

Pursuant to the Law on the Exploration and Exploitation of Oil and Gas in the Federation of Bosnia and Herzegovina (Official Gazette No. 77/13 and 19/17)

## **THE GOVERNMENT OF THE FEDERATION OF BOSNIA AND HERZEGOVINA**

### **Announces**



## **PUBLIC COMPETITION FOR CONCESSIONS FOR EXPLORATION AND EXPLOITATION OF HYDROCARBONS IN THE FEDERATION OF BOSNIA AND HERZEGOVINA**

### **BIDDING GUIDANCE INFORMATION**

This documentation informs investors of the conditions and manner of participation in the Public Bidding for the award of a concession for exploration and exploitation of hydrocarbons onshore in the Federation of Bosnia and Herzegovina in 2020.

This documentation is published on the websites of the Government of the Federation of Bosnia and Herzegovina [www.fbihvlada.gov.ba](http://www.fbihvlada.gov.ba) and the Federal Ministry of Energy, Mining and Industry [www.fmeri.gov.ba](http://www.fmeri.gov.ba). All future relevant information regarding the public bidding is available through [www.fmeri.gov.ba](http://www.fmeri.gov.ba).

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## Definitions

The terms used in these bidding instructions shall have the following meaning:

<b>Investor</b>	entity either submitting or considering submitting a Bid
<b>Exploration Block</b>	area delimited by the coordinates as described in Annex 4 of these to be the subject of a Concession Agreement
<b>Ministry</b>	Federal Ministry of Energy, Mining and Industry of the Federation of Bosnia and Herzegovina
<b>Consortium member</b>	Investor submitting a joint Bid as part of a consortium
<b>Bid guarantee</b>	guarantee that Bidders are obliged to deliver
<b>Consortium</b>	group of Investors submitting joint Bid
<b>End date</b>	May 27, 2020 14:00 local time
<b>Selected bidder</b>	Bidder that has been selected for an award under this licensing round
<b>Operator</b>	Investor responsible for executing operations under the Agreement as either lead consortium member or sole licensee
<b>Bid</b>	set of information and documents that the Bidder submits to the Ministry, in the form and manner prescribed by these Bidding instructions
<b>Bidder</b>	participant in the Bid procedure that has submitted a Bid (individual economic operator or consortium)
<b>Validity period</b>	time period during which the Bid must remain valid, in accordance with the provisions of these bidding instructions
<b>Commission</b>	Government entity convened to consider bids
<b>Agreement</b>	concession agreement to be concluded with selected Bidders which will regulate E&P activities
<b>Bidding instructions</b>	these bidding instructions outline the Bidding procedure and rules for granting licences
<b>Federation of Bosnia and Herzegovina</b>	FBiH
<b>Government</b>	Government of the Federation of Bosnia and Herzegovina
<b>Controlling company</b>	company that holds the majority of shares or majority vote in another independent company, in which it is considered to have a prevailing

influence in the other company if, as a shareholder or company member, they are entitled to appoint/terminate the majority of the board members, i.e. the majority of executive directors or members of the supervisory board, i.e. governing board of the company, or if they control the majority of votes in the company pursuant to an agreement concluded with other shareholders or members of this company

<b>Act</b>	Law on the Exploration and Exploitation of Oil and Gas in the Federation of Bosnia and Herzegovina (Official Gazette No. 77/13 and 19/17)
<b>Bidder representative</b>	person authorised to perform certain actions in this bid round on behalf of the Bidder
<b>Regulation</b>	Decree on the Content of the Concession Agreement for Oil and Gas Exploration and Exploitation, Manner calculation and payment of compensation and control of the production of oil and gas in the FBiH ("Official Gazette of the Federation of Bosnia and Herzegovina", No. 70/14)
<b>Tax regulations</b>	means the legislation (including any applicable bylaws) governing taxes, contributions, compensation and fees payable from time to time to any government entity in both the Federation of Bosnia and Herzegovina and Bosnia and Herzegovina.

## INTRODUCTION

The government of FBiH is pleased to invite suitably qualified companies to bid on the rights to conduct petroleum exploration activities on a number of predefined exploration blocks onshore of FBiH with a view to establishing economically interesting hydrocarbon reserves and to bringing the blocks into commercial production.

The government of FBiH is proud to support the Ministry in conducting this historic first open bidding round to explore and use the untapped potential geologic resources of FBiH in order to develop its energy industry, encourage national energy security and further the economic growth and prosperity of FBiH.

It is hoped that potential investors will analyze this opportunity in the context of the favourable investment environment that FBiH can offer as evidenced by the following elements:

- FBiH's abundance of industrial zones, attractive sites, port connections and available production facilities
- FBiH's recently implemented reforms with respect to taxation and fiscal sustainability as well as business climate and competitiveness e.g. competitive tax rates, favourable legal environment and a stable domestic currency BAM (pegged to the EURO)
- Access to FBiH's highly educated and price competitive labor force
- FBiH's strategic location in the Balkans with proximity to European markets
- Encouraging political investment environment with FBiH's trajectory towards membership in the European Union (potential candidate status since 2013).

The government welcomes the opportunity to introduce capable investors to this frontier region in terms of oil and gas upstream activity.

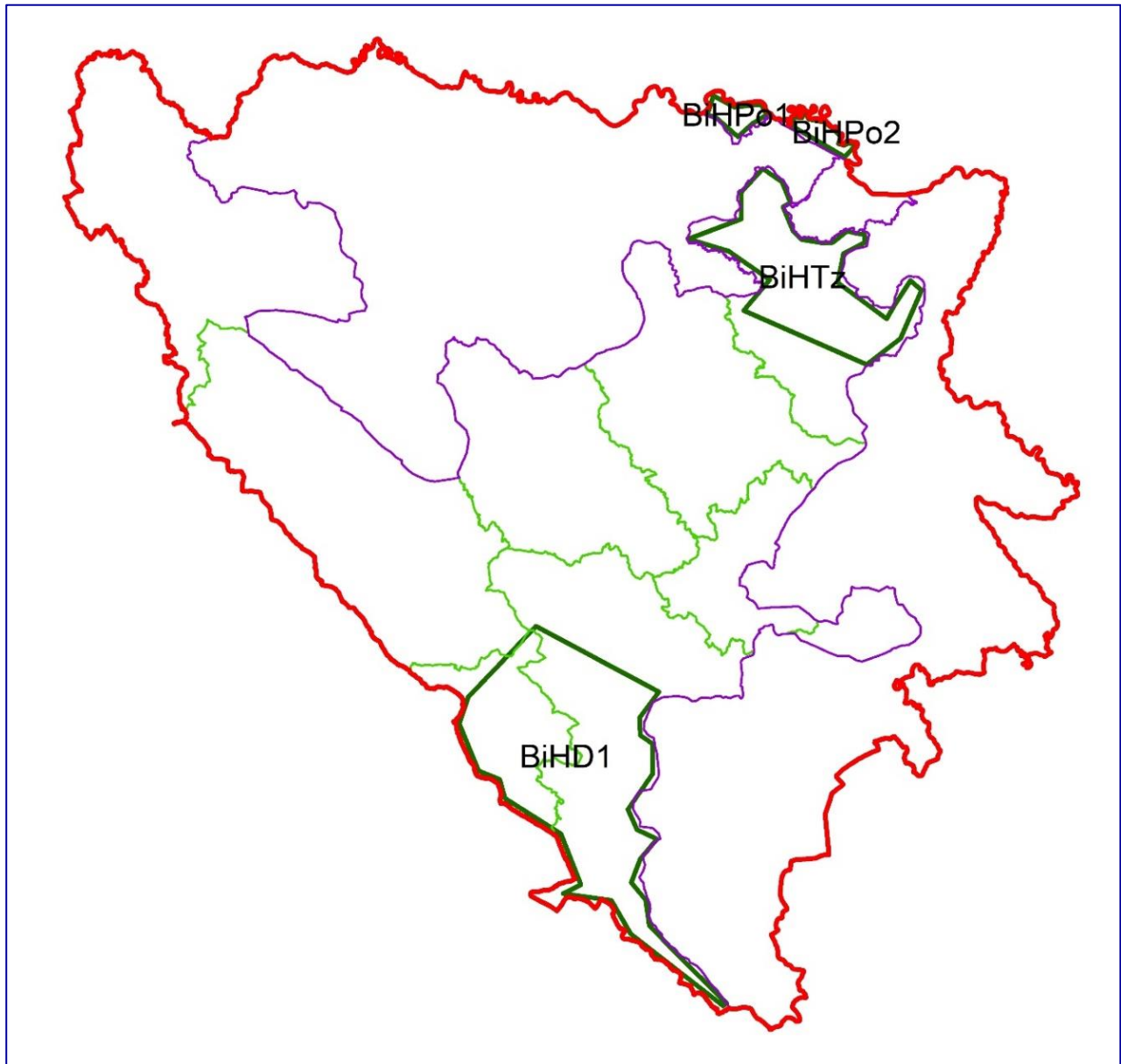
This guidance document outlines the relevant information for potential bidders to participate in this public bidding.

### **Subject of the public offer**

Public bidding shall be conducted to award a concession for exploration and exploitation through concluding a concession contract between the Government of FBiH and the Selected Bidder(s).

The invitation to tender includes four blocks. Three blocks are located in the area of the Pannonian Basin: Block BiHPo1, Block BiHPo2, and Block BiH Tz; and one block in the area of Dinarides: Block BiH D1.

The blocks offered are shown on the map below.



The Ministry will base the assessment of bidders on technical, financial, and professional capacity. The evaluation of the bid will be based on the quantity and quality of the proposed exploratory work/program of work that will best serve the main objective, which is to understand and realize the potential of the hydrocarbon resources of the FBiH. The bid will also be evaluated based on financial criteria.

Bidders have the right to access available existing geological data. The data will be available to bidders in accordance with the Rules issued by the Government of the FBiH. The available geological data will be useful for the preparation of the tender, which specifically requires details of exploratory works to be carried out in the relevant exploration block and the envisaged fiscal aspects of the bid.

Qualification will be assessed simultaneously with substantive bids and the Ministry encourages only those companies that meet the minimum criteria outlined to prepare and submit bids.

The process for composition and submission of bids is outlined in Annex 1. Only bids that have been prepared in accordance with these bidding instructions and submitted no later than **27 May 2020** will be considered eligible.

An overview of key terms, a summary of fiscal arrangements and the full agreement are provided in Annex 9. All activities will be subject to the provisions of the concession agreement and the laws of FBiH, a non-exhaustive selection of which are provided in section Annex 2.

## Fiscal terms

The fiscal terms that apply to this round are comprised of:

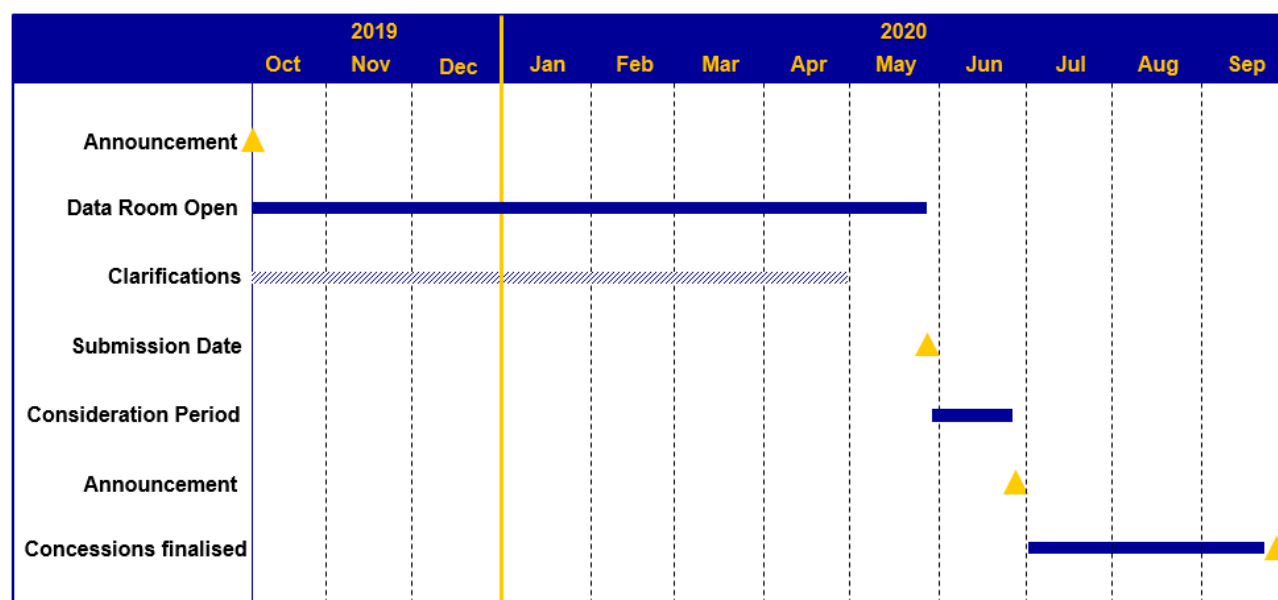
- biddable royalty rates
- biddable signature bonus
- biddable area rentals (as payable under Article 14 and 15 of the Decree on the Contents of Concession Contracts - Official Gazette FBiH No. 70/14)
- biddable production bonuses
- all applicable taxes
- any other payments negotiated in the concession contract.

The fiscal terms are further outlined for reference in Annex 3.

## Round timeline

The preliminary timeline for the bidding round is as below:

Indicative Schedule	
October 01, 2019	Sarajevo Roadshow, Round Opening
October 09, 2019	London Roadshow
May 27, 2020	Submission deadline
June 24, 2020	Winners announced (indicative deadline)
September, 2020	Finalisation of negotiations and contract execution

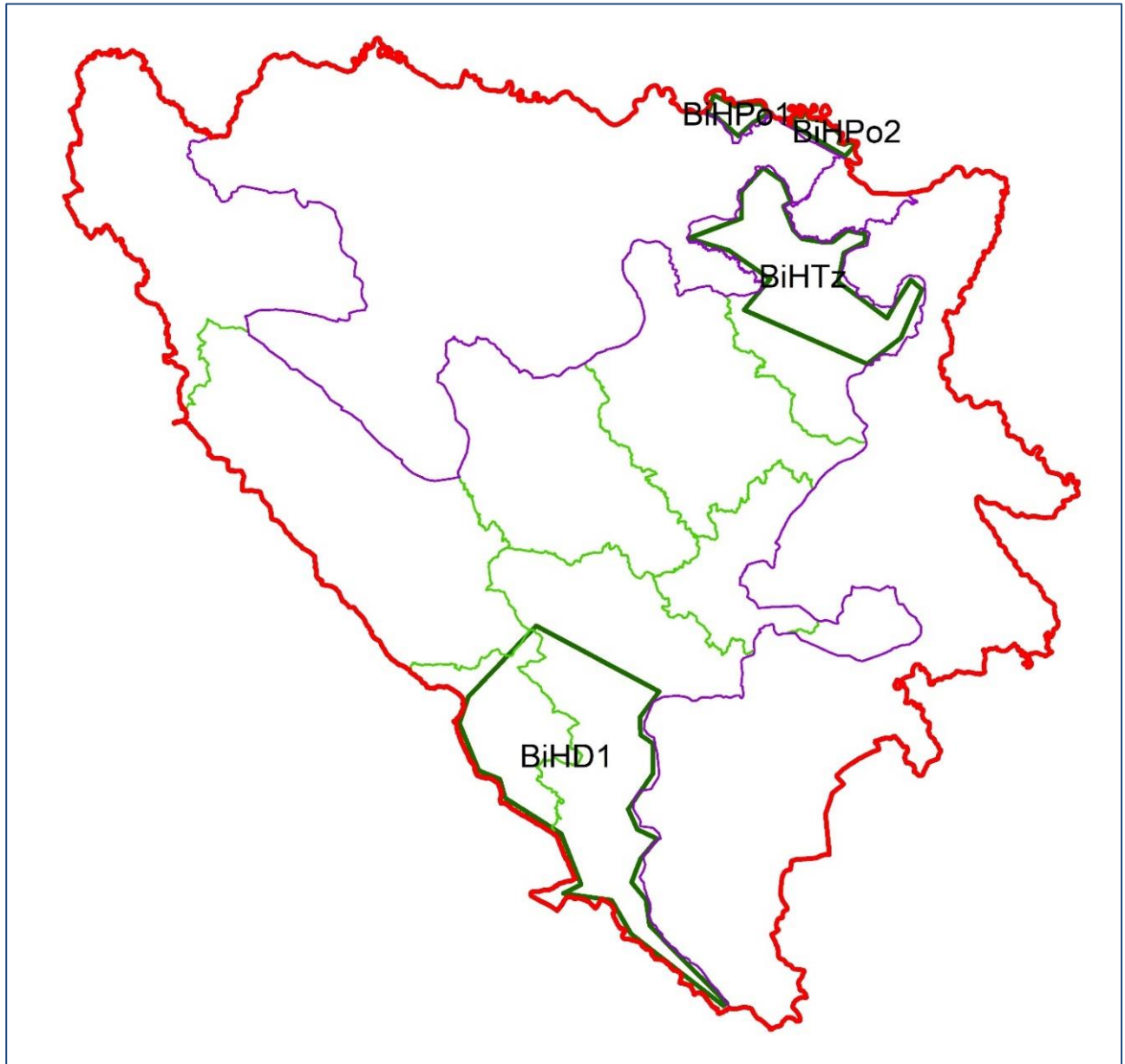


Only bids that have been prepared in accordance with these bidding instructions and submitted no later than 27 May, 2020 14:00 (local time) will be considered eligible. The Law outlines the administrative process that the relevant Government entities must follow to finalize the concession agreement.

## ONSHORE BLOCK OVERVIEW

### Blocks on offer, block map and description

BiH is offering four (4) Exploration Blocks as highlighted in the map below.



Further information the blocks is outlined in Annex 4.

Access to the full extent of data available on the blocks is available at located in the data room at the Federal Bureau of Geology ([www.fzzg.gov.ba](http://www.fzzg.gov.ba)). The information is available to bidders under the Guidelines issued by the Government.



## LEGAL FRAMEWORK

This public bidding exercise for the award of concessions for the exploration and exploitation of oil and gas shall be conducted in accordance with the provisions of the Law and the Decree.

### Regulatory bodies and key aspects

The *Ministry*: Federal Ministry of Energy, Mining and Industry.

The *Federal Institute for Geology*: has responsibility during all aspects of the exploration phase.

The Federal Government will establish a new agency to regulate the production phase of any investment.

<b>Key governing laws</b>	Law on Exploration and Exploitation of Petroleum and Gas in FBiH (Official Gazette No. 77/13 and 19/17); Decree on Contents of a Concession Agreement for Exploration and Exploitation of Petroleum and Gas, Ways of Calculation and Fee Payment and Control of Petroleum and Gas Production Quantity in FBiH (Official Gazette FBiH No. 70/14)
<b>Regulatory Bodies</b>	Federal Ministry of Energy, Mining and Industry Federal Institute for Geology
<b>Agreement type</b>	Concession Agreement
<b>Fiscal regime</b>	Royalty, tax
<b>Activities</b>	Exploration and production of hydrocarbons – as committed in the agreed work programme
<b>Duration</b>	Exploration period: 6 years maximum <ul style="list-style-type: none"> <li>- divisible into two phases and subject to relinquishment as per the table below</li> <li>- extendable by 2 years with approval in limited circumstances</li> </ul> Appraisal: 5 years maximum Production period: 25 years maximum (extendable with approval)

	Exploration phase 1	Relinquishment	Exploration phase 2
<b>BiHPo1</b>	3 years	Negotiable	3 years
<b>BiHPo2</b>	3 years	Negotiable	3 years
<b>BiHTz</b>	3 years	25%	3 years
<b>BiH D1</b>	4 years	25%	2 years

### Legal instrument

The laws of the FBiH will form the basis of the legal framework for the implementation of oil and gas exploration and exploitation activities in FBiH.

In accordance with these laws, FBiH will allocate hydrocarbon rights in this licensing round through

concession agreements which will incorporate the obligations committed to by the winning bidders. The model concession agreement applicable to this bid round is provided in Annex 9.

**Statement of acceptance of the model contract as the basis for negotiations**

Bidders will provide an assurance in the form provided in Annex 7 that they have reviewed and familiarized themselves the model concession agreement, and that they consent that this model will form the basis of the final negotiated concession agreement. The final concession agreement will be consistent with the provisions of the Act and in particular the obligations outlined in Chapter VI of the Act (Obligations of the Concessionaire).

If a bidder has any comments on the model agreement they may attach these to their bid.

## EVALUATION OF BIDS

### Selection criteria

In accordance with the Law and the Regulation, bidder selection will be based, generally, on the following aspects:

- the technical, financial and professional capacity of the Bidder
- any deficiency in oil and gas activities or liability in any form shown by the Bidder in other countries, and in the activities performed so far that are the subject of oil and gas exploration and exploitation.

Bidders are requested to demonstrate their technical, financial and professional capacity and to present their qualifications and proposals for work programs that they consider appropriate for the desired blocks.

The ultimate criteria for selecting winning bids will include:

- Work programme suitability and quantity
- Fiscal criteria:
  - Royalty offered
  - Signature bonus, production bonuses and area rentals offered
- Technical and financial capacity
- Overall quality of the submitted bid including the bidder's submissions on how their activities may benefit the wider economy in the FBiH.

### Bid evaluation table

The Government's evaluation team will compare the work programmes and fiscal aspects of bids and allocate scores using the maximum values and weightings below.

### Blocks BIHPo1, BIHPo2, BiHTz

	Phase	Item	Score	Weighting
<b>Work Programme</b>	<b>Phase I</b> (3 years)	2D seismic surveys	15	<b>55%</b>
		3D seismic surveys (km2)	25	
		Reprocessing of existing data	5	
		Other surveys*	5	
		Number, depth of conventional exploratory wells	50	
<b>Phase II</b> (3 years)	2D seismic surveys	15	<b>5%</b>	
	3D seismic surveys (km2)	35		
	Number, depth of conventional exploratory wells	50		
<b>Fiscal</b>		Royalty rate	80	<b>40%</b>
		Signature Bonus, Production Bonuses, Area Rental	20	

\*Other surveys include, but are not limited to: seismic refraction measurements, magnetotellurics, geoelectric/electromagnetic measurements, other airborne and/or surface geophysical measurements, geochemical surface and/or remote sensing measurements (e.g. detecting macro-

seepages and micro-seepages of hydrocarbons), LIDAR etc.

### Block BiHD1

	Phase	Item	Score	Weighting
Work Programme	Phase I (4 years)	2D seismic surveys	25	55%
		3D seismic surveys (km2)	45	
		Reprocessing of existing data	5	
		Other surveys	5	
		Number, depth of conventional exploratory wells	20	
	Phase II (2 years)	2D seismic surveys	15	5%
		3D seismic surveys (km2)	35	
Number, depth of conventional exploratory wells		50		
Fiscal		Royalty rate	80	40%
		Signature Bonus, Production Bonuses, Area Rental	20	

### Bidding expectations

The Ministry expects that bidders will commit a work programme on their desired block(s) in accordance with and expanding upon the minimum requirements outlined in the table below:

		BiHPo1	BiHPo2	BiH Tz	BiH D1
Phase 1 fixed	2D	50 km	50 km	100 km	100 km
	3D				
	Wells				
Phase 2 contingent	2D				
	3D				
	Wells	1	1	1	1

### Work programme phases

Exploration is divided into two phases, with a total duration of 6 years.

Investors must give notice of the intention to proceed to phase II or relinquish the block at least 3 months prior to the expiry of Phase I. Phase II progression is contingent on the completion of the required minimum work obligation.

The exploration period may be extended pursuant under Article 25 of the Law for a further period of two years.

### Evaluation procedure

After the submission deadline, an expert team will evaluate the bids. If any bid is incomplete, the expert team may request additional information or clarification. Bidders must fully comply with any request within ten (10) days.

The expert team may seek advice from an external consultant or another expert.

When it is satisfied the information received is complete, the expert team shall evaluate and rank the bids in accordance with the determined criteria and procedures.

The expert team will assess qualification criteria for the first-ranked bidders on each block. If qualification is verified, then the bidder will be selected as the successful bidder for each block (otherwise this process will be repeated for the second ranked bidder and so on).

The expert team will, through the Ministry, report to the Government with the evaluation minutes list of bidders, and the proposal for selection of the first-ranked bidders for each Block. Following the Government's decision, the Ministry will invite the first-ranked bidders to negotiate in order to sign the concession contract.

Successful bidders will be invited conclude a concession agreement on the basis of the model agreement provided. If the selected bidder fails to commence these final negotiations within two weeks of selection, the second ranking (qualified) bidder will be invited to enter into negotiations.

### **Signing and ratification procedure**

Upon successful completion of the negotiations, the expert team will submit to the Government a report on the negotiations and a proposal for the contract. Negotiations are overseen by the Commission appointed by the Parliament of the Federation of BiH. The government will make the final decision to award a concession for oil and gas exploration and exploitation and to sign a contract. The Federation of BiH Parliament has authority to consent to the Decision, after which the Government may sign a contract for the award of a concession for the exploration and exploitation of oil and gas for each individual Exploration Block.

### **Legal: Disclaimer for accuracy of information**

The Government and Ministry, as well as their representatives, agents, advisors and consultants, shall not give, nor shall it be considered that they have given, whether implicitly or explicitly, any guarantee or statement which represents that the information contained in these instructions or provided in any other manner, whether verbally or in writing, is correct, complete and accurate, unless such a statement or guarantee is explicitly given in the agreement between the Government and the selected bidder. The receipt of these bidding instructions, the information contained therein or in any of its appendices or which has been provided to a third party in another manner, whether verbally or in writing, and which relates to the bids or another affair which involves the Government, Ministry, and its representatives, advisors or consultants, shall not mean or be interpreted as the provision of any sort of financial, legal, technical or other advice. The Government, Ministry, and its representatives, advisors or consultants shall not be held liable for any expenses incurred to any participant in the bidding round in the course of participation in the procedure in line with these bidding instructions, or in any kind of inspection or transaction that may ensure, whether executed or unexecuted. It shall not be assumed that these bidding instructions contain all of the information that is necessary for the interested bidder to make their decision regarding investment. It shall be considered that, by receiving these bidding instructions, the bidding participant agrees with the above conditions.

By submitting their bid, the bidders confirm that they are familiar with all of the applicable laws and other legal regulations of the Federation of Bosnia and Herzegovina that may in any manner influence or affect the activities stemming from these bidding instructions, the licence for the exploration and production of hydrocarbons or the concession agreement. A framework of the applicable regulations of the Federation of Bosnia and Herzegovina can be found in Annex \_\_\_ of these bidding instructions.

## **ANNEX 1 BID SUBMISSION REQUIREMENTS**

Bids should meet the administrative, legal and technical requirements defined in this document.

### **Administrative requirements**

#### **Schedule**

The bidding round shall commence on January 7, 2020 with bids to be submitted by 27 May 2020 at 2:00 p.m. according to local time.

#### **Language**

An English translation of these bidding instructions has been provided to participants. In case of any discrepancy between a version issued in an official FBiH language and the English version, the official FBiH language version shall prevail. Participants are free to choose between an official language of FBiH and English when communicating with the Ministry.

Bidders may submit their bids in English and/ any official language of FBiH. Bidders may submit in a foreign language together with a certified translation to official language of FBiH. All language versions must meet the rules for the preparation and submission of bids that are described in these bidding instructions. All of the translations of documentation to official language of FBiH must be certified by a court interpreter.

#### **Requests for clarification, amendments**

All questions related to these bidding instructions (including requests for clarification and amendments) may be sent to the e-mail address of the Ministry – [oil.gas@fmeri.gov.ba](mailto:oil.gas@fmeri.gov.ba) – as well as [BiHLicensingQueries@ihsmarkit.com](mailto:BiHLicensingQueries@ihsmarkit.com).

The final date for asking questions is thirty (30) days prior to the expiry of the end date for submitting bids. All questions will be answered fifteen (15) days prior to the expiry of the end date for submitting bids, at the latest. Certain answers may amend the provisions and conditions of these bidding instructions.

