petroleum produced and saved in accordance with the Rules.

ARTICLE-X
RIGHT OF ACQUISITION OF PETROLEUM

10.1 Should THE PRESIDENT require the Working Interest Owners to meet the internal requirements of Pakistan according to Rule 41 of the Rules, the following shall apply:

i) If in any year there is Projected Domestic Demand in excess of production from indigenous source, THE PRESIDENT may require Working Interest Owners to sell Crude Oil in Pakistan on a pro-rata basis with other producers in Pakistan, according to the Crude Oil production of each producer in a year. The President shall give the Working Interest Owners at least three Months notice in advance of such requirements and term of the supply will be on an annual basis.

ii) Whenever a Working Interest Owner is selling Crude Oil to THE PRESIDENT or his designee such Working Interest Owner shall be entitled to receive a price in US $ per barrel, (subject to Article 10.3) for such Crude Oil delivered at its cost to the nearest operating refinery which shall be calculated as under:

a) 1) The arithmetic average of the FOB spot prices during the Month of delivery of a basket of Arabian/ Persian Gulf Crude Oils or a Crude Oil comparable in quality to Crude Oil produced under this Agreement as mutually agreed; or

2) In the event no agreement is reached as to the basket or a comparable Crude Oil or on related matters then the basis shall be FOB market price of a Crude Oil as may be mutually agreed which can be demonstrated to be applicable to contracts negotiated with unrelated parties for Arm's Length Sales under which the consideration is wholly cash, payable on normal commercial terms.

b) Plus freight for marine transportation of Crude Oil from Ras Tanura to Karachi as applicable from time to time for chartered vessels.

c) Plus or minus a quality yield differential between Crude Oil produced under this Agreement and the Crude Oil referred to in Article 10.1 (ii) (a) above. For this purpose the differential shall be determined on yield value based on refinery operating conditions where the Crude Oil will be processed and at mutually agreeable reference prices of Petroleum products prevailing in the Arabian/Persian Gulf and published in an internationally recognized publication acceptable to the Parties.

10.2 a. Working Interest Owners will be allowed to contract with Natural Gas transmission and distribution companies and third parties, other than residential and commercial consumers, for the sale of their share of Natural Gas in Pakistan at negotiated prices in accordance with applicable laws, rules and regulations.

b. Subject to the considerations of internal requirements and national emergencies, Working Interest Owners will be allowed to export their share of Crude oil and Condensate as well as their share of Natural Gas based on export licences to be granted by the concerned regulator. For the purpose of the grant of such export licenses for Natural Gas, the export volumes will be determined in accordance with "L15" concept provided a fair market value for such gas is realized at the export point. Under the "L15" concept the Natural gas reserves that exceed the net proven Natural Gas reserves in Pakistan including the firm import commitments vis-à-vis Natural Gas Projected Domestic Demand for next fifteen years can be considered for export. Once Natural Gas has been dedicated for exports, licenses for such export volumes shall not be subsequently revoked.

c. If the foreign Working Interest Owners sell Natural Gas to third parties in Pakistan and want to remit sale proceeds in foreign currency abroad, Government shall allow such Working Interest Owners to freely remit a "guaranteed percentage" of their sale proceeds provided the Natural Gas prices are equal to or less than 67.5%, 72.5% or 77.5% for Zone-III, Zone-II and Zone-I respectively of C & F price of a basket of imported Arabian/Persian Gulf Crude Oils (Applicable Price) with following floor and ceiling:

Floor and ceiling will be US$ 10/barrel and US$ 36/barrel of C&F price, respectively with following discounts:

Over US$10/barrel and upto US$16/barrel: 100% of Applicable Price
Over US$16/barrel and upto US$21/barrel: Plus 50% of incremental Applicable Price
Over US$21/barrel and upto US$26/barrel:Plus 30% of incremental Applicable Price; and
Over and above US$26/barrel upto the ceiling: Plus 20% of incremental Applicable Price.

The "guaranteed percentage" shall be 75% of the total gross revenues from any Lease in Zone I, 70% in Zone II and 65% in Zone III. The remaining gross income in Rupees can be used to pay royalties, taxes and any other payments to the Government as well as to meet local currency expenditures.

d. At the request of Working Interest Owners, Government shall purchase their share of Natural Gas of acceptable pipeline specification gas through a nominated buyer which is effectively controlled by it (Nominated Buyer) in acceptable Daily, Monthly and Yearly volumes to meet the internal demand in an economical manner. The delivery point shall be the nearest transmission system (Delivery Point). Government shall pay, as per the existing guidelines, the price for such Natural Gas at the Delivery Point adjusted for the floor and discounts as provided for in Sub-Article (f) (Policy) together with a gas transmission tariff as

provided in Sub-Article (e). In addition, the same "guaranteed percentage" for foreign exchange remittance as contained in Sub-Article (b) above will apply to such sales.

e. Where a Nominated Buyer agrees in principle to purchase Natural Gas pursuant to Article (d) above, the Working Interest Owners shall construct and operate the Natural Gas pipeline connecting the field to the Delivery Point for which transmission tariff will be payable as approved by the concerned regulator in accordance applicable laws, rules and regulations. Furthermore, the Working Interest Owners can arrange for the construction and operation of the connecting Natural Gas pipeline through an independent third party for which the producer will invite sealed bids on BOOT basis. At the request of the Working Interest Owners, the Nominated Buyer for purchase of the Natural Gas can also consider the laying of such pipeline from field gate to the nearest transmission system at its own cost. In the latter two cases, the delivery point of gas will be field gate and transportation tariff payable to the third party or the Nominated Buyer as the case may be, will also be determined by the concerned regulator. If an inter-connecting pipeline is proposed to be constructed by a third party or the buyer, the Working Interest Owners will be required to confirm the requisite Natural Gas supply volumes on “supply/take or pay” basis, pressures, reserves and other technical parameters on standard supply term contract basis for a period of not less than fifteen years. However, whether a connecting pipeline is constructed and operated by Working Interest Owners, a third party or a Nominated Buyer, such a pipeline shall be regulated, unless the concerned regulator decides that the pipeline shall be a non-regulated pipeline.

f. Whenever a Working Interest Owner is selling pipeline quality Natural Gas of acceptable specification to nominated buyers, it shall subject to Article 10.3, receive a price per Million British Thermal Unit (MMBTU). The price to be paid to a Working Interest Owner shall be determined for a six (6) Monthly period (hereinafter referred to as "the Price Notification Period") starting at eight (8) a.m. P.S.T. on 1st January and 1st July each year except the first period which may commence from the start of Commercial Production till 30th of June or 31st of December as the case may be.

The price of acceptable pipeline quality Natural Gas to be notified per MMBTU shall be computed as follows:

(1) First determine the "Marker Price " which shall be 67.5% for Zone III, 72.5% for Zone II and 77.5% for Zone I of the weighted average C&F price per barrel (based on quoted FOB prices) of the basket of Crude Oils imported into Pakistan during the first six Months period of the seven Months period immediately preceding the relevant Price Notification Period.

Apply following discounts to Marker Price,

Floor and ceiling will be US$ 10/barrel and US$ 36/barrel of C&F price, respectively with following discounts:

Over US$10/barrel and upto US$16/barrel: 100% of Marker Price
Over US$16/barrel and upto US$21/barrel: Plus 50% of incremental Marker Price
Over US$21/barrel and upto US$26/barrel:Plus 30% of incremental Marker Price; and
Over and above US$26/barrel upto the ceiling: Plus 20% of incremental Marker Price.

(2) Using the appropriate conversion factor, convert the discounted Marker Price to MMBTU rounding the quotient to four (4) decimal places to arrive at the Marker Price per MMBTU.

(3) Not later than twenty (20) Days prior to the commencement of the Price Notification Period during which the Operator expects first Natural gas production to commence, the Operator shall submit to the Authority established under the Natural Gas (Price for Supplies by Producers) Rules, 1976 (hereinafter referred to as the "Price Determining Authority") a calculation of Marker Price in US Dollars to be fixed on the first Day of such Notification Period.

(4) Thereafter, Operator shall submit to the Price Determining Authority the relevant Marker Price calculation in US Dollars (applicable to each six (6) Month Price Notification Period prior to each preceding 10th December and 10th June respectively.

(5) THE PRESIDENT shall ensure that details of the quantities and C&F prices of the Crude Oils imported into Pakistan as referred to in Article 10.2(f)(1) hereof, are supplied to Operator not later than twenty five (25) Days prior to the commencement of the relevant Price Notification Period for the purpose of calculations to be made pursuant to Article 10.2(f)(1) & (2).

(6) Operator shall submit to the Price Determining Authority a draft pricing notification setting out the US Dollar prices resulting from Article 10.2 (f)(1) & (2) above for the relevant Price Notification Period at the same time as submitting the calculation pursuant to Article 10.2(f)(3) & (4) above (as the case may be).

(7) Such pricing notification shall be published in US Dollars in the official Gazette for the purposes of the Gas Sales Agreement within forty five (45) Days of the date of receipt of the aforesaid draft pricing notification.

g. Price of Natural Gas for Consumers will be adjusted biannually to synchronize with the changes in the producer prices.

10.3 For purchases of Condensate and LPG to meet internal requirements of Pakistan**,** the price payable to Working Interest Owners, subject to Article 10.4, shall be calculated as under:-

a) The price in U.S. $ per Barrel allowed for Condensate, delivered at the nearest operating refinery shall be equal to the FOB price of internationally quoted comparable Condensate as mutually agreed by the parties. No other adjustment or discount will apply.

b) The price allowed for Liquefied Petroleum Gas produced from new projects will be determined by the market under a deregulated regime.

10.4 A windfall levy on Crude Oil/Condensate will be applicable using the following formula:

Windfall Price Share = 0.5 (Production–Royalty) X (Market Price-Base Price)
WPS = 0.5 (P-R) X (V-B)
The base price will be $ 30 per bbl, which will escalate at $ 0.25 per barrel per year. Windfall price is based on 50% of the differential between the market price and base price.

10.5 THE PRESIDENT or his designee shall purchase Crude Oil and Condensate delivered at the "nearest operating refinery"; Natural Gas subject to Article 10.2, the nearest transmission system and LPG at a "point" as may be agreed. Title to and risk of loss of the Petroleum purchased by THE PRESIDENT or his designee shall pass at the transfer points referred to above which shall be construed as the "Delivery Points" for the purpose of this Agreement.

10.6 THE PRESIDENT or his designee shall pay to a Pakistani Working Interest Owner upto 30% of their sale proceeds in foreign exchange for all Petroleum purchases in accordance with the provisions of this Article-X, to meet their Day to Day operational requirements. For project financing after Commercial Discovery, Pakistani Working Interest Owners will be required to make their own foreign exchange arrangements. The rate of exchange prevailing on the date of transaction except as specifically provided herein will apply. Payments for any Petroleum purchased from the foreign Working Interest Owners by THE PRESIDENT or his designee shall be by remittance in United States Dollars to a bank designated by the foreign Working Interest Owners of an equivalent amount to within 30 Days of receipt of invoice subject to the condition that in the case of sale of Natural Gas such guaranteed percentage as referred to in Article 10.2 (c) will be applicable. If not so paid, the unpaid balance shall bear interest after the due date at the rate of 1.5 percent per annum above LIBOR for one Month deposits of US Dollars as reported in an agreed publication.

10.7 In the event that THE PRESIDENT or his designee is unwilling to purchase all or a portion of any Working Interest Owner's share of Petroleum, such Working Interest Owner shall have the right to export or otherwise dispose of such Petroleum at competitive prices.

10.8 THE PRESIDENT shall have the right to purchase all or a portion of any Working Interest Owners' share of Petroleum in case of a national emergency or war.

ARTICLE-XI
DISPOSAL OF PETROLEUM

11.1 The Working Interest Owners shall, subject to Article X and the Rules, be permitted to export their share of Petroleum or to dispose it of otherwise.

11.2 THE PRESIDENT shall issue or cause to be issued any permits or authorizations as required for such exports within a reasonable time and no export duties shall be levied. This is subject to the following:

i) The Working Interest Owners shall sell Petroleum to third parties at competitive prices in the international market.

ii) If requested by GHPL at any time or from time to time, the foreign Working Interest Owners shall use their good offices, to assist GHPL in disposing of its share of Petroleum produced hereunder at the best available prices; provided that in no event shall foreign Working Interest Owners be required to purchase or otherwise provide a market for the GHPL share of Petroleum produced hereunder. GHPL shall reimburse the foreign Working Interest Owners for all expenses incurred in rendering to GHPL any such assistance on a no-profit no-loss basis.

11.3 The Working Interest Owners shall refrain from exporting Petroleum from Pakistan to countries prohibited by the Pakistani laws, regulations and administrative requirements.

11.4 Subject to the Rules, the Associated Gas which is not used in Joint Operations, and the processing and utilization of which, in the opinion of the Working Interest Owners, is not economical, shall be returned to the subsurface structure, or may be flared with the approval of THE PRESIDENT in accordance with the Rules. In the event the Working Interest Owners choose not to process and sell Associated Gas, THE PRESIDENT may elect to off-take such Natural Gas at the outlet flange of the gas-oil separator and use either itself or through its designee such Associated Gas if it is not required for Joint Operations. There shall be no charge to THE PRESIDENT or his designee for such Associated Gas.

ARTICLE-XII
FOREIGN EXCHANGE

12.1 The Working Interest Owners shall contribute their share of all Expenditure of exploring for, developing and producing Petroleum in foreign exchange and in Rupees as required giving due consideration to currency aspect of Expenditure, in proportion to their respective Working Interests provided however that local Working Interest Owners shall pay their share of Expenditure in Pak Rupees if their Working Interest is less than 15% in Zone-I, 20% in Zone-II and 25% in Zone-III. However, to the extent a foreign Working Interest Owner does not have available sufficient amount in Pakistani Rupees to meet its share of Rupee requirements, the Pakistani Working Interest Owners shall pay such amount in Rupees and the foreign Working Interest Owner shall make payments to the same extent in foreign exchange to the Pakistani Working Interest Owners.

12.2 If a Working Interest Owner assigns its Working Interest to a foreign entity with the consent of THE PRESIDENT under Article VII, such Working Interest Owner shall be allowed to retain abroad all proceeds resulting from such assignment.

12.3 The Operator shall keep the foreign exchange contributions of the Working Interest Owners in a foreign currency bank account in a scheduled bank in Pakistan and shall be free to utilize the amount thereof for incurring foreign exchange Expenditures in accordance with the relevant foreign exchange rules and Joint Operating Agreement subject to subsequent documentation of the amounts utilized.

12.4 The Operator and the other Working Interest Owners shall be entitled to export the Petroleum acquired by them under this Agreement, in accordance with the relevant foreign exchange rules and as provided for hereunder.

12.5 The Operator and the other Working Interest Owners shall have the right to retain abroad and to freely make use of sales proceeds from the export of their share of Petroleum produced from any Licence or Lease granted under this Agreement provided the total amount retained abroad and repatriated from Pakistan will not exceed:

a) net profits as per its profit and loss account for that Year, as subsequently audited by a firm of Chartered Accountants in Pakistan, after providing for any and all of its operating expenses for that Year including the sum of payments and taxes on income under this Agreement and the depreciation of its depreciable assets, plus

b) the funds representing such depreciation, depletion and amortization as charged to its profit and loss account for that Year.

c) all other expenses incurred abroad by the Working Interest Owners, in connection with the Joint Operations under the Agreement and charged to its profit and loss and capital account for the Calendar Year.

12.6 The Operator and the other foreign Working Interest Owners shall remit funds to Pakistan through normal banking channels sufficient to meet all Pakistani Rupee obligations under the Agreement to the extent Pakistani Rupees are not available to them in Pakistan.

12.7 XYZ and the other foreign Working Interest Owners shall not avail of any Rupee borrowing facilities.

12.8 The rate of exchange to be applied to all currency conversion transactions and calculations under this Agreement shall be the official rate of exchange, as established by the Exchange Rate Committee of the State Bank of Pakistan prevailing on the date of the transaction.

12.9 All remittances of funds under this Article-XII shall be permitted by the State Bank of Pakistan to be made without any delay or additional cost to the Operator or the Working Interest Owners.

12.10 Pakistani Working Interest Owners on a case to case basis, will be entitled during the exploration phase to receive foreign exchange against payment in Rupees to meet their obligations under this Agreement. After Commercial Discovery, Pakistani Working Interest Owners would be paid upto thirty percent (30%) of their sale proceeds in foreign currency to meet their operational requirements. For project financing after Commercial Discovery, Pakistani Working Interest Owners will be required to make their own foreign exchange arrangements.

12.11 The Government will allow foreign Working Interest Owners to remit a “guaranteed percentage” of their share of sale proceeds provided such guaranteed percentage shall be 75% of the total gross revenues from any Lease Area in Zone-I, 70% in Zone-II and 65% in Zone-III. The remaining gross income in Rupees can be used by foreign Working Interest Owners to pay royalties, taxes and any other payment to the Government as well as to meet other local currency Expenditures.

ARTICLE - XIII
IMPORTS AND EXPORTS

13.1 (a) The Operator (Petroleum Exploration & Production Company), its contractors and subcontractors engaged in Joint Operations under this Agreement shall be permitted to import, export, transfer and dispose the machinery, equipment, materials, specialized vehicles, accessories, spares, chemicals and consumables etc. in accordance with SRO 367 (I) / 94 dated 9th May, 1994 (Annex-IV) as amended by SRO 360(I)/2002 dated 15th June, 2002 (Annex-IV-A) read with SRO 749 (I) / 98 (Annex-V) and SRO 750 (I) / 98 both dated 29.6.1998 (Annex-V-A) and SRO 984 (I) / 99 dated 30th August, 1999 (Annex-V-B) provisions of CGO-7/98 dated 23.3.1998 and the provisions of this Agreement. No licence or import-cum-.export authorization fee shall be levied on such imports /exports in accordance with Import Fee Order, 1993 as amended by SRO 336 (I) / 94 dated 26th April 1994 (Annex-VI).

(b) The initial list of machinery, equipment, materials, specialized vehicles, accessories, spares, chemicals and consumables etc. required for Joint Operations approved by the relevant Regulatory Authority under Article 13.1 (a) above is attached as Annex-VII hereto. The Operator shall, however, as provided in Rule 59 of the Rules, give preference to goods which are produced or are available in Pakistan and services which are rendered by Pakistani nationals and companies provided such goods and services are offered on competitive terms. National firms which appear capable of supplying goods and services of the type demanded shall always be included in invitations to bid. For classification of items imported by the Operator, its contractors or subcontractors, the harmonized system of classification will be followed.

(c) Foreign employees and consultants of the Operator and its contractors and subcontractors will be entitled to import/export used and bonafide personal and household effects, excluding passenger vehicles, in accordance with instructions contained in Central Board of Revenue's letter C.No. 10 (14) /93-ICM&CON dated 13th June, 1994 (Annex-VIII).

13.2 The Operator, its contractors or their subcontractors shall be entitled to export such of their items as have been imported into Pakistan and are not required for the Joint Operations without restriction and without the payment of any fee, tax or export duty. Drawbacks if admissible will be available as per relevant rules. The Operator shall ensure that equipments/material imported by it, its contractors or subcontractors under this Article against its import-cum-export authorization are exported if all the Joint Operations under this Agreement are terminated unless otherwise permitted in accordance with this Agreement.

13.3 Import of items permitted under this Article-XIII shall be allowed subject to the following conditions:

(a) A condition shall be stamped on the import authorizations that the imported items shall not be sold in Pakistan except with prior permission of the Government.

The permission required under this Article 13.3(a) shall not be necessary with respect to the transfer of title to any property made pursuant to or incidental to any assignment by the Working Interest Owners of all or any part of its Working Interest under the provision of Article VII of this Agreement.

(b) The Operator, and its contractors and their subcontractors shall maintain proper accounts, statements and records of all consumable stores received and expended and send copies thereof (in duplicate) to the customs authorities concerned by the 15th of January each year and finally within fifteen (15) Days of the closing of operations in Pakistan.

(c) (i) Commissary stores can be imported after the first arrival of an expatriate employee of the Operator, its contractors and their subcontractors in accordance with instructions contained in the Central Board of Revenue's letter C.No. 10(14)/93-ICM&CON dated 13th June, 1994 (Annex-VIII). Such imports shall be confined to the items shown in Annex-IX excepting such items as are locally available of proper standard. Such items shall be specified annually by the Ministry of Commerce.

(ii) As soon as an expatriate employee arrives in Pakistan, an application will be made for grant of authorization for the commissary stores required for him indicating the duration of his proposed stay in Pakistan.

(iii) Account for the sale of tobacco and liquor (if imported) and medicines will be maintained for each individual while those of the other items will be maintained on an over-all basis.

(iv) Items of food and other commissary goods will be stamped clearly to avoid resale in the Pakistani market.

(v) CBR booklets will be maintained by individuals.

(d) Import of any other items such as arms, ammunition etc., and pets will not be permitted unless the conditions for their import such as arms licences from district authorities, quarantine requirements etc., are complied with.

13.4 Subject to the rights granted under the provisions of this Agreement and particularly those granted under this Article XIII, any items which are banned for import into Pakistan under the Import/ Trade Policy in force from time to time shall not be permitted without specific permission to be obtained before shipment of goods from abroad.

13.5 The Operator and its contractors and subcontractors shall not be liable to pay any tax, assessment, levy, octroi or charge imposed or levied on the transportation or movement of the scheduled machinery and equipment to and from the Area or on any item imported under this Article XIII.

13.6 Imports/Exports except as provided in this Article XIII shall be affected in accordance with the Import/Export Trade Policy in force on the Effective Date.

13.7 Contracts for at least ten percent (10%) of the computer software requested shall be awarded by the Operator to Local Companies to use the local software capabilities, subject to such software capabilities being available at competitive prices.

ARTICLE-XIV
TAXATION

14.1 Income tax on profits or gains drived from the Joint Operations hereunder, shall be at the rate of 40% of profit and gains as determined and assessed in accordance with the provisions of the Income-Tax Ordinance, 1979 (No. XXXI of 1979) hereinafter referred to as the "Ordinance" and the rules contained in Part I of the Fifth Schedule to the Ordinance, (hereinafter referred to as the "Fifth Schedule") as in force on the Effective Date.

14.2 Where any Expenditure allocable to a Surrendered Area or to the drilling of a dry hole is deemed to be lost under Rule 2(2) of the Fifth Schedule, such Expenditure shall be allowable as provided in rule 2(3) of the Fifth Schedule in relation to the Expenditure in question and in accordance with the respective Working Interest at the time such Expenditure was incurred in the Area in the relevant operation; provided, that, in accordance with clause (3) of Schedule to the Regulation of Mines and Oilfields and Mineral Development (Government Control) Act, 1948 (hereinafter referred to as the ("Schedule to Regulations"), all Expenditures deemed to have been lost in terms of Rule 2(2) of the said Schedule to Regulations shall be allowed to be set off against all the other income of the Working Interest Owners (other than dividend income) accruing or arising from or under any separate business or undertaking or this Agreement or from any other past, present or future agreement of the Working Interest Owners with THE PRESIDENT for Petroleum exploration and production or from any other activity, on a fully consolidated basis in accordance with Rule 2(3) ( ) of the Fifth Schedule.

14.3 Depreciation shall be allowed to the Working Interest Owners in accordance with the provisions of the Ordinance and in particular, the Third Schedule thereof.

14.4 In case of any disagreement in respect of taxation matters arising from any of the provisions of this Agreement including its Annexes, and the provisions now in effect of the Ordinance, and the Fifth Schedule thereof, read in conjunction with the Regulation of Mines and Oilfields and Mineral Development (Government Control) Act, 1948 as amended that are in force on the Effective Date, then the provisions of the Ordinance, the Fifth Schedule thereof, and the said Regulations in force on the Effective Date shall prevail.

ARTICLE-XV
MANAGEMENT AND OPERATIONS

15.1 The Operator shall prepare an annual work programme and budget for each Calendar Year during the term of this Agreement. Each such work programme and budget shall set out in reasonable details, the work to be carried out, facilities to be purchased or created, training and employment programme, establishment, salaries and wages, social welfare schemes to be undertaken, and an estimate of the Expenditure to be incurred. The Operator shall present such work programme and budget to the Government and the Working Interest Owners before the start of each Calendar Year and thereafter provide a quarterly update on the implementation of such work programme and budget.

15.2 The first work programme and budget shall cover one complete Calendar Year as well as the remaining part of the Calendar Year from the Effective Date. Thereafter, such annual work programmes and budgets shall be prepared and submitted to the Government and the Working Interest Owners at least ninety (90) Days prior to the first Day of each Calendar Year**.**

15.3 All important matters concerning Joint Operations hereunder shall be submitted for the approval to the Operating Committee composed of at least one representative of each Working Interest Owner and the Chairman nominated by the Operator. The representative of each Working Interest Owner shall have a vote equal to the percentage Working Interest owned by each Working Interest Owner. All decisions of the Operating Committee shall require a combined voting interest of more than (76, 81, 86%)for Zone III, II & I) for all operations except as stipulated in this Agreement.

15.4 The Operator shall conduct all Joint Operations in accordance with the Rules. In case the Rules do not provide for a specific operation, the normal Good Oilfield Practices shall be followed. The Operator shall set up an organization in Pakistan with sufficient competence and capacity to conduct and perform the Joint Operations in accordance with the provisions of the Rules and this Agreement.

15.5 All pipelines constructed by for the Working Interest Owners shall be operated under open access regime and to the extent that the throughput capacity of any pipeline that may be constructed for the purposes of Joint Operations, is not required to be utilized by the Working Interest Owners for the transportation of Petroleum produced for their account, such pipeline capacity may be used by the Government for any Petroleum purchased by the Government hereunder from the Working Interest Owners and by any other Petroleum company in Pakistan, in accordance with applicable regulations notified from time to time and each of them shall pay the Working Interest Owners for such use a tariffs as approved by the concerned regulator. Income so derived by a Working Interest Owner shall be assessed for income tax purposes on the same basis as its income from Petroleum produced for its account.

ARTICLE-XVI
REPORTS AND INFORMATION

16.1 THE PRESIDENT shall allow the Operator access, at all reasonable times, to all geological, geophysical, well and other technical data which is in public domain on the Effective Date pertaining to the Area and any free adjoining areas. If and when requested by the Operator, THE PRESIDENT shall provide or supply to the Operator copies of such data on payment of actual reproduction and other costs of the data and on such terms and conditions as it may determine. Such data shall not be disclosed to any third party except to Operator's employees and consultants including banks and financial institutions for the purpose of financing who shall be similarly bound to treat it as strictly confidential.

16.2 The Operator shall furnish to the Director General, Petroleum Concessions all data, information & record and reports as required in accordance with the Rules.

16.3 Unless otherwise agreed to by THE PRESIDENT in the case of export of any rock or Petroleum samples from Pakistan for the purpose of testing and analysis, samples equivalent in size and quantity shall, before such exportation, be delivered to THE PRESIDENT.

16.4 Originals of records and other data can be exported only with the permission of THE PRESIDENT provided, however, that magnetic tapes and any other data which must be processed or analyzed outside Pakistan may be exported with the prior approval of the DGPC if a comparable record is maintained in Pakistan and provided that such exported records and data shall be repatriated to Pakistan.

16.5 Any person or persons authorized by the Director General, Petroleum Concessions shall subject to reasonable notice be entitled to be present, at the cost of the Working Interest Owners during any or all of the Joint Operations provided that such persons abide by the applicable safety rules.

16.6 The Operator shall, as far as reasonably practicable, correctly label and preserve for a period of twelve (12) Months or such longer period as required by DGPC for reference, characteristic samples of strata or water encountered in any bore-hole or well and samples of any Petroleum discovered in the Area. The characteristic samples of said strata shall include, but not be limited to, cuts of all cores, and cuts of all ditch samples. All characteristic samples including ditch and core samples, shall be supplied by the Operator to THE PRESIDENT.

ARTICLE-XVII
TRAINING AND EMPLOYMENT

17.1 The Operator agrees to employ qualified nationals of Pakistan in its Joint Operations and, to undertake their schooling and training for staff positions, including administrative and executive management positions. Preference will be given to employment of nationals and unskilled workers from the Area. The Operator will require its contractors and subcontractors, operating in Pakistan, to do the same. The Operator undertakes to gradually replace its expatriate staff with qualified nationals as they become available. An annual programme for employment and training of nationals of Pakistan shall be established by the Operator and submitted for approval to the Director General, Petroleum Concessions at least (90) Days in advance. Such programme shall be included in the annual work programme and budget. Within thirty (30) Days of the end of each Calendar Year, the Operator shall submit a written report to DGPC describing the number of personnel employed, their nationality and positions and the status of training programme for nationals of Pakistan.

17.2 The Operator shall also be required to establish a programme, satisfactory to THE PRESIDENT to train personnel of the Directorate General of Petroleum Concessions and the Government locally and abroad to develop the capability of such personnel to effectively perform their duties related to the supervision of the Petroleum industry. Such training programme shall cover both technical and management disciplines (e.g., geology, geophysics, engineering, project management, accounting, legal) and shall include on-the-job training and participation in in-house seminars.

17.3 From the Effective Date and up to the date of Commercial Discovery the Working Interest Owners, other GHPL than shall subject to the guidelines issued by the Government from time to time, spend a minimum of ten thousand United States Dollars (U.S. $10,000) per year prior to the Date of Commercial Discovery for training. Commencing with the Date of first Commercial Discovery, the minimum Expenditure for training in each year shall be increased to twenty five thousand United States Dollars (U.S. $ 25,000). This Expenditure will be subject to upward review from time to time. The unspent training amount during a year, unless agreed otherwise, shall be deposited into a special account maintained for the purpose by the Directorate General of Petroleum Concessions. All such expenditure shall be treated for Pakistani income tax purposes as wholly and exclusively incurred for the purpose of the income under rule 2(3), 2(4) or 2(5) of the Fifth Schedule as may be appropriate.

ARTICLE-XVIII
CONTRIBUTION TO JOINT OPERATIONS

18.1 Except as otherwise provided for in this Agreement, all Expenditures on Joint Operations shall be shared and borne by the Working Interest Owners in proportion to their Working Interests provided however that the local Working Interest Owners shall pay their share of Expenditure in Pak Rupee if their Working Interest is less than 15% in Zone-I, 20% in Zone-II and 25% in Zone-III.

18.2 At least thirty (30) Days prior to the first Day of each calendar quarter, the Operator shall submit an itemized estimate of such Expenditures for each Month of the quarter and each Working Interest Owner shall pay to the Operator its proportionate share of such estimated Expenditures in Monthly installments. Each Monthly installment shall be paid as provided for in the Joint Operating Agreement.

ARTICLE-XIX
DEVELOPMENT FINANCING

19.1 Any of the Working Interest Owners shall have the right to obtain project financing for the development of a Commercial Discovery. THE PRESIDENT may, where possible, upon request of a Working Interest Owner, use his good offices to assist in all things necessary to facilitate project financing by a consortium of banks for any portion of the development Expenditure.

19.2 Any Working Interest Owner may, upon informing the other Working Interest Owners and with the prior approval of THE PRESIDENT create an equitable charge on its Working Interest to any reputable financial institution acceptable to THE PRESIDENT on any or all of its rights hereunder, to secure the prompt payment of sums of money, principal and interest, so borrowed and the full faithful discharge of any and all obligations which it may undertake to obtain financing from such financial institution for the purpose of this Agreement.

ARTICLE-XX
REFINERY, LPG AND NATURAL GAS PROCESSING PLANTS

20.1 The Working Interest Owners can setup a refinery in accordance with the relevant Rules and the policy in force.

20.2 The Working Interest Owners renounce any claim to participate, on grounds of production of Crude Oil in Pakistan, in a refinery which may be set up by THE PRESIDENT.

20.3 The Working Interest Owners shall have the sole and exclusive right to establish, install and operate LPG or Natural Gas processing plants in the Area, provided that if they fail to commence the installation of an LPG or Natural Gas processing plant in the Area within four (4) Years of the grant of the Lease unless otherwise agreed between THE PRESIDENT. and the Working Interest Owners, their exclusive right to establish such plant(s) within the Area will cease. Thereafter, THE PRESIDENT. or his designee will have the option to establish, install and operate LPG and Natural Gas processing plant(s) in the Area, provided that the Working Interest Owners are given an opportunity to participate in such plant(s).

ARTICLE-XXI
OTHER MINERALS

21.1 When any mineral (other than Petroleum and minerals necessary for the generation of nuclear energy) is discovered by Operator and THE PRESIDENT does not have a pre-existing policy for development and exploitation of such mineral by a non-Pakistani company, the Operator can elect within six (6) Months after the date on which Operator notifies the Director General Petroleum Concessions of such discovery, to develop and exploit such mineral subject to reaching an accord with the appropriate licencing authority as to the terms and conditions of an agreement governing the development and exploitation of such mineral.

21.2 Discovery of all minerals necessary for the generation of nuclear energy, including inter alia Uranium, Thorium, Zirconium, Niobium, Hafnium, Lithium and Vanadium shall be reported by Operator to the Pakistan Atomic Energy Commission and the Director General, Petroleum Concessions. The Working Interest Owners shall have no right to develop and exploit such nuclear minerals unless specific approval/ concurrence is given by the Pakistan Atomic Energy Commission for the development and exploitation of these nuclear minerals.

21.3 Minerals, other than those necessary for the generation of nuclear energy, produced in suspension or combination with Petroleum**,** shall belong to the Working Interest Owners, subject to payment of royalty if marketed. Royalty shall be at the rate specified by the appropriate authority.

21.4 The income derived from the minerals, produced in suspension or combination with Petroleum, shall be governed by Part II of the Fifth Schedule of the Income Tax Ordinance 1979 (No. XXXI of 1979) as amended from time to time.

21.5 The rights granted to the holder of a Petroleum right shall not in any way prejudice or affect any of the powers of THE PRESIDENT as provided for in the Rules.

ARTICLE-XXII
AUDIT

22.1 The Operator shall maintain correct and accurate records and accounts of all Expenditures made for Joint Operations, of all production obtained from the Area and of all property acquired for the Joint Account or disposed of in accordance with normal industry practices and the Accounting Procedure. The accounts shall be audited for the period from the Effective Date to the end of the Calendar Year, and thereafter annually by an independent firm of chartered accountants selected by the Operator and approved by the Operating Committee. Copies of the audit reports shall be delivered to THE PRESIDENT. and to each of the Working Interest Owners within six Months of the end of each Calendar year. If neither THE PRESIDENT nor the Working Interest Owners or any of them shall take exception to any such audited accounts within six Months after their receipt of copies of the report relating thereto, the same shall be final and binding on the Working Interest Owners and THE PRESIDENT; provided however, that the accounts and support vouchers and documents, together with such reasonable facilities as may be required for the audit of the Joint Operations, shall be made available to auditor nominated by THE PRESIDENT who may take such action as he deems fit within two years from the date of receipt of the said report by THE PRESIDENT and (notwithstanding the above provision regarding finality after six Months) THE PRESIDENT and the Working Interest Owners shall, where necessary, take appropriate action with regard to any matter arising out of the auditor report.

22.2 THE PRESIDENT and/or a non-Operator Working Interest Owner(s) shall have the right, at its sole expense, to audit the Joint Account and related records for any Calendar Year or portion thereof at any time provided thirty (30) Days advance notice is given to the Operator.

22.3 The Operator shall retain the records and accounts with this Article for a period as may be provided for in the Rules or for such longer work as may be appropriate under the relevant laws.

ARTICLE-XXIII
PRODUCTION BONUSES

23.1 The Working Interest Owners, other than the GHPL/ (if applicable), shall pay THE PRESIDENT on an Area basis, the following production bonuses:

AMOUNT (US$)	CUMULATIVE PRODUCTION FROM THE AREA (MMBOE)
500,000	On Commencement of Commercial Production
1000,000	30
1500,000	60
3000,000	80
5000,000	100

23.2 Pakistani Working Interest Owners other than GHPL (if applicable) will pay their share of Production Bonuses in Rupees.

23.3 Payments due under this Article shall be made within thirty (30) Days from the date on which the respective production bonus becomes payable. Production bonuses will be expended on infrastructural development in and around the Area. As long as Government is GHPL's majority share holder, GHPL will not be subject to Production Bonuses.

23.4 Payments made under this Article are not to be amortized, expensed, or credited for Pakistani Income Tax purposes.

23.5 In the event a Working Interest Owner elects not to join in the development of a Commercial Discovery, such a Working Interest Owner shall have no obligation to pay the bonuses provided for in this Article XXIII. In that case the total amount of production bonus shall be paid by the remaining Working Interest Owners pro-rata to their Working Interest.

ARTICLE-XXIV
INSURANCE AND INDEMNIFICATION

24.1 The Operator shall comply with all applicable workmen's compensation and employers liability laws and insurance laws of Pakistan.

24.2 To ensure that the Working Interest Owners meet their obligations to third parties, and or to Government agencies, that might arise in the event of damage, and injury (including environmental damage or injury, removal of wrecks and cleaning up as a result of accidents) caused by Joint Operations, notwithstanding that the damage is accidental, the Working Interest Owners, through the Operator, shall maintain in force a third party liability insurance policy covering their activities and those of their contractors and sub-contractors and the employees of all such parties. Such insurance policy shall include THE PRESIDENT as an additional insured, shall waive subrogation against THE PRESIDENT and shall provide that it may not be canceled except upon thirty (30) Days prior written notice to THE PRESIDENT. A certificate evidencing such insurance policy shall be furnished to THE PRESIDENT within ninety (90) Days of the Effective Date. The limits, coverage, deductible and other terms thereof shall be furnished to THE PRESIDENT. To the extent that such third party liability insurance is not available or is not obtained, or does not cover part or all of any claims or damage caused by or resulting from Joint Operations, the Working Interest Owners shall remain fully responsible and shall defend, indemnify and hold THE PRESIDENT harmless against all such claims, losses and damages of any nature whatsoever.

24.3 The Working Interest Owners shall, under Rule 71 of the Rules, take out and maintain such insurance through the Operator as THE PRESIDENT may approve against any liability which the Working Interest Owner(s) may incur.

24.4 The Working Interest Owners, shall in accordance with Rule 71 of the Rules, effectively indemnify, defend and hold harmless THE PRESIDENT, at all times against all proceedings, costs, charges, claims, losses, damages and demands whatsoever, including, without limitation, claims for loss or damage to property or injury or death to persons, caused by or resulting from any Joint Operations conducted by or on behalf of the Working Interest Owners, by any third party, or any thing done or purporting to be done in pursuance thereof provided that the Working Interest Owners shall not be held responsible to THE PRESIDENT under this Article XXIV for any loss, claim, damage or injury caused by or resulting from any negligent action of any concerned personnel of THE PRESIDENT.

ARTICLE-XXV
PARENT COMPANY/BANK GUARANTEE

25.1 Subject to Article 3.7(a), the Working Interest Owners, excluding the GHPL/ if applicable, shall on the date of execution of this Agreement furnish a parent company or bank guarantee from an acceptable international bank of repute on the prescribed format Annex-X and XI as the case may be as required by THE PRESIDENT. THE PRESIDENT may also consider accepting a proposal of a local Working Interest Owners as to the provision of guarantee as is allowed under the applicable policy.

ARTICLE-XXVI
EFFECTIVENESS AND DURATION

26.1 This Agreement shall, unless mutually agreed otherwise, be and remain in full force, application and effect from the Effective Date and so long thereafter as the Working Interest Owner continue to own interest in the Licence or any Lease(s) or till a final settlement has been made after the expiration**,** Surrender, or termination of Petroleum rights under the Rules.

ARTICLE-XXVII
FORCE MAJEURE

27.1 Failure of any Party to this Agreement to fulfil any of the terms and conditions of this Agreement or of a Licence or Lease shall not be deemed as a breach or default insofar as such failure arises from Force Majeure, provided that the affected Party has taken all appropriate precautions and reasonable measures to fulfil its obligations.

27.2 In this Article the expression "Force Majeure" includes an act of God, war, insurrection, riot, civil commotion, flood, lightening, explosion, fire, earthquake and any other happening which the affected party could not reasonably prevent or control.

27.3 If the ability to fulfil its obligations is affected by Force Majeure, the affected Party shall, without delay, give notice to the other Parties in writing, supported by necessary justification and documentary evidence stating the cause of such inability and its efforts to remove such cause and remedy its consequences.

27.4 The term of this Agreement and the Licence or Lease, as the case may be, shall be extended for the duration of the Force Majeure situation and such further period as determined by the Government to resume operations.

27.5 In the event Force Majeure exceeds a period of three (3) years continuously during the initial term or any renewal thereof, any of the Parties to the Agreement may terminate this Agreement on three (3) Months notice without any further obligation.

ARTICLE-XXVIII
ARBITRATION

28.1 Any question or dispute arising out of or in connection with the terms of this Agreement or the Licence or any Lease (regardless of the nature of the question or dispute) shall, as far as possible, be settled amicably. Failing an amicable settlement within a reasonable period, such dispute shall be submitted to the International Center for Settlement of Investment Disputes (ICSID) established by the "Convention on the Settlement of Investment Disputes Between States and Nationals of Other States " of 1965 and THE PRESIDENT and the Working Interest Owners, to the extent required by said Convention, hereby consent to arbitration thereunder.

The venue of the arbitration shall be in Pakistan or elsewhere as mutually agreed between THE PRESIDENT and the Foreign Working Interest Owners. If such mutual agreement cannot be reached, the venue shall be decided by the ICSID. The award rendered shall be final and conclusive. The judgment on the award rendered may be entered in court having jurisdiction or application may be made in such court for a judicial acceptance of the award and an order of enforcement as the case may be. The official language of arbitration will be English.

28.2 If, for any reason, the request for arbitration proceedings is not registered by ICSID, or if the ICSID fails or refuses to take jurisdiction over such dispute, such difference or dispute shall be finally settled by arbitrators under the Rules of Arbitration of the International Chamber of Commerce (the "Chamber Rules") and by three (3) arbitrators appointed in accordance with the Chamber Rules. The arbitrators shall not be nationals of Pakistan or of the country of the other party to the dispute nor shall any of such arbitrators be employees or agents or former employees or agents of any of the parties to the proceedings.

28.3 This Article is only applicable in case of a dispute between foreign Working Interest Owners inter se, or between foreign Working Interest Owners and THE PRESIDENT, provided that in the event of a dispute between the Pakistani Working Interest Owner(s) inter se, or between the Pakistani Working Interest Owners and THE PRESIDENT, the arbitration shall be conducted in accordance with the Arbitration Act, 1940.