If necessary, the Ministry may amend these bidding instructions, fifteen (15) days prior to the end date for submitting bids at the latest. Such amendments shall be in effect from the moment that they are published on the website of the Ministry – [www.fmeri.gov.ba](http://www.fmeri.gov.ba) – and they shall constitute an integral part of these bidding instructions.

#### **Grounds for exclusion from the bidding round**

A participant may be excluded from the bidding round in the following circumstances:

- attempting to unduly influence the procedure
- obtaining confidential information that may provide an unfair advantage in the procedure
- providing false or incorrect information material to the decision to grant licences
- failing to submit a satisfactory bid guarantee
- failing to deliver adequate documents related to legal and financial capacity or documents related to technical capacity and health, safety and environmental protection
- having demonstrated, in another country, a lack of efficiency and responsibility in any manner, while performing activities that are the subject of the licence for the exploration and production of hydrocarbons
- failing to meet the conditions prescribed by the bid guidance document.

## Submission mechanism

### Submission

Bids must be delivered by 27 May 2020, 14:00 (local time) to the following address:

**Federalno ministarstvo energije, rudarstva i industrije,  
ulica A. Šantića bb.  
Mostar 88000, Bosna i Hercegovina**

Bids may be submitted to the Ministry in person or via post/courier service.

The Ministry shall provide a confirmation of receipt with respect to bids submitted in person.

### Clarifications

The Commission may, at their own discretion, seek clarification on any bid. Bidders should provide the requested clarifications and/or documentation within 10 days of request.

### Packaging

Bids should be in a sealed envelope or package labeled with:

- the name and full address of the bidder (if the bidder is a consortium, then the full address and name of the operator) and
- a title written above the recipient's address, which should read:

***PUBLIC COMPETITION FOR CONCESSIONS FOR EXPLORATION AND EXPLOITATION OF HYDROCARBONS IN THE FEDERATION OF BOSNIA AND HERZEGOVINA – To be opened only in accordance with Bid Procedures***

### Bid format

Submissions should meet the following style and format requirements:

- printed in indelible ink.
- must not contain text inserted between the lines, erased text or text written over the bid, except if it was necessary to correct mistakes made by the bidder, in case of which such corrections must be confirmed with the signature of the representative of the bidder. All materials contained in the bid should be on A4 paper size wherever possible, however, A3 paper folded into an A4 format may also be accepted if necessary.
- The bid must be bound into one whole document in a fashion that prevents pages from being subsequently removed or inserted (for example, tied with a string and sealed on the back). If, due to its scope or other objective circumstances, the bid cannot be bound into one whole, then it can be submitted in two or more parts. If the bid is submitted in two or more parts, each part must be bound in a fashion that prevents pages from being subsequently removed or inserted. The bidder must mark those parts of the bid that cannot be bound, for example samples, catalogues, data storage media etc., with their name and list them in the content of the bid as part of the bid. If the bid consists of multiple parts, the bidder must state the number of parts that the bid consists of in the content of the bid. The pages of the bid must be numbered in a way that makes visible the ordinal number of the page and the total number of pages of the bid, for example: 1/57.
- If the bid is composed of multiple parts, pages must be marked in the manner that each subsequent part starts with the ordinal number that follows the number where the previous part stopped. If a part of the bid has already been previously numbered (for example, in the case of catalogues), the bidder is not obliged to number this part of the bid again. Bidders must deliver one (1) original marked as ORIGINAL and 1 (one) copy (photocopy of original) marked as COPY, each of which must be separately bound. Bids should be marked as confidential.

- Bids must include one (1) electronic copy (on a USB stick or other suitable electronic format) which contains all of the documents that have been delivered in printed form, and which constitute an integral part of the offer.
- Files must be in a format compatible with Ministry systems (includes Microsoft Office, Microsoft Internet Explorer and Adobe Reader).
- Files must not be protected by a password or contain encrypted data.

### **Validity of bids**

The bids shall be stated to be unconditional and to remain valid for three hundred and sixty (360) days from final submission day (this term is counted from the following day).

A submitted bid may be amended prior to the end date for submitting bids.

The Ministry may request an extension of the validity of the bid no later than ten (10) days prior to the expiry of this validity period.

### **Liability for costs**

The bidder is obliged to bear all expenses related to the preparation and submission of their bid. Regardless of the final result of the bidding round, the Government shall in no case be liable for expenses incurred to each bidder.

### **Structure and contents of bids**

The bids should be composed in the manner described in Annex 6 which outlines submission requirements necessary to establish:

- the substance of the bids which will be considered; and
- bidders' legal, financial and technical capacity (including health, safety and environmental protection credentials).

The original should be completed and signed by the representative of the bidder (enclosing documents evidencing the representative's capacity).

The cover letter and bid guarantee must be submitted in original form. All other documents may be submitted as certified copies. All documents issued by authorities must contain any prescribed certification (for example, a stamp and signature or an Apostille) which is officially used in the country of origin for such documents.

### **Documents related to formal bid requirements that must be delivered by the bidders:**

- Cover letter (following Annex 7), the original of which has been filled in and signed by the representative of the bidder.
- Power of attorney issued to the representative of the bidder which authorises them to perform certain actions in this bidding round on the behalf of and for the account of the bidder (if the bidder is a consortium, then all members of the consortium must issue a power of attorney to the representative of the bidder, i.e. the representative of the consortium).
- Consortium or association agreement, where applicable.
- Consent of the controlling company for applying for the bidding round (document by virtue of which the controlling company confirms their familiarity with the bid and expresses their support, as well as their approval of the conditions of the draft agreement of its affiliated company/subsidiary, where applicable).
- Confirmation of the payment of the bid fee in the amount of two thousand euro (€2,000)

### **Bid Guarantee**

Bidders shall provide a bid guarantee, drafted in accordance with Annex 8, for two hundred and fifty thousand euro (€250,000). The guarantee may be forfeited where the bidder:



- withdraws during the term of validity; or
- is found to have provided false data; or
- fails to deliver the required guarantees for performing minimum work obligations decommissioning obligations within the specified time.

The guarantee provider should be:

- a first-class bank acceptable to the Ministry (i.e. holding a high credit rating issued by an eminent credit agency)
- the holder of an appropriate operating licence.

The bid guarantee should:

- be irrevocable and unconditional at first demand, remain valid for three hundred and sixty (360) days from the end date for submitting bids, in which the beginning of this term is counted from the following day.

The bid guarantee shall be returned to successful bidders after provision of the guarantees that required by the concession agreement. Other bidders will have their bid guarantees returned upon their expiry.

If the Ministry requests extension of the term of validity of the bid from the bidder, the bidder will also be requested to extend the term of validity of the bid guarantee accordingly.

## **Capacity requirements**

### **Legal capacity**

Bidder(s) must have legal capacity (i.e. being registered and authorised to act in accordance with the laws of the country of its incorporation) in order to participate in the bid round.

### **Evidence of legal capacity**

Bidders should provide:

- their certificate of incorporation (or equivalent document for other types of entity) and their articles of association. Documents should evidence: the bidder's jurisdiction of registration, its legal form.
- any necessary registration to perform exploration and production of hydrocarbons in the bidder's jurisdiction
- evidence of board composition, capital structure and management structure, the legal relation between the bidder and any controlling company, if applicable, as well as the relation between the bidder and the other members of the group, if the bidder is the member of a group.

If the bidder is a consortium, all the aforementioned information and documentation must be supplied for every consortium member separately.

### **Financial capacity**

Bidders must demonstrate their ability to fund the proposed exploration activities should their bid be successful.

Bidders' should provide financial statements that confirm its net value (or that of its parent company) is equal to or greater than the amount of the minimum financial obligation in the proposed work programme (or the share for which it will be liable).

Alternatively, bidders may deliver a certificate (e.g. letter of intent or equivalent document) from a reputable financial institution guaranteeing sufficient funds to meet the minimum financial obligation in the proposed work programme (or the share for which it will be liable).

If the bidder is the best-ranking bidder for two or more exploration blocks, their net value must be

equal to or greater than the total net value of all the relevant exploration blocks. If the net value of the bidder is lower than the minimum amount of the obligation for the work programme for these exploration blocks, the bidder may only be awarded one block.

### **Evidence of financial capacity**

The required documentation comprises the revised annual financial statements for the last three (3) years including:

- balance sheets;
- profit and loss accounts;
- summaries of the notes accompanying financial statements which briefly describe the accounting policies, i.e. provided information on the methods and standards pursuant to which the financial statements were drafted;
- opinions of an independent auditor;
- calculation of the net value of the company made pursuant to the delivered revised financial statements. The net value of the company is calculated according to the method in Annex 6. When a bid is based on the financial capacity of the controlling company, the bidder must deliver the calculation of the net value of the company based on the revised financial statements of the controlling company which should be provided.

Alternatively, bidders may deliver a certificate (e.g. letter of intent or equivalent document) from a reputable financial institution guaranteeing sufficient funds to meet the minimum financial obligation in the proposed work programme (or the share for which it will be liable).

If the bidder is a consortium, all of the aforementioned information and documentation must be provided for each consortium member separately.

### **Technical capacity**

Bidders must demonstrate their experience and technical capacity to perform the proposed work programme. Annex 6 further outlines the submission requirements related to technical capacity, safety and environmental protection.

In considering technical capacity, any experience analogous to the prevailing conditions in the blocks offered will be viewed favourably. Bidders must, regardless of their scope of activities in the past five (5) years, provide any information of administrative penalties imposed by any authority due to environment damage, in relation to their activities.

The bidder must provide information on their plans and their environmental and safety system and its implementation, with an overview of risk reduction methods showing the bidder's selection and ability to implement technical, operational and organisational measures. Safety and environmental systems should demonstrate compliance with best international practice in the industry, enabling bidders to reduce risk potential damages to the lowest practicable level.

If the bidder is a consortium, all of the documents and information proving the technical capacity of the bidder must be given for each consortium member separately, unless otherwise stated in these bidding instructions.

### **Evidence of technical capacity**

The bidder (including all consortium members, where applicable) must provide the following:

- Information on their ongoing hydrocarbons projects in other countries specifying:
  - the total area held and location;
  - the operated and non-operated production and investment for the previous three (3) years;
  - a short summary of the bidder's experience in relevant projects stating the role and level of responsibility for each project (i.e. as operator or consortium member).

- Declaration of any details (or absence thereof) of any regulator-imposed penalty or administrative measure applied to the bidder due to environmental damage over the past 5 years. The number of permanently employed staff involved in the exploration and production of hydrocarbons and a summary of information on key permanent technical staff for a period of five (5) years, including their roles in different projects.

Bidders must also provide:

- A short report of the possible impacts of exploration and production on the environment, together with planned risk reduction measures and monitoring programmes.
- Description of the concept and approach for the implementation of activities.
- Detailed plan of works to be performed in the first exploration phase.
- Detailed plan of works to be performed in the second exploration phase.
- Minimum work programme for exploration, by type and scope with estimated costs for each exploration phase (Annex 6).
- Proposed plan for restoring the exploration block, with cost estimate and specification of the type of guarantee for decommissioning.

## ANNEX 2 FB&H LEGISLATIVE FRAMEWORK

### Regulations relevant to the exploration and production of hydrocarbons

This list incorporates the most important regulations related to hydrocarbons activities and related areas is not exhaustive. In addition, please refer to any relevant by-laws whose enactment is prescribed by these regulations.

Law	Reference
1. Law on Exploration and Exploitation of Petroleum and Gas in FB&H	Official Gazette FB&H no. 77/13 i 19/17
2. Decree on Contents of a Concession Agreement for Exploration and Exploitation of Petroleum and Gas, Ways of Calculation and Fee Payment and Control of Petroleum and Gas Production Quantity in FB&H	Official Gazette FB&H no. 70/14
3. Law on Concessions	Official Gazette FB&H no. 40/02, 61/06 and 80/13
4. Law on Zone Planning and Usage of the Grounds of FB&H	Official Gazette FB&H no. 2/06,72/07, 32/08, 4/10, 13/10, 45/10
5. Ordinance on Petroleum Sector Data Delivery	Official Gazette FB&H no.16/16
6. Ordinance on the Machinery and Facilities Which Assessments of Environmental Impact are Necessary and for Machinery and Facilities Which can be Build and Put Into Operation Only if They Have an Environmental License	Official Gazette FB&H no. 19/04
7. Ordinance on Facility and Pollutions Registry	Official Gazette FB&H no. 82/07
8. Law on Geological Exploration of the FB&H	Official Gazette FB&H no. 9/10
9. Ordinance of Content of Programs, Project and Elaborates of Geological Explorations	Official Gazette FB&H no. 85/17
10. Ordinance on the Contents, Order of Production, Component Parts and Ways of Construction of Mining Projects	Official Gazette FB&H no.53/12
11. Law on Mining in FB&H	Official Gazette FB&H no. 26/10
12. Law on Inspections in FB&H	Official Gazette FB&H no. 73/14, 19/17
13. Law on Access to Free Information	Official Gazette FB&H no. 32/01, 48/11
14. Law on Bounding Relations	Official Gazette SFRJ no. 29/78, 39/85, 45/89 i 57/89, Official Gazette RB&H, no. 2/92, 13/93, 13/94, Official Gazette FB&H no. 29/03 and 42/11)
15. Labor Law	Official Gazette FB&H no. 26/16 and 89/18
16. The Occupational Safety and Health Law	Official Gazette FB&H no. 22/90, 16/92 and 13/94
17. Rulebook on the content of the report on the state of security, contains of the information paper about the security measures and contents of internal and external intervention plans	Official Gazette FB&H no. 68/05

<b>18. Law on Foreigners</b>	Official Gazette B&H no. 88/15
<b>19. Law on Employment of Foreigners</b>	Official Gazette FB&H no. 111/12
<b>20. Law on Unique System of Registration, Control and Collection of Taxes</b>	Official Gazette FB&H no. 42/09, 109/12, 86/15 and 30/16
<b>21. Law on Contributions</b>	Official Gazette FB&H no. 35/98, 54/00, 16/01, 37/01, 1/02, 17/06, 14/08, 91/15, 104/16 and 34/18
<b>22. Ordinance on the method of calculation and payment of contributions</b>	Official Gazette FB&H no. 64/08, 81/08, 98/15, 6/17, 38/17 and 39/18
<b>23. Profit Tax Law</b>	Official Gazette FB&H no. 15/16
<b>24. Ordinance on the Application of the Profit Tax Law</b>	Official Gazette FB&H no. 88/16, 11/17 and 96/17
<b>25. Income Tax Law</b>	Official Gazette FB&H no. 10/08, 9/10, 44/11, 7/13 and 65/13
<b>26. Ordinance on the Application of the Income Tax Law</b>	Official Gazette FB&H no. 67/08, 4/10, 86/10, 10/11, 53/11, 20/12, 27/13, 71/13, 90/13, 45/14, 52/16, 59/16, 38/17, 3/18 and 30/18
<b>27. Law on Customs Policy of Bosnia and Herzegovina</b>	Official Gazette B&H no. 58/15
<b>28. Law on Waters</b>	Official Gazette FB&H no. 70/06
<b>29. Ordinance on the content and manner of keeping records and submitting data on the quantities of water abstracted</b>	Official Gazette FB&H no. 83/08
<b>30. Regulation on Content, Form, Terms and Method of Issuance and Maintenance of Water Acts</b>	Official Gazette FB&H no. 31/15, 55/19
<b>31. Rulebook on the method of calculation, the procedure and terms for calculation and payment and control of settlement of liabilities on the basis on general and special water charges</b>	Official Gazette FB&H no. 92/07, 46/09, 79/11 and 88/12
<b>32. Regulation on procedures and measures in the event of water and coastal water accidents</b>	Official Gazette FB&H no. 71/09
<b>33. Law on Environment Protection</b>	Official Gazette FB&H no. 33/03 and 38/09
<b>34. Law on Air Protection</b>	Official Gazette FB&H no. 33/03 and 4/10
<b>35. Law on Nature Protection</b>	Official Gazette FB&H no. 66/13
<b>36. Ordinance on Air Quality Monitoring</b>	Official Gazette FB&H no. 12/05 and 9/16
<b>37. Noise protection law</b>	Official Gazette FB&H no. 110/12
<b>38. Law on Waste Management</b>	Official Gazette FB&H no. 33/03, 72/09 and 97/17
<b>39. Rulebook on the conditions for wastewater discharge in the environment and the public sewer systems</b>	Official Gazette FB&H no. 101/15, 1/16 and 101/18



## ANNEX 3 FISCAL OVERVIEW

### Fiscal terms

The fiscal terms that apply to this round are comprised of:

- biddable royalty rates
- biddable signature bonus
- biddable area rentals (as payable under Article 14 and 15 of the Decree on the Contents of Concession Contracts - Official Gazette FBiH No. 70/14: (minimum fee 300 KM/km<sup>2</sup> during exploration, 3,000.00 KM/km<sup>2</sup> during an extension period, if applicable.)
- biddable production bonuses
  - A minimum bonus of USD 100,000 payable on the following production milestones: production commencement; 5 million BOE produced; 10 million BOE produced
- any other payments as contracted in the Concession Agreement.
- training fee during the exploration period
- training fee during the production period.

**FBiH Government expects a minimum royalty rate of 8% and higher for the production of 0-20,000 bbl/day and a progressive increase of rates for certain productions as referred to in the table below.**

Royalty rates are biddable with the minimum rate for each tranche of average daily production defined in the Table below:

Oil: bbl/day		Gas: BOE/day	
0 – 20,000	≥ 8%	0 – 20,000	≥ 8%
20,001 – 50,000	≥ 10%	20,001 – 50,000	≥ 10%
50,001 – 100,000	≥ 12%	50,001 – 100,000	≥ 12%
100,001 – 200,000	≥ 14%	100,001 – 200,000	≥ 14%
200,001+	≥ 18%	200,001 +	≥ 18%

*Note: For clarification purposes, the Ministry expects that bidders will match or exceed the minimum royalty rates stated above.*

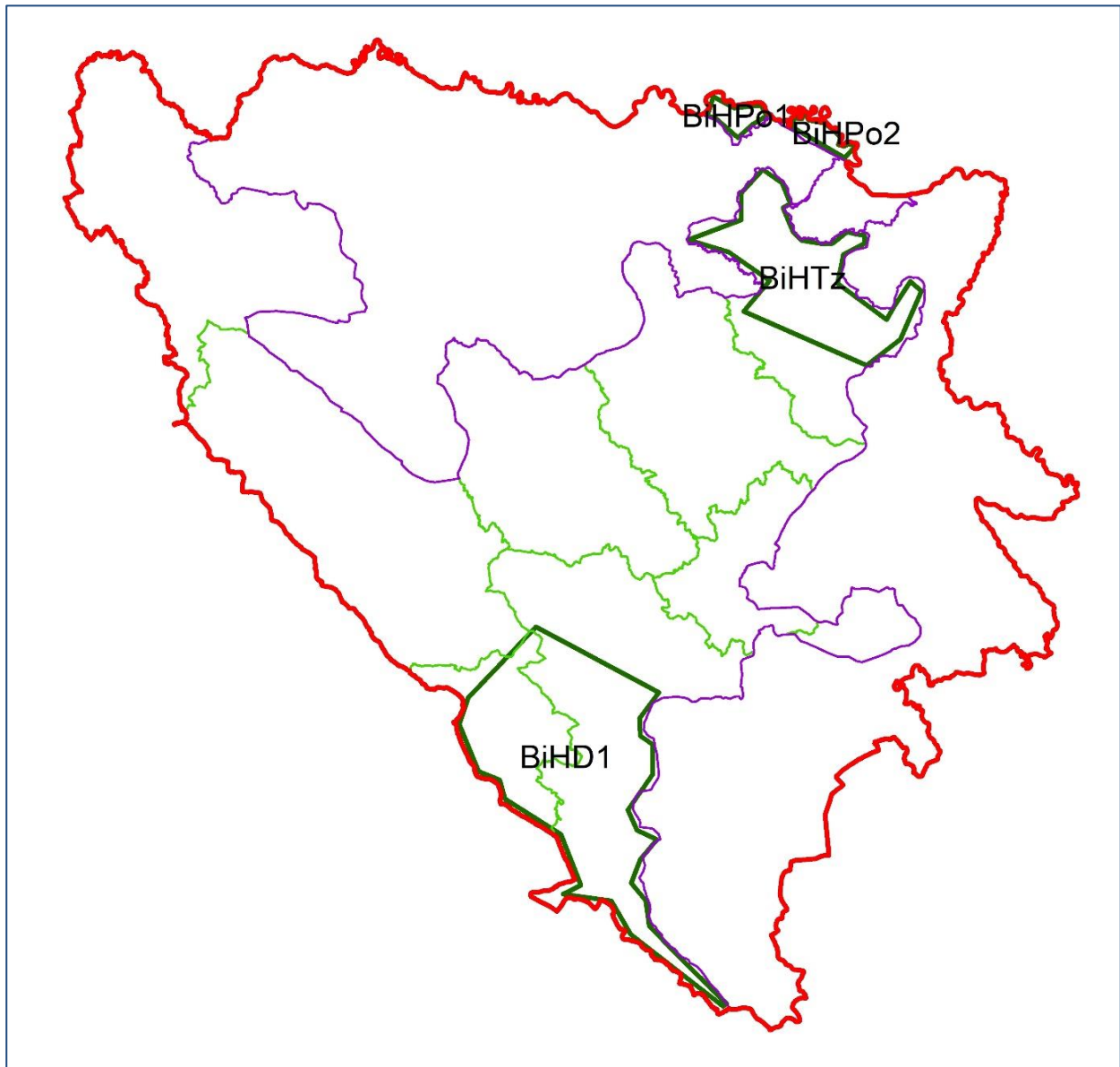
Signature bonuses			
Region	Name	Size (Km <sup>2</sup> )	Signature Bonus
Pannonian Basin	BiHPo1	110	Minimum USD 100,000
	BiHPo2	93	Minimum USD 100,000
	BiH Tz	1511	Minimum USD 250,000
Dinarides	BiH D1	3237	Minimum USD 250,000

### Applicable taxes

The taxes in accordance with the relevant tax regulations of FBiH and Bosnia and Herzegovina shall be applied including any additional payments required by the laws listed in Annex 2.

## ANNEX 4 MAP AND COORDINATES OF EXPLORATION BLOCKS

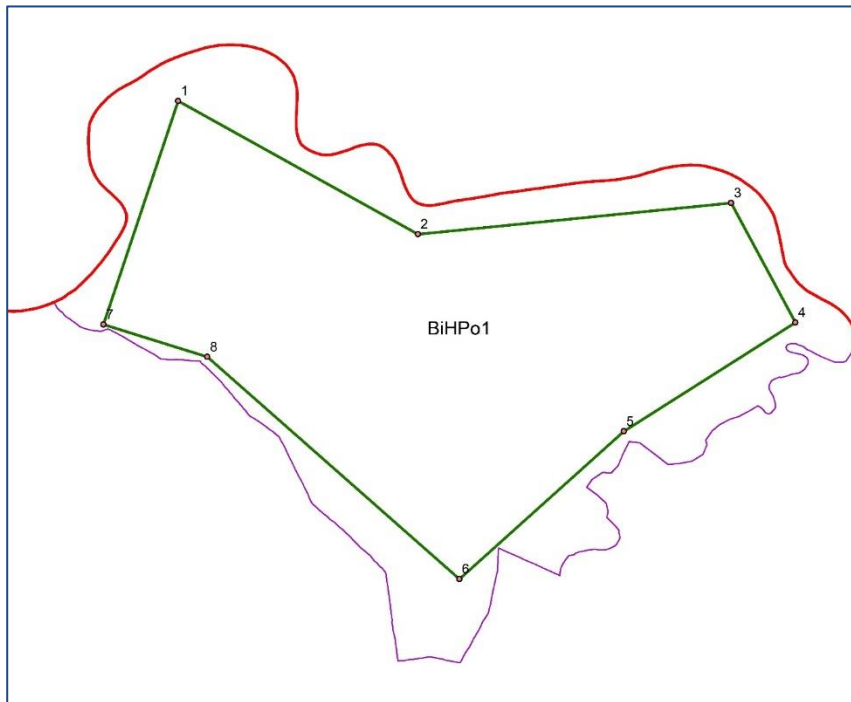
### Overview



Blocks		
Region	Name	Size (sqkm)
Pannonian Basin	BiHPo1	110
	BiHPo2	93
	BiH Tz	1511
Dinarides	BiH D1	3237



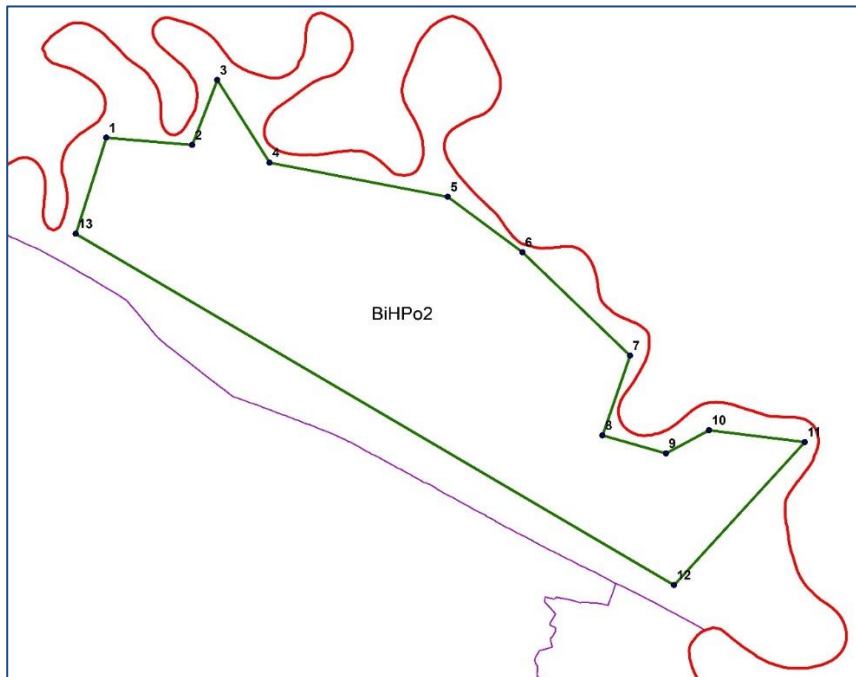
## Exploration Block BiHPo1 (110sqkm)



BiHPo1		
Point	y	x
1	6519200	4998000
2	6525500	4994500
3	6533730	4995320
4	6535420	4992180
5	6530910	4989320
6	6526588	4985439
7	6517233	4992128
8	6519964	4991276

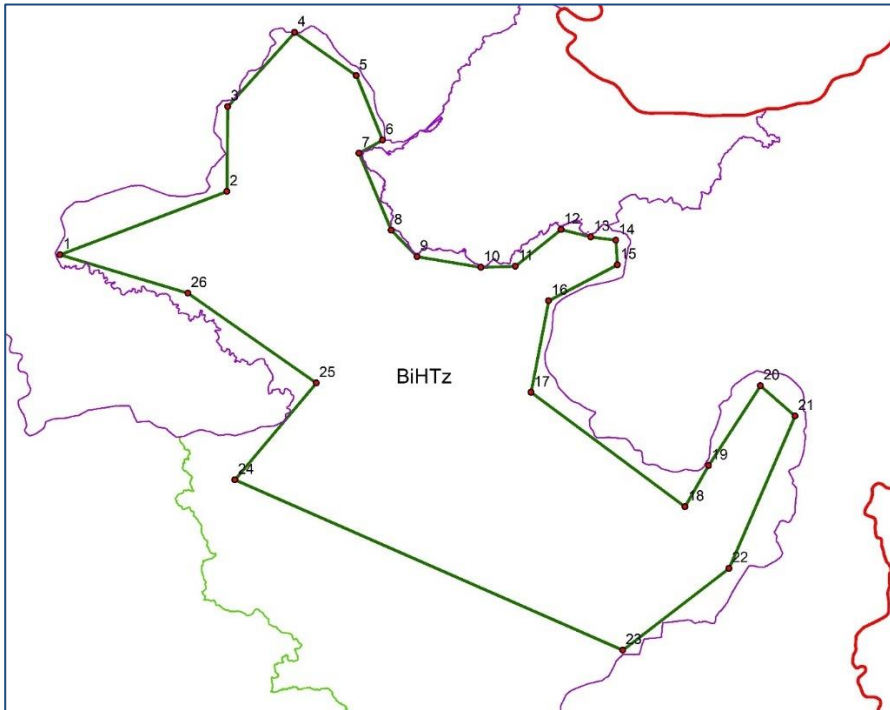
**Activity and data highlights:**  
 3 previous wells  
 2 identified leads  
 2 2D seismic profiles  
 Data may be reviewed in Data Room in the Federal Geological Survey [www.fzzg.gov.ba](http://www.fzzg.gov.ba)

## Exploration Block BiHPo2 (93sqkm)



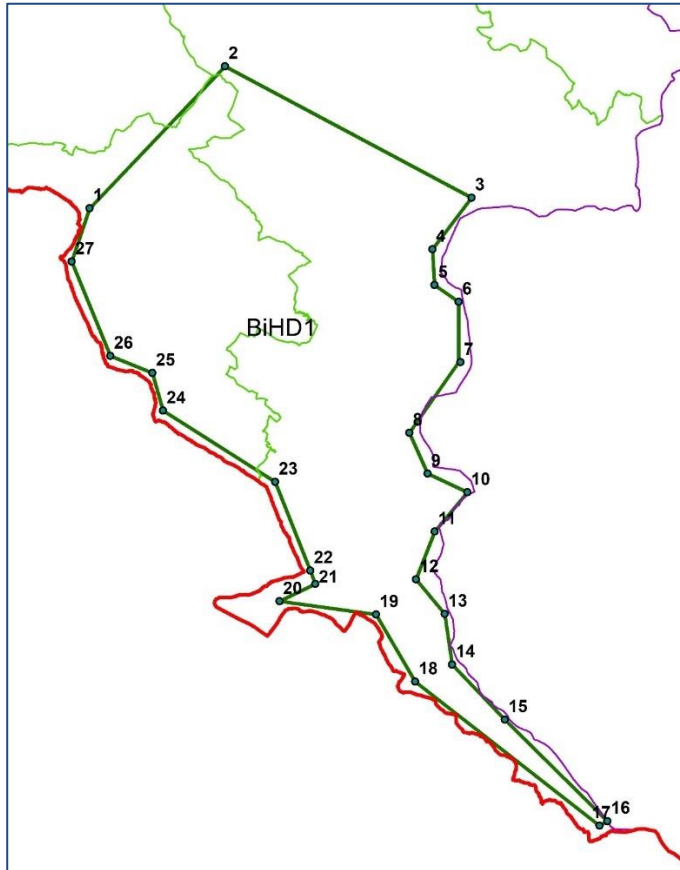
BiHPo2		
Point	y	x
1	6543810	4991430
2	6546150	4991230
3	6546830	4993000
4	6548260	4990750
5	6553110	4989820
6	6555140	4988310
7	6558070	4985490
8	6557320	4983320
9	6559050	4982830
10	6560220	4983460
11	6562830	4983140
12	6559270	4979240
13	6542980	4988810
<b>Activity and data highlights:</b> 2 previous wells 1 identified prospect Data may be reviewed in Data Room in the Federal Geological Survey <a href="http://www.fzzg.gov.ba">www.fzzg.gov.ba</a>		

**Exploration Block BiHTz (1511sqkm)**



BiHTz					
Point	y	x	Point	y	x
1	6511471	4954213	14	6565332	4955614
2	6527637	4960339	15	6565480	4953240
3	6527731	4968577	16	6558839	4949764
4	6534216	4975752	17	6557131	4940883
5	6540183	4971572	18	6572041	4929796
6	6542726	4965327	19	6574331	4933793
7	6540439	4964059	20	6579351	4941513
8	6543584	4956583	21	6582711	4938593
9	6546081	4954036	22	6576311	4923823
10	6552261	4953003	23	6566021	4915893
11	6555601	4953103	24	6528431	4932403
12	6560041	4956653	25	6536311	4941793
13	6562910	4955940	26	6523861	4950493
<p><b>Activity and data highlights:</b></p> <ul style="list-style-type: none"> <li>• 30+ historical previous wells</li> <li>• 10 2D seismic profiles</li> <li>• 2 prospects (C and D);</li> <li>• 8 leads identified</li> </ul> <p>Data may be reviewed in Data Room in the Federal Geological Survey <a href="http://www.fzzg.gov.ba">www.fzzg.gov.ba</a></p>					

**Explorati  
on Block  
BiHD1  
(3237sq  
km)**



BiHTz					
Point	y	x	Point	y	x
1	6444180	4814290	15	6507571	4736181
2	6464870	4835980	16	6523225	4720687
3	6502490	4815900	17	6525290	4718590
4	6496520	4808020	18	6493890	4741980
5	6496830	4802580	19	6487910	4752240
6	6500500	4800000	20	6473170	4754260
7	6500810	4790780	21	6478630	4756920
8	6493000	4780000	22	6477870	4758950
9	6495770	4773760	23	6464860	4770070
10	6501860	4770910	24	6455400	4783380
11	6496850	4764910	25	6453770	4789140
12	6493993	4757623	26	6447350	4791750
13	6498380	4752350	27	6441460	4806140
14	6499542	4744594			

**Activity and data highlights:**

- 165km 2D seismic profile

Data may be reviewed in Data Room in the Federal Geological Survey [www.fzzg.gov.ba](http://www.fzzg.gov.ba)

## ANNEX 5 OVERVIEW OF GEOLOGICAL DATA

A prospectivity assessment (play-based evaluation report) has been carried out by Shell International Exploration and Production in 2013 who have given permission for the report to be viewed by participants in the present bid round. The report's executive summary is excerpted below.

### **Prospectivity assessment: executive summary**

The Play Based Exploration methodology was applied to the entire territorial extent of the Federation of Bosnia and Herzegovina and allowed early definition, screening and high- grading of each of the plays and host play domains. Seven play domains containing five potential hydrocarbon plays, are described and four of the plays were high-graded for deeper analysis: Upper Jurassic thrust carbonate, Triassic thrust carbonate, Miocene siliciclastic and Deep Mesozoic Carbonate plays. The geological setting of the high-graded plays were described in greater detail in the domains where there is evidence of working petroleum systems. In the Tuzla Basin there are discovered and produced oil accumulations in the Miocene; in the External Dinarides Mesozoic oil-prone source rocks are penetrated and there are numerous hydrocarbons seeps at the surface.

The Upper Jurassic thrust carbonate play is characterized by Upper Jurassic limestone and dolomite reservoirs in imbricate thrusts, which are charged from Middle to Upper Triassic organic rich carbonates and sealed by Upper Jurassic to Lower Cretaceous anhydrites and/or marl intervals. Key success factors are the presence of top seal and access to charge. Field work and laboratory-based sampling are recommended to de-risk these two play elements. Additionally, acquisition of gradiometry data would be useful for structural definition.

The Triassic thrust carbonate play is composed of elements similar to the Upper Jurassic play. Middle to Upper Triassic limestone and dolomite reservoirs are sealed by intraformational facies such as shales, marls, anhydrites and possibly fine-grained volcanoclastic material. The Triassic reservoirs are within imbricate thrust stacks, and believed charged from the Middle to Upper Triassic organic rich carbonates. The key success factors are the presence of top seal access to charge and reservoir quality. The recommended early de-risking programme for the Triassic play is the same as that for the Jurassic play.

The Miocene siliciclastic play is characterized by deltaic to marine sandstone reservoirs, sealed by intraformational shales and marls, in stratigraphic, structural and combination traps. The main source rock is within the Middle Miocene. The play is proven but, at the individual prospect level the key success factors are reservoir quality, access to charge and trap size (volume potential). Field studies are critical to establish a fuller picture of the depositional setting with laboratory analysis for dating purposes. De-risking of the charge element should be addressed with sampling and geochemical analysis. High resolution gravity and magnetic data could be applied to locate the structures with the largest gross rock volume potential.

The deep Mesozoic carbonate play is a concept of Triassic play elements underlying the Cenozoic cover. It's presence is predicted, but not proven, beneath the Bosnian Flysch, beneath the Cenozoic in the Tuzla Basin and beneath the outer reaches of the obducted ophiolite complexes.

The reservoir, source and trap elements are assumed identical to the Triassic thrust carbonate play, although charge could also come from favourably juxtaposed Middle Miocene source rocks. In addition to intraformational seals, the shales of Cenozoic cover could provide further candidates for top seal. As a concept the uncertainty level is large for all aspects of the play. Initial de-risking should focus on assessment of the geographic extent of the play: modern full tensor gravity data acquisition is recommended for basin definition. Modern-day techniques were applied to study the data. A spatially-enabled 3D interpretation platform was built to study the nine seismic lines, wells and other geoscience data.

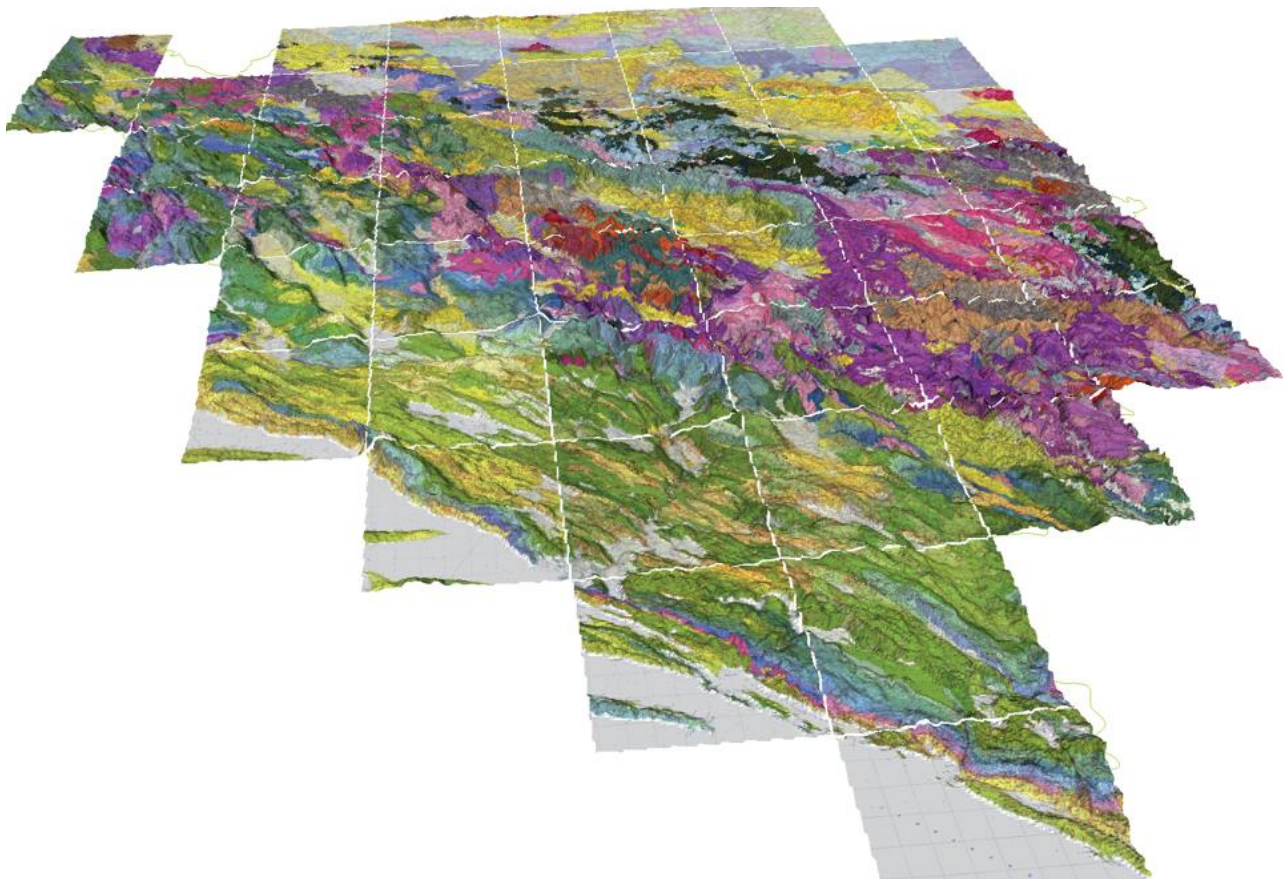
Geochemical analyses of the data in Bosnia were placed into the regional context to determine likely source rock age. The available seismic lines do help obtain a general idea of the geometry of the subsurface. Previous cross-sections show projections of the field geology into the subsurface.

Alternative interpretations are possible so structural modelling work was undertaken to test realistic scenarios and identify potential prospective areas. The model results support the premise of duplexes formed of stacked Mesozoic-aged carbonates and provide alternative interpretations for stacking patterns; multiple potential traps are inferred within those duplexes. The work provides a robust starting point to test scenarios about the reservoir: seal associations, basin history, source rock maturation and migration.

A regional top seal has not yet been identified for either the Jurassic or Triassic plays but the work presented here describes various options for laterally restricted top seals. Each potential hydrocarbon accumulation may have a unique reservoir: seal association. The abundance of reservoir-prone facies enhanced by fractures, means that there is a natural conflict between the definition of carbonate top seals and carbonate reservoirs. Uncertainty will remain high until the structures are properly evaluated with a suitable exploration work-plan.

In summary the Play Based Exploration methodology that was applied to the evaluation of the entire Federation of Bosnia and Herzegovina allowed early definition screening and high- grading of each of the plays and host play domains. The four plays that were high-graded underwent deeper analysis of their petroleum systems in order to determine their character, the key strengths the main uncertainties and the critical success factors. Of those four plays, the Jurassic and Triassic Carbonate Plays, principally located in the External Dinarides, are the two that are considered the most attractive for exploration potential.

If there is sufficient encouragement from the field studies, sampling and graviometry, efficient 2D survey designs would be warranted to achieve the exploration aim to delimit potential target structures in the subsurface.



## ANNEX 6 SUBMISSION FORMS

The bid for an exploration block must contain this form in both hard and digital copy. Documentation, certificates and documents proving that the formal, financial, legal and technical requirements have been met, as well as the other requirements prescribed by the bidding instructions, are to be submitted in hard and digital copy.

In case of a bid by a consortium, each member must fill in the company information required.

### Legal and financial bid forms

#### Overview

LEAD BIDDER (should be the proposed operator)

	Name	Percentage participation
1		

OTHER CONSORTIUM MEMBERS ()

	Name	Percentage participation
2		
3		
4		
...		

#### Exploration Blocks under bid

	Exploration Block number	Area of exploration block
1		
2		
3		
4		

#### Legal and administrative information

All bidders must supply this information. In case of a bid made by a consortium, each consortium member must provide this information separately.

(a)	Company name	
-----	--------------	--



(b)	In case of a bid made by a consortium, name of the operator	
(c)	Seat	Place
		Country
		Postcode
(d)	Representative of the bidder	Name
		Function
		Phone
		E-mail
(e)	Name and address of the end controlling company (if applicable)	Name
		Address
		Phone
		E-mail
(f)	Total number of staff employed with the company of the bidder	

### Financial Capacity

Together with all of the documentation, certificates and documents listed in the bidding instructions, which prove that the bidder has met the financial requirements, it is also necessary to provide information on the balance categories stated below, for the purpose of calculating the net value of the company.

If the bidder is a consortium, then the net value of each consortium member must be equal to or greater than their share in the minimum financial obligations in the work programme.

#### Calculation of net value: (*Company name*)

Financial capability	Last year	Previous year	Previous year
a) Value of assets, in millions of USD			
b) Value of liabilities, in millions of USD			
c) Net value, in millions of USD (a - b)			

### Substantive bid

The following elements must be provided for each exploration block separately:



### Minimum work obligations for each exploration period

Bidders should provide their minimum obligations of the work programme in the format presented below.

Precise definitions of the minimum obligations of the work programme for the first and second phase of the exploration period must be stated: profile/km<sup>2</sup> of seismic surveys and number of exploratory wells (with purpose of drilling indicated).

A realistic assessment of the probable costs (in USD) of meeting minimum work obligations must also be indicated. If the Expert Team has reason to believe that the Bidder has given low or unrealistic cost estimates for the minimum obligation of the Bidder's work program, it may use its own cost estimates for the assessment, in addition to assessment of qualification criteria of net worth. Please note that the conditionality of any work programs as well as any inaccurate cost estimates may negatively affect the evaluation of bids.

Tenderers must offer their minimum work program commitment in the format attached:

### Minimum work programme for each exploration phase

	Phase 1	Quantity (unit)	Estimated cost (USD)
1.	Seismic surveys (lines)		
2.	Other activities:		
	Reprocessing of existing seismic data		
	Airborne Gravity* and Magnetic survey		
	Other surveys		
3	Number and depth of wells		
<b>Total estimated cost</b>			

*\*Technical specification for gravity measurements required (conventional gravity I FTG I eFTG)*

	Phase 2	Quantity (unit)	Estimated cost (USD)
1	Seismic surveys (lines)		
2	Other surveys		
3	Number and depth of wells		
	(a) 1st well		
	(b) 2nd well		
	(c) 3rd well		
<b>Total estimated cost</b>			

In your bid, please clarify whether the work programme for this period is fixed or contingent.

## Financial Elements

Royalty rates are biddable in the following tranches of average daily production:

Oil: bbl/day		Gas: BOE/day	
0 – 20,000		0 – 20,000	
20,001 – 50,000		20,001 – 50,000	
50,001 – 100,000		50,001 – 100,000	
100,001 – 200,000		100,001 – 200,000	
200,001 +		200,001 +	

Other biddable fiscal items:

<b>Signature Bonus</b>		USD
<b>Production Bonuses</b>	Production commencement	USD
	At 5 million BOE produced	USD
	At 5 million BOE produced	USD
<b>Area rental</b>	Exploration period	KM/km <sup>2</sup>
	Exploration extension period	KM/km <sup>2</sup>

## Block priority order

If the bidder has submitted a bid for more than one exploration block, the priority order in relation to the relative interest of the bidder in each exploration block should be provided as follows:

Exploration Block	Priority order
	1
	2
	3
	4

## Geological assessment and geological model

In order to evaluate the quality of the tender, the tenderer must submit, as far as possible, a geological assessment and a geological model.

The assessment should include the following information:

- a) For each exploration area, a description of the regional location and geological significance within the basin / area
- b) A written summary of the potential prospects observed in the areas under application, together with a forecast of hydrocarbon accumulation data and estimates of future production

- c) Forecast of stratigraphy / lithology and target horizons
- d) Structural map (or isopach map, if relevant for stratigraphic prospect) of each potential horizon
- e) Brief description of prospects
- f) Estimation of potential future resources for each observed prospect

*Notes:*

- Bidders are expected to provide as much detail as possible, in order to make the tenders easier to compare. If providing adequate detail is considered infeasible, please state the reasons for this.

## Document checklist

REQUIREMENTS AND DOCUMENT CHECKLIST	Y	N	na
Cover letter (in accordance with the form in Annex 7 of these bidding instructions), the original of which has been filled in and signed by the representative of the bidder.			
Power of attorney issued to the representative of the bidder which authorises them to perform certain actions in this bidding round on the behalf of and for the account of the bidder (if the bidder is a consortium, then all members of the consortium must issue a power of attorney to the representative of the bidder, i.e. the representative of the consortium)			
Legal and administrative information on Bidder including any consortium members			
Consortium or association agreement, where applicable			
Consent of the controlling company for applying for the bidding round (document by virtue of which the controlling company confirms their familiarity with the bid and expresses their support, as well as their approval of the conditions of the draft agreement of its affiliated company/subsidiary, where applicable)			
Certificate on the payment of the bid fee in the amount of €2,000 euro			
Bid guarantee in the amount of €250,000 euro in accordance with the form in Annex 8.			
Certificate of incorporation (or equivalent document for other types of entity)			
Any necessary registration required to perform exploration and production of hydrocarbons in the Bidder's jurisdiction			
Evidence of board composition, capital structure and management structure and the legal relation between the bidder and any controlling company.			
Revised annual financial statements for the last three (3) years, which include the following: balance sheets, profit and loss accounts, summaries of the notes accompanying financial statements which briefly describe the accounting policies, i.e. provided information on the methods and standards pursuant to which the financial statements were drafted, and opinions of an independent auditor.			
<b>Financial Capacity:</b> Calculation of the net value of the company made pursuant to the delivered revised financial statements for the preceding 3 years supported by the information outlined in Annex 1. Alternatively, a certificate from an eminent and recognized institution in the form of a letter of intent or equivalent document, guaranteeing provision of the necessary amount of funds for the purpose of meeting the minimum working and financial obligations throughout the duration of the exploration period. The evidence is required for all consortium members.			

REQUIREMENTS AND DOCUMENT CHECKLIST	Y	N	na
<b>Previous activities:</b> Information on their ongoing projects in other countries related to the activities of exploration and production of petroleum and gas, information on the total area held by the bidder (by state), annual reports, production amounts and investments in exploration and production, for the period of the previous three (3) years, in which the role and level of responsibility for each project (operator or consortium member) must be stated. It is necessary to present a short summary of the bidder's experience in relevant projects in research, development and management, in which the role and level of responsibility for each project (operator or consortium member) must be stated.			
Statement issued by a person that is legally authorised to represent the bidder concerning whether, in the past five (5) years, any authority imposed on them a penalty or other measure due to harm inflicted on the environment, in relation to the activities of the bidder, regardless of the scope of activities.			
The number of permanently employed staff involved in the exploration and production of hydrocarbons and a summary of information on key permanent technical staff for a period of five (5) years, including their roles in different projects			
<b>Minimum work programme</b> for the research, by type and scope with estimated costs for each exploration phase (see relevant tables Annex 6)			
Description of the concept and approach for the implementation of the research: with a detailed plan of works to be performed in the first exploration phase, detailed plan of works to be performed in the second exploration phase			
A short report of the possible impacts of exploration and production on the environment, together with the planned measures and monitoring programme (as outlined in Annex 1, 6).			
Geological assessment and geological model			
Proposal of the plan for restoring the exploration block, with cost estimate and specification of the type of guarantee for decommissioning			
<b>Financial elements:</b> proposed royalties payable			
Proposed signature bonus			
Proposed production bonuses: on production commencement; on 5 million BOE produced; on 10 million BOE produced			
Proposed area rentals: exploration, exploration extension periods			
Block priority preference			
Draft version of the agreement with their comments and proposals for the amendment of articles on which they wish to negotiate			

This checklist and summary of requirements is provided for the convenience of Bidders only. Bidders should refer to the guidance document in its entirety and ensure the detail of submissions conform to the requirements outlined.

Bidders that submit incomplete bids may be excluded from the bidding round.

Bidders may not make proposals to change any condition of the bid after the end date for submitting bids has expired.

Bidders may be invited to clarify their technical approach to the exploration blocks which they have applied for.

## **ANNEX 7 COVER LETTER**

### **Application for exploration block(s) Federation of Bosnia and Herzegovina 2020 Onshore Licensing Round**

After having studied the bidding instructions and the applicable legal regulations, and after having gained full knowledge of the scope of the bidding round, we, the company/consortium \_\_\_\_\_ hereby apply for this bidding round for hydrocarbons exploration and production licenses. Please find our bid enclosed herewith.

If our bid is successful, we shall conclude an agreement with the Government for a concession to govern the terms of our investment following the format of the model concession.

We accept to be bound by this bid for a period of three hundred and sixty (360) days, from the day following the end date for submitting bids.

Signature of the representative of the bidder:

Name and function of the signatory:

Name of bidder/consortium members:

Bidder/consortium members:

Date:

Seat (full address):

Contact address (if different from the one previously stated):

Phone:

E-mail:

#### **Remarks:**

The representative of the bidder must enclose proof of authorisation (power of attorney for performing certain actions within this bidding round on the behalf of and for the account of the bidder)

If the bidder is a consortium, the representative of the bidder must enclose a power of attorney given by all of the consortium members

All empty fields must be filled in.

## ANNEX 8 BID GUARANTEE

**To:** Federal Ministry of Energy, Mining and Industry of the Federation of Bosnia and Herzegovina,

**Federalno ministarstvo energije, rudarstva i industrije,  
ulica A. Šantića bb.**

**Mostar 88000 , Bosna i Hercegovina**

**From:** [information on bank] ("Bank")

[Date]

BANK GUARANTEE No. [ ]

**To:** [name of bidder] ("Bidder")

**Value:** Two hundred and fifty thousand euro (€ 250,000)

**Subject:** Participation in the 2020 ONSHORE LICENSING ROUND ("Bidding round")

The Bidder has notified us that they needed to obtain a bank guarantee in your favour, as provided for by the bidding instructions.

Bearing in mind the aforementioned, we, \_\_\_\_\_, at the request of the Bidder, issue this guarantee and irrevocably and unconditionally undertake to, at your first request, and without questioning the legal relationship between the Bidder and yourself, transfer a cash amount in the maximum amount of Two hundred and fifty thousand euro (€ 250,000) if you refer to the number of our guarantee and notify us of the onset of one of the following circumstances:

The Bidder withdrew their bid during the validity period of the bid;

The Bidder supplied false information in their bid;

The Bidder failed to deliver a guarantee for performing minimum work obligations;

The Bidder failed to deliver a guarantee for decommissioning of the exploration block.

For the purpose of identification, your request for payment must be submitted in fully written form and sent via your bank.

Your request will also be acceptable if it was sent by confirmed SWIFT via your bank, which confirms that the original request was sent by registered post or courier post, and that the signatures on the original request are legally binding to you.

Your request will be considered submitted once we are in possession of your written request for payment or confirmed SWIFT as previously described, sent to our address:

\_\_\_\_\_

We will accept each request that you make pursuant to this guarantee as conclusive proof that the amount being demanded pursuant to this guarantee is due, regardless of any disputes between the Bidder and yourself.

Payment shall be made regardless of any objections made by the Bidder, within five days from the receipt of the request in the form described above.

Any agreements made between the Bidder and yourself shall not cause our obligation pursuant to this guarantee to cease or have any other effect on it, and neither shall any changes in the obligations of the Bidder pursuant to the bid or any waiver in relation to payment, deadline execution or anything else do so (regardless of whether such an agreement, change or waiver was executed with our knowledge or approval).

This guarantee is valid and fully effective starting from the date thereof, lasting up to [date]. If, due to any reason, the end date for submitting bids is changed, the term of validity of this guarantee shall be changed accordingly.



In case of any dispute between the Bidder and yourself, the amounts payable pursuant to this guarantee shall not be deposited at a court or any other institution and will be paid directly to you instead.

The law of the Federation of Bosnia and Herzegovina shall apply to guarantee, and it shall be interpreted in accordance with the same. Any disputes stemming from or in relation to this guarantee will be resolved according to the applicable rules of procedure for the Arbitration Court at the Foreign Trade Chamber of Bosnia and Herzegovina, *by a council composed of three arbitrators appointed in accordance with the stated rules*. The place of arbitration is in Sarajevo.

For the Bank

## **ANNEX 9 DRAFT CONCESSION AGREEMENT**



**Model Concession Contract for the exploration and exploitation  
of petroleum in the Federation of Bosnia and Herzegovina**

**Developed for 2020 Licensing Round**

**Sarajevo, 2020**

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This CONCESSION CONTRACT made by and BETWEEN:

THE FEDERATION GOVERNMENT OF BOSNIA AND HERZEGOVINA, (hereinafter referred to as the "Grantor"), represented for the purposes of this Contract by THE PRIME MINISTER and THE FEDERAL MINISTRY OF ENERGY, MINING AND INDUSTRY (hereinafter referred to as the "Ministry"), AND .....a company incorporated under the laws of ..... (hereinafter referred to as the "Concessionaire"), having its registered office at....., which expression shall mean and include its successors and such assigns as are permitted under Article35 hereof, on this ..... day of ..... two thousand and ..... at Sarajevo.