ARTICLE-XXIX
MISCELLANEOUS

29.1 The Operator shall conduct all exploration, exploitation, drilling, development, and production operations in accordance with Good Oilfields Practices and the principles and standards as laid down in the Rules. Consistent with this requirement, the Operator shall endeavor to minimize exploration, development, production and operation costs and maximize the ultimate economic recovery of Petroleum.

29.2 The Operator shall not start production from any well prior to testing and making sure to the satisfaction of THE PRESIDENT's representative that the well has been properly completed.

29.3 The Operator shall not flare Natural Gas but shall use it commercially or for recycling. If Associated Gas is not so used or not planned to be so used, the Working Interest Owners shall negotiate an arrangement making it available to THE PRESIDENT or its designee free of cost at the down stream flange of the gas/oil separation facilities in accordance with Article 11.4. If THE PRESIDENT for whatever reason is unable or unwilling to take delivery of the Natural Gas that would otherwise be flared as provided for above, the Operator will be allowed to flare such gas in accordance with the Rules without any royalty or excise duty liability until such time as THE PRESIDENT or his designee can take delivery.

29.4 This Agreement shall be governed by and given effect in accordance with the laws of Pakistan.

29.5 All the rules, laws, regulations in effect on the Effective Date, including the Workers' Welfare Fund Ordinance, 1971 and the Companies Profits (Workers' participation) Act, 1968 shall apply to this Agreement, throughout its term, whether or not subsequently amended or revised.

29.6 This Agreement sets forth the entire agreement reached between the Working Interest Owners and THE PRESIDENT and it shall remain and continue in force and shall be binding upon each of them throughout its duration without any amendment, revision or alteration thereto except as may hereafter be mutually agreed by the Working Interest Owners with the approval of THE PRESIDENT. The Rules, Income Tax Ordinance 1979, Regulations of Mines and Oilfields and Mineral Development (Government Control) Act, 1948 and other laws that are in force on the Effective Date shall remain applicable for purposes hereof, whether or not the same are subsequently amended or revised; provided that where any matter is not specifically dealt with in this Agreement or where there is any conflict between the provisions of this Agreement and the laws, such matter shall be governed in accordance with the applicable provision of the Rules, Income Tax Ordinance 1979, Regulations of Mines and Oilfields and Mineral Development (Government Control) Act, 1948 and other laws as are in force on the Effective Date of this Agreement.

29.7 This Agreement shall inure to the benefit of and be binding upon the respective successors and permitted assigns of the Working Interest Owners.

29.8 All headings used herein are for the purpose of reference only and shall not be construed as in any way defining or limiting the meaning of any provision.

29.9 The Operator shall observe all, laws, rules and regulations issued by the Government in respect of protection of the environment and safety of operations, including the Oil and Gas (Safety in drilling and Production) Regulations, 1974, the Pakistan Environmental Protection Act, 1997 and the Mines Act, 1923 as amended from time to time.

29.10 The Working Interest Owners, other than GHPL, shall be required, in consultation with local civil administration/Provincial Governments, to undertake social welfare programmes such as fight against narcotics, promotion of sports, rehabilitation of the mentally retarded and handicapped children, improvement of educational facilities, drinking water, health, roads, and grant of scholarships for local students and shall spend during the exploration phase prior to Commercial Production not less than twenty thousand Dollars ($ 20,000) in Zone III & US$ 10,000 in Zone II & I. The Government will issue necessary guidelines for social welfare programs as deemed appropriate from time to time. After the commencement of Commercial Production in the Area, the following minimum amounts will be spent during each year:

Production Rate (BOE/Day)	**Amount/Year (US Dollars)**
Less than 2000	20,000
2000 - 5000	40,000
5000 - 10,000	75,000
10,000 - 50,000	150,000
More than 50,000	250,000

These amounts will be increased from time to time by mutual agreement of the Working Interest Owners mentioned above and THE PRESIDENT. The Pakistani Working Interest Owners will make these payments in equivalent Rupees. Any amounts so spent shall be treated for Pakistani Income Tax purposes as wholly and exclusively incurred for the purpose of the business of the Working Interest Owners and shall be allowed against income under Rule 2(5) of the Fifth Schedule.

ARTICLE-XXX
NOTICES

30.1 Any notice or advice required or convenient to be given to or by THE PRESIDENT or any Working Interest Owners shall be given in writing in the English language and delivered by hand or by telex confirmed by the correct answer-back of the addressee at the foot of such telex. Any such notices or communications shall be effective at midnight of the Day during which such notice or communication is received. Any Working Interest Owner shall have the right to change its address by giving the other Working Interest Owners and THE PRESIDENT a written notice thereof.

30.2 Such notices or other communications shall be deemed to be effectively given or made:

a) On receipt by the addressee if delivered personally to its last notified address with signed receipt obtained acknowledging delivery; or

b) on transmission to the addressee if transmitted by telex (with the correct answer-back confirmation) during normal business hours at the place of receipt of the address or, if so transmitted outside such hours, on opening of business on the next business Day at such place provided a hard copy of the same will also be sent to the addressee through registered mail or hand delivery which if not received within next 24 hours, will make the notice communication effective from date of receipt.

30.3 The addressees for such communication are as follows:

a) In the case of The PRESIDENT to:

The Secretary Ministry of Petroleum and Natural Resources,
3rd Floor, Secretariat Block `A' Islamabad.

Telephone	:	92-51-9211220
Telex	:	5862 PETNR PK
Fax	:	9201770

b) In the case of GOVERNMENT HOLDINGS (PRIVATE) LIMITED (if applicable) to:

Chief Executive Officer/Chairman,
House No. 9, Street No. 29, F-10/1,
Islamabad (Pakistan).

Attention	:	Chief Executive Officer/Chairman,
Telephone	:	92-51-9266746, 9266747
Telex	:	
Fax #	:	92-51-9266766

c) In the case of XYZ to:

_____

_____

Attention :
Telephone :
Telex :

d) In the case of ABC to :

_____

_____

Attention :
Telephone :
Telex :

IN WITNESS WHEREOF this Agreement has been duly signed by the respective parties hereto as of the _____Day of _____ 200___.

WITNESSES: For and on behalf of
THE PRESIDENT OF THE ISLAMIC
REPUBLIC OF PAKISTAN

1. _____

2. _____

WITNESSES: For and on behalf of
GOVERNMENT HOLDINGS (PRIVATE) LIMITED
(if applicable)

1. _____

2. _____

WITNESSES: For and on behalf of XYZ

1. _____

2. _____

WITNESSES: For and on behalf of ABC

1. _____

2. _____

ANNEX I

MAP OF THE AREA AND GEOGRAPHICAL DESCRIPTION

ANNEX II

JOINT OPERATING AGREEMENT
(Annexed to and made a part of the Petroleum Concession Agreement)

TABLE OF CONTENTS

Page

ARTICLE-1
DEFINITIONS 63

ARTICLE-2
EFFECTIVENESS OF JOINT OPERATING AGREEMENT 64

ARTICLE-3
WORKING INTERESTS AND VOTING RIGHTS 65

ARTICLE-4
MANAGEMENT AND OPERATIONS 66

ARTICLE-5
RIGHTS, POWERS AND DUTIES OF THE OPERATOR 70

ARTICLE-6
WORK PROGRAMME AND BUDGET 75

ARTICLE-7
COSTS AND EXPENSES 79

ARTICLE-8
DISPOSAL OF PETROLEUM 80

ARTICLE-9
SOLE RISK 81

ARTICLE-10
INSURANCE 86

ARTICLE-11
CONFIDENTIAL INFORMATION 87

ARTICLE-12
TRANSFER OF INTEREST 89

ARTICLE-13
SURRENDER 90

Page

ARTICLE-14
RELATIONSHIP OF THE WORKING INTEREST OWNERS 91

ARTICLE-15
TAXES 92

ARTICLE-16
FORCE MAJEURE 93

ARTICLE-17
ARBITRATION 94

ARTICLE-18
LAWS, RULES AND REGULATIONS 95

ARTICLE-19
TERM 96

ARTICLE-20
NOTICES 97

ARTICLE-21
MISCELLANEOUS 98

(Annexed to and made a part of the Petroleum Concession Agreement)

Joint Operating Agreement

Between

XYZ

and

GHPL
(if applicable)

THIS JOINT OPERATING AGREEMENT is made on the _____ Day of _____, 200__.

BETWEEN:

1. XYZ
2. ABC

3. The Government Holdings (Private) Limited (if applicable) herein-after referred to as the "GHPL" (which term shall include its successors and assignees) of the second part.

WHEREAS THE PRESIDENT of the Islamic Republic of Pakistan ("THE PRESIDENT") and the Parties hereto have entered into a Petroleum Concession Agreement for Block _____, (hereinafter referred to as the "Concession Agreement") dated the Effective Date, for the exploration, development and production of Petroleum in Pakistan and the purpose of this Joint Operating Agreement is to further define the respective rights and obligations of the Working Interest Owners and to regulate the conduct of their operations;

NOW IT IS HEREBY AGREED AS FOLLOWS:-

ARTICLE-1
DEFINITIONS

The terms defined in the Concession Agreement shall have the same meaning whenever used in this Joint Operating Agreement. Furthermore, the following terms shall have the meanings as indicated:

1.1 "Joint Property" means all assets of any nature whatsoever, the cost of which is chargeable to the Joint Account and shall include, but not be limited to, buildings, lands, material, equipment and fixtures acquired for the purposes hereof and other rights and all Joint Account funds.

1.2 "Non-Operator" means any Working Interest Owner not designated as the Operator.

1.3 "Work Obligations" means the work obligations set out in Article 3 of the Concession Agreement.

In the event of any difference or inconsistency between the terms of this Joint Operating Agreement and those of the Concession Agreement, the latter shall prevail.

ARTICLE-2
EFFECTIVENESS OF JOINT OPERATING AGREEMENT

2.1 This Joint Operating Agreement shall come into full force and effect on the Effective Date of the Concession Agreement.

ARTICLE-3
WORKING INTEREST AND VOTING RIGHTS

3.1 The Working Interests of XYZ, ABC and GHPL (if applicable) throughout the Area for each phase of the Joint Operations shall be governed by the provisions set forth in Article V of the Concession Agreement. Each Working Interest Owner shall be liable for all Expenditures to the extent of its Working Interest, except as provided for in the Concession Agreement.

3.2 The voting rights of the Working Interest Owners shall be in proportion to their respective Working Interests at the time of the vote.

ARTICLE-4
MANAGEMENT AND OPERATIONS

4.1 To provide general administration, supervision, direction and control of all Joint Operations to be conducted under this Joint Operating Agreement, an Operating Committee shall be established, consisting of a representative and an alternate representative (who shall act in the absence of the representative), to be appointed by each of the Working Interest Owners, except as otherwise provided in the Concession Agreement. The Operator shall appoint the chairman of the Operating Committee who shall not have any voting rights. Each Working Interest Owner hereby vests its representative and alternate representative with full authority to represent and bind that Working Interest Owner in all matters arising under the Concession Agreement and this Joint Operating Agreement. Each Working Interest Owner shall designate its representative and alternate representative by written notice to the other Working Interest Owners stating the name and address of its representative and alternate representative. Subject to Article XV of the Agreement, each Working Interest Owner, may, by written notice to the other Working Interest Owners, replace its representative or any alternate at any time and such substitute shall have the same powers and duties as the person he replaces. Subject to Article 11 hereof, each representative may bring such advisers as it deems fit to any meeting of the Operating Committee.

4.2 The Operating Committee shall meet quarterly to discuss important matters, unless the Operating Committee agrees that any such meeting may be dispensed with, and once each Calendar Year for the purposes of presenting the work programme and budget referred to in Article 6 and review thereof, and shall meet at such other times as Operator or any Non-Operator may request. Notice of any Operating Committee meeting shall be given by the Operator at least fifteen (15) Days in advance of the proposed date of the meeting stating the time, place and agenda to be considered at such meeting, together with such supporting information as is practicable and the Operator's recommendations if appropriate. Notwithstanding the foregoing, when any meeting of the Operating Committee is called to consider any matter related to commerciality or the approval of a Development Plan, the notice shall be given at least twenty eight (28) Days in advance.

4.3 No decision on any matters shall be taken at any meeting of the Operating Committee unless either prior notice as provided in Article 4.2 has been given or the representatives of the Working Interest Owners unanimously agree that a matter of which a prior notice has not been given shall be dealt with at such meetings. Operator's representative shall prepare minutes covering business conducted at Operating Committee meetings, copies of which shall be made available as soon as possible but in any event within fifteen (15) Days of the date of the meeting to all the Working Interest Owners through their representatives. Any Working Interest Owner having any corrections or objections to the minutes shall notify the Operator, and other Working Interest Owners thereof. If a Working Interest Owner does not give notice of corrections or objections within thirty (30) Days after receipt of said minutes, the same shall be deemed to have been approved. If the Operating Committee does not

agree to the minutes, such minutes shall be discussed at the next meeting of the Operating Committee.

4.4 The decision taken by the Operating Committee in accordance with the provisions of Article 4 shall be binding upon all Working Interest Owners.

4.5 All decisions of the Operating Committee in respect of Joint Operations under this Joint Operating Agreement shall require approval by more than seventy six percent (76% Zone III, 81% Zone II & 86% Zone I) of the total Working Interest. Each representative shall have voting rights equal to the Working Interest of his principal as set forth in Article V of the Concession Agreement.

4.6 All meetings of the Operating Committee shall be held in Pakistan unless the Working Interest Owners unanimously agree to change the venue of any such meeting. The expenses of the representatives of the Working Interest Owners incurred in attendance at meetings shall be borne by the respective Working Interest Owners and shall not be charged to the Joint Account.

4.7 Any matters requiring Operating Committee approvals shall be submitted to the Operating Committee for consideration and vote without holding a meeting, provided that such matter is submitted by notice in writing to all representatives, and to the Operator. In such event, each said representative shall, within fifteen (15) Days after notice is received, vote by giving notice of its vote to the Operator. Any Working Interest Owner that does not give notice of its vote as aforesaid, shall be deemed to have voted in favour of the matter submitted. Any proposal which thus receives approval of the Operating Committee shall be deemed to be the proposal adopted by the Working Interest Owners and the decision thus taken shall be binding on them. Operator shall report to the Working Interest Owner in writing without undue delay, the result of such vote after receipt of the votes of all Working Interest Owners and shall keep a written record thereof.

A Working Interest Owner or the Chairman of the Operating Committee receiving notice of a matter to be voted upon without holding a meeting of the Operating Committee may, instead of voting, request a meeting of the Operating Committee. In that event, such matter shall not be considered and decided without holding a meeting.

4.8 No business shall be transacted at any meeting unless a quorum is present. A quorum shall include, the Operator, and one Non-Operator, holding seventy six percent (76%, 81% & 86%) or more of the total Working Interest related to the matter under consideration. Any other representative not present at a meeting may vote on any item included in the agenda of the meeting in writing, addressed to the Operator, provided such vote is received by the Operator prior to the submission of such item to a vote at the meeting.

4.9 Notwithstanding other provisions hereof, if the Operator shall be required within a period of time of less than fifteen (15) Days to take action which requires authorization of the Working Interest Owners, which is not an emergency action as provided for in Article 5.8,

the Operator shall give notice to each Working Interest Owner by telex or by telephone to be forthwith confirmed in writing, of all circumstances pertaining to the taking of such action, stating in addition, the period of time (which shall not be less than 48 hours) by which a decision must be made. The action authorized by the appropriate vote of representatives who shall vote within the time stated in the Operator's notice shall be deemed the act of the Operating Committee and where any Working Interest Owner fails to vote within such time, that Working Interest Owner shall be deemed to have voted in favour of the proposed action.

4.10 The Operating Committee may establish such advisory subcommittees as it considers appropriate from time to time, such as technical or finance subcommittees or special subcommittees in relation to commerciality or development programs, for the purpose of reviewing matters prior to their consideration by the Operating Committee. All such subcommittees shall consist of a representative of each Working Interest Owner. The duties and functions of any such sub-committees shall be as determined by the Operating Committee.

4.11 Except as otherwise stipulated in this Joint Operating Agreement, all important matters concerning Joint Operations hereunder including, but not limited to the following shall be submitted to the Operating Committee for review, revision and decision (to such extent as it may see fit) and all decisions duly and properly taken by the Operating Committee shall be binding on the Working Interest Owners and to the extent applicable shall be executed promptly by the Operator**:**

1. Budgets and work programmes, revisions and amendments thereto;

2. Programmes in relation to the location, drilling, testing, deepening, plugging back, completion, re-working and abandonment of wells;

3. Subject to Article 5.3 (d), the selection of professional consultants, technical services, award of contracts on bids for Joint Operations;

4. Estimates of reserves of Petroleum;

5. A Petroleum availability forecast giving the total quantities of Petroleum that can be produced from the Area in any quarter taking of recovery of the reserves from the Area in accordance with Good Oilfield Practices at that time, the determination shall be made for each Quarter not less than ninety (90) Days prior to the commencement of that Quarter;

6. The extension or renewal of the Licence or the application for grant, extension or renewal of any Lease(s);

7. Subject to Article 13 hereof, the Surrender of any part of the Area or of any Lease;

8. The unitization of any acreage of a Licence or a Lease with acreage outside, subject to the approval of THE PRESIDENT;

9. The exchange of confidential proprietary information to or with third parties, notice of which shall be given to THE PRESIDENT;

10. All press releases and publicity material to be issued by the Operator on behalf of the Working Interest Owners, prior to the release of the same by the Operator. This will however, be subject to prior approval of THE PRESIDENT;

11. Any other matter that is specifically submitted to the Operating Committee for decision under other provisions of this Joint Operating Agreement or any other matter concerning Joint Operations hereunder not dealt with in this Joint Operating Agreement which may be specifically referred to the Operating Committee by any Working Interest Owner or;

12. Declaration of Commercial Discovery;

13. The Development Plan for any Commercial Discovery, and the vertical and horizontal boundaries for any Discovery Area;

14. The selection of any areas outside the Area for which application may be made jointly.

4.12 In respect of the work obligations set out in Article III of the Concession Agreement, the Operating Committee shall, unless and to the extent that relief from such obligation is sought and obtained from THE PRESIDENT, determine the location and the time at which such obligations are to be discharged.

ARTICLE-5
RIGHTS, POWERS AND DUTIES OF OPERATOR

5.1 XYZ/ABC is hereby designated as the Operator for all Joint Operations and agrees to serve as such in accordance with the terms, provisions, conditions and limitations of this Joint Operating Agreement.

5.2 Subject to the provisions of this Joint Operating Agreement, the Operator shall have the sole authority and responsibility for the direct management and supervision of all Joint Operations, and shall have the sole custody and control of all the Joint Property under its care. Moreover, the Operator shall perform its duties and carry out its responsibilities in accordance with the terms and conditions of each approved work programme and budget, Concession Agreement and Rules and subject to such instructions as may be given from time to time by the Operating Committee.

5.3 In order to carry out and perform all Joint Operations as aforesaid, and in connection therewith, the Operator shall have the following exclusive rights, duties and obligations:

(a) To conduct all Joint Operations by its duly authorized officers, employees or agents, or by such independent and qualified contractors, consultants or service companies as the Operator may engage in accordance with the Concession Agreement and the Joint Operating Agreement. To acquire and furnish for the Joint Account all materials and equipment required, it shall be the duty of the Operator to make every reasonable effort to obtain such required materials and equipment on the terms and conditions most favourable to all of the Working Interest Owners and in accordance with the provisions of the Concession Agreement and the Rules.

(b) To allow the representatives of the Working Interest Owners and THE PRESIDENT access to the Joint Operations at all reasonable times, provided that reasonable notice is given and that such access does not interfere with the conduct of the Joint Operations, at their sole risk and expense, with the right to observe any and all the Joint Operations being conducted and their results, as well as inspect the records and accounts of such operations, being also authorized to examine all data and interpretations thereof including, but not limited to cores, samples, logs and surveys relating to the Joint Operations. The Operator shall promptly furnish each party with a reproducible copy of all logs, geophysical data and all other geological, geophysical, drilling financial information including but not limited to reports on well tests and core analysis; provided, however, that all such data, information, and interpretations shall remain the exclusive property and confidential information of the Working Interest Owners to be based in accordance with the Rules and the Concession Agreement. THE PRESIDENT may appoint a representative to observe any or all of the Joint Operations at the expense of Joint Account and provided that the presence of such representative does not interfere with the conduct of the Joint Operations. A Non-Operator may from time to time nominate selected staff to be present at Joint Operations in Pakistan for training on terms to be agreed upon ;

(c) To prepare and submit work programmes and budgets to the Operating Committee as provided in Article 6 hereof, and make and implement such recommendations from time to time for the carrying out the Joint Operations hereunder efficiently as it may consider expedient;

(d) To enter into contracts including services, purchases of materials, and equipment which, are advisable and necessary to carry out the Joint Operations. The Operator shall invite bids through a proper bidding procedure for any contract which will require Expenditure of more than U.S. Dollars Seventy Five Thousand (US $ 75,000) and such bids shall be opened publically. Unless the Operating Committee decides otherwise, each Party and its Affiliates may also submit a bid for such a contract.

i) In the case of any contract requiring Expenditure of more than U.S. Dollars Seventy Five Thousand (US $ 75,000) but less than U.S. Dollars Three Hundred Thousand (US $ 300,000), the Operator shall award such a contract, to the most suitable and competitive bidder and all such awards shall be reported to the Operating Committee at its next meeting.

ii) In the case of any contract to be awarded to a Working Interest Owner or its Affiliates or a contract requiring Expenditure of more than U.S. Dollars Three Hundred Thousand (US $ 300,000) the terms of the recommended bid shall be subject to the approval of the Operating Committee either at a meeting of the Operating Committee or by circulation of such bid to the Working Interest Owners alongwith the bid evaluation summary and other relevant documents and approval shall be deemed to have been given unless within ten (10) Days from the date of recommendation, Working Interest Owner(s) having in aggregate a Working Interest of 20% or 15% (as per applicable Zone) give notice that they do not support such recommendation.