The Grantor and the Concessionaire hereinafter are referred to either individually as "Party" or collectively as "Parties".

WITNESSETH:

WHEREAS, by virtue of the Law on the Exploration and Exploitation of Oil and Gas in the Federation of Bosnia and Herzegovina (Official Gazette no. 77/13 and 19/17) (hereinafter referred to as the "Law") as amended or replaced from time to time, oil and gas are a natural resource of interest to the Federation of Bosnia and Herzegovina ("Federation") and are owned by the Federation; and

WHEREAS, the Law makes provision with respect to exploring for and producing Petroleum and authorises the Grantor to hold a licensing round, grant a Concession Contracts ("Contract") in accordance with Decree on the Contents of Concession Contracts for Exploration and Exploitation of Oil and Gas, Manner of Calculation and Payment of Fees and Control over Produced Quantities of Oil and Gas in the Federation of Bosnia and Herzegovina (Official Gazette No. 70/14) (hereinafter referred to as the "Decree") to investors for an Exploration Block, and

WHEREAS, the Federation wishes to promote the development of Petroleum resources within and throughout the Contract Area and the Concessionaire desires to assist Federation in evaluating the Petroleum potential and promptly and efficiently developing Petroleum resources which may be discovered within the Contract Area on the terms and conditions stipulated in this Concession Contract;

WHEREAS, the Concessionaire represents that it has the financial ability, technical competence and professional skills necessary to carry out the Petroleum Operations hereinafter described;

NOW THEREFORE, in consideration of the premises, mutual covenants and conditions herein contained, it is hereby agreed as follows:

## **1 CONTRACT DOCUMENTS AND INTERPRETATIONS**

1.1 This Contract regulates contractual relationship between the Grantor and the Concessionaire and consists of this Contract main document and the following

Annexes, which form an integral part hereof:

Annex "A" - Map of the Contract Area

Annex "B" – Form of Mandatory Work Program Guarantee

Annex "C" - Form of Parent Company Guarantee

In the event of conflict between the provisions of the Contract main document and its Annexes, this Contract main document shall prevail.

- 1.2 This Contract and all Petroleum Operations, including operations or transactions pursuant to or arising out of this Contract, shall be governed and construed by applicable Federation law. In the event of a conflict between the provisions of this Contract and applicable Federation law, the applicable Federation law shall prevail.
- 1.3 This Contract supersedes and replaces any previous Contracts or understanding between the Parties, whether oral or written, on the subject matter hereof, prior to the commencement of this Contract and each of the Parties hereby confirms and acknowledges that it has not relied on any representations in entering into this Contract and that all liability for misrepresentation whether negligent or innocent (but expressly excluding liability for fraudulent misrepresentation) is hereby excluded.
- 1.4 Should any Party fail to comply with the provisions of the Contract, it shall not constitute a waiver of such provision or right, nor does it in any way shall affect the validity of the present Contract. A waiver of a claim for a default arising from the breach of the Contract shall not constitute a waiver of a claim arising from another or similar or future breach of the Contract.
- 1.5 In this Contract, subject to any express contrary indication:
  - (a) any reference to an Article shall be construed as a reference to an article of this Contract and any reference to an Annex shall be to an annex to this Contract;
  - (b) any reference to this Contract or any other agreement or document shall be construed as a reference to this Contract and its Annexes, or may from time to time be, amended, varied, novated, replaced or supplemented;
  - (c) capitalised terms used in this Contract shall have the meaning ascribed to them in the Definitions section or elsewhere in this Contract.

## **2 DEFINITIONS**

- 2.1 In this Contract, including its Annexes, words importing the singular include the plural and vice versa, and except where the context otherwise indicates, shall have the meaning set forth in this Article.
- 2.2 Some words defined in this Contract have the meaning as defined in the Law and Decree. Words that are not defined herein, but are defined in the Law and regulations

pertaining to the Exploration, Development and Production of Petroleum in force at any given time in the Federation, shall have the meanings set forth in the said Law and regulations. Any law and regulation referred to in this Contract shall mean a law or regulation in force on the effective date and includes any amendment(s) thereto.

2.3 The headings used in this Contract are for convenience only and shall not be used to construe, define, restrict or describe the scope or object of the Contract or of any of its articles.

2.4 Unless otherwise defined in the Contract the technical terms used herein have the meaning given by the American Petroleum Institute.

**“Affiliated Company”** or **“Affiliate”** means a legal entity that directly or indirectly controls (or is under control of) one of the Parties in the Agreement, or some other legal entity that directly or indirectly controls another legal entity that directly or indirectly controls (or is under control of) one of the Parties in the Agreement, and it is assumed that the control implies that one legal person possesses more than fifty percent (50 %) a) of voting shares in case another legal person issues the shares orb) of the rights of control or participation if the other legal person does not possess more than twenty percent (20 %) of votes.

**“Annex”** means any and all of the annexes:

- Annex "A" - Map of the Contract Area
- Annex "B"- Form of Mandatory Work Program Guarantee
- Annex "C" - Form of Parent Company Guarantee

**“Applicable Environmental Legislation”** means the legislation, whether primary or secondary, national, or international, applicable from time to time in the Federation of Bosnia and Herzegovina, and includes judgments, rulings and orders of any competent court.

**“Appraisal”** means all work carried out by the Concessionaire within Exploration subsequent to a Discovery of Petroleum for the purpose of delineating one or more Petroleum Reservoirs to which that Discovery relates in terms of thickness and lateral extent and in order to further define the quantity of recoverable Petroleum therein and all activities related thereto.

**“Appraisal Area”** means a geographical area within the Contract Area, encompassing the surface of the Geological Structure(s) or prospect(s) where Appraisal is intended to be performed within Exploration and a reasonable margin surrounding such Discovery.

**“Appraisal Operations”** means all activities and work performed as part of the Exploration within the Appraisal Area in order to delineate one or more Reservoirs in terms of the thickness and lateral reach, and for the purposes of determining the physical reach (areal extensions),

Reservoirs and the probable capacity of production from the Petroleum Reservoir(s).

- “Appraisal Well”** means a Well drilled within the Contract Area, following a Discovery, for the purpose of delineating the Petroleum Reservoir(s) to which the Discovery relates in terms of thickness and lateral extent and estimating the quantity of recoverable Petroleum therein.
- “Arm’s Length Sales”** means sales of Petroleum in freely convertible currencies between sellers and buyers having no direct or indirect relationship or common interest whatsoever with each other that could reasonably influence the sales price, and shall, inter alia, exclude sales (whether direct or indirect, through brokers or otherwise) involving Affiliates, sales between companies which are Parties to this Contract, sales between governments and government-owned entities, counter trades, restricted or distress sales, sales involving barter arrangements and generally any transactions motivated in whole or in part by considerations other than normal commercial practices.
- “Barrel”** means a unit of crude oil volume (USA) and amounts to 158,9873 liters, whereas a unit of 159 liters shall be used for the purposes of calculation as defined in the Decree.
- “Budget”** means the estimate of the costs expected to be incurred during the implementation of an approved Work Programme and forming an integral part of any Work Programme.
- “Block”** means a part of the land or sea as determined by the geographical coordinates intended for exploration and production as defined in the Law.
- “By-Products”** means a type of Petroleum, which is not Oil or Natural Gas, but an integral part of Petroleum and can be derived from Petroleum, for example sulphur or other minerals as defined in the Decree.
- “Calendar Year”** means a period of twelve (12) months commencing January 1<sup>st</sup> and ending on the following December 31<sup>st</sup> (both inclusive), according to the Gregorian Calendar.
- “Commercial Discovery”** means a Discovery that, in the judgment of the Concessionaire, can be produced commercially after consideration of all pertinent operating and financial data collected during the performance of the Appraisal Work Programme and otherwise, as provided in Article 6, including, but not limited to Crude Oil or Natural Gas recoverable reserves, sustainable production levels and other relevant technical and economic factors, according to International Good Oilfield Practice.
- “Concessionaire’s Party (ies)”** means any party with a participating interest in Concessionaire’s rights and obligations under this Contract.



<b>“Contract” or “Concession Contract”</b>	<p>means this present document and pertaining Annexes which are made an integral part hereof and any amendments made thereto pursuant to the terms thereof.</p> <p>Concession Contract shall have the same meaning as a “concession contract” defined in the Law as a contract concluded in writing between the grantor and the concessionaire by which mutual rights and obligations are governed in the procedure of exploration and exploitation of oil and gas</p>
<b>“Contract Area”</b>	<p>means, on the Effective Date, the area described in Article 3 and shown on the map in Annex A and, thereafter, that area as it may have been reduced from time to time by relinquishment in accordance with the terms and conditions of this Contract.</p>
<b>“Contract Year”</b>	<p>means a period of twelve (12) months commencing on the Effective Date, or on any anniversary of it, and ending on the calendar day immediately before the next anniversary thereof.</p>
<b>“Crude Oil”</b>	<p>means a hydrocarbon which, following its extraction from the deposit, remains liquid at normal atmospheric pressure and temperature as defined in the Law. It is undisputable between the Parties that, for the purpose of this Contract, the “normal atmospheric pressure and temperature” means a temperature of 15°C and pressure of 1 Atmosphere.</p>
<b>“Current International Market Price”</b>	<p>means the price which permits the Crude Oil sold to reach, at the treatment or consumption places, a competitive price equivalent to that of Crude Oil of same quality coming from other regions and delivered under comparable commercial conditions, including quantities as well as destination and utilisation of such Crude Oil, taking into account the market conditions and the type of contracts.</p>
<b>“Customs Duties”</b>	<p>mean all duties, taxes or imposts (except those charges, as may be in force from time to time, paid to the Grantor for actual services rendered such as normal handling and storage charges) which are payable as a result of the importation of the item or items under consideration.</p>
<b>“Decommissioning”</b>	<p>means all operations necessary for relinquishment, restoration and rehabilitation of the Exploration Area, i.e. the area that is no longer necessary for the petroleum operations according to the Law and regulations adopted on the basis of the Law as well as according to International Good Oilfield Practice which include planning, preparation and execution of works and/or activities necessary for the conclusion of operations, including the deinstallation and removal of facilities as defined in the Law.</p> <p>It is undisputable between the Parties that, for the purpose of this Contract, aforementioned works and activities shall include the removal and abandonment of facilities, installations, structures, artificial islands, wells, bore holes or any other items which are</p>

related to Petroleum Operations and which are disused or no longer required for Petroleum Operations in respect of the Contract Area. Unless otherwise stated, Restoration is taken to mean the restoration of the Contract Area to the same condition as existed prior to the commencement of Petroleum Operations. Deinstallation as precised hereunder shall be in the further referred to in the Contract as the: “Decommissioning”.

- “Decommissioning Cost”** has the meaning provided in Article 12.1.2 of the Contract.
- “Decommissioning Plan”** means a plan of works, and an estimate of cost therefore, for Decommissioning, including environmental, engineering and feasibility studies in support of the plan, in accordance with the verified Development and Production Plan.
- “Decommissioning Fund”** has the meaning provided in Article 12.1.5.
- “Delivery Point”** means the point or points, located either inside or outside the Exploitation Area, located beyond the Measurement Point, at which Petroleum reach the outlet flange of the delivery facility, and may be the entry point into the Local Pipeline or main pipeline or an outlet flange of the Well or another case as specified in the approved Development and Production Plan, or such other point or points which may be agreed by the Ministry and the Concessionaire.
- “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 6.3.3.
- “Development and Production Operations”** shall include but not be limited to:
- (i) all the operations and activities under the Contract with respect to the drilling of wells other than Exploration Wells and Appraisal Wells, the deepening, plugging, completing and equipping of such wells, together with the design, construction and installation of such equipment, pipeline or lines, installations, production units and all other systems relating to such wells as may be necessary in conformity with sound oilfield and generally prevailing environmental practices in the international Petroleum industry;
  - (ii) all operations and activities relative to the servicing and maintenance of pipelines, lines, installations, production units and all related activities for Production and management of wells.
- “Development and Production Plan”** means a plan for the development and production of the Exploitation Area as determined in accordance with Article 9.2.
- “Discovery”** means evidence of the presence of an oil and gas deposit that has not been hitherto registered as defined in the Law.
- It is undisputable between the Parties that, for the purpose of this Contract, discovery shall also have a meaning of an occurrence of

Petroleum recovered at the surface which was not previously known to have existed and which is measurable by conventional Petroleum industry practices.

- “Discovery Well”** means an Exploration Well that hits a Discovery.
- “Effective Date”** means the date of execution of this Contract by the Parties, as set out in Article 43.
- “Environmental Damage”** means any damage, disturbance or hindrance of the environment such as significant soil erosion, removal of vegetation, destruction of wildlife, marine organisms, pollution of groundwater, pollution of surface water, land or sea contamination, air pollution, noise pollution, bush fire, disruption or interruption of water supplies, disruption or interruption of natural drainage, damage to archaeological, paleontological and cultural sites or other damage to the environment.
- “Environmental Impact Assessment”** means an assessment of the possible impacts that any proposed activities may have on the environment, prepared in accordance with all Applicable Environmental Legislation.
- “Exploitation Area”** means a geographical area within the Contract area, encompassing the extent of the geological structure or prospect which is subject to a Development and Production Plan.
- “Exploration”** means the employment of geological and geophysical testing, exploratory drilling or other forms of detailed testing of the Earth’s core, by application of the appropriate methods with the goal of determining the characteristics of the deposit, existence, location and form of oil and gas deposit, quality and quantity, as well as deposit exploitation conditions as defined in the Law.
- For avoidance of any doubt, “appropriate methods” shall include, without limitations: any activities necessary to commence operations; any topographical, hydrographical, geological, geophysical, aerial and other surveys and activities (including interpretations, analyses and related studies) to investigate the subsurface for the location of Petroleum; drilling of shot holes, core holes and stratigraphic test holes; spud, drilling, testing, coring, logging and equipping of Exploration Wells or Appraisal Wells; procurement of such material, equipment, machinery, items and supplies as may be required or expedient for the foregoing activities; and all auxiliary operations and activities required or expedient for the better conduct or result of the foregoing activities.
- “Exploration Period”** means the period specified in Article 6.1 during which the Concessionaire may carry out Exploration Operations.
- “Exploration Phase” or “Phase”** means any of the periods in the Contract in which the Concessionaire is required to complete Minimum Exploration Work Obligations as is

specified therein.

- “Exploration Well”** means any Well drilled for the purpose of confirming the existence, location and shape of a Petroleum Reservoir, and Petroleum volume and quality.
- “Exploration Work Obligations”** means the work obligations specified for each Exploration Phase as defined in the Contract.
- “Exploration Operations”** means without limitation, geological studies, geophysical studies, aerial mapping, investigations relating to the subsurface geology, stratigraphic test drilling, exploratory wells, and related activities such as drill site preparation, surveying and all work necessarily connected therewith, that is conducted in connection with Exploration for Crude Oil and/or Natural Gas.
- “Facilities”** means one or several installations, machines, plants, devices, pipelines or lines used for exploration, production of oil and gas or transport and storage related to production as defined in the Law.
- “Field”** Means a Petroleum reservoir or multiple Petroleum reservoirs all grouped on or related to the same individual geological structural features or stratigraphic conditions. All reservoirs overlying and underlying a Field shall constitute part of such Field.
- “F.O.B.”** means Free on Board at the Delivery Point and has the meaning set out in the ICC's international rules for the interpretation of commercial terms (Incoterms 2010), and refers to the realised sales price for the Petroleum at the point of sale less transportation, insurance and handling costs beyond the Delivery Point.
- "Force Majeure"** means those events or circumstances set forth in Article 37 of the Contract.
- “Grantor”** means the Government of the Federation of Bosnia and Herzegovina.
- “Gross Negligence or Wilful Misconduct”** shall have a meaning as defined in the law which regulates civil obligations.
- “International Good Oilfield Practice”** means practices and procedures, recognised and continuously updated by the Society of Petroleum Engineers (SPE) used internationally by prudent operators in conditions and circumstances similar to the ones relating to the Petroleum Operations in the Contract Area, with the aim to: conserve Petroleum by increasing the recoverability of Petroleum in a technically and economically sustainable manner, with a corresponding control of reserves decline and minimization of losses at the surface; improve operational safety and protection from accidents; and protect the environment and nature by minimizing the impact of Petroleum Operations on the environment and nature.

- “Law” or “the Law”** means Law on the Exploration and Exploitation of Oil and Gas in the Federation of Bosnia and Herzegovina (Official Gazette no. 77/13 and 19/17) and or any amending or succeeding Law thereto
- “Ministry”** means the ministry competent for energy and or petroleum of Federation of Bosnia and Herzegovina.
- “Measurement Point”** means the location where the hydrocarbon metering system is installed on each exploitation surface and is used for fiscal metering as defined in the Decree.
- It is undisputable between the Parties that, for the purpose of this Contract, measurement point shall also have a meaning of the place or places designated in the verified Development and Production Plan where appropriate equipment and facilities shall be located for the purpose of performing volumetric measurements and other determinations, temperature and other adjustments, determination of water and sediment and other appropriate measurements, to establish the volume of Petroleum produced.
- “Minimum Expenditure Obligation”** means the minimum monetary spend to which the Concessionaire has committed in respect of Exploration Operations to be conducted in each respective Exploration Phase.
- MMcf** shall have a meaning as defined in the Law.
- “Natural Gas”** means petroleum that at a temperature of 15°C and pressure of 1 Atmosphere is in a gaseous phase, including wet mineral gas, dry mineral gas, wet gas and residue gas remaining after the extraction, processing or separation of Crude Oil from wet gas, as well as non-petroleum gas or gases produced in association with liquid or gaseous petroleum.
- “Operator”** means a company appointed pursuant to Article 15 to serve as an operator with responsibility to perform Petroleum Operations in the Contract Area in accordance with the provisions of this Contract on behalf of the Concessionaire.
- “Person”** means any individual, company, co-operative, partnership, joint venture, association, trust, estate, public body, unincorporated organization of government or any agency or political subdivision thereof.
- “Petroleum”** means any kind of petroleum products in solid, liquid or gaseous state, including crude oil or natural gasoline, natural petroleum gases as well as all related minerals or substances of any kind extracted together therewith. Petroleum shall have the same meaning as Hydrocarbons.
- means “hydrocarbons” as defined in the Decree – i.e. all types of hydrocarbons naturally occurring under the land surface, in a liquid or gaseous condition, as well as crude mineral oil, natural petroleum, natural

		gases and other substances that may be exploited with them from the deposit
<b>“Petroleum Operations”</b>		means Exploration Operations, Development and Production Operations and all other related activities carried out under this Contract, including the lifting of Petroleum from the Contract Area but excluding any storage, transportation or processing beyond the Delivery Point.
<b>“Production”</b>		shall include but not be limited to operations and all activities related thereto carried out for Petroleum production after the approval of the Development and Production Plan, such as extraction, injection, stimulation, treatment, transportation, storage, lifting, and related operations, but does not include any storage or transportation beyond the Delivery Point. Production shall have the same meaning as Exploitation.  Production shall have the same meaning as “Exploitation” has by the Law – meaning the operation of producing oil and gas from the deposit, their separation and initial processing, preparation of the produced oil or gas for transport and storage, as well as delivery of oil and gas to the terminal, not including oil refining or liquidation of gas
<b>“Production Period”</b>		means the period specified in Article 9.3 during which the Concessionaire may carry out production.
<b>“Quarter”</b>		means a period of three (3) consecutive months beginning January 1st, April 1st, July 1st or October 1st and ending March 31st, June 30th, September 30th or December 31st, respectively.
<b>“Regulations”</b>		means the regulations issued pursuant to the Law and any other regulations issued in the Federation of Bosnia and Herzegovina and applicable to Petroleum Operations.
<b>“Reservoir”, “Petroleum Reservoir”</b>	<b>or</b>	means a naturally occurring discrete accumulation of Petroleum.
<b>“Royalty”</b>		means the fee or delivery in kind to the Federation of Bosnia and from the produced Petroleum, its exact rate and manner of payment to be provided for in this Contract in compliance with the Law and Decree.
<b>“Significant Discovery”</b>	<b>Gas</b>	means a Discovery of Natural Gas from an Exploration Well in the Contract Area which has tested significant flow rates of Natural Gas (predominantly methane) from one or more reservoirs, and which is estimated to be capable of continuous production from the said reservoir(s) over a reasonable period and which in the opinion of the Concessionaire could be declared a Commercial Discovery in the future, provided inter-alia that:  (a) adequate gas pipeline transportation facilities are

installed, or

- (b) markets have been sufficiently developed for sale of Natural Gas on a commercial basis, or
- (c) the requirements of both (a) and (b) have been met.

**“Sub-Contractor”** means any company or person contracted by the Concessionaire or its sub-contractor to provide goods, works or services in connection with Petroleum Operations

**“Tax Regulations”** means the legislation governing the taxes, contributions, compensations and fees, including bylaws applicable from time to time in both the Federation of Bosnia and Herzegovina and Bosnia and Herzegovina, as well as judgements, decisions and rulings by any competent court.

**“Third Party”** means any person or authority other than the signatory Parties to this Contract

**“Well”** means a petroleum facility constructed by drilling in underground formations from a starting point on ground surface or at the bottom of water bodies to a final depth, for the purposes of Exploration, Development and Production of Petroleum or for injecting any kind of fluid in a Petroleum Reservoir, other than a seismic Well or a structure test Well or stratigraphic test Well.

### 3 DELINEATION OF THE CONTRACT AREA

3.1 The Contract Area over which the Concessionaire is granted a concession and awarded exclusive rights to conduct Petroleum Operations pursuant to applicable Federation law and this Contract covers the [\_\_\_\_\_] Block and extends over an area of [\_\_\_\_\_] square kilometres ([\_\_\_\_\_] km<sup>2</sup>), as detailed and indicated on the map attached in Annex A and is delimited by the following coordinates:

Point Latitude (deg min sec)	Longitude (deg min sec)	X (mE)	Y (mN)
A			
B			
C			
D			
E			
X			

3.2 The Grantor, by execution of this Contract, hereby validates and approves the foregoing

co-ordinates of the Contract Area.

- 3.3 Any application or process entailing changes in the shape or extent of the Contract Area shall include a map indicating the Contract Area and a list of coordinates. After the appropriate approval has been granted such map and coordinates shall be included as an amendment to Annex A and terms of this Contract.

## **4 GRANT OF RIGHT, TITLE TO PETROLEUM**

### **4.1 Grant of Right**

- 4.1.1 The Concessionaire is granted subject to applicable Federation law and the terms and conditions set forth in this Contract, the exclusive right to conduct Petroleum Operations in the Contract Area at its sole risk, cost and expense. Concessionaire shall not be entitled to claim reimbursement for any charge, fee or cost from the Grantor in connection with the exercise of Petroleum Operations.
- 4.1.2 This Contract shall not include rights for any activity other than Petroleum Operations with respect to surface areas, sub-soil or to any other natural resources or aquatic reserves.
- 4.1.3 Concessionaire hereby acknowledges that where the Federation law and regulations require a granting of a permit for the execution of specific activity of Petroleum Operations; the Concessionaire may only commence execution of such activity subject to obtaining of such permit. Conclusion of the present Contract shall not mean on the part of the Grantor - neither preliminary nor subsequent –undertaking of obligation to exempt Concessionaire from compliance with the provisions of legal requirements or from the obligation of acquiring the permits, or from the obligation of compliance with the professional requirements, nor does it guarantee any advantage to the Concessionaire against any Third Party in the course of performing the Petroleum Operations save for those provided in Article 4.1.4.
- 4.1.4 Parties hereby agree that the Grantor will not unilaterally change or modify, in a disadvantageous manner, rights granted to the Concessionaire during the term of the Contract in the Contract Area relating to Petroleum Operations specified in this Contract.
- 4.1.5 Parties hereby record and Concessionaire hereby acknowledges that for other activities outside the scope of the Petroleum Operations set forth as the subject of the present Contract, the Grantor may award right to another company in respect of other mineral resource or geothermal energy irrespective of the approval of the Concessionaire.
- 4.1.6 Where access to spare capacity in an existing Facility is not available on reasonable commercial terms, the Grantor confers a non-exclusive right subject to applicable Federation law to construct and operate facilities for the purpose of production, transportation and storage within the Contract Area and beyond, up to a Delivery Point



as provided in the approved Development Plan.

## **4.2 Title to Petroleum**

4.2.1 The Concessionaire acquires title to Petroleum produced and saved from the Contract Area at the wellhead. If the Grantor elects to take Royalty in kind, it is deemed to become a co-owner of the portion of Petroleum corresponding to the Royalty from the wellhead up to the Delivery Point.

## **5 CONTRACT TERM**

5.1 This Contract shall be concluded for a term of \_\_ (\_\_\_) years from the Effective Date of the present Contract in compliance with requirements of the Law.

5.2 The Contract may be extended upon mutual agreement of the Parties in compliance with requirements of the Law and this Contract.

5.3 The period specified in Article 5.1 of the Contract shall not include any idle time arising through no fault of the Concessionaire due to a Grantor decision, measure or omission - not including the time period associated with the Grantor's procedural activity which is completed within the period provided for by the Federation laws and regulations. The reasons of idle time shall be certified by the Concessionaire.

5.4 Concessionaire may initiate in writing the extension of the Contract in compliance with requirements of the Law by submitting to the Grantor a request at least 2 (two) years prior to expiry of the Contract.

5.5 The extension of the present Contract may not be initiated or the extension will not be approved by the Grantor, if Concessionaire:

- a) fails to comply with the requirements – relating to the extension of the Contract - set forth in Article 5.4 of the Contract,
- b) fails to comply with its obligation of modernization and development pursuant to Article 11 of this Contract, fails to take advantage of better available and efficient development and production technology considering the requirements of reasonability and economic efficiency at the time of establishment with regard to the parameters of the Exploration Area,
- c) fails to satisfy, fully satisfy or timely satisfy its payment obligations notwithstanding receipt of respective written notice thereof, within the prevailing performance deadline of the payment obligations,
- d) fails to satisfy or fully satisfy the respective requirements and obligations set forth by final authority permits,
- e) fails to perform or fully perform its decommissioning obligations.

## **6 EXPLORATION**

## 6.1 Exploration Period

6.1.1 The Exploration Period shall be for a period of six (6) Years divided into Exploration Phases<sup>1</sup> as follows:

- a) Phase I of the Exploration Period shall have a duration of three (3) years commencing on the Effective Date of this Contract;
- b) Phase II of the Exploration Period shall have a duration of three (3) years immediately following Phase I.

6.1.2 At the expiry of Phase I of the Exploration Period, provided that the Concessionaire has completed the Exploration Work Obligations for that Exploration Phase, the Concessionaire shall have the option, exercisable by filing at least three (3) months prior to the expiry of Phase I a written application, to the Ministry who shall seek the approval of the Grantor, either:

- a) to proceed to Phase II of the Exploration Period on presentation of the requisite guarantees as required under Article 21; or
- b) to relinquish the entire Contract Area except for any Appraisal Area and/or any Exploitation Area and to conduct Appraisal Operations and/or Development and Production Operations in relation to any Commercial Discovery in accordance with the terms of this Contract, and the Concessionaire shall have no further obligation in respect of the Exploration Work Obligations for the subsequent Exploration Phase of the Exploration Period.

If neither of the options are exercised by the Concessionaire, this Contract shall terminate at the end of Phase I, provided Concessionaire has duly discharged its obligations.

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<sup>1</sup> Duration of Exploration Phases for different blocks offered in this licensing round are as follows: Pannonian blocks BIHPo1, BIHPo2, BIHTz – Phase 1: 3 years, Phase 2: 3 years; Dinarides Block (BIHD1) – Phase 1: 4 years, Phase 2: 2 years.

6.1.3 The application for the Phase II Exploration Period shall be accompanied with a map specifying the Contract Area retained by the Concessionaire, defined in accordance with the provisions of Article 8 together with a report specifying the work performed on the area to be relinquished in accordance with Article 8 from the Effective Date and the results obtained therefrom.

6.1.4 For any Discovery made at any point during the Exploration Period, Concessionaire shall have the right to retain such Discovery and its resulting Discovery Area in order to Appraise and submit a Development Plan, in accordance with provisions of this Contract and the Law. The Exploration Period of the resulting Discovery Area will be extended in order to complete such work as further detailed in Article 6.4.

6.1.5 The Exploration Period can be extended by the Grantor in the manner and in compliance with requirements of the Law for a further period up to two (2) years.

## **6.2 Exploration Operations, Minimum Work and Expenditure Obligations**

6.2.1 The Concessionaire shall start the Exploration Operations within 90 (ninety) days after receiving the written permit to start the operations from the Ministry based on the submission of a geological exploration program outlining detailed geological exploration, as required by the Law and shall continue the Exploration Operations during Phase 1 of the Exploration Period and any extension thereof.

6.2.2 Within 30 (thirty) days from the date of the authorisation of the commencement of the Exploration Operations, the Ministry shall allow the Concessionaire to use all the geological and geophysical data related to the Block, which is managed by the Ministry on that date.

6.2.3 During the Phase I of the Exploration Period the Concessionaire shall discharge the following Minimum Work Obligations (compulsory Work Obligations):

- a) undertake at least (\_\_\_) kilometres of 2D seismic survey;
- b) undertake at least (\_\_\_) kilometres of 3D seismic survey;
- c) evaluate, reprocess, integrate and map all seismic data related to the Contract Area;
- d) undertake other surveys (\_\_\_\_\_);
- e) drill at least (\_\_\_) Explorations Well(s).

The Concessionaire shall have a Minimum Expenditure Obligation of [x] US Dollars (USD [x]) for the purpose of the Minimum Work Obligations in the Phase I of the Exploration Period.

6.2.4 During the Phase II of the Exploration Period the Concessionaire shall discharge the following Minimum Work Obligations (contingent Work Obligations):

- a) undertake at least (\_\_\_) kilometres of 3D seismic survey;

- b) evaluate, reprocess, integrate and map all seismic data related to the Contract Area;
- c) undertake other surveys (\_\_\_\_\_);
- d) drill at least (\_\_\_) Explorations Well(s).

The Concessionaire shall have a Minimum Expenditure Obligation of [x] US Dollars (USD [x]) for the purpose of the Minimum Work Obligations in the Phase II of the Exploration Period.

6.2.5 With the approval of the Ministry, the Concessionaire may perform at its own expense, Exploration Works which are not included in the Minimum Exploration Schedule, on condition that the amounts spent by the Concessionaire on such Exploration Operations and the works carried out in this context do not replace, but rather add to the obligations of the Concessionaire resulting from this Contract, in the sense of fulfilling the Minimum Exploration Schedule during the Exploration Period.

6.2.6 Each Exploration Well mentioned above shall be drilled to the minimum target depth of (\_\_\_) meters, or to a lesser depth if authorized by the Ministry or if discontinuing drilling according with International Good Oilfield Practice which is justified by one of the following reasons:

- a) basement is encountered at a depth less than the above-mentioned minimum Contract depth;
- b) continued drilling is clearly dangerous due to abnormal formation pressure;
- c) rock formations are encountered, the hardness of which makes it impractical to continue drilling with appropriate equipment; or
- d) Petroleum formations are encountered, requiring the installation of protective casings which prevent reaching the above-mentioned minimum Contract depth.

In any of the above cases, the Concessionaire shall obtain prior approval of the Ministry, prior to discontinuing drilling, which approval shall not be unreasonably withheld, and by this approval, the well in question shall be deemed to have been drilled to the above-mentioned minimum Contract depth.

6.2.7 If in an Exploration Phase the Concessionaire drills a number of Exploration Wells greater than the minimum drilling obligations specified for said phase in the Exploration Work Obligations, the excess Exploration Wells may be carried forward to a subsequent Exploration Phase and shall be deducted from the minimum drilling obligations specified for said Exploration Phase.

6.2.8 For the purpose of Article 6.2, Appraisal Wells drilled under an Appraisal Work Program with respect to a Discovery shall not be considered as exploratory wells. In the event of a Discovery, only one Well per Discovery shall be deemed to be an Exploration Well.

6.2.9 Within sixty (60) Days following completion of the Minimum Work Obligations for

each phase of the Exploration Period, Concessionaire shall notify the Ministry that Minimum Work Obligations has been fulfilled regarding the respective phase of the Exploration Period. The Ministry shall have the right to audit (inspect) the work executed by the Concessionaire.

- 6.2.10 The Ministry shall within sixty (60) Days of receiving such notice, confirm in writing that Concessionaire has fulfilled such Minimum Work Obligations of the relevant phase of the Exploration Period.
- 6.2.11 If the Ministry does not dispute in writing, within sixty (60) Days of Concessionaire's notice that Concessionaire has fulfilled its Minimum Work Obligations with respect to such phase, Concessionaire shall be deemed to have completed its Minimum Work Obligations with respect to the relevant phase.
- 6.2.12 If the Ministry disputes in writing that Concessionaire has fulfilled its Minimum Work Obligations, such objections shall set forth the full details of Ministry's objections. Parties shall discuss disputes, which may arise as to whether or not the Minimum Work Obligations have been satisfied, in an effort to reach an amicable solution. Either of the Parties may refer the matter to dispute resolution, pursuant to Article 38 should they remain unable to agree.
- 6.2.13 Subject to provisions of this Article and Article 21 of this Contract, if the Concessionaire fails to satisfy the requirements of the Exploration Work Program both technical and expenditure commitments with respect to the applicable Exploration Phase, the Concessionaire shall pay to the Grantor the amount equal to the unexpended balance of the Minimum Expenditure Obligation with respect to such Exploration Phase.
- 6.2.14 The Concessionaire shall conduct a preliminary Environmental Impact Assessment study prior to the initiation of any Exploration Work which shall comply with the provisions of the Strategic Environmental Assessment (SEA) of the Federation, as well as with the applicable environmental law.

### **6.3 Discovery**

- 6.3.1 In the event of a Discovery of Petroleum in the Contract Area, the Concessionaire shall notify the Ministry in writing without a delay but in no case not later than within fifteen (15) days of such Discovery. The notice shall include all relevant information on the Discovery and particulars of intended appraisal work which the Concessionaire intends to carry out, in accordance with International Good Oilfield Practice, to contribute to the evaluation of the Petroleum encountered during drilling.
- 6.3.2 Not later than thirty (30) days after the suspension or abandonment of the Discovery Well, the Concessionaire shall submit to the Ministry a report including, but not limited to:
- a) all the results of the drilling of the Discovery Well;

- b) the results of any tests being made on the Discovery Well;
- c) a preliminary classification of the Discovery as Crude Oil or Natural Gas; and
- d) a recommendation with respect to any Appraisal to be made of the Discovery.

6.3.3 If the Concessionaire notifies the Ministry that the Discovery does not merit Appraisal, the Ministry shall have the option, within three (3) months written notice, to require the Concessionaire to immediately relinquish the Designated Area unless the Concessionaire has provided valid justification to retain the area covering the Discovery. The Designated Area shall:

- a) comprise the vertical projection to the surface of the geological structure on which the Discovery Well was drilled; and
- b) be determined based on geophysical and other technical information obtained from the Discovery.

6.3.4 In the event of a discovery, the hydrocarbon resources shall be appraised in accordance to the Petroleum Resources Management System (PRMS) developed by the Society of Petroleum Engineers (SPE). This system shall be used by the Concessionaire to determine the remaining resources.

6.3.5 Where the Concessionaire makes a discovery of any subsoil resource in the Contract Area which is not a Petroleum, it shall inform the Ministry promptly by notice in writing.

## **6.4 Appraisal**

6.4.1 If the Concessionaire considers that the Discovery merits an Appraisal, it shall no later than three (3) months following the submission of the report referred to in Article 6.3.2 diligently submit to the Ministry a detailed Appraisal Work Programme for approval:

- a) without delay, and in any event within the period specified above whether such Discovery is a Commercial Discovery; and
- b) with reasonable precision, the boundaries of the area to be delineated as the Exploitation Area.

6.4.2 The Appraisal Work Programme shall:

- a) specify in reasonable detail the Appraisal Operations including seismic, drilling of wells and studies to be carried out, the estimated cost of these works and the time frame within which the Concessionaire shall commence and complete the programme; and
- b) specify the presumed extension of said Discovery which shall not exceed the area encompassing the geological structure or feature and a reasonable margin surrounding such structure or feature proposed to be the Appraisal Area.

6.4.3 The Concessionaire shall diligently carry out the approved Appraisal Work

Programme and within the time frame specified therein. The Concessionaire may amend the Appraisal Work Programme subject to the Ministry's prior approval.

- 6.4.4 Within two (2) months after completion of the Appraisal Work Programme the Concessionaire shall submit to the Ministry a comprehensive evaluation report on the work performed related to the Appraisal Work Programme. Such evaluation report shall include, but not be limited to, the following information:
- a) geological conditions, such as structural configuration;
  - b) physical properties and extent of reservoir rocks;
  - c) pressure, volume and temperature analysis of the reservoir fluid;
  - d) fluid characteristics, including gravity and composition of liquid and gaseous petroleum, sulphur percentage, sediment and water percentage, and product yield pattern;
  - e) production forecasts (per Well and per Exploitation Area); and
  - f) evaluation of in place Petroleum reserves, estimates of recoverable reserves, projected delivery rate and pressure, quality specifications and other relevant technical and economic factors including economic feasibility studies carried out by the Concessionaire in respect of its declaration made under Article 6.3.1.
- 6.4.5 If upon expiry of the Phase II of the Exploration Period an Appraisal Work Programme with respect to a Discovery is actually under progress, the Concessionaire may obtain, upon an application to the Grantor through the Ministry, with respect to the Appraisal Area related to the said Discovery, the extension of the Exploration Period for a period of time necessary to complete the relevant Appraisal Operation.
- 6.4.6 If the Concessionaire, after completion of Appraisal, considers that the Discovery is not commercial, the Ministry may, with a three (3) months' prior notice, require the Concessionaire to relinquish its rights on the Appraisal Area related to the said Discovery.
- 6.4.7 Where the Ministry makes use of the right provided in Article 6.4.6, the Concessionaire shall forfeit its rights on all Petroleum which could be produced from said Discovery, and the Federation may then carry out, or cause to be carried out, all the appraisal, development, production, treatment, transportation and marketing work relating to that Discovery, without any compensation to the Concessionaire, provided, however, that said work shall not cause prejudice to the performance of the Petroleum Operations by the Concessionaire.
- 6.4.8 Subject to the provisions of Article 6.5, if no Commercial Discovery has been declared in the Contract Area by the end of the Exploration Period, this Contract shall terminate.

## **6.5 Declaration of Commerciality**

- 6.5.1 Based on results of the Appraisal Work Programme the Concessionaire is required to

submit to the Ministry a written declaration in which the following is declared:

- a) based on the results of the Appraisal Work Programme, the Concessionaire established that a Discovery is a Commercial Discovery. In that case, the Concessionaire shall submit a report on reserves appraisal in accordance with the Law and regulations. Such declaration of commerciality submitted by the Concessionaire shall be considered final; or
- b) based on the results of the Appraisal Work Programme, the Concessionaire established that a Discovery is not a Commercial Discovery. Such declaration of the Concessionaire shall be considered final; or
- c) based on the results of the Appraisal Work Programme, the Concessionaire established that a Discovery is a significant discovery of Petroleum and/or gas that may become a Commercial Discovery depending on the results of further works for which the Concessionaire shall commit itself based on further Exploration Work Programme or Appraisal Works in the Determined Area on the Appraisal Area or beyond it.

6.5.2 A declaration under Article 6.5.1 (a) shall further be substantiated by a report submitted to the Ministry in accordance with Article 6.4.4 containing particulars of:

- a) The chemical composition, physical and thermodynamic properties and quality of Petroleum discovered;
- b) The thickness and extent of the production strata;
- c) Petrophysical properties of the Petroleum Reservoir formations;
- d) The Petroleum Reservoir's productivity indices for the wells tested at various rates of flow;
- e) Permeability and porosity of the Petroleum Reservoir formations;
- f) Estimate of the production capacity of the Petroleum Reservoir;
- g) Feasibility studies and technical and economic evaluations carried out by or for the Concessionaire in relation to the Discovery;
- h) Evaluation of the Petroleum Reservoir and adjoining areas; and
- i) Additional geological data and other relevant information relating to the Discovery.

6.5.3 In case of a Commercial Discovery, the Concessionaire shall establish an operating company in the Federation responsible for the Development and Production Operations.

## **7. WORK PROGRAMMES AND BUDGETS**

**7.1** No later than ninety (90) days prior to the beginning of each Calendar Year, and, for the first Calendar Year, no later than one (1) month after the Effective Date, the Concessionaire shall prepare and submit for approval by the Ministry a detailing by Quarters an itemized annual Work Programme, along with the corresponding annual Budget for the Contract Area, setting forth the Petroleum Operations the Concessionaire proposes to carry out during the ensuing Calendar Year.



- 7.2** Each annual Work Programme and corresponding annual Budget shall be broken down into the various Exploration Operations and, as the case may be, the Appraisal Operations with respect to each Appraisal Area, and the Development and Production Operations with respect to each Exploitation Area. The Work Programme(s) submitted by Concessionaire for each Calendar Year shall be accompanied by an indicative schedule for operations to be conducted in the coming year.
- 7.3** The Ministry can request amendments or modifications to the annual Work Programme and corresponding annual Budget it deems is not in compliance with the approved project for the corresponding Contract phase by notice to the Concessionaire, including all justifications deemed necessary, within forty-five (45) days following receipt of said Work Programme. In such a case, the Ministry and the Concessionaire shall meet as soon as possible to review the requested amendments or modifications and establish the annual Work Programme and corresponding annual Budget in final form, in accordance with International Good Oilfield Practice.
- 7.4** Failing notice by the Ministry to the Concessionaire of its wish to amend or modify the annual Work Programme and corresponding annual Budget within the abovementioned period, said Work Programme and Budget shall be deemed approved by the Ministry upon the expiry date of said period.
- 7.5** It is acknowledged by the Ministry and the Concessionaire that the results acquired as the work progresses or certain changes in circumstances may justify modifications to the annual Work Programme, in accordance with International Good Oilfield Practice.
- 7.6** Concessionaire shall deliver to the Ministry within twenty-one (21) days after each Calendar Quarter a status report on the operations conducted and costs incurred under the approved Work Programme and Budget during such Calendar Quarter. The status report shall forecast any significant changes to such approved Work Programme and Budget that Concessionaire anticipates may be necessary during the balance of the Calendar Year. The report corresponding to the last Quarter of each Calendar Year shall also include a year- end summary of operations and costs during such Calendar Year.

## **8. RELINQUISHMENTS**

### **8.1 Periodic Relinquishment**

8.1.1 The Concessionaire shall:

- a) at the end of Phase I of the Exploration Period relinquish not less than twenty five percent (25%) of the original Contract Area<sup>2</sup>;
- b) at the end of the Phase II of the Exploration Period relinquish the remaining portion of the Contract Area.

8.1.2 Notwithstanding Article 8.1.1 above, the Concessionaire shall not be obliged to relinquish any part of the Contract Area which has been made an Appraisal Area or Exploitation Area or Significant Oil/Gas Discovery Area.

8.1.3 The Concessionaire shall, notify the Ministry and propose the size, shape and location of the portion of the Contract Area which it intends to relinquish pursuant to the provisions of Article 8.1.1.a. The area to be relinquished shall be contiguous and delimited by meridians and parallels of latitude expressed in whole minutes of a degree, all of sufficient size and convenient shape to enable Petroleum Operations to be conducted thereon in accordance with the official Coordinate Reference System of Bosnia and Herzegovina. This applies correspondingly to the areas retained by the Concessionaire.

8.1.4 The notice submitted by the Concessionaire in accordance with Article 8.1.3 shall be accompanied by a description of the area to be relinquished with pertaining map of the area.

8.1.5 The Ministry shall approve the shape and size of the Contract Area that will remain after relinquishment and may exempt from the requirement that the areas are to be contiguous, may exempt from the requirement to delimit the area in whole minutes of a degree.

8.1.6 If the Concessionaire does not relinquish a portion of the Contract Area at the time and in the manner required by this Article 8.1.1, all of the Contract Area shall be deemed relinquished at the end of the Contract Year concerned.

8.1.7 Subject to Article 6.1 and Article 6.2, the Concessionaire may at any time with at least three (3) months prior written notice to the Ministry relinquish all or part of the Contract Area. Any such voluntary relinquishment of part of the Contract Area during the Exploration Period shall not reduce the Exploration Work Obligations set forth in

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<sup>2</sup> Relinquishment requirements at the end of Phase 1 of the Exploration Period for different blocks offered in this licensing round are as follows: Pannonian blocks BIHPo1, BIHPo2 – negotiable relinquishment percentage at the end of Phase 1 of the Exploration Period; Pannonian block (BIHTz) Dinarides Block (BIHD1) - 25% relinquishment at the end of Phase 1 of the Exploration Period.

Article 6 nor the amount of the corresponding guarantee.

8.1.8 Without the consent of the Ministry, and notwithstanding Article 8.1.7, the Concessionaire shall not relinquish all of the Contract Area if it has not fulfilled the Exploration Work Obligations or is in breach of any provision of this Contract.

## **8.2 Relinquishment of Exploitation Area**

8.2.1 Except with the approval of the Ministry, an Exploitation Area shall be deemed to be relinquished on the first to occur of:

- a) production from the Exploitation Area ceasing permanently or for a continuous period of twelve (12) months (or, if because of Force Majeure, eighteen (18) months or such greater period as may be determined by the Law); and
- b) the expiry of the Production Period.

8.2.2 Without the approval of the Grantor, the Concessionaire may not otherwise relinquish all or any part of an Exploitation Area.

## **8.3 Continuing Obligations in respect of Relinquished Area**

8.3.1 This Contract shall terminate in respect of a part of the Contract Area which is relinquished.

8.3.2 Relinquishment of all or a part of the Contract Area is without prejudice to the obligations of the Concessionaire related to Decommissioning as required by the applicable laws and this Contract.

8.3.3 No relinquishment made in accordance with this Article 8 shall relieve the Concessionaire of the obligation to pay surface fees accrued, or making payments due and payable as a result of Petroleum Operations conducted prior to the date of relinquishment.

8.3.4 Concessionaire shall be liable and shall bear the cost and expenses for all claims, damages or losses arising out of or related to Environmental Damage resulting from suspended and abandoned wells and other facilities for a period of five (5) Calendar Years following the relinquishment of a portion of the Contract Area or the relinquishment of a Exploitation Area that includes such wells or facilities unless Concessionaire can demonstrate that the pollution and damages are caused by acts of nature or by actions or omissions of others.

## **9. DEVELOPMENT AND PRODUCTION**

### **9.1 Delimitation of Exploitation Area**

9.1.1 Where the Concessionaire by notice in writing under Article 6.5, has informed the Ministry that the Discovery is a Commercial Discovery, as soon as possible

thereafter, the Concessionaire and the Ministry shall meet and delimitate the Exploitation Area in respect of the Discovery, to the extent that such a delimitation is possible within the boundaries of the Contract Area. Notwithstanding solely the size limitations set out in the Law, the said Exploitation Area shall include, in a single area, the Petroleum Reservoir in respect of which the notice was, together with a reasonable margin surrounding the periphery of that area. In the event that the Concessionaire and the Ministry are unable, within sixty (60) calendar days from the date of the notice to agree on the boundaries of the Exploitation Area, either the Concessionaire or the Ministry may refer the matter for determination by a Sole Expert in accordance with Article 38.

- 9.1.2 Where a part of a Reservoir in respect of which a Commercial Discovery has been declared extends beyond the Contract Area, such area shall be included in the proposed Exploitation Area, in relation to a Concession, provided that such area is:
- a) not subject to a Concession Contract granted to any other;
  - b) not the subject of negotiations/bidding for a Concession Contract; and
  - c) available for granting of a Concession (i.e. is not an area over which Petroleum Operations are excluded).

The Parties shall agree on the terms and conditions of inclusion of such additional area into the Exploitation Area. The Concessionaire shall initiate a procedure for alignment of the Exploitation Area with the spatial plan in accordance with the boundaries determined by the Decision on Determining the Quantities and Qualities of the Reserves.

## **9.2 Development and Production Plan**

- 9.2.1 Within twelve (12) months of declaring Commercial Discovery the Concessionaire shall develop and submit to the Ministry for approval a proposed Development and Production Plan.
- 9.2.2 Except with the consent of the Ministry such Development and Production Plan shall be prepared on the basis of sound engineering and economic principles in accordance with International Good Oilfield Practice and be designed to ensure:
- (i) the optimum economic recovery of Petroleum by the efficient, beneficial and timely use of the Petroleum resources of the Exploitation Area; and
  - (ii) adequate measures for the protection of the environment in conformity with International Good Oilfield Practice and applicable environmental legislation of the Federation, and taking account of the particular characteristics of the Contract Area.
- 9.2.3 Any Development and Production Plan shall be designed to achieve recovery of the largest commercially acceptable volumes of Petroleum from the field's reservoir(s). If requested to do so by the Grantor, the Concessionaire shall consider enhanced recovery options and give an economic assessment of each such option.

9.2.4 The proposed Development and Production Plan and shall include but not be limited to:

- a) a description and a map of the estimated extent of the Exploitation Area;
- b) all information and data pertaining to the characteristics of the Commercial Discovery, including but not limited to: geological and geophysical information, areas, thickness and extent of the productive strata, petrophysical properties of the reservoir formations, PVT data, the reservoir's productivity indices for the wells tested at various flow rates, permeability and porosity of the reservoir formation, the relevant characteristics and qualities of the Petroleum discovered, additional geological data and evaluations of the reservoir, reserves estimates, and any other relevant characteristics and properties of the reservoir and fluids contained therein, as well as evaluations, interpretations and analysis of such data;
- c) a description of the proposed reservoir development and management programme including the feasible alternatives for such development, including the method for handling of an Associated Gas;
- d) an evaluation of the commerciality of the Development, including a full economic evaluation with an estimate of the Petroleum Reserves, both proven and probable (confirmed by the third-party independent report), and of the corresponding production profiles, as well as a study on the methods for recovery of Petroleum and utilization of Natural Gas, if any;
- e) in the event of Associated Natural Gas, the Concessionaire shall give an assessment of the possibility of such Associated Natural Gas exceeding the quantities of Natural Gas necessary for the requirements of the Petroleum Operations related to the production of Crude Oil (including reinjection operations) and if it considers that such excess Associated Natural Gas is capable of being produced in commercial quantities together with any analysis made thereof;
- f) an assessment and presentation of the possible outlets for the Natural Gas from the Discovery in question, both on the local market and for export, together with an evaluation of the necessary means for its marketing;
- g) details of:
  - i. the geological and the reservoir work done, together with the production profiles simulated, in order to reach the best depletion alternative;
  - ii. the work, facilities and services required for the development and production of the reservoir, including, inter alia, drilling schedules, number of wells, well spacing and any other related activities. Proposals relating to production procedures shall ensure that the area does not suffer an excessive rate of decline of production, or an excessive loss of reservoir pressure, and shall ensure environmental protection conforming to International Good Oilfield

Practice, applicable environmental legislation of the Federation and comply with the Regulations;

- iii. the plan for the production, processing, storage, transportation, sale, and other disposal of Petroleum (hereunder exploitation of Associated Natural Gas) to be extracted from the Contract Area;
  - iv. the production, treatment and transportation facilities to be located in the Federation. Proposals relating to facilities shall provide for the optimal use of existing or planned facilities;
  - v. facilities, wherever located, which are connected to any such facilities as aforesaid and which (or the operation of which) might affect the integrity, management or operation thereof;
  - vi. the Delivery Point;
  - vii. the Measurement Point.
- h) the production profiles for all Petroleum products, including possible injections for the life of the Development, the commencement of Production and the specific rates of Petroleum Production, and the level of production and of deliveries which the Concessionaire submits, should constitute the start of Commercial Production;
  - i) a Decommissioning Plan, in such detail as the Ministry requires, including a calculation of the Decommissioning Costs, the annual amount in the Decommissioning Fund provided for in Article 9 and the Concessionaire's proposal for the Decommissioning security;
  - j) a risk management plan prepared in accordance with the requirements of the applicable laws and regulations of the Federation the Applicable Environmental Legislation, including the measures and directions established by the Ministry to prevent any damage and remove any hazards that the Petroleum Operations may cause to affected communities, Concessionaire's personnel and the environment;
  - k) an Environmental Impact Assessment, prepared in accordance with the Applicable Environmental Legislation, containing a description of the ecosystem prior to the commencement of the development (baseline study), including the flora and fauna, soil, air quality, underground and surface water, landscape aesthetics prior to commencement of Petroleum Operations, and the aspects of the ecosystem which may be affected qualitatively and quantitatively by the Petroleum Operations and the effect of said operations on local populations and industries, if any, and the socio-economic conditions of those individuals.
  - l) an emergency response plan prepared in accordance with the requirements of the Regulations and of the Applicable Environmental Legislation, including measures to respond to any accident that may occur at the site of the Petroleum Operations, medical treatment and evacuation of employees and surrounding populations and the protection of the environment;

- m) the Concessionaire's proposals for:
  - i. the use of local goods and services;
  - ii. employment and training of nationals of the Federation;
- n) the estimated Development and Production expenditure including, but not limited to covering the feasibility, fabrication, installation, commissioning and pre-production stages of the Development;
- o) the Concessionaire's proposals for financing, hereunder full information as to the Concessionaire's current financial status, technical competence and experience;
- p) the programme and time-schedule for the performance of the Development and Production Operations, including the estimated date of the commencement of Petroleum Production;
- q) where any Field(s) extend beyond the Contract Area, a suggested unitization or joint development plan;
- r) such other data and information required by the Law and applicable regulations.

9.2.5 Within a period of three (3) months the Ministry shall approve the Development and Production Plan or propose amendments or modifications to the Development and Production Plan, as well as the requested Exploitation Area. If approval is not granted, the Ministry shall specify its reasons for not approving a Development and Production Plan or an amendment to it. In that event, if the Concessionaire and the Ministry are unable to agree appropriate changes to the Development and Production Plan, the matter or matters in dispute shall be referred to a Sole Expert in accordance with Article 38.

9.2.6 From time to time, and in a manner provided in this Article, the Concessionaire may submit, for the approval of the Ministry, amendments to the Development and Production Plan.

9.2.7 Upon approval, the Concessionaire shall proceed with and complete the Development operations within a time limit stipulated in the approved Development and Production Plan.

### **9.3 Production period**

9.3.1 The duration of the Production Period for each Exploitation Area shall be twenty-five (25) years from the date of the commencement of the first commercial production of the Petroleum.

9.3.2 The Production Period may be extended by the Grantor in compliance with requirements of the Law.

9.3.3 A request for an extension of the Production Period stipulated in Article 9.3.2 by the Concessionaire shall be submitted with the supporting documents. The format of the

request and the supporting documents to be submitted pursuant to this Article shall be stipulated by the Ministry. The Grantor shall consider and respond to such request within ninety (90) days from the receipt of the Concessionaire request and if not granted, give grounds for refusing to grant the extension.

#### **9.4 Production and Lifting**

- 9.4.1 The Concessionaire shall subject to applicable Federation law and provisions of this Contract be entitled to lift, dispose and export its entitlement of Petroleum, subject to domestic supply obligations as required by the Law.
- 9.4.2 The Grantor reserves the rights to discuss and agree with the Concessionaire domestic supply obligations prior to granting an export of Petroleum.
- 9.4.3 The Concessionaire shall use all reasonable efforts to produce Petroleum at the maximum efficient rate which is economic in accordance with International Good Oilfield Practice, an approved Development and Production Plan and in compliance with the Law.
- 9.4.4 Twelve (12) months prior to the scheduled initial Commercial Production, from each Field, the Concessionaire shall submit to the Ministry for approval proposed procedures and related operating regulations covering the scheduling, storage and lifting of Petroleum produced from the Field. In any event, the agreed lifting procedures and regulations shall always comply with applicable law.