(e) to acquire any and all surface rights on behalf of the Working Interest Owners which may be required for or in connection with the conduct of Joint Operations;

(f) to promptly pay and discharge all Expenditures incurred in connection with Joint Operations;

(g) to keep and maintain permanent records of all relevant data and information obtained in the course of Joint Operations and to keep the Working Interest Owners currently informed by furnishing them from time to time, in the form and frequency established by the Operating Committee, statements and information on such Joint Operations;

(h) To determine, in accordance with the policy parameters as may be laid down by the Operating Committee, the number of employees needed for the efficient conduct of the Joint Operations, their selection the hours of labour and the compensation for service performed and other working conditions; provided, however, that the Operator shall give priority in employment to Pakistani citizens in conformity with Article XVII of the Concession Agreement and the Rules.

(i) To represent the Working Interest Owners before the Government or other authorities with respect to all matters arising under this Joint Operating Agreement, subject to the requirement that the prior concurrence of the Working Interest Owners shall be obtained with respect to representation on any matters materially affecting that Working Interest Owners. Each Working Interest Owner may be represented in meetings with THE PRESIDENT or other authorities on matters materially affecting the said Working Interest Owner, provided that the Operator shall be the spokesman. The Operator, for and on behalf of all Working Interest Owners, shall prepare, file and otherwise handle all reports, applications and returns (other than those relating to taxes based on income or profits which the Working Interest Owners are required to prepare separately) which may be required by laws, rules or regulations of the Government. However, it is agreed that nothing set forth in this Article 5.3(i) shall prevent any Working Interest Owner from representing itself before any of the aforementioned bodies on matters which are appropriate and necessary, provided that such Working Interest Owner shall notify the Operator and the other Working Interest Owners prior to any such representation.

5.4.1 The Operator shall conduct the Joint Operations in a proper and workmanlike manner in accordance with methods and practices customarily used by the industry in accordance with Good Oilfield Practices, and with a degree of diligence, and prudence reasonably and ordinarily exercised by experienced operators engaged in a similar activity under similar circumstances and conditions. The Operator shall further do or cause to be done, with due diligence, all such acts and things within its control as may be necessary to keep, and maintain the Area in force and effect and shall conduct the Joint Operations in compliance with the requirements of the Concession Agreement, the Licence, any Lease(s) and any other applicable law and rules and orders framed thereunder.

5.4.2 The Operator shall not be liable for any loss or damage which results from Joint Operations unless such loss or damage results from Willful Misconduct of the Operator provided that the Operator shall not be responsible or liable under any circumstances for any consequential loss or damage, including but not limited to, inability to produce Petroleum, lost production or loss of profits.

For the purposes of this Joint Operating Agreement, the term "Wilful Misconduct" shall mean such wanton and reckless conduct as amounts to a wilful and utter disregard for avoidable and foreseeable harmful consequences.

5.4.3 Each Working Interest Owner agrees to indemnify the other Working Interest Owners, to the extent of its Working Interest share, for any claim by or liability to (including any costs and expenses necessarily incurred in respect of such claim or liability) any person not being a Working Interest Owner, arising from or in connection with the Concession Agreement or Joint Operations.

5.5 Operator shall freely consult with the Working Interest Owners and keep them informed of all matters, which the Operator contemplates to undertake.

5.6 If the Operator or any other Working Interest Owner is sued on an alleged cause of action arising out of Joint Operations, it shall give prompt written notice of such suit to all other Working Interest Owners. The defence of any such suit shall be under the general direction of the Operator through its attorneys at the expense of the Joint Account, but each of the other Working Interest Owners shall have the right to participate in the handling of such suit, through its attorneys at its own expense. Any such suit may be settled during litigation by the Operator with prior approval of the Operating Committee.

5.7 Any damages claim caused by or arising out of Joint Operations shall be handled by the Operator and its attorneys at the expense of the Joint Account and may be settled by the Operator in its best judgement, provided that no such claim shall be settled for an amount exceeding U.S. Dollars Twenty Five Thousand (US $ 25,000) without first obtaining the approval of the Operating Committee.

5.8 Notwithstanding other provisions hereof, in case of explosion, fire, flood or other emergency, the Operator shall take action deemed expedient by the Operator to protect and safeguard life and property. The Operator shall promptly report to the Working Interest Owners and the President a full description of the emergency, the action taken, the damage (if any) suffered and the expenses incurred hereunder.

5.9 The Operator may resign as the Operator at any time upon giving not less than ninety (90) Days written notice to the Working Interest Owners and the Government. The Operator shall be automatically removed in case of insolvency, bankruptcy, assignment for the benefit of creditors, dissolution, sale or transfer of its entire Working Interest to a third party or if the Operator defaults in its duties or obligations or any of them hereunder and does not commence to rectify the default within thirty (30) Days of having been notified in writing by the Operating Committee of the alleged default by not less ninety (90) Days notice, provided that in respect of any vote of the Operating Committee on any such removal**,** the vote of the Working Interest Owner which is the Operator and the votes of any Working Interest Owner which is an Affiliate of the Operator**,** shall be ignored and the percentage figure set out in Article 4.5 shall apply to the total votes available of the remaining Working Interest Owners. The Operator shall continue to serve until a successor Operator is appointed, but shall not be required to do so for a period of more than one hundred and eighty (180) Days following the date of commencement of the original notice period for resignation or removal.

5.10 Upon the resignation or removal of the Operator**,** one of the other Working Interest Owners shall be selected as a successor Operator by the Operating Committee. In the event that no Working Interest Owner is willing to accept appointment as the Operator (no Working Interest Owner shall be elected as the Operator without its consent), a suitable entity shall be selected and designated as successor Operator and engaged under a written contract, approved by the Operating Committee. The successor Operator shall succeed to the powers and duties of the Operator as per the Concession Agreement and Joint Operating Agreement.

5.11 Immediately after the notice of resignation or removal of an Operator is given, the Working Interest Owners shall arrange for taking of an inventory of the equipment, material and supplies acquired by the Operator for the Joint Account. On the effective date of the resignation or removal of the Operator, such outgoing Operator shall deliver to the successor Operator all equipment, material, supplies and other assets then in its custody and shall account for those it is unable to deliver. The outgoing Operator shall also deliver to the successor Operator any and all data, including but not limited to, core samples, log surveys, records, data documents and balances of the Joint Account which came into its possession as the Operator. The Working Interest Owners shall also arrange for an audit of the Joint Account before the new Operator takes charge of Joint Account.

ARTICLE-6
WORK PROGRAMME AND BUDGET

6.1 All Joint Operations conducted by the Operator, and all Expenditure incurred for the Joint Account in connection therewith, shall be performed and incurred only pursuant to an approved work programme and budget therefor or pursuant to an approved supplementary work programme and supplementary budget therefor.

6.2 The Operator shall submit to the Operating Committee a proposed work programme and budget prepared in such detail as is required by the Operating Committee for each Calendar Year and one for the planning purposes of the GHPL (if required) for the period 01 July to 30 June. The initial budget shall be submitted as soon as possible after activities hereunder are commenced and shall cover the remaining period of the then Calendar Year as well as the next Calendar Year. All budgets thereafter shall be submitted not later than seventy five (75) Days prior to the beginning of each Calendar Year and additional budget at the same time for the GHPL (if applicable) planning purposes for the period 01 July of that year to thirty (30) June of the succeeding year. In respect of budget-items for which sufficient details are not then available to enable the Operating Committee to approve such contingent items, the Operating Committee may authorize such items in principle subject to later submission of the required information for approval. The Operating Committee shall agree to the work programme and budget therefor within thirty (30) Days prior to the beginning of each such year. The work programme and budget shall be approved by the Operating Committee except that any well or development programme proposed therein that does not receive approval of the Operating Committee, shall be removed from the said work programme and budget and may be subject to the terms of Article 9 hereof. The Operator is hereby authorized to conduct Joint Operations and to incur all Expenditure for the Joint Account to the extent that such work and Expenditures are included within a work programme and budget which have been approved by the Operating Committee. When so approved, anticipated Expenditures pursuant to each such budget and Authority For Expenditure (AFE) issued thereunder shall be the basis for the cash calls by the Operator, as provided in the Accounting Procedure.

6.3 The Operator shall undertake all Joint Operations as set forth in each approved annual work programme, and budget and incur and pay on behalf of the Joint Account, all Expenditure resulting from such work, provided that the following work should be performed after the Operator has received written approval of its AFE in respect thereof from the Working Interest Owners, and such AFE has been approved by the Working Interest Owners having in aggregate at least the percentage figure of Working Interest specified in Article 4.5:

i) seismic surveys;

ii) Any operation in relation to a well (including but not limited to drilling, deepening, plugging back, reworking, testing or completion);

iii) Any single addition to fixed assets, other than a well, amounting to U.S. dollars one hundred thousand (US$ 100,000) (or equivalent) or more; and

iv) Any single maintenance project amounting to U.S. dollars seventy five thousand (US$ 75,000) (or equivalent) or more;

The Operator shall furnish, as early as possible, to each Working Interest Owner and THE PRESIDENT a copy of the AFE for any items of Expenditures in excess of U.S. dollars fifty thousand (US$ 50,000). Provided however, that any sub-division of a project for the purpose of award of a contract will require specific approval of Operating Committee.

6.4 The Operator shall not undertake any Joint Operation not included in an approved work programme, or make any Expenditure in excess of an approved budget therefor except as follows;

i) If necessary to carry out an approved work programme the Operator is authorized to make Expenditures in excess of the budget adopted therefor up to but not exceeding ten percent (10%) of such budget, provided that such actual or foreseen excess Expenditures shall be reported to the Working Interest Owners by the Operator, giving the details and justification for such excessive Expenditures; and

ii) In case of emergency, the Operator may incur such immediate Expenditures as it deems expedient for protection of Joint Operations, life or property, and such Expenditures shall be reported promptly to the Working Interest Owners.

6.5 If any Working Interest Owner ("Defaulting Party") fails to pay in full its share of any cash calls by the due date in accordance with the Accounting Procedure:

i) the Operator shall as soon as practicable notify by telex all the Working Interest Owners of such default.

ii) With the exception of the Defaulting Working Interest Owner, each Working Interest Owners ("Non Defaulting Party") shall contribute as hereinafter provided, a share of the amount in default in the proportion that its percentage interest bears to the total of the Working Interests of the Non-Defaulting Working Interest Owners and pending receipt of such additional contributions the Operator shall make arrangements to meet any commitments falling due by borrowing the necessary finance from outside sources or by making the necessary finance available itself and all reasonable costs of any such finance shall be charged to the Non-Defaulting Working interest owners. Finance made available by the Operator shall bear interest calculated on a Day to Day basis at a rate equal to three (3) per cent above the London Inter-bank Offer Rate (LIBOP) from time to time;

iii) Within three (3) calendar Days following the notification by the Operator under (i) above, the Operator shall notify all the Working Interest Owners of the liability of

each of the Non-Defaulting Working Interest Owners to contribute to the amount in default and shall make a further cash calls accordingly to take effect on the expiry of the six (6) calendar Days specified in (iv) below; and

iv) If such default continues for more than six (6) calendar Days after the date of notification by the Operator each of the Non-Defaulting Working Interest Owners shall on the Calendar Day next following such sixth calendar Day pay the amount notified under (iii) above, and thereafter shall continue to pay, in addition to its share of subsequent cash calls, the same proportion of all such subsequent cash calls until Defaulting Working Interest Owners has remedied its default in full or until forfeiture as hereinafter provided, and failure by any Working Interest Owners to make such payments shall likewise and with the same results render that Working Interest Owner in default.

6.6 The Defaulting Working Interest Owners shall have the right to remedy the default at any time prior to forfeiture, as hereinafter provided, by payment in full to the Operator or, if the Non-defaulting Working Interest Owners have paid any amounts under 6.5 (iv) above, the Non defaulting Working Interest Owners in proportion to the amount so paid by them, of all amounts in respect of which the Defaulting Working Interest Owner is in default together with interest thereon calculated on a Day to Day basis at the rate of three (3) percent above LIBOR from time to time, from and including the due date for payment of such amounts until the actual date of payment

6.7.1 If any default continues for more than six (6) calendar Days after the date of notification by the Operator under above clause, for so long as the default continues, the Defaulting Working Interest Owners shall not be entitled to receive its entitlement of Petroleum attributable to its Working Interest share which shall instead be owned by the Non-defaulting Working Interest Owners in the proportions in which their respective Working Interests bear to the total of the same.

6.7.2 During the continuation of any default the Defaulting Working Interest Owners shall not be entitled to be represented at meetings of the Operating Committee or any sub-committee thereof nor to vote thereat (so that the voting interest of each Working Interest Owners other than the Defaulting Working Interest Owners shall be in the proportion which its Working Interest bears to the total of the Working Interests of such Working Interest Owners) and shall have no further access to any data and information relating to the Joint Operations. The Defaulting Working Interest Owner shall be bound by decisions of the Operating Committee made during the continuation of the default.

6.7.3

i) In the event that the default continues for more than sixty (60) Days then each of the Non-Defaulting Working Interest Owners shall have the right to have forfeited to it and to acquire, by notice to the other Working Interest Owners given within thirty (30) Days after such period of sixty (60) calendar Days, the Working Interest of the Defaulting Working Interest Owners in the

Licence/Lease and under Concession Agreement and this Joint Operating Agreement or, if more than one Non-Defaulting Working Interest Owners exercises such right, its proportionate share of the Working Interest of the Defaulting Working Interest Owner in the Licence, Lease, Concession Agreement and this Joint Operating Agreement, such share being the proportion in which its Working Interest bears to the total Working Interest of such Non-Defaulting Working Interest Owners;

ii) If none of the Non-Defaulting Working Interest Owners exercises such right as is mentioned above then, without prejudice to any rights of the Non-defaulting Working Interest Owners, the Working Interest Owners shall be deemed to have decided to abandon the Joint Operations and each Working Interest Owner, including the Defaulting Working Interest Owner shall pay its Working Interest share of the costs of abandoning the Joint Operations including but not limited to pay liquidated damages, if applicable.

6.7.4 With respect to above Article any such forfeiture and acquisition of the Working Interest of the Defaulting Working Interest Owner in the Licence, Lease, Concession Agreement and this Joint Operating Agreement shall be:

i) subject to necessary approvals of the Government under the Rules;

ii) without prejudice to any other rights of each Working Interest Owner other than the Defaulting Working Interest Owner;.

iii) so forfeited and acquired as beneficial owner or owners free of any charges and encumbrances (Other than rents and royalty under the Licence or the Lease);

iv) subject to the Defaulting Working Interest Owner remaining liable and obligated for its Working Interest share of all Expenditure that in any way relate to abandonment of Joint Operations; and

v) effective as of the date of default.

The Defaulting Working Interest Owner shall promptly join in such actions as may be necessary or desirable to obtain necessary approval of the Government under the Rules and shall execute and deliver any and all documents which are necessary to effect such forfeiture and acquisition (including for the avoidance of doubt any stamp duty incurred on the document executed to effect such forfeiture and acquisition) which shall be the responsibility of the Defaulting Working Interest Owner.

ARTICLE-7
Expenditures

7.1 Subject to of the Concession Agreement, each of the Working Interest Owners shall be severally liable for and shall bear all Expenditures incurred by the Operator for the Joint Account in proportion to its Working Interest from time to time.

7.2 Subject to the provisions of this Joint Operating Agreement, each of the Working Interest Owners shall own at any given time an undivided share equal to its Working Interest contribution in all property acquired hereunder.

7.3 All charges to the Joint Account and all matters of Accounting Procedure between the Working Interest Owners shall be governed by these provisions and provisions of the Accounting Procedure. If any conflict or discrepancy exists between these provisions and those contained in the Accounting Procedure, the provisions of this Joint Operating Agreement shall prevail.

ARTICLE-8
DISPOSAL OF PETROLEUM

8.1 Without prejudice to the right of THE PRESIDENT to take and receive royalty in cash or in kind and subject to the right of the Operator to use Petroleum for Joint Operations, each Working Interest Owner shall own and have the right to take in kind and separately dispose of, its Working Interest share of Petroleum won and saved after payment of royalty, and shall own the Petroleum so taken.

8.2 Each of the Working Interest Owners shall have the obligation to lift and separately dispose of its entitlement in all Petroleum produced and/or stored at such times, in such quantities and in accordance with such procedures as may be agreed by all Working Interest Owners prior to the commencement of Commercial Production (the "Lifting Procedures") which have or may have entitlements in respect of the said development in question prior to the commencement of production but so that the rights of each of such Working Interest Owners to lift Petroleum to which it is entitled shall not be prejudiced.

8.3 In the event that any of the Working Interest Owners having a Working Interest in field development shall find itself unable for any reason to lift such quantities of Petroleum as are to be lifted in accordance with the Lifting Procedures it shall forthwith notify the other Working Interest Owners having Working Interest in such development to that effect and such quantities of Petroleum shall be dealt with in accordance with the Lifting Procedures.

8.4 The Working Interest Owners recognize that, in the event of the production of Natural Gas and LPG, it may become or shall be desirable for them to enter into special arrangements for the disposal of the same and they agree that, in such event and upon the request of any of them, their respective representatives shall meet as necessary to consider their entry into such arrangements.

ARTICLE-9
SOLE RISK

9.1 As used in this Article 9, the terms set out below shall have the following meanings:

9.1.1 "Sole Risk Well" means a well other than a well included in Minimum Work Obligation specified in Article III of the Concession Agreement and drilled and completed by less than all the Working Interest Owners hereto in accordance with the provisions of this Article 9, or such other limited well site operation as specified in Article 9.9.

9.1.2 "Location" means the geographic point at the surface being the vertical projection of the point where the well bore actually encounters the objective formation in the case of an existing well or where the well bore is expected to encounter the objective formation in the case of drilling well or a well included in the currently approved work programme and budget.

9.1.3 "Commercial Quantities" shall have the same meaning as the definition of "Commercial Production" in Article 1.11 of the Concession Agreement.

9.2 Any Party shall have the right, by complying with the terms of this Article 9, to drill any well within the Area, other than a well approved by the Operating Committee and included in the currently approved annual work programme and budget.

9.3 Any Working Interest Owner proposing to drill a Sole Risk Well shall give notice thereof ("Notice") to the other Working Interest Owners, specifying the Location (provided that such Location shall conform to any spacing pattern for the development drilling previously approved by the Operating Committee), the drilling operations to be conducted, and the objective formations.

9.4 Within thirty (30) Days after the receipt of the Notice, except as otherwise provided in Article 9.9 hereof, the Operator shall notify each Working Interest Owner of the Operator's detailed cost estimates with respect to the drilling of such well and the Operator's estimate of the date on which such well may be commenced without interfering with the execution of work programme thereto for approved by the Operating Committee ("Commencement Date"). The Operator's estimate shall include the total costs of all operations and equipment necessary for locating, drilling, testing, completing and equipping (including necessary flow lines and storage tanks) or abandoning said well.

9.5 Within forty-five (45) Days after receipt of the Notice, except as otherwise provided in Section 9.9 hereof, each Working Interest Owner shall elect whether or not to participate in drilling the proposed well by giving written notice to the other Working Interest Owners. Failure to give notice within such period of time shall be deemed to be an election by such Working Interest Owner not to participate in the drilling of such proposed well. An election to participate shall be deemed approval of the drilling of such well.

9.6 If less than all Working Interest Owners elect to participate in the Sole Risk Drilling each Working Interest Owner electing to participate (hereinafter called "Drilling Party/Parties" whether one or more) shall have a Working Interest in such well in the proportion that its Working Interest bears to the total of the Working Interests of all Drilling Parties, or in such other proportion as mutually agreed upon by the Drilling Parties.

This Joint Operating Agreement shall be divisible and shall apply independently in the manner of a separate contract for the drilling and operations of any Sole Risk Well. This Joint Operating Agreement shall cease to apply as an independent and separate contract with respect to a Sole Risk Well when Drilling Party has fully recovered the value referred to in Article 9.10 hereof.

9.7 The Drilling Party shall cause such well to be drilled as a Sole Risk Well at the sole cost and risk of the Drilling Party/Parties. The Working Interest Owner or Working Interest Owners not electing to participate in the drilling of such well shall hereinafter be called "Non-Drilling Party", whether one or more. The Drilling Party/Parties may ask the existing Operator to Drill the Sole Risk Well or may Operate the Sole Risk Well itself and such new Operator shall be obligated to conduct all operations necessary for the drilling of a Sole Risk Well in accordance with the provisions of this Joint Operating Agreement, and the Operator's cost estimate by the Commencement Date; provided, however, that with respect to the drilling of a well where the Operator is a Non-Drilling Party, Drilling Party, may, within sixty (60) Days after receipt of the Notice as defined in Article 9.3 hereof, notify the existing Operator of the election by Drilling Party to conduct by itself all operations with respect to the drilling of such Sole Risk Well and the existing Operator shall be relieved of its obligations to conduct such operations in which case the Drilling Party shall conduct the operations itself as the new Operator.