### **10. UNIT DEVELOPMENT AND JOINT OPERATIONS**

- 10.1 If a Reservoir that exists in a Discovery Area is situated partly within the Contract Area and partly in an area in the Federation over which other parties have a Contract to conduct Petroleum Operations, the Concessionaire shall notify the Ministry and provide such information as the Ministry may reasonably request in connection therewith.
- 10.2 If a Reservoir in a Discovery Area is situated partly within the Contract Area and partly in an area in the Federation over which other parties have a Contract to conduct Petroleum Operations and both parts of the Reservoir can, be more efficiently developed together on a commercial basis, on receiving information in writing from any party to these Contracts or any information on this from any bona fide source, the Ministry may, for securing more effective recovery of Petroleum from such Reservoir, by notice in writing require that the Concessionaire:
- a) to collaborate and agree with such other parties on the joint development of the Reservoir and the Contract being set out in the form of a Unit Development Contract;
  - b) to submit such Contract between the Concessionaire and such other parties to the Ministry for approval within one hundred and eighty (180) days; and



c) to prepare a Unit Development Plan for such joint development of the said Reservoir, within one hundred and twenty (120) days of the approval.

**10.3** If no plan is submitted within the period specified or such longer period as the Ministry and the Concessionaire and the other parties may agree, or, if such plan, as submitted, is not acceptable to the Ministry and the parties cannot agree on amendments to the proposed Unit Development Plan, the Ministry shall adjudicate regarding the appeal in thirty (30) days in accordance with the Law.

**10.4** If a proposed Unit Development Plan is agreed and adopted by the Parties, or as finally adopted by the Ministry, it shall be the approved Unit Development Plan and the Concessionaire shall comply with the terms of the said plan.

**10.5** The provisions of this Contract shall apply mutatis mutandis to a Discovery of a Reservoir located partly within the Contract Area, which, although not equivalent to a Commercial Discovery if developed alone, would be a Commercial Discovery if developed together with that part of the Reservoir which extends outside the Contract Area to the areas subject to Contract for Petroleum Operations by other parties.

**10.6** Where otherwise non-commercial volumes of Petroleum in the Contract Area would, if exploited together with deposits in an area adjacent to the Contract Area, be commercial, the Ministry may require Concessionaire and the Concessionaire of that adjacent area to share facilities.

## **11. MODERNIZATION AND DEVELOPMENT OBLIGATION RELATED TO THE PERFORMANCE OF PETROLEUM OPERATIONS**

**11.1** The Concessionaire shall be obliged to apply available efficient best technological solutions in accordance with International Good Oilfield Practice at the time of establishment, in view of the specific parameters of the Exploration Area, and to operate in conformity with the principles of efficient operation in order to ensure that the Exploration, Development and Production of Petroleum is carried out in the most economical way, without wasting Petroleum resources, by making use of available potential, and by ensuring the utmost protection of the environment.

**11.2** The Concessionaire shall, as part of the final exploration report closing the Exploration Period, submit a comprehensive study regarding the exploration methods and in the case of development and production phase - within six (6) months of the commencement day of regular Production - the applied technical methods, including documentary evidence, measurement data and expert statements suitable to credibly support the contents thereof, to the Ministry to prove whether Exploration, Development and Production of Petroleum is carried out in an effective manner and by applying effective and best technologies in conformity with international standards of industry practice, in compliance with Articles 11.1 and 11.3 of the present Contract.

**11.3** The study as indicated in Article 11.2 of the present Agreement, shall compulsorily

contain whether the technologies, installations, labour organization methods applied in the conduct of the activity are in conformity with the respective regulations, standards and with the industry practice of countries and companies having a leading role in Petroleum Exploration, Development and Production in terms of technology and by volume, moreover with the best technical and scientific solutions available in the year of submitting the study, and whether implementation of the requirements of economy, safety and efficiency, the protection of human life, health, environment, nature, waters, arable land, property as well as mineral resource management is ensured to the highest possible degree.

- 11.4** Parties hereby agree that concurrently with submitting the study according to Article 11.2, the Concessionaire shall submit - if on the basis of the study it can be established that Concessionaire is not applying efficient, state-of-the-art technologies conforming with international and domestic industry practice and is not taking advantage of better available, solutions than those applied in the course of performance of its activity - a written statement of its rationally justifiable reasons. This statement by the Concessionaire shall be attached to the study.

## **12. CESSATION OF PETROLEUM OPERATIONS AND DECOMMISSIONING**

### **12.1 Decommissioning Plan, Decommissioning Budget and Decommissioning Fund**

- 12.1.1 The Concessionaire is responsible for and shall cover the Decommissioning Costs of the equipment and systems used for Petroleum Operations. These abandonment and decommissioning operations shall be performed according to the Law, regulations, requirements of this Contract and with the approval of the Ministry.
- 12.1.2 No later than five (5) years prior to the anticipated date of Decommissioning of a Field or as soon as possible prior to the termination of, or relinquishment of part of, any Contract Area, the Concessionaire shall in accordance with applicable law submit to the Ministry for approval a Decommissioning Plan which shall include a detailed technical and engineering description of the decommissioning, removal and disposal of the facilities and installations, and of the site clean-up and restoration measures including the estimated Decommissioning Cost and plan implementation provisions.
- 12.1.3 The Ministry may request amendments or modifications to the above-mentioned Decommissioning Plan, by notice to the Concessionaire including all the justifications deemed necessary, within sixty (60) days following receipt of said plan. The Concessionaire shall make appropriate modifications and resubmit a Decommissioning Plan for approval
- 12.1.4 The Decommissioning Plan shall be revised and resubmitted to the Ministry for approval at such times as is reasonable having regard to the likelihood that the Decommissioning Plan, including estimated Decommissioning Cost thereunder, may need to be revised.

- 12.1.5 The Concessionaire shall establish and administer the Decommissioning Fund pursuant to applicable law and the Contract. Such fund shall be deposited in an escrow account in a bank acceptable to the Ministry. The Ministry and the Concessionaire shall agree on the time for commencement of payment into the Decommissioning Fund.
- 12.1.6 It is the intent of the Parties that the total payment into the Decommissioning Fund made by Concessionaire for any Field shall equal the estimates of Decommissioning Cost of such Field at the time decommissioning operations are to be conducted or at the termination of this Contract whichever is earlier.
- 12.1.7 In the event that the actual Decommissioning Costs exceed the total accumulated provisions, the remaining balance of the Decommissioning Costs shall be borne exclusively by the Concessionaire.
- 12.1.8 The Concessionaire shall continue to be liable as provided by law, after the term of this Contract, for any damage, claim, cost, or expense arising from the Petroleum Facilities, due to causes which have arisen or which have accrued during the terms of this Contract.

## **12.2 Scope of Decommissioning Obligation**

- 12.2.1 Except for those facilities and assets, which Ministry agreed that should not be removed, the Concessionaire shall, in accordance with the Decommissioning Plan and in compliance with the Law, on expiration, termination of the Contract or relinquishment of part of the Contract Area:
- a) remove from the Contract Area or part of the Contract Area or abandon in place, in accordance with International Good Oilfield Practice, all wells, facilities and assets used in the conduct of Petroleum Operations, including, without limitation, pipelines, equipment, production and treatment facilities, electrical facilities, landing fields, and telecommunication facilities;
  - b) perform all necessary site restoration and remediation activities.

## **13. CONCESSIONAIRE'S GENERAL RIGHTS AND OBLIGATIONS, GRANTOR ASSISTANCE AND CONTROL**

### **13.1 Concessionaire's general rights**

- 13.1.1 The Concessionaire shall have the exclusive right to perform the Petroleum Operations within the Contract Area.
- 13.1.2 Subject to the provisions relating to the safety of installations, representatives of the Concessionaire, its personnel, and the personnel of its Sub-Contractors may enter the Contract Area and have free access to all Facilities of the Concessionaire.
- 13.1.3 For the purposes of performing the Petroleum Operations, the Concessionaire shall

have the right to lay pipelines and build communication and infrastructure facilities, access available infrastructure of the Federation, subject to a prior approval, and exercise other ancillary rights as may be reasonably necessary for the conduct of Petroleum Operations subject to obtaining the required approvals and in compliance with the relevant laws and regulation and control thereof.

13.1.4 The Concessionaire shall have the right to use Petroleum quantities which it is entitled to according to the Law and this Contract, and also to export such Petroleum subject to provisions of Article 9.4.2.

13.1.5 The Concessionaire shall have the right to request the Ministry to extend the Contract Area if it can be proved that the field has developed outside the boundaries of the Contract Area granted initially and if the respective areas are not subject to another concession contract.

13.1.6 The Concessionaire shall have other rights as provided in the Law and other laws and regulations of the Federation.

## **13.2 Concessionaire's General Obligations**

13.2.1 The Concessionaire shall execute Petroleum Operations in the Contract Area:

- (a) in accordance with the Law, the regulations and individual administrative decisions issued by virtue of the Law as well as with all other applicable laws and regulations at any time in force in the Federation;
- (b) diligently, in accordance with International Good Oilfield Practices and applicable environmental legislation of the Federation, to ensure health, safety and environmental protection;
- (c) maintaining internal controls, and, in respect of Petroleum Operations in any Exploitation Area, in compliance with the Development and Production Plan for that area.
- (d) observe terms and conditions of issued permits and approvals and comply with approved (in accordance with the legislation of the Federation) provisions of design documents and plans.

13.2.2 Without prejudice to the generality of the foregoing, the Concessionaire, in accordance with such laws as may be prescribed from time to time, will:

- (a) take all reasonable measures to control the flow and to prevent loss in any form or waste of Petroleum above or under the ground during drilling, producing, gathering, distributing or storage operations;
- (b) take whatever practical measures are necessary to prevent any injurious ingress of water or damage of any kind to any Petroleum-bearing formation which may be encountered while drilling operations are in progress, or upon abandonment of any well and shall carefully locate and preserve any fresh water sources discovered in the course of such operations;
- (c) take all reasonable precautions against fire and any unwarranted wasting of Petroleum or water;
- (d) upon completion of the drilling of a well, inform the Ministry when the well will be tested and the production rate ascertained;
- (e) except in instances where multiple producing formations in the same well can be

- produced economically only through a single tubing string, refrain from producing Petroleum from multiple oil carrying zones through one string of tubing at the same time, except with the prior written approval of the Ministry.
- (f) if the Ministry, acting reasonably, has determined that works or installations erected by the Concessionaire may endanger the physical safety of third parties or their property or cause pollution or other environmental damage harmful to people, animals, water and aquatic life or vegetation, take, as may be required by the Ministry, remedial measures and repair damage to the environment;
  - (g) effect and maintain for Petroleum Operations insurance coverage of the type, and in such amount, as is customary in the international petroleum industry in accordance with International Good Oilfield Practice, and, furnish to the Ministry certificates evidencing that such coverage is in effect. The said insurance shall, without prejudice to the generality of the foregoing cover those matters described in Article 36, and be subscribed towards insurers and/or reinsurers (including Affiliate Enterprises and captives) with a minimum Standard and Poors' rating of A-;
  - (h) require its Sub-Contractors to carry insurance of the type and in such amount as is customary in the international Petroleum industry in accordance with International Good Oilfield Practices; and
  - (i) indemnify, defend and hold the Ministry harmless against claims, losses and damages of any nature whatsoever, including, without limitation, claims for loss or damage to property, injury or death to persons or damage to the environment caused by or resulting from Petroleum Operations conducted by or on behalf of the Concessionaire, provided that the Concessionaire shall not be held responsible to the Ministry under this provision for any loss, claim, damage or injury caused by or resulting from gross negligence or wilful misconduct of personnel employed by the Ministry or from action done at the direction of the Ministry.

13.2.3 The Concessionaire shall promptly notify the Ministry of any serious events within the Contract Area or of any serious damage to the installations capable of impeding the performance of the Annual Work Programme. If, and to the extent, acts or omissions on the part of the Concessionaire its agents or servants, cause liability of the Ministry towards third parties, it shall indemnify and hold harmless the Ministry in respect of all such liability.

13.2.4 Where the Concessionaire has, for the purpose of implementing a Development and Production Plan relating to one or more Exploitation Areas, constructed one or more pipeline(s), the Concessionaire shall on the application of the Ministry and subject to available capacity, in respect of which the Concessionaire shall have priority, make its pipeline available to transport the Petroleum of the Independent Third Parties. The Petroleum aforesaid shall be transported by the Concessionaire on reasonable and fair market terms and conditions.

13.2.5 The Concessionaire shall ensure that anyone performing work for it, either personally, through employees or through Sub-Contractors, shall comply with the provisions of Article 14.

13.2.6 The Concessionaire shall supply all the necessary funds and purchase or rent all the equipment and materials required for the performance of the Petroleum Operations.

The Concessionaire shall also supply all the technical expertise, including the use of the foreign personnel required for the performance of the Petroleum Operations.

- 13.2.7 Within three (3) months following the Effective Date, the Concessionaire shall register a local branch office or if so required to establish a subsidiary in the Federation in compliance with the law and keep it during the term of this Contract. Said branch office shall include in particular a representative authorized to conduct the Petroleum Operations to whom any notice under this Contract may be served. If establishment of a subsidiary is required such a subsidiary shall then directly undertake activities that could not be undertaken by the branch office, under guarantee and subject to the solidary liability of the Concessionaire.
- 13.2.8 The Concessionaire shall provide good working conditions, living accommodations installations, and access to medical attention and nursing care for all personnel employed by it or its Sub-Contractors in Petroleum Operations in accordance with applicable law and International Good Oilfield Practice.
- 13.2.9 The Concessionaire shall furnish the Ministry, and the authorised representatives of the Grantor with such information, reports, records and accounts relating to the Petroleum Operations in the Contract Area in accordance with the timeline and procedures as may be required and detailed in provisions of this Contract, the Law and any other applicable laws and regulations of the Federation.

### **13.3 Grantor Supervision and Control**

- 13.3.1 At all time during the term of this Contract the Ministry, inspection authorities or any other body nominated by the Federation shall have supervision and control functions over activities of the Concessionaire in accordance with provisions of this Contract and applicable laws and regulations of the Federation.

## **14. HEALTH, SAFETY AND ENVIRONMENTAL PROTECTION**

### **14.1 Environmental Protection**

- 14.1.1 The Concessionaire shall conduct Petroleum Operations with due regard to concerns with respect to protection of the environment and conservation of natural resources and shall in particular:
- a) implement International Good Oilfield Practice and applicable environmental legislation of the Federation and standards including advanced technologies, practices and methods of operation for the prevention of Environmental Damage in the conduct of its Petroleum Operations;
  - b) establish, keep up to date and further develop a management system designed to ensure compliance with the health, safety and environment requirements in accordance with the International Good Oilfield Practice and in compliance with

laws and regulations of the Federation.

- c) provide information to the public on conduct of Petroleum Operations ensuring public participation in the decision-making process in compliance with the laws and regulations of the Federation.
- d) take all necessary and adequate steps to:
  - i. prevent Environmental Damage and, where some adverse impact on the environment is unavoidable, to minimise such impact and the consequential effects thereof on property and people to this effect providing an estimate of the costs of remediation and reclamation of such potential damages.
  - ii. ensure payment of adequate compensation for injury to persons or damage to property caused consequent to Petroleum Operations, and the amount so paid as compensation shall not be deemed to be a recoverable cost under this Contract;
  - iii. if the Concessionaire does not act promptly so as to control or clean up any pollution or make good any damage caused, Grantor may, after giving the Concessionaire reasonable notice in the circumstances, take any actions which are necessary in accordance with International Good Oilfield Practice, and the reasonable costs and expenses of such actions shall be borne by the Concessionaire;
- e) conduct and approve an environmental studies and Environmental Impact Assessment, employ effective monitoring programs as provided in this Contract and applicable laws and regulations of the Federation.
- f) prepare and approve an environmental monitoring plan, in accordance with requirements of environmental legislation of Federation and International Good Oilfield Practices. Environmental monitoring will be performed as soon as practical following the approval.
- g) prepare a preparedness and response plan for incidences of petroleum pollution to the environment and submit such plan for the approval of the relevant Ministry.
- h) implement the proposals contained in its Development and Production Plan regarding the prevention of pollution, the treatment of wastes and the safeguarding of natural resources.
- i) at all-time comply with requirements of current health, safety and environmental legislation and regulations of the Federation and treaties adopted by the Federation as well as with any health, safety, environmental and technical standards and rules agreed between the Parties.

14.1.2 In the event of:

- a) an emergency or accident arising from Petroleum Operations affecting the environment, the Concessionaire shall forthwith notify the Grantor accordingly and deal with them in accordance with approved plans and in compliance with the Law;
- b) any fire or oil spill, Concessionaire shall promptly implement the relevant contingency plan;
- c) any other emergency or accident arising from Petroleum Operations affecting the environment, Concessionaire shall take such action as may be prudent and necessary in accordance with International Good Oilfield Practice and applicable environmental legislation of the Federation in such circumstances and as may be required under international obligations entered into by the Grantor.

14.1.3 If Concessionaire's failure to comply with certain provisions of this Contract results in pollution or damage to the environment or marine life or otherwise, the Concessionaire shall take all necessary measures to remedy the failure and effects thereof.

14.1.4 When entering into a Contract, the Concessionaire shall ensure that its Sub-Contractors and suppliers are qualified to fulfil the legal requirements relating to health, safety and the environment. Any Contract entered into between the Concessionaire and its Sub-Contractors relating to Petroleum Operations shall include the terms set out in this Contract and any established measures and methods for the implementation of Concessionaire's obligations in relation to the health, safety and environmental protection under this Contract.

## **14.2 Safety Provisions**

14.2.1 The Concessionaire shall prepare and approve with the Ministry and other competent authorities where required a safety management plan for safety management of the Concessionaire's facilities throughout the Contract Term, starting from the Exploration and Development through Production and Decommissioning periods. Such plan shall be prepared in accordance with international standards and applicable legislation of Federation. The Concessionaire shall update the plan whenever necessary due to an update or a change to the Development Plan, the existence of any new matter or of an issue requiring updating.

14.2.2 Where safety regulations of the Federation are not sufficient to regulate Petroleum Operations, the Concessionaire will present and approve with the Ministry and other relevant state bodies appropriate safety standards and regulations representing International Good Oilfield Practice to be applied to the Contract.

14.2.3 The Concessionaire will act in accordance with the safety management plan and comply with provisions of the Safety Management Regulations and the Work Safety Laws throughout the validity of the Contract and at request of the Ministry shall submit any documents and records associated with the plan, the fulfilment of the its provisions and the compliance with the Safety Management Regulations.



- 14.2.4 The Concessionaire shall ensure that its Sub-Contractors engaged in design, construction, operation and maintenance of Petroleum Facilities are qualified and possess an appropriate knowledge and experience in the field of construction, operation and maintenance of Petroleum facilities, as the case may be, with appropriate care and prudence and in accordance with the applicable safety standards.
- 14.2.5 The Concessionaire will perform annual safety tests and verification of the safety management system in accordance with the safety management plan. The Concessionaire will prepare and provide a report to the Ministry containing the results of the checks within 30 days of receipt of such results and findings.

## **15. OPERATOR**

### **15.1 Designation of the Operator**

- 15.1.1 \_\_\_\_\_ is designated the Operator under this Contract and accepts all rights and obligations as Operator pursuant to applicable Federation law and this Contract.
- 15.1.2 The Operator shall diligently and in accordance with International Good Oilfield Practice execute the Petroleum Operations on behalf of the Concessionaire. The Operator shall be the only entity which, on behalf of the Concessionaire, may execute Contracts, incur expenses, make commitments and implement other actions in connection with the Petroleum Operations.
- 15.1.3 There shall only be one (1) Operator. Only Concessionaire or one of the Concessionaire Parties shall be Operator.
- 15.1.4 For all purposes of this Contract, the Operator shall represent the Concessionaire and the Ministry may deal with the Operator. The Operator shall be subject to all of the specific obligations provided for in this Contract and in the applicable law and shall have the exclusive control and administration of the Petroleum Operations.
- 15.1.5 The Concessionaire shall at any time have the right to appoint another entity as the Operator, upon giving the Grantor not less than thirty (30) days prior written notice of such appointment. Such new Operator shall be approved by the Grantor.
- 15.1.6 Where the Grantor determines that an Operator is no longer competent to be an Operator, the Ministry may, by written notice to the Operator and the entities constituting the Concessionaire, request that a new Operator shall be proposed. The Concessionaire must then within thirty (30) days propose to the Ministry a new Operator. If the Concessionaire does not put forward a proposal for a new Operator or a proposed Operator is not approved, the Grantor may, by written notice to the Operator and the entities constituting the Concessionaire, revoke the authorization and terminate this Contract.

### **15.2 General Duties of the Operator**

15.2.1 The Concessionaire shall ensure and the Operator shall execute prudently Petroleum Operations updating of policies, strategies, evaluations, plans and technical solutions in order to:

- a) Conduct Petroleum Operations in compliance with the established objectives of industrial safety, health and environmental protection;
- b) Optimise Production of Petroleum whilst ensuring maximum recovery of commercially exploitable Petroleum in each Field or a group of Fields;
- c) Take measures to prevent any incident causing damage to the Petroleum-bearing formation of a Field which may be encountered during any Well related activity, including drilling, plugging or abandonment of a Well;
- d) Ensure optimal control of the flow from the Well and of Petroleum throughout Facilities;
- e) Prevent the escape or loss of Petroleum;
- f) Avoid the waste of Petroleum;
- g) Identify and remedy or mitigate existing or potential deviations in relation to approved programs and plans;
- h) Ensure that all personnel engaged in Petroleum Operations are familiar with the Facilities, and trained to be engaged in Petroleum Operations;
- i) Ensure that Sub-Contractors are fully informed and are compliant with the applicable law;
- j) Ensure compliance with regulatory principles and requirements; and
- k) Perform all other duties in accordance with applicable Federation law.

## **16. SURFACE FEES, BONUSES AND TRAINING FEE**

### **16.1 Surface Fees**

16.1.1 The Concessionaire shall pay no later than January 15 of each year the following surface fees:

- (a) ..... (.....) US Dollars payable in Federation Convertible Mark per square kilometre of the Contract exploration area annually during the Exploration Phase;
- (b) ..... (.....) US Dollars payable in Federation Convertible Mark per square kilometre of the Contract exploration area annually during the extension of Exploration Phase;

The Concessionaire shall use the exchange rate of the Central Bank of Federation on due date in paying the surface fees.

16.1.2 For the first Calendar Year from Effective Date, the surface fee set forth in Article 16.1.1 (a) above shall be calculated pro-rata from the Effective Date through to December 31st of said Calendar Year and shall be paid within thirty (30) calendar days of the Effective Date.

16.1.3 Surface fees shall be calculated based on the surface of the Contract Area held by the Concessionaire on the date of payment of said surface rentals. In the event of surface relinquishment during a Calendar Year or in the event of Force Majeure, the Concessionaire shall have no right to be reimbursed for any surface fees already paid.

16.1.4 The Concessionaire shall properly pay the Fees as defined in Article 16.1.1 in full. In case of payment being made after the payment due date, the Concessionaire shall be obliged to pay a default interest on the overdue amount pursuant to the Laws of the Federation.

## 16.2 Bonuses

16.2.1 The Concessionaire shall pay to the Grantor the following amounts as bonus:

- (a) .....(.....) US Dollars payable in Federation Convertible Mark as a Signature Bonus within sixty (60) calendar days after the Effective Date;
- (b) (.....) US Dollars payable in Federation Convertible Mark as a Production Bonus after the cumulative production of Petroleum produced and saved from the Contract Area first reaches 5 MMboe, or Natural Gas produced and saved from the Contract Area first reaches 10 MMboe of oil equivalent);

The Concessionaire shall use the exchange rate of the Central Bank of Federation on due date in paying the surface fees.

16.2.2 Natural Gas shall be taken into account for purposes of determining the cumulative production of Petroleum produced and saved from the Contract Area under Article 16.2.1(b) by converting daily Natural Gas delivered into equivalent barrels of daily Crude Oil production in accordance with the following formula:

$MSCF \times H \times 0.167 = \text{equivalent barrels of Crude Oil}$

**where**

MSCF = one thousand Standard Cubic Feet of Natural Gas.

H = the number of million British Thermal Units (BTU's per MSCF).

Payment of the Production Bonus shall be made within sixty (60) calendar days following the day that the respective cumulative production thresholds mentioned under Article 16.2.1 (b) has been achieved.

16.2.3 The surface fees and bonuses required under this Article shall not be included in the Cumulative Total Costs Outflows for the purposes of calculating the Royalty under Article 17.

16.2.4 The Concessionaire shall properly pay bonuses as defined in Article 16.2.1 and Article 16.2.2 in full. In case of a payment being made after the payment due date, the Concessionaire shall be obliged to pay a default interest on the overdue amount pursuant to the Laws of the Federation.

## 16.3 Training Fee

16.3.1 The Concessionaire shall contribute to the training of local personnel and facilitate support of the human resources of the Ministry as mutually agreed by the Parties. For that purpose, the Concessionaire shall spend the following training expenditures yearly incurred:

- (a) during the Exploration Period, an amount of .....(.....) US Dollars payable in Federation Convertible Mark per Calendar Year.
- (b) during the Production Period, an amount of .....(.....) US Dollars payable in Federation Convertible Mark per Calendar Year.

**17. ROYALTY**

17.1 The Concessionaire shall pay to the federal budget as appropriate a Royalty on all Petroleum produced and saved in the Contract Area. The Royalty shall be determined separately for Crude Oil and Natural Gas based on their respective volumes as measured at the Measurement Point in the First Period and in each subsequent Calendar Month.

17.2 The Concessionaire shall have the right to use free of charge Petroleum produced from the Contract Area to the extent reasonably required for Petroleum Operations under this Contract. Petroleum produced from the Contract Area and used for Petroleum Operations shall be excluded from the volumes of Petroleum subject to Royalty.

17.3 The Royalty to be paid by the Concessionaire shall be calculated as a percentage of the Petroleum produced and saved from the Contract Area in respect of the First Period and each subsequent Quarter in accordance with the following rates:

<b>Increment of Average Daily Crude Oil Production (b/d)</b>	<b>Increment of Average Daily Natural Gas Production (MMcf/d)</b>	<b>Royalty Rate (%)</b>
0 – 20,000	0 – 20,000	_%
20,001 – 50,000	20,001 – 50,000	_%
50,001 – 100,000	50,001 – 100,000	_%
100,001 – 200,000	100,001 – 200,000	_%
> 200,000	> 200,000	_%

17.4 The Grantor may elect, in its discretion, to take its Royalty in-kind, or in cash or in a combination of both in respect of any Calendar Year. If the Grantor elects to take all or part of the Royalty as a Royalty in-kind the Grantor shall advise the Concessionaire of its intention in writing not less than ninety (90) calendar days before the commencement of each Calendar Year (or for the first Calendar Year in which Petroleum is produced, at least two (2) Months prior to the estimated Commercial Production Date). The Grantor shall also specify the percentage of Royalty

entitlement it intends to take as a Royalty in-kind during that year (or in respect of the first Calendar Year in which Petroleum is produced, during the remaining part of that Calendar Year). If the Grantor does not elect to take all or part of the Royalty in-kind, in respect of any Calendar Year the Lessor shall be deemed to have elected to take all of the Royalty as a Cash Royalty in respect of that Calendar Year.

- 17.5** The Concessionaire shall duly and fully perform payment of the Royalty at the rate as determined in Article 17.3. In case of payment after the payment due date, the Concessionaire shall be obliged to pay a default interest on the overdue amount pursuant to the Laws of the Federation.
- 17.6** For the purpose of examining and auditing the appropriateness of the royalty payments, the Concessionaire shall send to the Ministry all the data requested by the Ministry, in the format and dates requested by the Ministry, including contracts, invoices, calculations and any materials required for conducting a thorough and efficient audit.
- 17.7** If the payment of the Royalty is delayed by more than 6 months, the Ministry shall have the right to terminate the Contract.

## **18. TAXATION**

- 18.1** The Concessionaire and its Sub-Contractors shall be obliged to comply with the applicable tax regulations applicable from time to time in the Federation, or in Bosnia and Herzegovina.
- 18.2** The Contracts for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to income and capital, which Bosnia and Herzegovina has concluded and agreed, as well as the various international conventions which Bosnia and Herzegovina has adopted and/or to which it has acceded will also be applicable.
- 18.3** The expenditure incurred in respect of Petroleum Operations will be allowable in accordance with the tax regulations.

## **19. CUSTOM DUTIES**

- 19.1** The Concessionaire and its Sub-Contractors engaged in execution of Petroleum Operation under this Contract shall pay Customs Duties with respect to the importation of such machinery and equipment as may be required to be used by Concessionaire or its Sub-Contractors for Petroleum Operations, except for cases provided under the law and subject to approval of the Federation. For the purpose of this Article 19, Customs Duties includes value-added tax (V.A.T.) payable on imports.
- 19.2** Customs Duties shall be payable on any equipment or materials imported free of duty under this Article, if and when such equipment or materials are sold, assigned or otherwise transferred to a person resident in the Bosnia and Herzegovina.

**19.3** The Concessionaire shall comply with applicable procedures and formalities imposed by applicable Bosnia and Herzegovina law when claiming exemptions from Customs Duties on import or export. The Concessionaire shall also include in contracts signed with their Sub-Contractors, requiring them to comply with applicable procedures and formalities imposed by applicable Bosnia and Herzegovina law.

## **20. IMPORT AND EXPORT**

**20.1** The Concessionaire shall have the right to import to the Federation from a third country in its own name or on behalf of its Sub-Contractors, all the goods, materials, machinery, equipment, spare parts and consumable directly necessary for the proper conduct of the Petroleum Operations according to Bosnia and Herzegovina law and subject to Article 19 of the Contract.

**20.2** The foreign employees and their families assigned to work in the Federation for the account of the Concessionaire or its Sub-Contractors shall have the right to import to the Federation from a third country their personal use according to the provisions of Bosnia and Herzegovina laws and regulations.

## **21. GUARANTEE**

### **21.1 Performance Guarantee**

21.1.1 Upon the Effective Date of the Contract, the Concessionaire shall provide an irrevocable, unconditional, on demand bank guarantee issued by a commercial bank acceptable to Grantor in favour of the Grantor, for the amount specified in this Article in the form set out in Annex B of this Contract.

21.1.2 The amount of the bank guarantee shall be an amount equal to One Hundred percent (100%) of the total Expenditure Obligation for the Mandatory Work Program in respect of the Phase I of the Exploration Period to be undertaken by the Concessionaire in the Contract Area.

21.1.3 Before the commencement of the Phase II of the Exploration Period the Concessionaire shall deliver to the Grantor a similar bank guarantee for an amount equal to One Hundred percent (100 %) of the total Minimum Expenditure Obligation in respect of the Phase II of the Exploration Period to be undertaken by the Concessionaire in the Contract Area.

21.1.4 The bank guarantee referred to above shall provide that after the completion and due performance of the Minimum Work and Expenditure Obligations of a particular Exploration Phase, the guarantee will be released in favour of the Concessionaire on presentation to the bank of a Certificate from the Ministry, that the obligation of the Concessionaire has been fulfilled and the relevant guarantee may be released. Such

Certificate shall be provided within thirty (30) days from the completion of the Minimum Work Programme and fulfilment of obligations under this Contract to the satisfaction of the Grantor.

- 21.1.5 The bank guarantee, shall further provide that at the end of each Quarter and upon the completion and due performance of relevant activity in the Minimum Work Programme of a particular Exploration Phase, the applicable value of the Guarantee will be reduced in favour of the Concessionaire on presentation to the bank of a Certificate from the Grantor to the effect that the relevant Guarantee may be reduced.
- 21.1.6 If, upon expiry of the Phase I of the Exploration Period or any further Phase or extension thereof, or in the event of whole relinquishment or termination of the Contract, the exploration work has not reached the applicable Exploration Work Obligations, the Ministry shall have the right to call for the guarantee as compensation for the non-performance of the Exploration Work Obligations entered into by the Concessionaire.
- 21.1.7 After the payment has been made, the Concessionaire shall be deemed to have fulfilled its Exploration Work Obligations for the relevant Exploration Phase under this Contract.
- 21.1.8 If any of the documents referred to above are not delivered by the Concessionaire within the period specified herein, this Contract may be terminated by the Grantor upon tendering ninety (90) days written notice of its intention to do so.
- 21.1.9 Notwithstanding any change in the composition or shareholding of the parent company furnishing a Performance Guarantee as provided herein and the provisions set out below, it shall not, under any circumstances, be absolved of its obligations contained in the guarantees so provided.
- 21.1.10 The Grantor shall release the guarantee given by the Assignor to the extent of the amount of the guarantee provided by the Assignee, and where relevant the guarantee under this Article, if:
- a) a Party (“Assignor”) assigns all or a part of its Participating Interest to another (“Assignee”) in accordance with Article 35;
  - b) the Assignee provides an irrevocable, unconditional bank guarantee from a reputed bank of good standing, acceptable to the Grantor, in favour of the Grantor, for an amount equal to the assignee’s Participating Interest share of the estimated expenditure of the Minimum Work Programme at the Effective Date of the assignment;
  - c) the Assignee provides a Performance Guarantee; and
  - d) the addendum to the Contract giving effect to the assignment of Participating Interest is executed by all Parties.

## **21.2 Parent company guarantee**

- 21.2.1 Beyond the scope of the Performance Guarantee where the Concessionaire relies on the technical and/or financial capacity of its Parent Company for the performance of the Petroleum Operations, the Concessionaire shall no later than at the signature of this Contract provide, an unconditional and irrevocable parent company guarantee in respect of all its obligations and potential liabilities towards the Grantor, and for non-contractual liability for direct damage or loss of third parties pursuant to the Federation law and this Contract.
- 21.2.2 The parent company guarantee shall be substantially in the form set out in Annex C of this Contract and acceptable to the Grantor. To be acceptable to Grantor the parent company guarantee shall be provided by an entity registered in and operating from a jurisdiction entirely transparent to Federation authorities, and where a decision or ruling may be enforced pursuant to the dispute resolution mechanism provided in this Contract, or in case of non-contractual liabilities for direct damage or loss of third parties, before a competent court or tribunal.
- 21.2.3 If an event of default occurs in relation to the Parent Company providing the Parent Company Guarantee, then the Concessionaire shall on written notice procure the issue to the Grantor of a replacement Parent Company Guarantee on the terms and conditions substantially equivalent to Annex C or in such other form of security acceptable to the Grantor.

## **22. VALUATION OF PETROELUM**

Petroleum shall be valued in accordance with provisions of this Article for the purposes of determining the amount of the Royalty paid in cash or in kind,

### **22.1 Valuation of Crude Oil**

- 22.1.1 Crude Oil shall be valued at the F.O.B. (free on board) realized market price at the Delivery Point expressed in US Dollars per Barrel, as determined for the First Period and each subsequent Calendar Month, and referred to as “Market Price” provided that the said price is real and reasonable. A price shall be considered reasonable if it does not differ from the official selling price, as fixed from time to time by the major crude oil exporting countries for Crude Oil closest in quality to that Petroleum produced and saved and sold by the Concessionaire, after adjustment of such price to allow for variations in specific gravity, sulphur content, volumes, transportation costs and terms of sale. A value shall be established for each grade of Crude Oil or for each Crude Oil blend, if any.
- 22.1.2 The Market Price applicable to sales of Crude Oil during a Calendar Month shall be calculated at the end of that month and shall be equal to the weighted average of the prices obtained by the Concessionaire for quantities of Crude Oil sold to third parties during said month, on an Arm’s Length Sale basis, adjusted to reflect the variances in quality, grade, as well as F.O.B. delivery terms and conditions of payment. The quantities so sold to third parties during said month shall represent at least thirty per



cent (30%) of the total quantities of Crude Oil produced and saved from all the Fields under this Contract and sold during said month.

22.1.3 In the event such sales to third parties are not made during the month in question, or represent less than thirty per cent (30%) of the total quantities of Crude Oil obtained from all the Fields under this Contract and sold during said month, the Market Price shall be determined by comparison with the “Current International Market Price”, during the month in question, of Crude Oil produced in the Federation and the neighbouring producing countries, taking into account the variances in quality, grade, transportation and payment conditions.

22.1.4 The following transactions shall, inter alia, be excluded from the calculation of the Market Price:

- a) sales in which the buyer is an Affiliated Company of the seller as well as sales between entities constituting the Concessionaire;
- b) sales in which the buyer has any direct or indirect relationship or common interest with the Concessionaire which could reasonably influence the sales price;
- c) sales in exchange for other than payment in freely convertible currencies and sales fully or partially made for reasons other than the usual economic incentives involved in Crude Oil sales on the international market, such as exchange contracts, sales from government to government or to government agencies.

## **22.2 Valuation of Natural Gas**

22.2.1 Natural Gas in the arm’s-length contracts shall be valued at the market price (an actual sale price derived under such contracts, calculated at the Delivery Point, in which the quantities for the sale, quality, geographical location of the market to which the Gas shall be delivered to, may be taken into consideration, and the costs of the production, transportation, processing and distribution of Natural Gas from the Delivery Point to the target market in accordance with the International Good Oilfield Practice).

22.2.2 Natural Gas in the non-arm’s-length contracts shall be valued as a price that enables Natural Gas that was sold at the place of processing or consumption to reach the fair market price equal to the price of Natural Gas of the comparable quality.

22.2.3 The Concessionaire shall make any and all gas sales Contracts, including all the terms and conditions contained therein or related thereto together with any pertaining annexes or appendices, concluded for the sale of Natural Gas extracted in accordance with the provisions of this Contract, available to the Ministry and shall ensure that said gas sales Contracts contain provisions to this effect.

## **22.3 Process for Oil and Gas Valuation**

22.3.1 The Oil and Gas Valuation Commission, appointed by the Government comprising of

the representatives from the Ministry, the Institute and other federal Ministries and the Concessionaire, shall meet without delay at the end of each month, and in any case no later than twenty (20) days after the end of the month, in order to determine the market price of crude oil and natural gas applicable to the previous month. The Concessionaire shall submit the evidence that the sale of Crude Oil is a sale between unrelated parties.

22.3.2 If the Commission does not make a decision in a period of thirty (30) days following the month in question, market price of the exploited crude oil shall be determined by an expert appointed in accordance with Article 38.2 of this Contract

22.3.3 Until the price is being determined, the market price for the previous month should apply. All necessary adjustments shall be made in a period not later than thirty (30) days following the end of a month in which the sale was made.

## **23. MEASUREMENT OF PETROLEUM**

**23.1** The well stream and the Petroleum produced as part of Petroleum Operations shall be measured by Concessionaire by methods and appliances generally accepted and customarily used in International Good Oilfield Practice in compliance with international standards (API (American Petroleum Institute) and ASTM (American Society for Testing and Materials)) subject to approval by the Ministry. Petroleum produced from each Commercial Field shall be measured at the Measurement Point.

**23.2** The Concessionaire shall develop and submit for approval by the Ministry Petroleum Measurement Procedures prepared in compliance with International Good Oilfield Practice.

**23.3** The measuring equipment shall be calibrated yearly. Upon calibration of the metering equipment the Concessionaire shall provide to the Ministry with the copies of all the calibration reports as soon as practicable after completion of the reports.

**23.4** The Concessionaire shall keep all the records of analysis and measurement of Petroleum calibrations and proving of the measurement systems and make available to the Ministry or its authorized agency such records on request.

**23.5** The Ministry through duly appointed representatives shall periodically exercise control of measurements in compliance with requirements of the Law.

**23.6** Where the appliances used in connection with Petroleum measurement have caused an overstatement or understatement of production, the error shall be presumed to have existed since the date of the last calibration of such appliance, unless proven otherwise. Operator shall appropriately correct the error by:

- a) amending the volume of the Petroleum delivered in the relevant period; and
- b) adjusting the entitlements of each Party to take into account the correction.

## **24. ACCESS TO INFRASTRUCTURE AND LAND**

### **24.1 Access to infrastructure**

24.1.1 For transporting Petroleum, the Concessionaire may request and/or be required to connect its production facilities to the pipeline systems of the Federation at the expense of the Concessionaire. Such connections shall be agreed on at the moment of approving the Development and Production Plan, provided that it is not commercially damaging or does not have an opposite effect on the Concessionaire's rights and interests deriving from Petroleum Operations and considering the services and alternative at the Concessionaire's disposal.

### **24.2 Access to Land**

24.2.1 For the purpose of executing its obligations under this Contract, the Concessionaire shall have a right to use and access land within and outside of the Contract Area necessary to conduct Petroleum Operations.

24.2.2 Concessionaire may gain such access to land from the state and private landowners through sale and purchase, lease, expropriation, association with the landowner or any other legal procedures as provided by the Federation law.

24.2.3 The Concessionaire is responsible for paying proper compensation to the owners of land for gaining such access rights as provided in Article 24.2.2 prior to commencement of Petroleum Operations as per negotiated agreement, or rent rate as provided by the Federation law.

24.2.4 The Concessionaire shall pay fair, just and equitable compensation with regard to any disturbance or damage caused by the conduct of Petroleum Operations.

24.2.5 Upon the Concessionaire's request, the Grantor in the manner and pursuant to applicable Federation law, within its competence and to the extent possible, should assist the Concessionaire to obtain access rights necessary for undertaking Petroleum Operations. All reasonable costs incurred by the Grantor in rendering assistance are to be reimbursed by the Concessionaire.

24.2.6 If Petroleum Operations damage the forest land, any such damage shall be compensated by Concessionaire. For the purpose of Production Operation at the forest land, Concessionaire shall obtain prior permit to change the land use from forest land to building land and to pay a fee in accordance with applicable regulations in the field of forestry.

## **25. CONSERVATION OF PETROLEUM AND PREVENTION OF LOSS**

- 25.1** The Concessionaire shall adopt all those measures which are necessary and appropriate and consistent with the best available technology to prevent loss or waste of Petroleum above or under the ground in any form during Petroleum Operations, gathering and distribution, storage or transportation operations.
- 25.2** Production shall take place in such a manner that as much as possible of the Petroleum in place in each individual Petroleum Field, or in several fields in combination, will be produced. The production shall take place in accordance with prudent technical and sound economic principles and in such a manner that waste of Petroleum or Reservoir energy is avoided. The Concessionaire shall carry out continuous evaluation of production strategy and technical solutions and shall take the necessary measures in order to achieve this.
- 25.3** Petroleum shall not be produced from multiple independent Petroleum productive zones simultaneously through one string of tubing, unless otherwise determined by the Ministry in the approved Development and Production Plan.

## **26. TITLE TO ASSETS**

- 26.1** The Concessionaire may only construct Petroleum Facilities in possession of the permits prescribed by the Federation law and in accordance and in conformity therewith.
- 26.2** The Concessionaire shall be the owner of the assets, whether fixed or movable which it has acquired for purposes of Petroleum Operations, subject to provisions of this Article and in compliance with the Law.
- 26.3** Six (6) months prior to the expiration of the contract term the Grantor shall make a decision as to whether the Federation claims ownership rights over tools, petroleum installations and wells which are not removable without significant damage.
- 26.4** If the Grantor claims the ownership rights, then ownership of such tools, wells, petroleum installations shall be transferred for no consideration under a separate written contract concluded by and between the Concessionaire and the Grantor. In such a case, the Grantor shall reimburse the Concessionaire for any possible taxes due on such free transfer of tools, wells mining installations, and the Concessionaire shall no longer and by no means be held responsible for dismantling the freely transferred tools, wells, mining installations or to bear any further costs related thereto.
- 26.5** If the Grantor declares that the Federation claims no ownership over the tools, wells, petroleum installations, then the Concessionaire shall be obliged to perform Decommissioning Operations and restoration of the area in accordance with an approved Decommissioning Plan under Article 12. All tools and installations that are removable without significant damage shall, after termination of the Contract, remain

in the ownership of the Concessionaire, and after its winding up, they shall be exclusively owned by the Concessionaire.

- 26.6** The Concessionaire shall be responsible for proper maintenance, insurance and safety of all assets acquired for Petroleum Operations and for keeping them in good repair, order and working condition at all times.

## **27. BOOKS AND ACCOUNTS DATA, RECORDS AND REPORTING**

### **27.1 Books and Accounts**

27.1.1 The Concessionaire shall maintain its records and books in accordance with the provisions of applicable regulations on accounting and auditing and regulations on tax if the specific records are required.

27.1.2 The accounting and auditing procedures specified in this Contract are without prejudice to any other requirements imposed by any laws of the Federation including any specific requirements of the laws relating to corporate taxation. The Federation may make such regulations as may be required to establish accounting and auditing procedure to regulate the matters set out in this Article.

27.1.3 Records and books shall be maintained in the English and Bosnian languages and expressed in the Federation Convertible Marks and in the US Dollars. All such records and books shall be supported by detailed documents demonstrating the expenses and receipts of the Concessionaire under this Contract.

27.1.4 Such records and books shall be used, inter alia, to determine the Concessionaire's gross income and net profits and to establish the Concessionaire's tax return. They shall include the Concessionaire's accounts showing the sales of Petroleum under this Contract.

27.1.5 The originals of the records and books referred to in this Article shall be kept for the periods and in a manner as determined by applicable Federation law.

## **28. DATA, RECORDS AND REPORTING**

**28.1** The Concessionaire shall be obliged to satisfy its reporting and data supply obligations stipulated by the applicable Federation law and regulations and reasonable requests of the Ministry and shall warrant comprehensiveness and accuracy of all data furnished under this obligation, nevertheless provided that such obligation does not include any information on patented technology in the ownership of the Concessionaire.

**28.2** The Concessionaire shall have the right to use and have access to all geological, geophysical, drilling, well production, well location maps and other information held by the Grantor or its agents related to the Contract Area and areas adjacent to the

Contract Area. If and when requested by the Concessionaire, the Grantor shall provide or supply to the Concessionaire 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 Concessionaire'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.

**28.3** The Concessionaire shall prepare and, at all times while this Contract is in force, maintain accurate and current records of its operations in the Contract Area hereunder. The data management procedure shall be submitted by the Concessionaire to the Ministry for approval in two (2) months after effective date of this Contract. Upon approval by the Ministry, the Concessionaire may cease submitting any or all of the above items and maintain them for the review by the Ministry in its files in the Federation.

**28.4** In accordance with International Good Oilfield Practice, the Concessionaire shall keep the Ministry promptly and fully informed of Petroleum Operations being carried out by it and its Sub-Contractors and the Concessionaire shall promptly provide the Ministry, free of cost, with all data obtained as a result of Petroleum Operations under this Contract including but not limited seismic data, geological, geophysical, geochemical, petrophysical, engineering, well logs, maps, magnetic tapes, cores, cuttings and production data as well as all interpretative and derivative data, including reports, analyses, interpretations and evaluations prepared in respect of Petroleum Operations, hereinafter referred to as "Data".

The list of reports shall include, but not limited to the following:

- a) raw and processed seismic data and interpretations thereof including digital horizon files, velocity models used for depth conversion;
- b) well data, including, but not limited to, daily drilling reports, electric logs and other wire line surveys, mud logging reports and logs, samples of cuttings and cores and analyses made thereof;
- c) all reports prepared from drilling data, geological or geophysical data, including all maps or illustrations derived;
- d) all original well completion and well testing reports;
- e) reports dealing with location surveys and all other reports regarding wells, treating plants or pipeline locations;
- f) reports dealing with reservoir investigations and reserve estimates, field outlines and economic evaluations relating to current and future Petroleum Operations;
- g) quarterly reports on Petroleum Operations as agreed between the Ministry and the Concessionaire;
- h) final reports upon completion of each specific project or operation;
- i) contingency programs and reports dealing with health, safety, and the environment

- j) design drawings, criteria, specifications and construction records;
  - k) reports of technical audits and studies relating to Petroleum Operations;
  - l) reports of all other technical data relevant to the performance of Petroleum Operations in the Contract Area; and
  - m) all reports which may be requested by the Ministry and are otherwise required by the terms of this Contract.
- n) all audit reports regarding the Petroleum Operations and its accounting.

**28.5** The Concessionaire shall keep in the Federation an accurate geological and geophysical information, data and maps relating to the Contract Area, and such reports in relation thereto which are necessary to preserve all information which the Concessionaire has about the geology and other characteristics of the Contract Area.

**28.6** The Federation shall have title to all original data and information resulting from Petroleum Operations under this Contract, including but not limited to geological, geophysical, petrophysical and engineering data; well logs and completion status reports; and any other data that the Concessionaire or anyone acting on its behalf may compile or obtain during the term of this Contract in accordance with the Law. The Concessionaire is entitled to retain and use a copy of all such data, subject to the provisions of this Article.

## **29. CONFIDENTIALITY**

**29.1** Each Party agrees that all information and data of a technical, geological or commercial nature, acquired or obtained from and/or related to Petroleum Operations on or after the Effective Date and not (a) in the public domain; (b) already known to each Party or its respective Affiliates as of the Effective Date; (c) acquired independently from a third party who has the right to disseminate such information at the time it is acquired by either Party or an Affiliate of such Party; (d) developed by a Party or its respective Affiliates wholly independently of the information and data received from a disclosing party; or (e) otherwise legally in the possession of such Party without restriction on disclosure, shall be considered and kept confidential, and shall not be disclosed, sold, offered to any third party or published, except as specified in this Article.

**29.2** Notwithstanding the provisions set out above, disclosure may be made to:

- a) Sub-Contractors, Affiliates, assignees, auditors, financial consultants or legal advisers, provided that such disclosures are required for effective performances of the aforementioned recipients' duties related to Petroleum Operations;
- b) Employees, professional consultants, advisers, data processing centres and laboratories, where required, for the performance of functions in connection with Petroleum Operations for any Party comprising the Concessionaire;
- c) Banks or other financial institutions, in connection with Petroleum Operations;

- d) Bona fide intending assignees or transferees of a Participating Interest of a Party comprising the Concessionaire or in connection with a sale of the stock or shares of a Party comprising the Concessionaire;
- e) The extent required by any applicable law or in connection with any legal proceedings or by the regulations of any stock exchange upon which the shares of a Party comprising the Concessionaire are quoted;
- f) Grantor departments for, or in connection with, the preparation by or on behalf of the Grantor of statistical reports with respect to Petroleum Operations, or in connection with the administration of this Contract; and
- g) By a Party with respect to Data or information which, without disclosure by such Party, is generally known to the public.

Any disclosure by the Concessionaire to any third party pursuant to the Contract shall be made with a written undertaking by the Concessionaire to the Ministry stating that the third party shall treat such data, information or reports as confidential.

**29.3** The Concessionaire may disclose information as and to the extent required by a regulatory or judicial authority having proper jurisdiction over the Concessionaire, provided that the Ministry is first notified of such disclosure and of the information so disclosed.

**29.4** The Concessionaire's obligation of confidentiality under this Article shall be of a continuing nature and shall not be cancelled by the expiration, suspension or termination of this Contract.

**29.5** Any Concessionaire Party ceasing to own a participating interest in this Contract, during the term of this Contract, shall nonetheless remain bound by the obligations of confidentiality set forth above and any disputes shall be resolved in accordance with Article 38.

**29.6** Notwithstanding the provisions of Article 29.5 of this Contract, the confidentiality obligations of Concessionaire with respect to geological, geophysical data and information acquired or obtained from and related to Petroleum Operations shall remain in force and effect throughout the life of the Contract and a period of five (5) Calendar Years thereafter.

## **30. SUPERVISION AND INSPECTIONS**

**30.1** Petroleum Operations shall be subject to inspection pursuant to provisions of the Federation laws and regulations. The authorised officers shall have the right, inter alia, to supervise Petroleum Operations and to inspect the facilities, equipment, materials, records and books relating to Petroleum Operations, provided that such inspection shall not unduly delay the proper conduct of said Operations.

**30.2** For purposes of permitting the exercise of the above-mentioned rights, the Concessionaire shall provide the authorised officers with reasonable assistance regarding transportation and accommodation.



## **31. EMPLOYMENT AND TRAINING**

- 31.1** From the commencement of the Petroleum Operations and subject to applicable law, the Concessionaire, its Sub-Contractors shall give preference to employ the Federation personnel, under the same conditions with respect to skills and professional competence, where qualified and trained Federation nationals are available for employment in the conduct of Petroleum Operations and contribute to the training of those personnel in order to allow them access to any position of skilled employee, foreman, executive and manager. For the avoidance of any doubt, the personnel shall also include personnel of the Concessionaire's Affiliates.
- 31.2** At the end of each calendar year, the Concessionaire shall develop and submit for approval to the Ministry a plan for employment of local personnel in order to gradually achieve greater employment of local personnel to be engaged in Petroleum Operations and to submit an annual report in a form agreed by the Ministry.
- 31.3** The Concessionaire and its Sub-contractors have a right to determine the number of employees required to be engaged in the Petroleum Operations in compliance with this Article for the term of this Contract.
- 31.4** Subject to the conditions and requirements of the Federation law, the Grantor will support all applications by the Concessionaire to the competent authorities for permits for entry, residence, movement and work in the Federation for all foreign personnel referred to in the preceding Article 31.1 and to the members of their family, unless there exist reasons pertaining to national or public security and order.
- 31.5** In addition, the Concessionaire shall be obliged each year to plan and report on training of local employees as well as civil servants of the State. Costs associated with such training incurred by the Concessionaire shall not exceed and shall count towards the agreed costs of Concessionaire training obligations, as these are set for in Article 16.3.

## **32. GOODS, SERVICES AND PROCUREMENT**

- 32.1** From the commencement of the Petroleum Operations and subject to applicable law, the Concessionaire, its Sub-Contractors shall give preference to local companies and goods, works and services under the same conditions in terms of price, quantity, quality, terms of payment and delivery terms. For the avoidance of doubt, this Article 32.1 shall also apply to the Affiliate Companies of the Concessionaire. The Concessionaire shall keep the records and reports and submit the reports to the Ministry.
- 32.2** Subject to applicable Federation law the Concessionaire shall base the procurement of goods and services for the purpose of Petroleum Operations pursuant to this Contract on the basis of competitive tenders.

**32.3** Substantial contractual obligations, meaning such contracts that concern Production profile, field depletion strategy, ability to implement enhanced or improved recovery of Petroleum, Gas off-take solutions for the Exploitation Area or the construction or lease of facilities, and such contracts that may affect Development, Production or cessation of Petroleum Operations and Decommissioning of facilities, shall not be undertaken nor construction work be started, until the Development and Production Plan has been approved by the Ministry.

### **33. CURRENCY AND EXCHANGE CONTROL, PAYMENTS**

#### **33.1 Currency and Exchange Control**

33.1.1 All operations under this Contract shall be subject to the Federation exchange control, and to the rules and regulations thereon in force from time to time.

33.1.2 All transactions, payments and valuations made in currencies other than the currency of the Federation shall be recorded in US Dollars at the exchange rate in effect at the time the transaction or valuation is made.

33.1.3 The rate of exchange shall be established by reference to the middle rate published by the Central Bank of the Federation. For transactions made on dates when no exchange rate is published, the exchange rate shall be established by reference to the middle rate published by the Central Bank of the Federation on the immediately preceding publishing date.

33.1.4 The Concessionaire shall, during the term of this Contract, pursuant to the provisions of the law of Federation, have the right to:

- a) repatriate abroad the net proceeds of sales of Petroleum under this Contract;
- b) receive, retain and use abroad the proceeds of any export sales of Petroleum under this Contract;
- c) open, maintain and operate bank accounts with reputable banks, both inside and outside of the Federation for the purpose of this Contract;
- d) freely import, through normal banking channels, funds necessary for carrying out the Petroleum Operations;
- e) convert into foreign exchange and repatriate sums imported in excess (if any) of its requirements.

#### **33.2 Payment Mechanism**

33.2.1 All payments between the Parties shall, unless otherwise agreed, be in US Dollars and through a bank designated by each receiving Party.

33.2.2 Subject to the provisions of the Contract, payments of income tax by the Concessionaire shall be made in accordance with appropriate procedures contained in Tax Regulations.