9.8 In the event Drilling Party shall elect not to have the Operator drill the Sole Risk Well, the Drilling Party must cause the drilling of the Sole Risk Well to commence within six (6) months after the Notice. If the Drilling Party has not commenced the Drilling of such Sole Risk Well within the period specified, the Drilling Party shall not be entitled to commence the drilling of such Sole Risk Well until such time as a new Notice shall be given and the provisions of this Article 9 are again complied with.

9.9 If the Notice described in Article 9.3 relates to a well site operation such as proposed redrilling, sidetracking, deepening, reworking, testing or plugging back a well, such Notice shall be acted upon within 48 hours if the drilling equipment is on location. The Operator shall perform all redrilling, sidetracking, deepening, reworking, testing or plugging back operations in accordance with a Notice approved by all or less than all the Working Interest Owners at the sole cost, and risk of the Working Interest Owners who voted in favour of such Notice, which Working Interest Owner or Working Interest Owners shall be deemed as "Drilling Party". The Working Interest Owner or Working Interest Owners who voted against such Notices shall be deemed "Non-Drilling Party". If the proposed sole risk drilling operations consist of redrilling, sidetracking, deepening, reworking, testing or plugging back

a well, the Drilling Party shall pay the Non Drilling Party's ownership interest in the salvage value of all equipment installed in said well as may be mutually agreed. The Drilling Party/Parties shall own all production resulting from such operations until the Drilling Party/Parties has fully recovered the value referred to in Article 9.10 hereof with respect to such operations. Only the Working Interest Owner or Working Interest Owners who participate in the last operation with respect to a well shall bear the cost of abandonment. In the event of a disagreement between Drilling Party/Parties on the order and manner in which sole risk proposals of redrilling, sidetracking, deepening, reworking, testing or pluging back a well are to be undertaken, the matter shall be referred to the Operating Committee for a decision.

9.10 If any Sole Risk Well is drilled, it shall be operated by the Operator except as provided in Article 9.7 and if completed as a producing well, the Drilling Party/Parties shall own all of the production from such well and shall bear all the cost of operating such well until the Drilling Party has recovered from production an amount equal to the sum of :

i) Eighteen Hundred percent (1800%) of what would have been the Non-Drilling Party's Working Interest share of costs of drilling such well to total depth, conducting such production tests as may be carried out with drilling equipment, equipping such well for production upto and including the Christmas Tree, such amounts to be recovered resulting from such well or wells or from the proceeds from the first sales of production resulting from the discovery of an accumulation of Petroleum by such well or wells; and

ii) Four Hundred percent (400%) of what would have been the Non-Drilling Party's Working Interest share of costs of all production facilities associated with production of petroleum from a Sole Risk Well down-stream from the Christmas Tree and necessary to handle, treat and bring production from such well to the point where such production is handled by such facilities which are to be used in common with production but not associated with such well or to the point of delivery of such production by the Operator to Drilling Party and shall include but not be limited to the flow lines and storage tanks required for handling production from such Sole Risk Well; and

iii) Two Hundred Percent (200%) of what would have been the Non-Drilling Party's Working Interest share of the costs and expenses incurred and paid by the Drilling Party for the operations of such well until such time as the Drilling Party is reimbursed as provided in paragraphs (i) and (ii) above; and thereafter such well shall be owned by all Parties hereto and each Party shall participate with respect thereto in accordance with such Party's Working Interest herein.

9.11 If a Working Interest Owner initially elects to participate in a Sole Risk Well and subsequently fails to timely meet its payments therefor as provided in the Accounting Procedure, then at the option of the other Working Interest Owners constituting the Drilling

Party(s) the provisions of this Article 9 shall apply as if that Working Interest Owner were a Non-Drilling Party.

9.12 The Working Interest Owners comprising any Drilling Parties shall, in proportion to their respective Working Interests in the Sole Risk Drilling, indemnify the Non-Drilling Parties against all losses, damages and claims against them arising out of Sole Risk Drilling.

9.13 The Drilling Party shall be entitled to use for Sole Risk Drilling any data and information which they own jointly with a Non-Drilling Party. Data and information obtained in respect of Sole Risk Drilling shall be made available to the Non-Drilling Party but shall remain the property of the Drilling Party subject to the Rules and the Concession Agreement.

9.14 Drilling equipment owned by Working Interest Owners or under contract to the Operator and being used in operations hereunder may not be employed to drill a Sole Risk Well if such equipment is scheduled for other Joint Operations work unless approved by the Working Interest Owners. However, in the case of redrilling, sidetracking deepening, completing, plugging back, testing or reworking, said equipment if on the drilling location, shall be used to carry out the desired operation unless agreed otherwise.

9.15 Notwithstanding the foregoing, if in the reasonable judgement of the Operator or a Working Interest Owner there is a substantial risk that the proposed operations would appreciably impair the present or potential future production from a producing oil or gas well, or well capable of production, the Operator or the Working Interest Owner shall so advise the other Working Interest Owners, stating the reasons substantiating its judgement and the proposed Sole Risk operations shall not be undertaken unless approved by all Working Interest Owners.

9.16 In the event that less than all the Working Interest Owners participate in the development of a Discovery pursuant to the Concession Agreement, any non participating Working Interest Owner shall have the right to acquire a Working Interest in such development equivalent to its Working Interest hereunder by paying in cash an amount equal to one hundred and seventy-five percent (175%) of the amount which it would have paid had it participated in the development from the date of its failure to participate pursuant to the Concession Agreement. Such right shall be exercisable at any time up to one year from the date referred to above by payment of the sum mentioned in cash in full and shall be effective as of the date of such payment.

Any non participating Working Interest Owner which fails to exercise such right within the time period specified shall have no further right to elect to participate therein and the Lease relating to any such Discovery Area shall constitute a separate Lease Area and the Working Interests therein and the production of Petroleum therefrom shall be owned exclusively by the Working Interest Owners participating therein.

9.17 Following approval of a Development Plan pursuant to Article VI of the Concession Agreement, any Working Interest Owner may request a review of the provisions contained in this Article 9 and if following such review all Working Interest Owners agree that an amendment to such provisions is required, it shall be amended accordingly for submission to the Government.

ARTICLE-10
INSURANCE

10.1 The Operator shall, for the benefit and protection of the Working Interest Owners, obtain insurance with reputable insurers upon reasonable and competitive terms on behalf of the Working Interest Owners, as be required by contract, applicable laws, rules and regulations together with such other insurances which the Operating Committee may determine in accordance with this Joint Operating Agreement; provided that in respect of such other insurance, any Working Interest Owner may elect to take out its own insurance, provided that it gives written notice to the Operator. The cost of insurance in which all the Working Interest Owners are participating shall be charged to the Joint Account and the cost of insurance in which less than all the Working Interest Owners are participating shall be in proportion of their respective Working Interests.

10.2 The Operator or any Working Interest Owner shall duly file all claims with respect to insurance arranged and maintained by the Operator and shall take all necessary and proper steps to collect the proceeds and properly apply them in accordance with the terms of this Joint Operating Agreement.

10.3 The Operator shall at all times use all reasonable endeavors to require contractors and sub-contractors engaged in operations under this Joint Operating Agreement to obtain and maintain all such insurances pertaining to such work as they may be required to carry by virtue of any applicable law or regulation and such other insurance as the Operator may deem advisable.

The policies of any such insurance shall be endorsed with waivers of all explicit or implicit rights of subrogation to the beneficiaries eventual rights against the Working Interest Owners, or alternatively, to the extent practicable, the Operator shall have the other Working Interest Owners or contractors and sub-contractors, named as additional insureds.

10.4 Each Working Interest Owner may for its own account and at its own expense, obtain insurance other than the insurance referred to in Article 10.1 pertaining to the Joint Operating Agreement as it may deem expedient, provided however that the obtaining of such insurance shall not in any way directly interfere with the Operator's placement of insurance for the Joint Account, in accordance with the terms of Article 10.1 hereof. The Operator shall use its best endeavors to facilitate in cooperation with the other Working Interest Owners, the orderly settlement of claims by their respective insurers.

10.5 All damages, losses and liabilities incurred in connection with the Joint Operations which are not recoverable from insurance procured for the Joint Account under this Article shall be charged to the Joint Account.

ARTICLE-11
CONFIDENTIAL INFORMATION

11.1 All information acquired by any Working Interest Owner in respect of the Joint Operations hereunder including but not limited to all seismic and well data and related information that pertains to or results from the Joint Operations conducted hereunder, or any data or information contributed by any Working Interest Owner to such Joint Operations, shall be considered as confidential and shall not be disclosed to any other person or entity which is not a Working Interest Owner, except:

(a) To an Affiliate of a Working Interest Owner, provided such Affiliate executes a strict undertaking to treat and maintain all such information as confidential; or

(b) As required by THE PRESIDENT or any applicable laws or regulations of a stock exchange having jurisdiction over a Working Interest Owner; or its Affiliate; or

(c) To contractors (including consultants) employed by a Working Interest Owner, THE PRESIDENT or the Operator, where disclosure of such data or information is essential to such contractor's work, provided such contractor executes an agreement to treat and to maintain all such information as strictly confidential; or

(d) To a bonafide prospective assignee of a Working Interest Owner, provided such prospective assignee first executes an agreement to treat and maintain all such information as strictly confidential; or

(e) To a bank or lending agency to the extent required by a Working Interest Owner for arranging the funds for its obligations under this Joint Operating Agreement provided that such bank or lending agency first executes an agreement to treat and maintain all such information as strictly confidential.

11.2 The provisions of this Article 11 shall be continuing obligations notwithstanding the fact that a Working Interest Owner ceases to be a Working Interest Owner.

11.3 Subject to Article 11.4, the Operator shall be responsible for the preparation and release of all public announcements and statements regarding this Joint Operating Agreement or the Joint Operations, provided always that no such public announcement or statement shall be issued or made unless prior thereto all the Working Interest Owners have been furnished with a copy thereof, and the approval of the Operating Committee and THE PRESIDENT has been obtained, in accordance with the Rules.

11.4 If any Working Interest Owner shall itself wish to issue or make any public announcement or statement regarding this Joint Operating Agreement or the Joint Operations it shall not do so unless prior thereto it furnishes all the Working Interest Owners with a copy of such announcement or statement, and shall obtain the approval of the Operating Committee and THE PRESIDENT provided that, notwithstanding any failure to obtain such approval, no

Working Interest Owner or any Affiliate of such Working Interest Owner shall be prohibited from issuing or making a public announcement statement if it is expedient to do so in order to comply with any applicable law or the regulations of a recognized stock exchange.

ARTICLE-12
TRANSFER OF INTEREST

12.1 No Working Interest Owner shall have the right to assign, transfer, convey, encumber, hypothecate or otherwise, dispose of its Working Interest or part thereof, except in accordance with the provisions of Articles 12 and 13 hereof and Article VII of the Concession Agreement.

12.2 No assignment of any Working Interest shall be binding upon the Operator until the first Day of the calendar month following the month in which the assignor or assignee shall have furnished the Operator with an executed or photostatic copy of the approval of THE PRESIDENT and assignee shall have properly ratified and become a party to this Joint Operating Agreement. Any assignment of interest, whether it is expressed or implied, shall operate to impose upon the assignee and the assigned interest the proportionate part or share of any unpaid obligations thereto or chargeable hereunder to the assignor and the said assigned interest. An assignment shall not operate to relieve the assigned interest or the assignor from any liability or obligations which accrued prior to such assignment.

12.3 Notwithstanding the provisions of this Article 12 and subject to the provisions of the Concession Agreement, any Working Interest Owner shall, upon informing the other Working Interest Owners, assign, transfer, convey, encumber, pledge, hypothecate or otherwise mortgage to any financial institution, bank or lender any or all of its rights hereunder, to secure the prompt payment of sums of money, principal and interest so borrowed and the full and faithful discharge of any and all obligations which it may undertake to obtain finance from such financial institution for the purpose of this Joint Operating Agreement. Any such mortgage or hypothecation shall not give rise to a division of the undivided interest in Joint Property.

12.4 Subject to the provisions of Article VII of the Concession Agreement, a Working Interest Owner may transfer or may assign to an Affiliate or to a Non-Affiliate all or part of its rights, duties and obligations under the Concession Agreement and this Joint Operating Agreement.

ARTICLE-13
SURRENDER

13.1 If any Working Interest Owner (hereinafter referred to as the "Surrendering Working Interest Owner") desires to Surrender its Working Interest subject to Article VII of the Concession Agreement, it shall notify the other Working Interest Owners of its desire to Surrender as of a specified date not less than two (2) Calendar Months after such notice. The other Working Interest Owners shall have thirty (30) Days after such notice within which to give notice of election to join in such Surrender. The Surrendering Working Interest shall accrue to and be assumed by the Working Interest Owners electing not to Surrender pro rata to their respective Working Interests on the specified date. The Surrendering Working Interest Owner shall execute and deliver any and all documents and take action necessary to accomplish such assignment. Similarly, if all Working Interest Owners shall elect to Surrender, each Working Interest Owner shall execute and deliver any and all documents and take all actions to accomplish such Surrender.

13.2 Without the specific consent of the Working Interest Owners other than the Surrendering Working Interest Owner, an assignment made under the provisions of Article 13.1 above shall not relieve the Surrendering Working Interest Owner of any liability or obligation created prior to the date of such assignment and any then approved work programme and budget.

13.3 At such time, and in such manner, as prescribed under the Concession Agreement, whenever the Working Interest Owners are required to reduce the extent of the Area, the Operating Committee shall determine the Area to be retained.

ARTICLE-14
RELATIONSHIP OF THE WORKING INTEREST OWNERS

14.1 The rights, obligations and liabilities of the Working Interest Owners under the Joint Operating Agreement shall be several and not joint or collective, each Working Interest Owner being responsible only for its Working Interest share of costs and liabilities incurred for the Joint Account.

14.2 The relationship between the Working Interest Owners, with respect to the Joint Property, is that of tenants in common. Neither juridical person or entity is created by this Joint Operating Agreement, nor is it the purpose or intention of this Joint Operating Agreement to create any corporation, partnership or association, nor shall this Joint Operating Agreement and the operations hereunder be interpreted or considered as creating an entity since each Working Interest Owner shall be individually responsible only for its own obligations hereunder.

ARTICLE-15
TAXES

15.1 The Operator shall subject to the Concession Agreement pay any and all duties, other assessments and Governmental charges (excluding income taxes on profit), whether national or local levied or assessed against any of the Joint Property, royalty and other applicable taxes, as the case may be, on Petroleum produced and saved for the Working Interest Owners, the costs of which are charged to the Joint Account.

15.2 The Operator shall contest the validity or payment of any assessment or charge referred to in Article 15.1 above for the Joint Account, if so directed by the Operating Committee. Nothing herein shall prevent a Non-Operator at its sole cost and expense from having its own attorney appear and participate in any such contest in addition to the Operator's attorney, without prejudice to the right of the Operator to direct such contests as determined by the Operating Committee above.

ARTICLE-16
FORCE MAJEURE

16.1 The provisions of Article XXVII of the Concession Agreement are herein incorporated by reference and will apply to this Joint Operating Agreement accordingly.

ARTICLE-17
ARBITRATION

17.1 Any dispute arising out of this Joint Operating Agreement shall be dealt with mutatis mutandis in accordance with Article XXVIII of the Concession Agreement.

ARTICLE-18
LAWS, RULES AND REGULATIONS

18.1 This Joint Operating Agreement is subject to the Concession Agreement and all Joint Operations shall be conducted in accordance with its provisions, and of all other valid and applicable laws, rules, regulations and orders of the Government. If this Joint Operating Agreement in any respect shall be found to be inconsistent with or contrary to the terms of the Concession Agreement, this Joint Operating Agreement shall be regarded as modified to conform thereto and as so modified shall continue in full force and effect.

18.2 No Working Interest Owner shall resort to any action for partition of the Area or Joint Property, except in accordance with the provisions of the Concession Agreement and this Joint Operating Agreement.

ARTICLE-19
TERM

19.1 This Joint Operating Agreement shall become effective on the Effective Date and shall remain in full force and effect until:

(a) It is terminated by the written consent of all Working Interest Owners, or

(b) All the Working Interests become vested in one Working Interest Owner, or

(c) The termination of the Concession Agreement.

19.2 Before this Joint Operating Agreement terminates, there shall be a final Audit and settlement of the Joint Account between the Working Interest Owners in accordance thereof.

ARTICLE-20
NOTICES

20.1 Any notice required or permitted to be given hereunder including but not limited to bills, statements, cash calls, reports and notices, shall be deemed to have been effectively given to and received by a Working Interest Owner and the Government to whom it is addressed by telex, telegraphic message, (facsimile) or hand delivery. All notices shall be delivered to the Working Interest Owners and the Government so notified at the respective addresses given in or pursuant to the Concession Agreement.

20.2 Any notice or advice required or permitted to be given to or by any Working Interest Owner under this Joint Operating Agreement shall be given in writing in the English language and delivered by hand, by telegraph, cable or telex or fax confirmed in writing as above.

20.3 Such notices or other communications shall be deemed to be effectively given or made:

i) On receipt by the addressee if delivered personally with signed receipt obtained acknowledging delivery; or

ii) On transmission to the addressee if transmitted by telex or fax (with the correct receipt confirmation) during normal business hours at the place of receipt of the addressee or if so transmitted outside such hours, on opening of business on the next business Day at such place.

ARTICLE-21
MISCELLANEOUS

21.1 The heading of each Article hereof and the Table of Contents are for convenience only and shall be disregarded in construing or interpreting this Joint Operating Agreement.

21.2 Except as otherwise provided herein, this Joint Operating Agreement shall be binding on and shall inure to the benefit of the Working Interest Owners and their respective successors and assigns.

21.3 Any modification of this Joint Operating Agreement shall not be effective until such modification is executed in writing by the Working Interest Owners.

IN WITNESS WHEREOF this Joint Operating Agreement has been duly executed the Day and year first above written:

Signed for and on behalf of)
XYZ/ABC)
BY : _____)

WITNESSES:

1) _____

2) _____

Signed for and on behalf of
the GOVERNMENT HOLDINGS PRIVATE LIMITED(if applicable)

BY : _____)

WITNESSES:

1) _____

2) _____

APPENDIX A

Accounting Procedure

TABLE OF CONTENTS

Page

ARTICLE-I
GENERAL PROVISIONS 101
ARTICLE-II
CHARGES TO THE JOINT ACCOUNT 105
ARTICLE-III
BASIS OF CHARGES TO THE JOINT ACCOUNT 110
ARTICLE-IV
DISPOSAL OF EQUIPMENT AND MATERIALS 112
ARTICLE-V
INVENTORIES 113
ARTICLE-VI
TERMINATION 114

APPENDED TO AND MADE A PART OF THE

JOINT OPERATING AGREEMENT

MADE BETWEEN
XYZ

ABC

AND

GHPL
(if applicable)

The purpose of this Accounting Procedure is to establish equitable methods of determining charges and credits applicable to operations under the Joint Operating Agreement which will truly reflect the Operator's actual costs, to the end that the Operator shall neither gain nor lose in relation to the Working Interest Owners by reason of the fact that it acts as Operator. If at any time or from time to time, any such methods prove unfair or inequitable to Operator, or Non-operator(s), the Working Interest Owners will meet and in good faith endeavor to agree on changes in methods deemed necessary to correct any unfairness or inequity.

ARTICLE-I
GENERAL PROVISIONS

1. DEFINITIONS

The terms defined in Article I of the Concession Agreement and in Article I of the Joint Operating Agreement shall have those meanings wherever used in this Accounting Procedure and the following words and phrases shall have the meanings set forth against them below:

- "Joint Property" means all real property and all assets acquired, or created by Expenditures charged to the Joint Account.

- "Materials" shall mean personal property, equipment, or supplies acquired or held for the Joint Account.

2. RECORDS, STATEMENTS AND REPORTS

A. The Operator shall at all times maintain and keep true and correct records of the production and disposition of all Petroleum and of all Expenditures and disposition of Materials under the Concession Agreement and the Joint Operating Agreement, as well as all other data necessary or proper for the settlement of accounts between the Working Interest Owners hereto in connection with their rights and obligations under the Concession Agreement and the Joint Operating Agreement, and to enable the Working Interest Owners to comply with all applicable income tax and other laws. The Operator shall also establish and maintain a system of internal controls and prepare and present for approval of Working Interest Owners a statement of joint assets and liabilities. Such records shall be open at reasonable times for inspection and copying by authorized representatives of any Non-Operator and THE PRESIDENT.

B. The Operator shall submit to each Working Interest Owner and THE PRESIDENT each month, within thirty (30) Days after the close of the relevant month, accurate statements of the Expenditures incurred during such months, indicating by appropriate classification the nature thereof, the portion of such costs charged to each of the Working Interest Owners, the amount of funds advanced to the Operator by each of the Working Interest Owners, and the commitments and Expenditures made from such advances. These statements shall include a detailed statement of all charges and credits to the Joint Account, summarized by appropriate classification indicative of the nature thereof and the unusual charges and credits. All records kept, and reports made, shall be in Pakistan Rupees and in United States Dollars. Transactions incurred in currencies other that Pakistan Rupees or United States Dollars shall be converted at the appropriate official rates of exchange.

3. PAYMENTS AND ADVANCES

Upon approval of any work programme and budget, the Operator will have the right on a current basis only, to make monthly advance cash calls to all Working Interest Owners for the period covered by such work programmes and budgets. In the event of a Commercial Discovery, a monthly or other suitable time frame for cash calls and the procedures for such calls will be as adopted or determined by the Operating Committee. Each such month cash call shall be equal to Operator's estimate of the actual money required by it to perform its duties under the approved work programme and budget therefor during the month concerned. Each such call shall be made in writing detailing the payments the Operator anticipates to be required during the period covered thereby, and shall be delivered or sent by telex / fax delivered personally to all Working Interest Owners not later than 20 Days prior to the beginning of the month preceding the month when such Expenditures are to be made, and each Working Interest Owner hereto shall pay its Working Interest share of the full amount of each such cash call in cash, to the Operator not later than the first working Day of the month for which the funds are required, and if not so paid, the Working Interest Owner in default will pay an additional sum calculated on the unpaid balance at the rate of one an half percent (1.5%) per month or any fraction of a month, until paid. If a Working Interest Owner is in default of payments due by it under the Joint Operating Agreement, the applicable provisions of the Joint Operating Agreement shall apply. Cash calls shall be increased or decreased, as required by the Operator, in order to adjust for payments made on behalf of the Joint Venture for services and materials furnished by the Operator or to replace any deficit or eliminate any surplus as the case may be, of the cash funds available in the Joint Account. Funds made available to the Operator on trust are for the account of the Non-Operators and shall not be subjected to any prior lien in favor of a third party. Subject to Article XII of the Concession Agreement, all payments by Pakistani Working Interest Owners may be made in Pakistan Rupees irrespective of the currencies in which such costs and expenses are to be incurred and by foreign Working Interest Owners in United States Dollars or any other currency in which Expenditures are incurred. Subject to the provisions of the Concession Agreement, the Operator shall have the right, at any time and from time to time, to use the joint funds or to convert the same or any part to other currencies to the extent that such currency is then required for operations, and the actual cost of currency loss or gain of any such conversions shall be charged or credited to the Joint Account. Any conversions between United States Dollars and Pakistan Rupees or any other currency shall be stated in the Joint Account at the rate of exchange on the Day of conversion.

The Operator shall restrict the funds held in the bank account for Joint Operations to a level consistent with that required for the conduct of Joint Operations. In the event Operator accumulates funds exceeding US Dollars Twenty Thousand (US $ 20,000) or Pakistani Rupees Three Hundred and Fifty Thousand (Rs. 350,000) under this Accounting Procedure, Operator, if so requested by the Working Interest Owners, shall make appropriate refunds to Working Interest Owners within five (5) calendar Days of determination of such excess funds. Such determination of excess funds shall be made every quarter and for this purpose any amount representing such excess as reflected in the Operator's monthly Expenditure statement shall be refunded by the Operator.

4. ADJUSTMENTS

Payments of any advances or cash calls shall not prejudice the right of any Non-Operator to protest or question the correctness thereof; provided, however, all reports and statements rendered to Non-Operators during any Calendar Year shall conclusively be presumed to be true and correct after a twenty-four (24) month period, unless a Non-Operator takes written exception thereto, and makes claims on the Operator for adjustment within such period. No adjustment favourable to the Operator shall be made unless it is made within the same prescribed period. The provisions of this paragraph shall not prevent adjustments resulting from a physical inventory of the Joint Property as provided for in Article V hereof.

5. AUDITS

a) In accordance with Article XXII of the Concession Agreement, the Joint Account shall be audited for the period commencing with the Effective Date to December 31, 2001 and thereafter annually by one independent firm of Chartered Accountants, with the appropriate level of joint venture Petroleum auditing experience, to be selected by a sub-Committee of Operating Committee comprising a representative each of the Working Interest Owners hereinafter referred as (Audit Committee) subject to the condition that guidelines issued by the Government from time to time would be followed in the matters connected with the appointment of auditors and the scope of work of the audits. The selection must be made by consensus of all members of the Audit Committee. The firm selected must demonstrate its qualifications in joint venture auditing and independence from all parties involved to the satisfaction of all members of the Audit Committee. In addition, once selected a firm can only perform this audit for a period of not more than three consecutive Calendar Years. The selected firm will submit a detailed audit plan (including but not limited to procedure for physical verification of inventories) for approval before commencement of the aforementioned audit. The audit will commence not more than 90 Days from end of audit year and be completed within 180 Days from the end of the aforementioned audit year. Copies of the audited accounts and report shall be delivered to THE PRESIDENT and to each of the Working Interest Owners. The cost of the audit shall be charged to the Joint Account.

b) A Non-Operator, upon at least thirty (30) Days advance written notice to the Operator and other Non-Operator(s), shall have the right at its sole expense to audit the Joint Account and related records for any Calendar Year or portion thereof, within the twenty-four (24) month period following the receipt of the audited accounts of such Calendar Year or portion thereof, regardless of the fact that the accounts for the year remain to be audited or are being audited. However, the conducting of an audit by a Non-Operator shall not extend the time for taking written exception to and the adjustment of accounts under Sub Article 4 above.

Where there are two or more Non-Operators, the Non-Operators shall make every reasonable effort to conduct joint or simultaneous audits. Such Non-Operators shall be provided with the accounts, supporting vouchers and documents together with such

reasonable facilities as may be necessary for the inspection of the financial affairs of the Joint Operations.

In case the Operator and Non-Operators are unable to reach final agreement on audit exceptions then such exceptions shall be referred to an internationally recognized firm of chartered accountants selected by the Audit Committee.

ARTICLE-II
CHARGES TO THE JOINT ACCOUNT

1. ALLOCABLE CHARGES

In the event any of the Operator's employees or field camps, sub-offices or other facilities in Pakistan serve properties in addition to the Joint Property, and costs cannot be identified with the properties served, such costs shall be pro-rated or charged on an equitable basis to be approved by the Operating Committee.

2. DIRECT CHARGES

The Operator shall charge the Joint Account with all Expenditures incurred in connection with all Joint Operations under the Concession Agreement, and the Joint Operating Agreement and for the performance of its duties hereunder.

The Expenditures shall be recorded as required for the settlement of accounts between the Working Interest Owners under the Concession Agreement and the Joint Operating Agreement and for identification to comply with relevant laws. Chargeable Expenditures shall include:

a) All payments to the Government (other than income tax and royalty payments) made by the Operator and necessary in the performance of its duties under the Joint Operating Agreement.

b) Cost of establishing and maintaining field offices, camps, warehouses, supply bases, offices and other facilities (including housing in Pakistan) devoted exclusively to serving the License or Lease.

A. Labour

a. The Operator's employees directly engaged in the Area of operations or outside of the Area shall be charged as follows:

(i) Salaries and wages of personnel located within Pakistan and permanently attached to and engaged in, Joint Operations in Pakistan. Labor charges for persons not working full-time on two or more operations shall be allocated on the basis of time sheets or as may be approved by the Operating Committee. Wages charged should not exceed the prevailing market rates.

(ii) Scientific, technical, professional employees of the Operator or its Affiliates while directly performing work on specific projects for

the sole benefit of the operations, costs of which shall not exceed the cost of equivalent services on the open market.

b. The Operator's cost of annual leave, and other holidays, vacation, sickness disability benefits, living and housing allowances, medical allowances, travel allowances, travel time, bonuses, and other customary allowances as well as the Operator's cost for employees benefits, including, but not limited to, employee's group life insurance, group medical insurance, medical treatment, hospitalization, retirement, bonuses, provident fund, gratuity fund and other benefit plans of a like nature, all applicable to the salaries and wages are chargeable hereunder. Such costs may be charged on actual basis, when and or accrued, or on a percentage basis on the amount of salaries and wages chargeable under this Section A. If percentage basis is used, the rate will be based on the Operator's cost experience and adjusted annually to actual costs. These costs will be competitive and will not exceed the costs generally applicable in the industry.

c. Expenditures or contributions made pursuant to assessments imposed on the Operator by the Government authority which are applicable to the Operator's labor costs of salaries and wages as provided under this Section A.

B. Materials

Cost of equipment, machinery, material, articles purchased or furnished by the Operator for the Joint Account as per provisions of the Joint Operating Agreement. Price shall include such costs as export brokers' fees, transportation charges, loading, unloading fees, export and import duties, surcharges and license fees associated with the procurement of material and equipment and in-transit losses, if any, not covered by insurance. So far as it is reasonably practical and consistent with efficient and economical operation only such material shall be purchased for, or transferred to the Joint Account as may be required for immediate use; and accumulation of surplus stocks shall be kept to a minimum considering the distance of materials in remote locations and the provisions of any relevant law of Pakistan relating to the importation of material and equipment.

C. Transportation

Transportation of employees, equipment, materials, machinery, facilities and supplies necessary for the performance of Joint Operations, including costs of packaging, brokerage, insurance and other related costs as per normal industry practice. However, the transportation of equipment, machinery and materials in

respect of Section B above, shall not be charged hereto. Employee transportation costs, to the extent covered by the established policy of the Operator, shall include travel expenses for employees, and their families to and from the employees' point of origin at the time employment commences, at the time of final departure and for vacations, as well as traveling expenses in Pakistan for employees, and their families incurred as a result of transfer from one location to another and traveling expenses relating to the periodical recuperation leaves of field personnel.

D. Services

a. The services of consultants, contract services, utilities and other services procured from outside sources, rentals or compensation paid or incurred for the use of any equipment and facilities. The aforesaid services shall be charged to the Joint Account at the actual price paid by the Operator procured on a competitive basis in accordance with the Joint Operating Agreement with approval of the Operating Committee.

b. The actual cost of technical services procured in accordance with as per the provisions of the Joint Operating Agreement on a competitive basis without the following being limited to such as laboratory analyses, drawings, geophysical and geological interpretation, drafting engineering studies and related data processing, etc., performed by the Working Interest Owners or their Affiliates for the benefit of the Joint Operations with approval of the Operating Committee.

c. Per diem , travel expenses, living and accommodation expenses for expatriate employees of the Operator or of the Operator's Affiliate companies called on from abroad for periods of short duration as approved by the Working Interest Owners.

E. Working Interest Owners exclusively owned equipment and facilities

Charges for Working Interest Owner's exclusively owned equipment, facilities and utilities on the basis of actual usage at rates commensurate with the cost of ownership and operation, but not in excess of rates currently prevailing for like service and equipment in the area, as approved by the Operating Committee. On request, the Working Interest Owner shall furnish the Operator and the Operator shall furnish the Non-Operators a list of rates and the basis of application. Such rates shall be revised from time to time if found to be either excessive or insufficient, but not more than once every six (6) months. Drilling tools and other equipment lost in the hole or damaged beyond repair may be charged at an agreed value considering depreciation and transportation cost to deliver like equipment to the scene.

F. Damages and losses to property

All reasonable costs or expenses necessary to replace or repair damages or losses incurred by fire, flood, storm, accident, or any other cause not controllable by the Operator through the exercise of reasonable diligence and not covered by insurance carried at the expense of the Joint Account. The Operator shall furnish Non-Operators written notice of damages or losses incurred in excess of United States Dollars ten thousand (US$ 10,000), as soon as practicable after report of the same has been received by the Operator. All losses shall be listed separately in the monthly statement of costs and Expenditures.

G. Litigation expenses

Except to the extent the same are to be borne by the Drilling Parties Pursuant to Article 9 of the Joint Operating Agreement, there shall be charged to the Joint Account all costs and expenses of litigation, or other legal services necessary or expedient for the protection of the Working Interest Owners interest, including lawyer's fees and expenses as hereinafter, provided, together with any judgements resulting therefrom, and actual expenses incurred by the Operator or Non-Operators in securing evidence for the purpose of defending such action or claim. Details will however be provided to the Operating Committee at its next meeting.

a. If Non-Operators so agree, such actions or claims may be handled by the legal staff of one or more of the Working Interest Owners, and a charge commensurate with cost of providing and furnishing such services rendered may be made against the Joint Account, but no charge shall be made until approved by the Operating Committee.

b. Fees and expenses of outside lawyers in connection with litigation shall not be charged to the Joint Account unless authorized by the Operating Committee.

c. Fees and expenses of outside lawyers, not exceeding United States Dollars twenty five thousand (US $ 25,000) per year and not involving litigation, shall not require the Operating Committee approval.

H. Insurance

a. Premiums for insurance, pursuant to Article 10 of the Joint Operating Agreement, any insurance that is not carried for the benefit of all Working Interest Owners the cost of such insurance shall only be charged to the Working Interest Owners, participating therein.

b. Credits for insurance settlements received, pursuant to Article X of the Joint Operating Agreement any insurance that is not carried for the benefit of all the Working Interest Owners, any such credits shall only be made to the Working Interest Owners participating in such insurance.

c. If no insurance is carried, all actual Expenditures incurred and paid by Operator in settlement of any and all losses, claims, damages, judgements and any other expenses, including legal services, shall be charged to the Joint Account.

I. Other Expenditures

Any other costs, and Expenditures incurred by the Operator for the necessary and proper conduct of the operations in accordance with approved work programmes and budgets and not covered in this Article II (2).

3. INDIRECT CHARGES INCLUDED IN OVERHEAD

Excluding all expenditures incurred by the Operator to cover the actual cost of services as provided for in Article II (1) & (2) hereinabove, the Operator will incur, under the Joint Operating Agreement, expenses in the performance and discharges of its functions and duties. Such expenses relate to legal, treasury, tax [other than corporate income tax], employee relations, including management staff and all operating departments having a general action in the operations of the Joint Operations. The carrying out of such functions shall be compensated as a whole by applying the percentages specified below. The overhead charges shall be debited to the Joint Account on a monthly basis and shall be determined on the total annual expenditures as set forth in Article II(2) hereof less payments to the Government, litigation expense, and damages and losses to property, as follows:

(a) Exploration 3% of Expenditures or a minimum of US$ 5,000 per month

(b) Development and Production Expenditures

From US$ 0 to US$ 5,000,000= 2%

From US$ 5,000,000 to US$ 30,000,000=1%

Above US$30,000,000= 0.25%

The above rates have been selected to represent as fairly as possible the overhead of the Operator not otherwise chargeable. These rates shall be reviewed by the Operating Committee from time to time, on the basis of actual expenditures and the prevailing conditions. These will also be adjusted reasonably in case the Operator is carrying out operations in two or more blocks.

ARTICLE-III
BASIS OF CHARGES TO THE JOINT ACCOUNT

1. PURCHASES

Material purchased and services obtained directly for the Joint Operations shall be charged at the price paid by the Operator; however, such price shall not exceed that currently prevailing in normal arm's-length transactions on the open market. Price 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.

2. PREMIUM PRICES

In the event material is not obtainable at recognized current list prices from general supply sources, due to national emergency, strikes, Governmental regulations or other unusual circumstances, over which the Operator has no control and it is so established, provisions of prior paragraphs pertaining to pricing of material and costs of transportation shall not apply, and the Operator may supply Materials from any available source, charging therefor the current replacement cost including the cost of transporting such materials to the Area; provided when practicable, a Non-Operator who may become an undivided interest owner in such Materials, shall be given the opportunity of furnishing its share in kind.

3. MATERIAL FURNISHED BY OPERATOR

Materials transferred from the Operator's warehouse or staging areas to the Joint Property and charged to the Joint Account shall be priced based on the current replacement cost on a world wide competitive basis for the same brand and specifications of the Materials effective on that date, and also adjusted for condition of Material as provided hereunder.

A. i) Condition "A" means that which is new;

ii) Condition "B" means that which has been used but is sound and is suitable for its original function without reconditioning;

iii) Condition "C" means that which has been used and would be suitable for its original function after reconditioning or that which cannot be reconditioned but has a limited service in its original functions;

iv) Condition "D" means that which is unsuitable for its original function but is usable for another function; and

v) Condition "E" means that which is junk.

B. All Material furnished to the Joint Property from Operator's warehouse or staging areas, unless otherwise agreed to by the Parties, shall be priced on the following basis and charged or credited to the Joint Account.

a) Condition A Material at Current Price;

b) Condition B Material at seventy-five percent (75%) of Current Price of Condition A Material;

c) Condition C Material at fifty percent (50%) of Current Price of Condition A Material;

d) Condition D and E Material at a value commensurate with its use at current prices.

There may be cases where the same items of the Material, due to their unusual condition, shall be fairly and equitably priced by the Operator subject to the approval of the Operating Committee.

C. Operator shall only supply Material for the Joint Account from the Operator's warehouse if the ultimate cost of such Material is equivalent to the most economical cost of the same or similar Material currently prevailing in normal arms length transactions on the open market.

ARTICLE-IV
DISPOSAL OF EQUIPMENT AND MATERIAL

1. MATERIAL PURCHASED BY THE OPERATOR OR NON-OPERATOR

The Operator shall be under no obligation to purchase the interest of a Non-Operator in surplus, new or used Material. The Operator shall dispose of and account for the disposition of surplus Material.

2. SALES TO OUTSIDERS

Sales to outsiders of major Material shall be made with the consent of Non-Operators as to both terms and price and, where made, proceeds shall be credited by the Operator at the full amount collected from the purchaser. Any claim by a purchaser for defective Material, or otherwise, shall be charged back if and when paid by the Operator.

ARTICLE-V
INVENTORIES

PERIODIC INVENTORIES - NOTICE AND REPRESENTATION

At reasonable intervals or as directed by the Operating Committee, inventories shall be taken by the Operator of all Joint Account stock and installed Material and Equipment on which detailed accounting records are normally maintained for material control purposes. The Operator shall give Non-Operators at least thirty (30) Days written prior notice of its intention to take inventory, and Non-Operators, at their sole cost and expense, shall be entitled to have a representative present. The failure of any Non-Operator to be represented at such inventory shall bind such Non-Operator to accept the inventory taken by the Operator, who shall in that event furnish each Non-Operator with a reconciliation of overages and shortages. Inventory adjustments to the Joint Account shall be made by the Operator for overages and shortages, but the Operator shall be held accountable to Non-Operators only for shortages due to lack of reasonable diligence. Any adjustments of inventory by one percent (1%) or more shall be brought to the attention of the Operating Committee for review.

2. SPECIAL INVENTORIES

Whenever there is a sale or change of interest in the Joint Property, a special inventory may be taken by the Operator, provided the seller and/or purchaser of such interest agrees to bear all of the expense thereof. In such case, both seller and purchaser shall be entitled to be represented and shall be governed by the inventory so taken.

ARTICLE-VI
TERMINATION

As soon as practical after termination of the Concession Agreement and the Joint Operating Agreement, the Joint Account shall be finally settled and balanced by whatever cash payments between the Working Interest Owners are expedient following presentation by the Operator to all Working Interest Owners of a final statement of the costs and credits in the Joint Account, subject to any adjustment that may be required as the result of any final audit performed in accordance with the procedures provided elsewhere in the Concession Agreement and the Joint Operating Agreement.

ANNEX III

STANDARD FORM OF DEVELOPMENT AND PRODUCTION LEASE

The President of Pakistan hereinafter referred to as "the President" hereby grants under and in accordance with the provisions of the Pakistan Petroleum (Exploration and Production) Rules, 1986 and on the terms and conditions set forth or referred to therein, and _____ (hereinafter referred to as "the Lessee") hereby accepts a Development and Production Lease, on the terms and conditions aforesaid and on further terms and conditions set forth herein as follows:

(1) This Lease is granted to the following companies, with working interests as stated herein:

Name(s) of Lessee(s)

_____

_____

_____

(2) This Lease gives the Lessee(s) the exclusive right to perform activities in connection with the Development and Production of Petroleum in the following areas:

Lease Area No.	Coordinate	Km^2
---	---	---
---	---	---
---	---	---

(3) The Lease is valid for a period of _____. The Lessee(s) shall be entitled to renewal of the Lease, as follows: _____

(4) The Lessee(s) shall develop the Petroleum deposits in the Lease Area with due diligence and substantially in accordance with the Development Plan, dated _____ subject to such modifications thereto as THE PRESIDENT may approve.

(5) When the deposits have been developed, Petroleum shall be produced in accordance with the production profile approved from time to time by THE PRESIDENT.

(6) The conditions as imposed by the Provincial Government(s) and other agencies will apply.

(7) The laws of Pakistan shall govern all activities pursuant to this Lease.

In witness whereof the President has set his hand and seal and the Lessee(s) has caused its Common Seal to the affixed hereon this _____ Day of _____, 200____.

ANNEX-IV

GOVERNMENT OF PAKISTAN

MINISTRY OF FINANCE, REVENUE AND ECONOMIC AFFAIRS (REVENUE DIVISION)

NOTIFICATION

Islamabad ,the 9th May,1994.

CUSTOMS

S.R.O.367(I)/94.- In exercise of the powers conferred by section 19 of the Customs Act,1969 (IV of 1969) and sub-section (1) of section 13 of the Sales Tax Act,1990 (VII of 1990), the Federal Government is pleased to exempt the machinery, equipment, materials, specialized vehicles, accessories, spares, chemical and consumables, as are not manufactured locally, if imported for the projects mentioned in column (2) of the table below for the phases and by the importers mentioned in columns (3) and (4) respectively of that table, from customs-duties and sales tax to the extent specified in columns (5) and (6) respectively of that Table leviable under the First Schedule to the Customs Act, 1969 (IV of 1969), subject to the following conditions, namely :--

(1) Only such machinery, equipment, materials, specialized vehicles, accessories, spares, chemicals and consumable shall be entitled to the exemption under this notification, as are recommended by the relevant Regulatory Authority from time to time in terms of Annexure VI to the Petroleum Policy,1994. The relevant Regulatory Authority shall take such measures as it deems necessary to ensure that the concerned companies, corporations and organizations entitled to avail exemption under this notification import only machinery, equipment, materials, specialized vehicles, accessories, spares, chemicals and consumables as is approved by the said Regulatory Authority in view of their actual project requirements;

(2) Exemption available to E & P companies sector, S.No.1 of the table, shall be admissible only to such E & P companies who hold permits, licences, leases and who enter into supplemental agreements with Government of Pakistan in terms of the said Petroleum Policy or those who sign new petroleum concession agreements on or after 1st January,1994. Exemption under rest of the S.Nos. of the table shall be available to E & P companies without any such conditions;

(3) In respect of goods imported under S.No.1(i) of the table, after the first Commercial Discovery has been made in the concession area, the respective Operator shall pay to the Collector of Customs on an annual deferred basis a consolidated fee equal to 3% of the total invoice value of the equipment,

materials, specialized vehicles , accessories, spares, chemicals and consumables imported by it, its contractors and sub-contractors after the first Commercial Discovery of all activities in the area including but not limited to exploration activities in that particular concession area during the year. Goods imported under S.No.2 to S.No.8 of the said table shall not be subjected to such consolidated fee. Items imported free of import duties under S.No.1(ii) of the table if sold to E & P companies as part of their services will be included in the total invoice value for calculation of the fee payable by the Operator. The value to be taken for the service company items for inclusion in the total invoice value shall be their invoice value at the time of import. The Operator shall submit an account of all import invoices to the Regulatory Authority and the Collector of Customs for confirmation with their record at the time of annual payment. This provision will also apply to OGDC and other local E & P companies who hold mining, development and production leases and have not been required to enter into any agreement with the Government of Pakistan;

(3A) The petroleum Sector Companies shall submit an account of all import invoices to the Regulatory authority and the Collector of Customs for confirmation with their r3ecord at the time of annual payment;

(4) The Petroleum sector companies or importers shall furnish to the Collector of Customs an Indemnity Bond in the form set out in the Annexure below to the extent of customs-duties and sales tax exempted under this Notification on the import of items of the value specified in the import authorization issued by the Regulatory Authority. The Indemnity Bond shall be valid for a period of five years for the amount of customs-duties and sales tax payable and exempted on import of item covered under the above referred import authorization. The Bond shall be discharged on production of a certificate set out in the Annex-I duly countersigned by the Regulatory Authority or its authorized representative to the effect that items imported under the specified import authorization have been duly installed or consumed or used or have been scrapped in the prescribed manner. The Bond shall be extended from time to time if the relevant Regulatory Authority recommends such extension for any reason or shall direct for substitution of such Bond for outstanding amount of customs-duty and sales tax on any item transferred to another Petroleum sector company entitled to import of such items under this Notification;

Provided that the transferee company furnishes a similar Indemnity Bond in the form set out in the Annexure below;

(5) In the event of non-production of such certificate as aforesaid by the importer, the Collector of Customs shall enforce the indemnity bond and proceed to recover Government dues under section 202 of the Customs Act, 1969 (IV of 1969), and the rules made thereunder;

(6) In the event a dispute arises whether any item is entitled to the exemption under this notification, the item will be immediately released by the Customs Department against a corporate guarantee. A subsequent to be furnished within a period of six months from the relevant Regulatory Authority that the item is covered under this notification shall be given due consideration by the Customs Department towards finally resolving the dispute. The dispute regarding the local manufacturing or otherwise shall be resolved through the Engineering Development Board;

(7) In the event that an emergency condition occurs in connection with operations by a petroleum sector company which seriously endangers life or property or the operations of the project, the relevant Regulatory Authority shall declare an emergency and the operating company shall be allowed to import any item or items considered necessary by the said company to deal with the emergency under intimation to the Regulatory Authority without fulfilling such formalities as are likely to cause delay and such formalities will be attended to thereafter as soon as practicable; and

(8) Items imported free of import duties or at concessionary rates which become surplus, scrap, junk, obsolete or otherwise required to be disposed of in the following manner,

namely:-

(i) in the event an item other than vehicles, is sold to another company in the petroleum sector no import duties shall be levied or charged. If the item is not sold to another petroleum sector company it shall be sold through a public tender and duties shall be recovered at the rate of 10% ad val. of the sale proceeds;

(ii) for vehicles there would be a minimum retention period of five years after which the vehicles may be disposed of in the manner provided in (i) above except that the full rate of import duties, net of any import duties already paid, shall be charged subject to an adjustment of depreciation @ 2% per month up to a maximum of twenty-four months. Vehicles can be surrendered at any time to the Government of Pakistan without payment of any import duties under intimation to the Central Board of Revenue; and

(iii) any item imported free from import duties or on concessionary rate under this notification may be exported for replacement, repair, modification or renovation and may be re-imported without the payment of additional import duties subject to the production of certificate from the Regulatory Authority that the item needs to be exported for replacement, repair, modification, or renovation and a corporate guarantee for re-import by the exporting company:

"Provided that the items imported by E&P Companies which have been rendered scrap, with change in their physical status, composition or condition and PCT classification, will be dealt with as scrap and shall be chargeable to customs-duties and sales tax accordingly, at standard rates.".

Explanation.- In this notification,-

(i) Omitted;

(ii) "invoice value" means value as ascertained by the Collector of Customs; and

(iii) "Regulatory Authority" means the relevant Regulatory Authority specified in Annexure VI to the Petroleum Policy, 1994.

(iv) Exploration and Production Companies and Service Companies can import single or double cabin pickups and vehicles with mounted equipment and other specialized field vehicles without any restriction, keeping in view their work requirement and on the recommendations of the concerned Regulatory Authority;

(v) The expression "not manufactured locally" shall mean the goods which are not included in the list of locally manufactured goods, specified in the General Order, issued by the Central Board of Revenue.

Table

S. No.	Project description.	Project phase.	Category of import.	Extent of exemption	
				Customs Duty	Sales Tax
(1)	(2)	(3)	(4)	(5)	(6)
1.	Petroleum projects covered under petroleum concessions agreements, permits, licences and leases.	Exploration, development, production, compression and enhanced recovery.	i. Exploration and production (E&P) companies, their contractors and sub-contractors.	Whole.	Whole.
			ii. Companies providing services covering seismic, drilling, cementation, testing or similar type of services to E&P companies under a service contract.	Whole.	Whole.
2.	Refinery projects.	Establishment (initial installation), expansion, modernization and upgradation.	E&P Companies where they establish a refinery as a part of their field development.	Whole.	Whole.
3.	Oil and Gas Pipeline Projects.	Oil transportation and gas transmission distribution (as determined by the relevant Regulatory Authority).	E&P companies where they establish a pipeline.	Whole.	Whole.
4.	Liquefied Petroleum Gas (LPG) Projects.	Establishment (initial installation), and expansion of LPG processing and extraction plants, LPG bottling and handling facilities.	E&P companies, corporations and organizations, where they establish LPG facilities.	Whole.	Whole.
5.	Compressed Natural Gas (CNG) Projects.	Establishment of natural gas compression, refilling and outlet facilities, the conversion of vehicles in CNG and transportation of CNG	E&P companies where they establish CNG facilities or market CNG.	Whole.	Whole.

		through specialized Vehicle Mounted Systems (SVMS).			
6.	Petroleum Terminal Projects.	Establishment of port terminals mainly used to handle petroleum products including crude and fuel oil, LPG and CNG whether for import or export.	E&P companies where they establish petroleum terminal facilities.	Whole.	Whole.
7.	Energy Conservation, Environment and Safety Control Projects.	Energy conservation, efficiency enhancement, pollution, environmental and safety control.	E&P companies where they import conservation, efficiency enhancement, pollution control, environmental and safety equipment.	Whole.	Whole.
8.	Construction and erection of projects listed at S.No. 1 to S.No. 7 above.	During all phases listed at S.No. 1 to S.No. 7 above.	Exploration and production companies their contractors and sub-contractors and service companies for the projects mentioned in column (2).	Whole.	Whole.
9.	Oil pipe line projects.	Oil transportation and distribution (as determined by the relevant Regulatory Authority).	Oil transmission, distribution companies, corporations and organizations including its contractors and sub-contractors for the purpose of construction and erection of project on an import-cum-export basis against a corporate guarantee equal to the value of import duties and taxes that would have otherwise been payable on import. Should the goods, etc., not be exported on the conclusion of the project or transferred with the approval of the relevant Regulatory Authority to another duty free pipe line project then the company, corporation and organization concerned shall be liable to pay duty and taxes chargeable on importation.	Whole.	Nil.
10.	Refinery	i. Replacement	Existing refineries.	In excess	Nil.

	projects.			of 10% ad val.	
		ii. Establishment (initial installation), expansion, modernization and upgradation.	Refining companies, corporations, organizations.	In excess of 10% ad val.	Nil.
11.	Gas pipelines projects.	Gas transmission and distribution (as determined by the relevant Regulatory Authority).	Gas transmission, distribution companies, corporations and organizations.	In excess of 10% ad val.	Nil.
12.	Petroleum terminal projects.	Establishment of port terminals mainly used to handle petroleum items including crude and fuel oil, petroleum products, LPG and CNG whether for import or export.	Terminal companies, corporations and organizations.	In excess of 10% ad val.	Nil.
13.	Compressed Natural Gas (CNG) Projects.	Establishment of natural gas compression, refilling and outlet facilities, the conversion of vehicles in CNG and transporation of CNG through specialized Vehicle Mounted Systems (SVMS).	i.CNG companies. ii. Petroleum marketing companies, corporations and organizations.	In excess of 10% ad val.	Nil.
14.	Energy conservation, environment and safety control projects.	Energy conservation, efficiency enhancement, pollution, environmental and safety control.	Other corporations/ organizations, where they import conservation, efficiency enhancement, pollution control, environmental and safety equipment.	In excess of 10% ad val.	Nil.
15.	Construction and erection of petroleum projects listed at S.No. 10 to S.No. 14 above.	During all phases listed at S.No. 10 to S.No. 14 above.	All petroleum sector companies, corporations and organizations including their contractors and sub-contractors for the purpose of construction and erection of petroleum projects on an import-cum-export basis against a corporate guarantee equal to the value of import duties and taxes that would have otherwise been	In excess of 10% ad val.	Nil.

payable on import. Should the goods, etc., not be exported on the conclusion of the project or transferred with the approval of the relevant Regulatory Authority to another duty free petroleum project then the company, corporation and organization concerned will be liable to pay duty and taxes chargeable on importation.

ANNEXURE

[See condition (4)]

(On appropriately stamped non-judicial paper)

INDEMNITY BOND

THIS DEED OF INDEMNITY is made on the _____day of _____BETWEEN Messers_____ having registered office at _____(hereinafter called "the importer" which means and includes their successors, administrators, executors and assignees), of the one part, AND the President of Pakistan through the Collector of Customs(hereinafter called "the Collector of Customs"), of the other part;

WHEREAS the Government of Pakistan has, by its decision contained in Notification S.R.O.367(I)/94 dated the 9th May,1994 and subject to the conditions given in the said Notification, been pleased to direct that machinery, equipment, materials, specialized vehicles, accessories, spares, chemicals and consumables as are not manufactured locally shall be exempt from so much of the customs-duty and sales tax as is specified if imported for the projects specified in the table of the said Notification.

AND WHEREAS M/s _____having registered office at _____have imported the goods mentioned in the Schedule (please specify in the Schedule the description and quantity of goods imported) to this Bond for the purpose of (please specify the particulars of the project and phase of the project).

NOW, THEREFORE, in consideration of the release of the goods on payment of customs-duties and sales tax as is specified the importers bind themselves to pay on demand to the Government of Pakistan the sum of Rs._____being the customs duty leviable on the goods, if the importers fail to produce a certificate of vertification form the Regulaotory Authority within such period as it may approve in accordance with condition (4) of this Notification.-

(i) to produce a certificate of verification from the concerned Assistant Collector of Customs and Central Excise, within the period as approved by the relevant Regulatory Authority as required under the said Notification; and

(ii) to produce such other evidence as the Collector of Customs may require to satisfy himself that the goods have been installed, used, consumed, scrapped, retained in the project inventory or transferred, as the case may be, in accordance with the conditions of the said Notification.

The importers further agree and bind themselves that the amount covered by this Bond may be recovered as arrears of customs-duties under section 202 of the Customs Act, 1969 (IV of 1969) and the rules made thereunder.

This Bond shall be rendered void when the aforesaid certificate has been produced and the Collector of Customs is satisfied that the importers have fulfilled all the conditions of this Bond and the aforesaid Notification.

Signed by the importers on this _____day of _____19 .

(Authorised Officer)
Name and permanent address

Collector of Customs
(on behalf of the President)

Witness_____
(signature, name, designation and full address).

Witness_____
(signature, name, designation and full address).

Note.- The amount of indemnity bond may be reduced by the Collector of Customs, if any company, corporation or organization produces a certificate from the concerned Assistant Collector of Customs and Central Excise to the effect that part of the goods covered under the indemnity bond has been installed, used or consumed, as the case may be, in terms of the said Notification during the validity period of the indemnity bond.

ANNEXURE-I

CERTIFICATE

I, Mr. _____M/s _____certify that all the items or the items indicated in the enclosed list imported vide Index No. _____of an IGM No. _____ dated _____under Indemnity Bond No. _____dated _____have been duly installed or consumed or wed, or have been scrapped in the prescribed manner or transferred to M/s _____dated _____(copy enclosed) issued by the Ministry of Commerce and indemnity bond furnished by that company is enclosed. It is, therefore, requested that the indemnity bond No._____ dated _____for the amount of Rs. _____may be allowed release or a certificate may be issued for the release of the Indemnity Bond, if misplaced.

Name_____

Designation_____

Countersigned by Regulatory Authority

Name_____

Designation _____

Officer's Seal _____

_____

SCHEDULE

[F.No.1(7)-Mach/94-49/94]

(RIAZ HUSAIN NAQVI)
Additional Secretary

[As amended]

S.R.O.573(I)/94,	-	dated	09.06.1994
S.R.O.1091(I)/94.	-	dated	08.11.1994
S.R.O.73(I)/96,	-	dated	22.01.1996
S.R.O.382(I)/96,	-	dated	13.06.1996.
S.R.O.751(I)/98,	-	dated	29.06.1998
S.R.O.692(I)/99,	-	dated	12.06.1999
S.R.O.1082(I)/99,	-	dated	25.09.1999
S.R.O.360(I)/2002	-	dated	15.06.2002.

GOVERNMENT OF PAKISTAN
MINISTRY OF FINANCE, ECONOMIC AFFAIRS, STATISTICS AND REVENUE
(REVENUE DIVISION)
****

Islamabad, the 15th June, 2002.

NOTIFICATION
(CUSTOMS)

S.R.O. 360 (I)/2002.- In exercise of the powers conferred by section 19 of the Customs Act, 1969 (IV of 1969), the Federal Government is pleased to direct that the following further amendments shall be made in its Notification No. S.R.O. 367(I)/94, dated the 9th May, 1994, namely: -

In the aforesaid Notification, -

(1) in the preamble,-

(i) after the brackets, letters, words and figure "(IV of 1969)", the words, brackets, figures and commas "and sub-section (1) of section 13 of the Sales Tax Act, 1990 (VII of 1990)", shall be inserted; and

(ii) for the words, brackets, letters, figures and commas "the Exploration and Production (E&P) Companies specified in column (4), against serial No.1, in column (1), of the table below, from the whole of customs-duties and others from so much of the customs-duty as is in excess of 10%", the words, brackets and commas "from customs-duties and sales tax to the extent specified in columns (5) and (6) respectively of that Table," shall be substituted;

(2) in condition (1), for the word "certified" the word "recommended" shall be substituted;
(3) after condition (3), the following new condition shall be added, namely,

"3A. the Petroleum Sector Companies shall submit an account of all import invoices to the Regulatory Authority and the Collector of Customs for confirmation with their record at the time of annual payment;"

(4) in condition (4),-
(i) after the words "customs-duties" wherever occurring the words "and sales tax" shall be inserted;

(ii) for the words "Ministry of Commerce" the words "relevant Regulatory Authority" shall be substituted;

(iii) for the words "for a further period of one year" the words "from time to time" shall be substituted; and

(iii) in the proviso, for the word "transferred" the word "transferee" shall be substituted;

(5) in condition (6),-

(i) after the word "certificate" the words "to be furnished within a period of six months" shall be inserted;

(ii) for the "semicolon" at the end, the fullstop shall be substituted and thereafter the following shall be added, namely:-

"The dispute regarding the local manufacturing or otherwise shall be resolved through the Engineering Development Board;";

(6) in condition (8),-

(i) for the words and comma "become scrap, junk or obsolete" the words and commas "become surplus, scrap, junk, obsolete or otherwise required to be disposed of" shall be substituted; and

(ii) for the fullstop, at the end, a colon shall be substituted and thereafter the following proviso shall be added, namely:-

"Provided that the items imported by E&P Companies which have been rendered scrap, with change in their physical status, composition or condition and PCT classification, will be dealt with as scrap and shall be chargeable to customs-duties and sales tax accordingly, at standard rates";

(7) in the Explanation,-

i) serial number (i) and the entry relating thereto shall be omitted; and

ii) against entry at Sr.No. (iv), for the words, brackets, comma and letters "a committee headed by the Joint Secretary (Admn), Ministry of Petroleum and Natural Resources with a representative each of the concerned Regulatory Authority, PEPPCA and Service Companies as its members" the words "the concerned Regulatory Authority" shall be substituted;

(8) for the table the following new table shall be substituted, namely:-

TABLE

S.No	Project Description	Project Phase	Category of import	Extent of exemption	
				Customs Duty	Sales Tax
(1)	(2)	(3)	(4)	(5)	(6)
1.	Petroleum projects covered under petroleum concessions agreements, permits, licences and leases.	Exploration, development, production, compression and enhanced recovery.	i. Exploration and production (E&P) companies, their contractors and sub-contractors. ii. Companies providing services covering seismic, drilling, cementation, testing or similar type of services to E&P companies under a service contract.	Whole. Whole	Whole. Whole
2.	Refinery projects.	Establishment (initial installation), expansion, modernization and upgradation.	E&P Companies where they establish a refinery as a part of their field development.	Whole.	Whole.
3.	Oil and Gas Pipeline Projects.	Oil transportation and gas transmission distribution (as determined by the relevant Regulatory Authority).	E&P companies where they establish a pipeline.	Whole.	Whole.
4.	Liquefied Petroleum Gas (LPG) Projects.	Establishment (initial installation), and expansion of LPG processing and extraction plants, LPG bottling and handling facilities.	E&P companies, corporations and organizations, where they establish LPG facilities.	Whole.	Whole.
5.	Compressed Natural Gas (CNG) Projects.	Establishment of natural gas compression, refilling and outlet facilities, the conversion of vehicles in CNG and transportation of CNG through specialized Vehicle Mounted Systems (SVMS).	E&P companies where they establish CNG facilities or market CNG.	Whole	Whole
6.	Petroleum Terminal Projects.	Establishment of port terminals mainly used to handle petroleum products including crude and fuel oil, LPG and CNG	E&P companies where they establish petroleum terminal facilities.	Whole	Whole

		whether for import or export.			
7.	Energy Conservation, Environment and Safety Control Projects.	Energy conservation, efficiency enhancement, pollution, environmental and safety control.	E&P companies where they import conservation, efficiency enhancement, pollution control, environmental and safety equipment.	Whole	Whole
8.	Construction and erection of projects listed at S.No. 1 to S.No. 7 above.	During all phases listed at S.No. 1 to S.No. 7 above.	Exploration and production companies their contractors and sub-contractors and service companies for the projects mentioned in column (2).	Whole	Whole
9.	Oil pipe line projects.	Oil transportation and distribution (as determined by the relevant Regulatory Authority).	Oil transmission, distribution companies, corporations and organizations including its contractors and sub-contractors for the purpose of construction and erection of project on an import-cum-export basis against a corporate guarantee equal to the value of import duties and taxes that would have otherwise been payable on import. Should the goods, etc., not be exported on the conclusion of the project or transferred with the approval of the relevant Regulatory Authority to another duty free pipe line project then the company, corporation and organization concerned shall be liable to pay duty and taxes chargeable on importation.	Whole	Nil
10.	Refinery projects.	i. Replacement ii. Establishment (initial installation), expansion, modernization and upgradation.	Existing refineries. Refining companies, corporations, organizations.	In excess of 10% ad val. In excess of 10% ad val.	Nil Nil
11.	Gas pipelines	Gas transmission and	Gas transmission,	In excess	Nil

	projects.	distribution (as determined by the relevant Regulatory Authority).	distribution companies, corporations and organizations.	of 10% ad val.	
12.	Petroleum terminal projects.	Establishment of port terminals mainly used to handle petroleum items including crude and fuel oil, petroleum products, LPG and CNG whether for import or export.	Terminal companies, corporations and organizations.	In excess of 10% ad val.	Nil
13.	Compressed Natural Gas (CNG) Projects.	Establishment of natural gas compression, refilling and outlet facilities, the conversion of vehicles in CNG and transporation of CNG through specialized Vehicle Mounted Systems (SVMS).	i.CNG companies. ii. Petroleum marketing companies, corporations and organizations.	In excess of 10% ad val.	Nil
14.	Energy conservation, environment and safety control projects.	Energy conservation, efficiency enhancement, pollution, environmental and safety control.	Other corporations/ organizations, where they import conservation, efficiency enhancement, pollution control, environmental and safety equipment.	In excess of 10% ad val.	Nil
15.	Construction and erection of petroleum projects listed at S.No. 10 to S.No. 14 above.	During all phases listed at S.No. 10 to S.No. 14 above.	All petroleum sector companies, corporations and organizations including their contractors and sub-contractors for the purpose of construction and erection of petroleum projects on an import-cum-export basis against a corporate guarantee equal to the value of import duties and taxes that would have otherwise been payable on import. Should the goods, etc., not be exported on the conclusion of the project or transferred with the approval of the relevant Regulatory Authority to another duty free petroleum project then the company,	In excess of 10% ad val.	Nil

			corporation and organization concerned will be liable to pay duty and taxes chargeable on importation.		

(9) in the INDEMNITY BOND,-

(i) in second paragraph, for the words and figure "as is in excess of 10%" the words "and sales tax as is specified" shall be substituted; and

(ii) in fourth paragraph, for the words and figure "as is in excess of 10%" the words "and sales tax as is specified" shall be substituted.

[C.No.1/2/Mach./2002]

(Dr. Manzoor Ahmad)

Additional Secretary

ANNEX-V

MINISTRY OF FINANCE AND ECONOMIC AFFAIRS
Islamabad, the 29th June, 1998

Customs

S.R.O. 749 (I)/98.--- In exercise of the powers conferred by section 19 of the Customs Act. 1969 (IV of 1969), and sub-section (2) of section 13 of the Sales Tax Act, 1990, the Federal Government is pleased to exempt motor vehicles (pajero, toyota land cruiser etc.), the number of which have been mentioned in column (2) of the table below, imported by Exploration and Production Companies and Service Companies as mentioned in S.R.O. 367 (I)/94, dated the 9th May, 1994, and S.R.O. 400 (I)/97, dated the 31st May, 1997, form so much of the customs-duties and sales tax as is in excess of the rates specified in column (3) and (4) of the said table, subject to the conditions given below:-

Conditions :

(i) Life of the vehicle shall be five years unless sooner it is damaged to the extent that it cannot be used ; and
(ii) For claiming replacement of any vehicle the vehicle required to be replaced shall be surrendered to the custom authority free of cost.

TABLE

S. No.	Distribution	Rate of Duty C.D.	Rate of Duty Sales Tax
1	2	3	4
1.	**Exploration and Production Companies,**		
	First two vehicles	Free	Free
	Third Vehicle	10%	12.5%
	Fourth Vehicle	25%	12.5%
2.	**Services Companies**		
	First one vehicle	Free	Free
	Second Vehicle	10%	12.5%

(C.No.6/7/Mach./97)

(KHALID MASOOD)
ADDITIONAL SECRETARY

ANNEX-V-A

GOVERNMENT OF PAKISTAN
Ministry of Finance and Economic Affairs
* * *

Islamabad, the 29th June, 1998

NOTIFICATION
(Customs)

S.R.O. 750 (I)/98.---In exercise of the powers conferred by section 19 of the Customs Act, 1969 (IV of 1969), and sub-section (2) of section 13 of the Sales Tax Act, 1990, the Federal Government is pleased to direct that the following further amendment shall be made in its Notification No. S.R.O. 400 (I)/97, dated the 31st May 1997, namely: --

In the aforesaid Notification, in the Exploration, the following, shall be substituted, namely: --

(i) "Regulatory Authority" means the Regulatory Authority as specified in Annexure-VI to the Petroleum Policy, 1994.

(ii) Exploration and Production Companies and Services Companies can import single or double cabin pickups and vehicles with mounted equipment and other specialized field vehicles without any restriction, keeping in view their work requirement and on the recommendations of a committee headed by Joint Secretary (Admn), Ministry of Petroleum and Natural Resources with a representative each of the concerned Regulatory Authority, PEPPCA and Services Companies as its members".

(C.No.6/7/Mach./97)

(KHALID MASOOD)
ADDITIONAL SECRETARY

ANNEX-V-B

GOVERNMENT OF PAKISTAN
MINISTRY OF FINANCE AND ECONOMIC AFFAIRS, STATISTICS & REVENUE DIVISION
* * *

Islamabad, the 30th August, 1999

NOTIFICATION
(CUSTOMS AND SALES TAX)

S.R.O. 984 (I)/99.---In exercise of the powers conferred by section 7 of the Customs (Amendment) Act, 1999 (II of 1999), and sub-section (5) of section 13 of the Sales Tax Act, 1990, the Federal Government is pleased to direct that in its Notification No. S.R.O 719(I)/98 dated the 29th June, 1998, the following amendments shall be made and shall be deemed to have been so made from the 12th June, 1999, namely:-

In the aforesaid Notification:-

(a) in the preamble:-
  (i) the words, brackets, figures and commas "and sub-section (2) of section 13 of the Sales Tax Act, 1990," shall be omitted;
  (ii) for the words "and sales tax as is", the words "as are" shall be substituted;
  (iii) the words, figure and brackets, "and (4) shall be omitted; and

(b) for the Table, the following shall be substituted, namely:-

TABLE

Sr. No. (1)	**Distribution** (2)	**Amount of Customs-duties** (3)
1.	Exploration and Production Companies	
	(a) First two vehicles	Zero
	(b) Third vehicle	10% of the amount of customs-duties leviable under section 18 of the Finance Act, 1999 (II of 1999)
	(c) Fourth vehicle	25% of the amount of customs-duties leviable under section 18 of the Finance Act, 1999 (II of 1999)
2.	Service Companies	
	(a) First vehicle	Zone
	(b) Second vehicle	10% of the amount of customs-duties leviable under section 18 of the Finance Act, 1999 (II of 1999)”

(M. ANWAR ALI)
ADDITIONAL SECRETARY

ANNEX-VI

REGISTERED NO. M.302
L.7646

THE GAZETTE OF PAKISTAN

EXTRAORDINARY
PUBLISHED BY AUTHORITY

==========
ISLAMABAD, TUESDAY, APRIL 26, 1994.
==========

PART II
Statutory Notifications (S.R.O.)
GOVERNMENT OF PAKISTAN
MINISTRY OF COMMERCE
ORDER

Islamabad, the 26th April, 1994.

S.R.O. 336(I)/94.- In exercise of the powers conferred by sub-section(1) of section 3 of the Imports and Exports (Control) Act, 1950 (XXXIX of 1950), the Federal Government is pleased to direct that the following further amendment shall be made in the Import Fee Order, 1993, namely :-

In the aforesaid Order, in clause 6 for entry (vii) the following shall be substituted, namely:-

"(vii) to all petroleum sector companies, corporations and organizations in respect of machinery, equipment, materials, specialized vehicles, accessories, spare parts, chemicals and commodities imported in accordance with the list approved by the regulatory authority, as specified in the Petroleum Policy 1994".

Explanation.- For the purpose of this entry, the question whether a company, corporation or organization falls within the Petroleum Sector shall be determined by the concerned regulatory authority.

(F.No.13(14)/91-Imp.II)

MUMAMMAD MALIK
JOINT SECRETARY

(547)

ANNEX-VII

LIST OF MACHINERY AND EQUIPMENT REQUIRED FOR JOINT OPERATIONS

The following items will be required for Joint Operations, and not for the personal use of employees:

1. Drilling rigs, vessels and machinery, including prefabricated derricks, draw-works, rotary tables, high pressure hoses, kelly stems, tongs, swivels, hooks, elevators, slips, boilers, bales, traveling blocks, crown blocks, wire lines, wellhead equipment, blow out preventers, control heads, drilling bits, reamers, thread dope, rope (wire and hemp) and well cementing equipment.

2. Machinery, including such items as steam, diesel, petrol and gas engines, electric motors and generators including electric arc welding and gas welding generators and welding torches, electrical power switch-gear, pumps of all types and sizes for drilling and producing Petroleum, machine tools as required in connection with exploration, drilling or production of Petroleum, including lathes, grinders, planners, power saws, presses, drills and hammers, power driven winches, air compressors, pneumatic tools, special cables including steel, electric and hemp, mechanical power transmitters.

3. Scientific and engineering instruments including surveyors transits, levels, Alidades, Brunton and prismatic compasses, seismic instruments, gravity meters, magnetometers, instruments and equipment required for well logging and surveying (including photographic recording), mud-treating and control, core analysis, and gas testing (in particular gaschromatograph, microscopes, ultra violet lamps, rock-saw), special photographic and such special instruments as will be required to establish geophysical, geological, engineering and chemical laboratories, radio telemetering, radio facilities and other electronic equipment and seismic energy sources (dynamite, etc.) and consumables.

4. Tools including drilling tools, oil well fishing and speciality tools, drill stem test, wire line test, well surveying and logging, well cementing tools and equipment, also oil well cement, drilling mud and admixtures, drilling equipment and all types of support equipment.

5. All forms of vessels, heavy hauling and oilfield service vehicles, four wheel drive single and double cabin pick-ups, jeeps, station wagons, trucks and general purpose vehicles built primarily for off-road/rough terrain transportation of staff and equipment (excluding saloon cars and luxury five door jeeps) and aircraft

required to support the marine drilling units and onshore support operations, specialized transportation and earth moving equipment; trailers for field use, aircraft, boats, barges, swamp buggies, including tires, tubes, valves and valve stems for the above equipment. All equipment and working material necessary for construction of exploration and exploitation facilities.

6. Steel pipe of all sizes, including drill pipe, drill collars, oil well casing, tubing and line pipe and all necessary control valves and fittings.

7. Special prefabricated steel structures, including but not limited to, marine production facilities fully outfitted all forms of sub-sea equipment for exploration, drilling and production, tanks and pressure vessels and all semi finished goods (steel plates etc. for their construction on location and all related instruments, regulating and measuring equipment, controllers, gauges, indicators, etc.)

8. Specialized fire fighting equipment for oil field use both, mounted and portable, fire and smoke detectors and all forms of precautionary devices to protect life and property.

9. Special Petroleum field designed electric communication and cooling equipment, computing hardware/software. [For software subject to Article 13.7].

10. Safety equipment of all kinds including items such as boots, coveralls, safety helmets, gloves, protection eyeglasses, H_2S equipment, life rafts, life boats, safety jackets, first aid kits, medical supplies, transport equipment, emergency lighting, radioactive monitoring tools, fresh water making equipment, gas detection systems, blow out preventers etc.

11. Replacement parts for the foregoing.

NOTE:

I) The foregoing enumeration of items is not exhaustive and each category shall be deemed to include articles of similar nature required for the specific purpose of operations on land, sea, and air for on-shore and off-shore petroleum exploration, production and development projects.

II) The foregoing list shall not include articles which are produced and available in Pakistan at the same delivery date, of the same quality, at comparable prices as certified by the Director General of Petroleum Concessions and which are banned for import under the Import/ Export/ Trade Policy by the Government from time to time notwithstanding the fact that such items may be among those described above.

III) No customs concessions will be allowed on spare parts, office equipment, stationery articles and other goods/items etc. which are locally manufactured and so certified by the Director General, Petroleum Concessions.

IV) It is clarified that the Operator, its contractors or sub-contractors can import on an import cum export basis the used equipment and machinery (such as seismic acquisition equipment, drilling rigs and equipment, production testing equipment etc.) for the purposes of temporary Operations on the recommendations of the Director General, Petroleum Concessions but the same will have to be either exported after the operations have been completed or the transfer of the said equipment to another company has been authorized by the appropriate Regulatory Authority in accordance with the Petroleum Policy and the notifications issued by the Central Board of Revenue.

ANNEX-VIII

GOVERNMENT OF PAKISTAN
CENTRAL BOARD OF REVENUE

C.No.10(14)/93-ICM-CON. Islamabad, the 13th June, 1994.

From: Ghulam Ahmad
Secretary (ICM&Con)

To: The Collector of Customs
(Appraisement)/(Preventive)
Custom House
Karachi.

The Collector of Customs and
Central Excise
Peshawar/Rawalpindi/Faisalabad/Gujranwala/Multan/
Hyderabad/Quetta/Lahore.

SUBJECT: **EXEMPTION OF CUSTOMS DUTY, SALES TAX AND IQRA SURCHARGE ON FOODSTUFF/LIQUOR AND HOUSE-HOLD EFFECTS OF EXPATRIATE EMPLOYEES OF THE OIL DRILLING COMPANIES AND THEIR CONTRACTORS/SUB-CONTRACTORS.**

The Central Board of Revenue has been pleased to order that henceforth foreign expatriate employees of the Oil Companies and the contractors/sub-contractors of the oil companies coming to work on petroleum projects covered under Petroleum Concession Agreements will be entitled of following concessions:

a) Foreign employees and consultants of petroleum sector companies and foreign employees of such companies contractors and sub-contractors will be entitled to import free of import duties including customs duties, sales tax, Iqra surcharge and any other surcharges and licence/authorization fees used and bonafide personal and household effects, excluding passenger vehicles provided that the effects were acquired or were in such person's possession before his arrival in Pakistan or were imported within 6 months of such arrival. Such personal and house-hold effects may thereafter be freely exported free of export duties and fees. Such articles shall not be sold or disposed off or transferred in Pakistan except with the prior permission of Regulatory Authority and on payment of

import duties at the rate and value operating on the date the goods at the time of import less depreciation @ 10% per annum.

b) Foreign employees and consultants of petroleum sector companies and foreign employees of such companies contractors and sub-contractors shall be allowed to import commissary goods free of import duties including customs duty, sales tax, Iqra surcharge and any other surcharges to the extent of US $ 1,200 each (excluding family members) per annum or such greater amount notified from time to time subject to the condition that the said goods shall not be sold or disposed off in Pakistan and no foreign exchange from Pakistan shall be involved.

3. The previous instructions issued on the subject vide Board's letter C.No.5(26)92/Cus.Ex. dated 29-12-1992 are hereby withdrawn.

(Ghulam Ahmad)
Secretary (ICMM&CON)

Copy to: Mr. Akhlaque Mahmud, Deputy Director (Imp)
Directorate General Petroleum Concessions, 1019-A, Pak Plaza,
Fazal-e-Haq Road, Blue Area, Islamabad.

(with reference to Board's letter No.5(26)/92-Cus. Ex., dated 29.12.1992)

Sd/-

(Ghulam Ahmad)
Secretary (ICM&CON)

ANNEX-IX

LIST OF COMMISSARY STORES

The following food stuff and commissary stores can be imported:

Food

(i) Meat:

Beef, Pork, Ham, Bacon, Miscellaneous meat including tinned meat.

(ii) Vegetables tinned and glassed including juices.

(iii) Fruits tinned including juices.

(iv) Liquor, Tobacco and cigarettes of all kinds.

(v) Sea Food: Tinned tuna, salmon, sardines etc.

Note: Import of Liquor by the non-Muslim foreigners shall be subject to the regulations and orders of the Government of Pakistan.

ANNEX-X

BANK GUARANTEE

The President
Islamic Republic of Pakistan,
Through Director General Petroleum Concessions
Ministry of Petroleum and Natural Resources
Islamabad

Gentlemen:

Regarding: Our Irrevocable Bank Guarantee No

In compliance with the request of XYZ/ABC ("the Company"), we, (Name of Bank), issue this unconditional irrevocable Bank Guarantee in your favour for a sum not exceeding United States Dollars (US$ ___), which represents the Minimum Financial obligations for the initial exploration period for Block No _____ under the Concession Agreement, dated _____ 2002 ("Agreement") among the Company (XYZ/ABC), GHPL if applicable) and THE PRESIDENT of the Islamic Republic of Pakistan ("THE PRESIDENT"), relating to Petroleum exploration, development and production in Pakistan to guarantee the Company's faithful performance of its financial obligations as provided for in the Agreement, the said sum of __ United States Dollars (US$ __) to be reduced annually by an amount equal to the Expenditure incurred by the Company in discharge of its obligations as provided for in the said Agreement, as evidenced by a signed certificate from THE PRESIDENT or his designee (Director General Petroleum Concessions).

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

1) The said amount, or any part thereof, shall be paid to Director General Petroleum Concessions without recourse to any person on receipt of your first written demand that the amount claimed is duly payable under the Agreement.

2) We hereby waive any or all rights and demands (including but not limited to diligence, presentment, demand for payment & protest,) as guarantor, of first requiring the President to proceed against or enforce his contractual or legal right against the Company obligations hereunder are continuing, absolute and unconditional, and will not be in any way affected by giving of time or any forbearance by THE PRESIDENT the waiver or consent by THE PRESIDENT with respect to any provisions of the Agreement and irrespective of the validity, regularity, enforceability or value of the Agreement, or by any other circumstances which might otherwise constitute a legal or equitable discharge or defence of a surety or guarantor, all of which are hereby expressly waived.

3) Our obligations hereunder shall be paid in United States Dollars to the bank account designated by THE PRESIDENT or his designee (Director General Petroleum Concessions), free and clear of and without reduction by reason of any and all present and future taxes, levies, imposts, deductions, assessments, charges or withholdings whatsoever. We shall bear and pay any and all fees and expenses in relation to or in connection with this Bank Guarantee.

4) In order to give effect to this Bank Guarantee, we hereby declare that THE PRESIDENT or his designee (Director General Petroleum Concessions) shall be at liberty to act as though we were the principal debtor, and we hereby waive all and any of the rights as surety which may at any time be inconsistent with any of the above provisions.

5) Any claim or demand under this Bank Guarantee shall be presented to us on or before the expiration of the date of the validity of this Bank Guarantee.

6) This Bank Guarantee shall be effective immediately and expire on____ (NB: ninety (90) Days after the end of the term and thereafter automatically, without any formality, become null and void for all its effects and this Bank Guarantee shall be returned to us immediately.

7) Notwithstanding anything contained hereinabove our maximum liability hereunder shall not exceed the sum of US$ __.

Yours very truly,

(Name of Bank)

ANNEX XI

PARENT COMPANY GUARANTEE GIVEN PURSUANT TO ARTICLE XXV OF THE PETROLEUM CONCESSION AGREEMENT

Whereas XYZ/ ABC a Company having its registered office at _____ is the owner of the majority of the shares in _____ a party to the Agreement (as hereinafter defined) and is its parent company.

Whereas _____ (hereinafter referred to as the "Company") has entered into a Concession Agreement (herein referred to as the "Agreement" with THE PRESIDENT of the Islamic Republic of Pakistan and GHPL (if applicable) relating to the Area as defined therein and assumed various obligations in favour of THE PRESIDENT.

_____ hereby acknowledges that it is dutifully aware of and understands the legal and contractual obligations undertaken by the Company under the Rules, Licence and the Agreement and hereby guarantees that, in the case of a default by the Company of any of its obligations under the Rules, Licence and the Agreement, it will, provide the Company with all necessary financial and other means to enable it to fully perform its aforesaid obligations, and rectify the default provided that not less than fourteen (14) Days notices of the alleged default and amount payable thereon have been communicated by telex.

This Guarantee will apply as of the Effective Date (as defined in the Agreement) and as long as the Company is a party to the Agreement.

The laws of Pakistan shall govern this guarantee.

IN WITNESS whereof this Deed has been executed on the _____ Day of __ 2002

The Common Seal of

ANNEX XII

Functions Included in Administrative Overhead

Listed below are representative functions, the cost of which are included in the Administrative Overhead rates listed in Article-II Section 3 of the Accounting Procedure. It is not intended that this listing include all items applicable to every Operator but is to serve as a guide for similar functions. The Joint Account should not receive a direct or allocable charges for these services even though some of the functions are contract services performed by third parties unless the Accounting Procedure so indicates or it has the approval of the Operating Committee. It is recognized that the Operator of Joint Properties, in most instances, does not recover his actual costs. The purpose of this section is to provide functions intended to be included in the overhead rate.

1. General Management

2. General Operating Administration
   Drilling Superintendent and Office Staff
   Production Superintendent and Office Staff
   Civil Engineering
   Reservoir Analysis and Engineering
   Petroleum Engineering
   Negotiation of Production and/Residue Gas Sales
   Negotiation of Major Gas Sales
   Preparation and Negotiation of Joint Operating Contracts
   Preparation of General Production Records
   Travelling and Transportation Expenses of Home Office Employees

3. General Accounting Services

   Checking of Invoices
   Preparation of Paychecks
   Responsibility of Account Distribution or Coding
   Payment of Vendor’s Invoices
   Maintain Property Investment records
   Maintain Joint Interest costs Records
   Preparation of Joint Interest Billings
   Preparation of Royalty Checks
   Computerized Accounting System
   Photocopying and other reproduction services
   Internal Auditing

4. Title Record and Division Order Administration

   Landmen and titlemen
   Maintenance of Division of Interest Records
   Obtaining Royalty Signatures

5. Exploration Administration

   Geologists
   General Research
   Geophysicists

6. General Purchasing Administration

7. Industrial Relation and Public Relation Administration

   Employee Relation Counselor
   Safety Engineer
   Industrial nurse or Doctor
   Dinners, Parties etc.
   Safety Awards
   Incentive Awards
   Gifts
   Contributions to Charity or Civic Organizations
   Special Investigations
   Administration of benefit plans

8. General Legal Counsel
   Preparation of Contracts
   Claims and Litigation
   Title and Other Opinions

9. Transportation and Traffic administration

10. Insurance Administration