## **34. CONTRACT TERMINATION**

- 34.1** This Contract shall be terminated upon expiry of the term stipulated in the Contract – including the events of extension.
- 34.2** This Contract may be terminated prior to expiration of its term by written consent of the Parties, or following the Concessionaire's relinquishment of the entire Exploitation Area pursuant to Articles 6 and 8.
- 34.3** This Contract may be terminated by the Grantor under one of the following occurrences:
- a) material breach or recurrent breach by the Concessionaire of the provisions of the Law and/or the Regulations and/or the provisions of this Contract;
  - b) delay exceeding three (3) months incurred by the Concessionaire with respect to a payment due to the Federation;
  - c) disruption of development work with respect to a Field during six (6) consecutive months, except in case of Force Majeure as stated in the Article 37;
  - d) after commencement of production from a Field, disruption of production for at least six (6) months or repetitive disruption of Production, decided without the Ministry's consent, except in case of Force Majeure as stated in the Article 37;
  - e) failure of the Concessionaire to comply, within the prescribed time period, with an arbitration award rendered in accordance with the provisions of Article 38;
  - f) bankruptcy, composition with creditors or liquidation of assets of the Concessionaire or its parent-company or any entity constituting the Concessionaire, as the case may be; or
  - g) if the Concessionaire has knowingly submitted false statement given to the Grantor which were of a material consideration for the execution of this Contract.
  - h) if the Concessionaire fails to pay the signatory bonus pursuant to Article 16.2.1a) and/or fails to submit the Bank Guarantee pursuant to Article 21.1.
- 34.4** Except with respect to the occurrence set forth in Article 30.1(f) above, the Grantor shall pronounce the forfeiture provided for in Article 30.1 only after having served formal notice on the Concessionaire, by registered mail with acknowledgement of receipt, to remedy the breach in question within three (3) months (or within six (6) months with respect to the occurrences set forth in Articles 30.1(c) and 30.1(d) above) from the date of receipt of such notice.
- 34.5** Should the Concessionaire fail to comply with such prescription within the prescribed time period, the Grantor may pronounce ipso jure the termination of this Contract.
- 34.6** For the duration of the Exploration Period, the Grantor may, with at least three (3) months' prior notice, request the Concessionaire to relinquish immediately without any compensation all its rights over the area encompassing a Discovery, including

Petroleum which may be produced from said Discovery, if the Concessionaire:

- a) has not submitted an Appraisal Work Program with respect to said Discovery within nine (9) months following the date on which said Discovery has been notified to the Ministry; or
- b) does not declare the Discovery as a Commercial Discovery within nine (9) months after completion of Appraisal Operations with respect to said Discovery.

**34.7** The Grantor may then perform or cause to be performed any appraisal, development, production, treatment, transportation and marketing work with respect to said Discovery, without any compensation to the Concessionaire; provided, however, it shall not cause prejudice to the performance of the Petroleum Operations by the Concessionaire in the remaining part of the Contract Area.

**34.8** Any dispute as to whether any ground exists to justify the termination of this Contract pronounced by the Grantor due to the forfeiture may be subject to arbitration in accordance with the provisions of Article 38. In that event, the Contract shall be suspended until the execution of the arbitration award by the Parties.

**34.9** When Contract is terminated the Parties shall observe and comply with requirements provided in this Contract and in the Laws of Bosnia and Herzegovina and Federation Law.

**34.10** Within ninety (90) days after the termination of this Contract or such longer period as the Grantor may agree, the Concessionaire shall carry out any necessary action as directed by the Ministry to avoid Environmental Damage or hazards to human life or to the property of others.

## **35. ASSIGNMENT AND CHANGE OF CONTROL**

### **35.1 Assignment**

35.1.1 No assignment or other dealing by the Concessionaire with respect to this Contract shall be of any force or effect without prior consent of the Grantor and subject to approval by the Parliament in accordance with the Law.

35.1.2 Article 35.1.1 includes any assignment, transfer, conveyance, novation, merger, encumbering or other dealing in any manner whatsoever or howsoever (whether legally, beneficially or otherwise, and whether conditionally or not) by the Concessionaire or any one of the entities constituting the Concessionaire (hereinafter "the Entities") with respect to:

- a) this Contract, or all or any part of its rights, interests, benefits, obligations and liabilities under it;
- b) Petroleum which has not then been, but might be, recovered in the Contract Area, or any proceeds of sale of such Petroleum; and
- c) anything whereby this Contract, that Petroleum or any of those rights,

interests and benefits would, but for this Article 35.1, be held for the benefit of, or be exercisable by or for the benefit of, any other Person.

35.1.3 Article 35.1.1 does not apply to a Contract for the sale of Crude Oil under which the price therefor is payable (or such Crude Oil is exchanged for other Petroleum) after title thereto has passed to the Concessionaire.

35.1.4 If, notwithstanding Articles 35.1.1 and 35.1.2, any assignment or other dealing is effective under the Federation law, or any other place without that consent, the Grantor may terminate this Contract.

35.1.5 For the purposes of the foregoing, encumbrance includes any mortgage, charge, pledge, hypothecation, lien, assignment by way of security, title retention, option, right to acquire, right of pre-emption, right of set off, counterclaim, trust arrangement, overriding royalty, net profits interest, or any other security, preferential right, equity or restriction, any Contract to give or to create any of the foregoing and any transaction which, in legal terms, is not a secured borrowing but which has an economic or financial effect similar to that of a secured borrowing.

## **35.2 Change of Control**

35.2.1 No change of control or change in any of the Factors Constituting Control of the Concessionaire or any one of the Entities can be of any force or effect with respect to this Contract, except with the consent of the Grantor and subject to approval by the Parliament in accordance with the Law.

35.2.2 Any changes of the Factors Constituting Control of the Concessionaire shall promptly be reported by the Concessionaire to the Ministry. The Ministry may at any time inquire about the Factors Constituting Control of the Concessionaire.

35.2.3 For the purpose of this Article, “Factors Constituting Control” means:

- a) Protocols, Contracts or Contracts binding the Concessionaire with another Concessionaire or Entity or with third parties and relating to the conduct of operations and management of their companies, to the sharing of expenditures and profit, or to the sharing and disposal of products and, if such companies are liquidated, to the distribution of assets;
- b) Provisions of the Concessionaire’s articles of incorporation and by-laws relating to the head office, the right attached to capital stock, the majority required in annual meetings; and
- c) Generally, any transaction the result of which is to make one or more physical or legal persons gain or lose a controlling interest in the operations and management of the Concessionaire.

35.2.4 If there is a change in the Factors Constituting Control except with the consent of the Ministry, the Ministry may serve notice on the Concessionaire within thirty (30) days after the Concessionaire has advised the Ministry in reasonable detail of the change in

control, that this Contract shall be terminated unless such a further change in control of the Concessionaire or the Entity as is specified in the notice takes place within the period specified in the notice.

35.2.5 Article 35.2.4 does not apply if the change in control is the direct result of an acquisition of shares or other securities listed on a recognised stock exchange.

35.2.6 For the purposes Article 35.2.3, “change of control” includes a Person ceasing to be in control (whether or not another Person becomes in control), and a Person obtaining control (whether or not another Person was in control).

## **36. INDEMNITY, INSURANCE AND LIABILITY**

**36.1** The Concessionaire shall be entirely and solely responsible in law towards third parties and shall compensate for any damage or loss which the Concessionaire, its employees or Sub-Contractors and their employees may cause to the person, the property or the rights of other persons, caused by or resulting from Petroleum Operations, including any Environmental Damage. The Concessionaire shall indemnify the Federation against all damages for which it may be held liable on account of any such operations.

**36.2** The Concessionaire shall indemnify, defend and hold the Grantor harmless against all claims, losses and damages of any nature whatsoever arising in respect of matters the subject of this Contract including claims for loss or damage to property or injury or death to persons caused by or resulting from any Petroleum Operations conducted by or on behalf of the Concessionaire irrespective of the negligence or breach of duty of the Ministry and other nominees or employees of the Grantor or any third party.

**36.3** The Concessionaire shall effect and, during the term of this Contract, maintain and obtain insurance coverage for and in relation to Petroleum Operations for such amounts and against such risks as are customarily or prudently insured in the international Petroleum industry, and shall furnish to the Ministry within sixty (60) days of Effective Date of this Contract, certificates or any other documents acceptable by the Ministry, evidencing that such coverage is in effect. Such insurance policies shall include the Grantor as additional insured and shall waive subrogation against the Grantor. The said insurance shall, without prejudice to the generality of the foregoing, cover:

- a) loss or damage to all facilities, installations, equipment and other assets for so long as they are used in or in connection with Petroleum Operations; provided, however, that if for any reason the Concessionaire fails to insure any such installation, equipment or assets, it shall replace any loss thereof or repair any damage caused thereto;
- b) loss, damage or injury caused by pollution in the course of or as a result of Petroleum Operations;
- c) loss of property or damage or bodily injury suffered by any third party in the

course of or as a result of Petroleum Operations for which the Concessionaire may be liable;

- d) any claim for which the Grantor may be liable relating to the loss of property or damage or bodily injury suffered by any third party in the course of or as a result of Petroleum Operations for which the Concessionaire is liable to indemnify the Grantor;
- e) with respect to Petroleum Operations offshore, the cost of removing wrecks and cleaning up operations following any accident in the course of or as a result of Petroleum Operations;
- f) the Concessionaire's and/or the Operator's liability to its employees engaged in Petroleum Operations as required by applicable laws; and
- g) other insurance policies in compliance with the Law and other applicable Federation laws.

**36.4** The Concessionaire shall require its Sub-Contractors to obtain and maintain insurance against the risks referred to in this Article relating mutatis mutandis to such Sub-Contractors.

**36.5** The Concessionaire has the freedom to select its insurance provider. The Concessionaire shall provide at request of the Ministry the certificates proving the subscription and maintenance of the above-mentioned insurances. All insurance policies taken out pursuant to this Article shall be made available to the Ministry for review and prior to operations commencing. The Ministry shall have the right to require amendments to the said insurance policies in order to secure the compliance with the requirements pursuant to this Article.

**36.6** Concessionaire is liable for any loss or damage resulting from the Gross Negligence or Wilful Misconduct of Concessionaire, of Concessionaire's Sub-Contractors or their employees, acting in the scope of their employment in the performance of Petroleum Operations, or any other persons for whom Concessionaire is responsible with regard to Petroleum Operations.

## **37. FORCE MAJEURE**

**37.1** Any obligation or condition arising from this Contract which either Party is prevented from performing whether in whole or part, except with respect to the payments such Party is liable to, shall not be considered as a breach of this Contract if said non-performance is caused by a case of Force Majeure, provided, however, that there is a direct cause-and-effect relationship between the non-performance and the case of Force Majeure invoked and that such Party has taken appropriate precautions and exercised due care, to carry out the terms and conditions of this Contract.

**37.2** For purposes of this Contract, cases of Force Majeure are considered to include all events which are unforeseeable, irresistible and beyond the control of the Party which invokes it, such as earthquake, typhoon, fire, riot, insurrection, civil

disturbances, acts of war or acts attributable to war, invasions, blockades, strikes, but shall not include the unavailability of funds.

- 37.3** Where either Party considers it is prevented from performing any of its obligations due to a case of Force Majeure, it shall immediately notify the other Party thereof, stating the grounds for establishing such case of Force Majeure, and it shall, in Contract with the other Party, take all necessary and useful action to assure the resumption of the obligations affected by the case of Force Majeure upon termination of that case of Force Majeure.
- 37.4** The obligations other than those affected by the case of Force Majeure shall continue to be performed in accordance with the provisions of this Contract.
- 37.5** The Parties shall take reasonable measures to minimize the consequences of any event of Force Majeure.
- 37.6** Notwithstanding anything contained above, if an event or circumstance of Force Majeure occurs and is likely to continue for a period in excess of thirty (30) days, the Parties shall meet to discuss the consequences thereof and the course of action to be taken to mitigate the effects thereof or to be adopted in the circumstances.
- 37.7** In case of the Force Majeure the Parties are, at all-times, subject to provisions of the Law.

## **38. DISPUTE RESOLUTION**

### **38.1 Amicable settlement**

- 38.1.1** In the event of any dispute between the Federation and the Concessionaire arising out of, relating to, or connected with this Contract or the operation and activities carried out under this Contract, including any dispute regarding the construction, validity, interpretation, enforceability, breach, termination or implementation of any provisions of this Contract (hereinafter: Dispute), other than a Dispute to be referred to expert determination, the Parties shall first attempt to resolve the Dispute amicably through negotiations which shall not exceed a period of thirty (30) days after the receipt by one Party of a notice in writing from the other Party of the existence of such a Dispute.
- 38.1.2** If any dispute referred to under this Article has not been settled through negotiations within the established period either Party may, by written notice to the other Party, propose that the dispute be referred either for expert determination in accordance to Article 38.2 or to arbitration in accordance with Article 38.3.

### **38.2 Expert Determination**

- 38.2.1** In the event of failure of the Parties to reach an amicable settlement, the dispute the Parties have agreed to refer to an expert determination and any other matter which the



Parties may agree to so refer may be referred to an expert determination.

- 38.2.2 As per Article 38.2.1, the Parties may by mutual agreement, refer the dispute for determination to a sole expert to be appointed by agreement between the parties. The expert shall be an impartial person of international standing with relevant qualifications and experience on the subject matter, appointed by a written and by a mutual agreement between the Parties and who shall not have a conflict of any kind between his/her own interest and his/her duty as a sole expert.
- 38.2.3 Failing to appoint the expert within thirty (30) days following the submission of the written notice under Article 38.1.2, the Parties, by mutual agreement, may request the International Centre for Alternative Dispute Resolution (ADR) of the International Chamber of Commerce (ICC) to appoint such expert in accordance with its Rules for the Appointment of Experts and Neutrals of the International Chamber of Commerce in force on the Effective Date of this Contract.
- 38.2.4 The expert shall render his decision no later than ninety (90) days after his or her appointment. The Parties agree to cooperate fully in the conduct of such expert determination and to provide the expert with all necessary information to make a fully informed decision in an expeditious manner.
- 38.2.5 The expert's decision shall be final and binding upon the Parties unless the Parties refer the dispute to arbitration pursuant to Article 38.2 within sixty (60) days of the date on which the expert's decision is received by the Parties by double-registered letter or by courier.
- 38.2.6 The expert expenses and fees shall be paid as determined in the decision of the expert.

### **38.3 Arbitration**

- 38.3.1 Each Dispute not resolved amicably and/or not referred to determination by the expert or referred but brought to arbitration within the period under Article 38.1.5, shall be resolved exclusively and finally in arbitration. Any Party may refer such Dispute to arbitration.
- 38.3.2 The arbitration shall be held and settled in accordance with the Rules of Arbitration of the International Chamber of Commerce (ICC) as in effect at the time the proceeding is started.

Unless otherwise expressly agreed in writing by the Parties:

- (a) the place of arbitration is Zurich, Switzerland;
- (b) the arbitration proceedings shall be conducted in English language.
- (c) the law of the arbitration shall be the Federation law.
- (d) the number of arbitrators shall be three. The arbitrators shall be and remain at all times independent and impartial.
- (e) any procedural issues not determined under the arbitral rules selected pursuant to

this Article shall be determined by the law of the place of arbitration, other than the legislation which would refer the matter to another jurisdiction.

- (f) the costs of the arbitration proceedings (including attorney's Fees and costs) shall be borne in the manner determined by the Parties and if the Parties disagree, in the manner determined by the arbitrators.
- (g) the decision of a majority of the arbitrators shall be final and binding without the right of appeal.

38.3.3 The arbitration proceeding shall be conducted expeditiously, without recourse to courts, including but not limited to any type of judicial or administrative action against the arbitral tribunal's decisions at any stage of the arbitration.

38.3.4 A Party's breach of this Contract shall not affect the right to refer the dispute arising from this Contract to arbitration.

## **39. GOVERNING LAW AND LANGUAGE OF THE CONTRACT**

**39.1** This Contract shall be governed and interpreted in accordance with the laws of the Federation and the laws of Bosnia and Herzegovina. The laws will also include amendments, revisions, and modifications and re-enactment.

**39.2** The Concessionaire hereby undertakes to execute all Petroleum Operations within the Contract Area in compliance with the requirements of the Federation law, the applicable labour and occupational safety regulations and by ensuring the protection of human life, health, soil, environment, nature, waters, arable land, and property, the implementation of the requirements of mineral and geothermal energy resource management and fulfilment of tax and accounting regulations that are enforced from time to time.

**39.3** In case there is any issued not regulated by the Federation law, the laws of Bosnia and Herzegovina, the principles of international law shall apply.

**39.4** Nothing in this Contract shall entitle the Concessionaire to exercise the rights, privileges and powers conferred upon it by this Contract in a manner that will contravene the laws of the Federation and the laws of Bosnia and Herzegovina.

**39.5** This Contract will be executed in the Bosnian and English languages, and Bosnian version shall prevail. In case of a dispute and arbitration between the Parties, except for a manifest error or misprint, the Bosnian version shall prevail.

## **40. AMENDMENTS AND CONTRACT STABILISATION**

### **40.1 Amendments**

40.1.1 This Contract shall not be amended, modified, varied or supplemented in any respect except by an instrument in writing signed by all the Parties, which shall state the date

upon which the amendment or modification shall become effective.

40.1.2 The parties shall use their best efforts to agree on the appropriate amendments to this Contract within ninety (90) days from aforesaid notice. The amendments to this Contract shall in any event neither decrease nor increase the rights and obligations of the Concessionaire as these were agreed on the Effective Date.

## **40.2 Contract Stabilisation**

40.1.1 If during the Contract validity there are amendments/or supplements to the Federation laws and regulations and Bosnian and Herzegovina laws and regulations which were in force when the Contract came into effect, including amendments and/or supplements to the laws and regulations resulting from the concluded international Agreements to which the Federation is a party and which have great impact on the economic or commercial provisions of the Contract and/or other important interests of the Parties, the Grantor and/or the Concessionaire shall enter into negotiations for the purpose of possible amendments to the Contract which would ensure a balance of interests and planned economic results of the Parties that existed when the Contract was concluded, and which are in compliance with the concluded Contract.

40.1.2 For that purpose the Concessionaire shall submit a formal letter to the Grantor, priority mail with a return receipt, informing on the one hand the Grantor of the change in the law and its effect on the economic balance that had existed on the date of entry the Contract into force and on the other requesting the Grantor to take appropriate measures to restore the economic balance of the Contract that had existed on the Effective Date of the Contract. The Grantor shall within three (3) months from the date of receiving the Concessionaire's notice to notify the Concessionaire of the measures it is considering in order to restore such economic balance that had existed on the Effective Date of the Contract. Upon the expiry of the aforementioned deadline the Parties shall meet within the deadline of fifteen (15) days in order to agree a solution that would enable the restoration of the economic balance that had existed at the Effective Date of the Contract. If the Parties fail to reach an agreement within ninety (90) days, each Party may refer the subject matter to dispute resolution as provided under Article 38 herein.

40.1.3 The provisions of the Article 40.2 shall not apply in case of any , amendments and/or supplements modification, enactment, re-enactment, repeal or other change or addition to laws and regulations governing labour relations, environmental protection, protection of human health, occupational safety and the safety of Petroleum Operations.

## **41 MISCELLANEOUS**

41.1 No waiver by any Party of any one or more obligations or defaults by any other Party

in the performance of this Contract shall operate or be construed as a waiver of any other obligations or defaults whether of a like or of a different character. For any waiver to be effective hereunder, it shall be made in writing.

- 41.2 The provisions of any Article in this Contract shall prevail over the provisions contained in the Annexes thereto.
- 41.3 Reference to any law or regulation having the force of law includes a reference to that law or regulation as from time to time may be amended, extended or re-enacted.
- 41.4 If any part of this Contract is held to be invalid, the remainder of this Contract shall remain in effect and the Parties agree that the part so held to be invalid shall be deemed to have been stricken here from and the remainder shall have the same force and effect as if such part had never been included herein.
- 41.5 All rights and obligations hereunder that expressly or by their nature extend beyond the term of this Contract shall survive and continue to bind the Parties, their legal representatives, legal successors and legal assigns after any termination or expiration of this Contract until such rights and obligations are satisfied in full or expire.

## **42 NOTICES AND IMPLEMENTATION OF THE CONTRACT**

- 42.1 The Parties hereby agree to cooperate in any possible manner to achieve the objectives of this Contract.
- 42.2 Parties hereby undertake to cooperate in order to attain their mutual goals. In the course of exercising their rights and fulfilling their obligations arising from the present Contract, the parties shall have the obligation to act in good faith and fair dealing and mutual cooperation. In order to perform the Contract, the Concessionaire shall act in a manner reasonably expected in the given situation, whereas the Grantor shall act in the same manner to facilitate performance.
- 42.3 All notices, statements, and other communications to be given, submitted or made hereunder by any Party to another shall be in writing in Bosnian language and sent by registered post, postage paid, or by telegram, telex, facsimile, radio or cable, to the address or addresses of the other Party or Parties as follows:

a) If to the Grantor:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

b) If to the Concessionaire:

\_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_

Notices shall be effective when delivered, if offered at the address of the other Parties set out in this Article 42 during business hours and, if received outside business hours, on the next following Business Day.

The Grantor or the Concessionaire may at any time change their authorized representative, or modify the addresses mentioned in this Article, subject to at least ten (10) days' prior notice.

**43 EFFECTIVE DATE**

43.1 This Contract shall become effective as of the Effective Date upon execution of this Contract by each Party, and this Contract shall be binding for each Party.

43.2 In witness whereof, the parties hereto have caused this Contract to be executed in \_\_\_\_ (\_\_) originals in the \_\_\_\_\_ language, each page having been signed with initials by the two Parties.

Parties have read and mutually construed the Contract.

**IN WITNESS WHEREOF**, the Parties hereto have caused this Contract as one in full compliance with their business intentions to be executed on this day.

Sarajevo, 2020

Sarajevo, 2020

For and on behalf of the Grantor:

For and on behalf of Concessionaire:

\_\_\_\_\_  
Prime-Minister

\_\_\_\_\_  
Managing Director

**ANNEX A: MAP OF THE CONTRACT AREA**

## **ANNEX B -MANDATORY WORK PROGRAM GUARANTEE**

[Date]

The Ministry of

\_\_\_\_\_

[address]

### **MANDATORY WORK PROGRAM GUARANTEE**

1. We understand that, on [insert date], the Federation of Bosnia and Herzegovina represented by the Prime-Minister of \_\_\_\_\_ and [insert Concessionaires name], hereinafter referred to as the “Concessionaire”, entered into a Concession Contract for the Exploration and Production of Petroleum for Block(s) : \_\_\_\_\_ , hereinafter referred to as the “Contract”.
2. Definitions stipulated by applicable Federation of Bosnia and Herzegovina Hydrocarbon law, currently the Law on Exploration of Petroleum and Gas in the Federation of Bosnia and Herzegovina (“Official Gazette of the Federation of B&H”, no. 77/13 and 19/17), the applicable specific decrees and regulations, and the Contract to which this Mandatory Work Program Guarantee is an annex and an integral part and a condition for the Contract awarded, shall apply to this Mandatory Work Program Guarantee, unless otherwise stipulated or the context otherwise requires.
3. We, the undersigned [insert the legal name of the bank], hereinafter referred to as the “Bank”, hereby, save for the conditions stipulated below in Article 5, unconditionally and irrevocably on first demand guarantee in favour of the Federation of Bosnia and Herzegovina for the due and punctual payment by the Concessionaire of all sums owed to the Federation of Bosnia and Herzegovina by the Concessionaire in relation to the Concessionaire's failure to fulfil the Mandatory Work Program pursuant to applicable law and the Contract in relation to the [insert relevant number] Exploration Period, up to a maximum of [.....] US Dollar (USD..... ).
4. The guarantee amount referred to in Article 3 above shall be reduced from time to time upon delivery to the Bank of a certificate issued by the Concessionaire and purportedly countersigned by the Minister setting forth the amount of such reduction based on completion of the corresponding items of the Mandatory Work Program stipulated in the Contract.
5. The Ministry's claim under this Mandatory Work Program Guarantee will be honoured within three (3) Business Days from the Bank's receipt of the Ministry's notice in writing setting forth the amount claimed and stating that the amount claimed represents the amount due and owing by the Concessionaire in respect of the Concessionaire's failure under the Contract to fulfil the Mandatory Work Program for the relevant Exploration Period, and:

(a) the Mandatory Work Program as stipulated in the Contract for the relevant Exploration Period has not been discharged to the satisfaction of the Ministry at the end of the relevant Exploration Period; and

(b) the Concessionaire have been notified in writing by the Ministry, by registered letter or courier (a copy of which shall be attached to the Ministry's notice to the Bank), of the non-compliance of the Mandatory Work Program and the details thereof, and has been advised that a drawing is being made against this unconditional and irrevocable Mandatory Work Program Guarantee; and

(c) the Concessionaire has been provided ten (10) days following the written notice pursuant to item (b) above of such non-compliance within which to correct the conditions of non-compliance and has failed to do so.

6. This Work Program Guarantee shall become effective upon its signature and shall terminate six (6) months after the expiry of the [insert relevant number] Exploration Period specified by the Contract, as extended if applicable, or at such earlier time upon notice issued by the Ministry stating that the Mandatory Work Program for the [insert relevant reference] Exploration Period stipulated by the Contract has been completed to the satisfaction of the Ministry.

7. This Work Program Guarantee shall be governed by and construed in accordance with applicable Federation of Bosnia and Herzegovina law. We, the undersigned, agree that the arbitration provisions of the Contract shall apply mutatis mutandis to any dispute between the Bank and the Federation of Bosnia and Herzegovina that arises in connection with this Mandatory Work Program Guarantee.

8. Upon its cancellation or expiry, this Mandatory Work Program Guarantee shall be returned to the Concessionaire.

The duly authorised representative of the Bank has executed this Mandatory Work Program Guarantee on this the ..... day of .....

Very truly yours,

for and on behalf of

[insert the banks legal name]



## ANNEX C - PARENT COMPANY GUARANTEE

[To be presented on the guarantor's corporate stationery]

[Date]

### PARENT COMPANY GUARANTEE

1. In consideration of the Contract for the Exploration and Production of Petroleum [insert date] for [insert Block numbers or Contract Area specification as appropriate], hereinafter referred to as the "Contract", to which [insert name and company registration number of the Affiliate], hereinafter referred to as the "Affiliate" is a Concessionaire, we the undersigned, being the parent company of the Affiliate, registered in a jurisdiction entirely transparent to the Federation of Bosnia and Herzegovina authorities, hereby undertake to pay, subject to Article 4 below, sums payable by the Affiliate in accordance with applicable Federation of Bosnia and Herzegovina law and the terms of the Contract.

2. Definitions stipulated by applicable Federation of Bosnia and Herzegovina Hydrocarbon law, currently the Law on Exploration of Petroleum and Gas in the Federation of Bosnia and Herzegovina ("Official Gazette of the Federation of B&H", no. 77/13 and 19/17)), the applicable specific decrees and regulations, and the Contract to which this Parent Company Guarantee is annexed (Annex C) and is an integral part, shall apply to this Parent Company Guarantee, unless otherwise defined herein or unless the context otherwise requires.

3. This Parent Company Guarantee shall be effective from the date hereof.

4. We hereby irrevocably and unconditionally guarantee and as stipulated by this guarantee undertake that, if any sums become due and payable by the Affiliate in respect of Petroleum Operations for:

- a. any payment obligations towards the Federation of Bosnia and Herzegovina pursuant to applicable Federation of Bosnia and Herzegovina law and the Contract; or
- b. any non-contractual liability towards any third party only for direct damages or loss, resulting from or related to incidents, accidents or pollution arising out of or relating to Petroleum Operations pursuant to the Contract, subject to applicable Federation of Bosnia and Herzegovina law;

and the Affiliate does not pay those sums payable by the Affiliate stipulated by a final court, arbitration or sole expert decision, as applicable, on demand we shall ourselves, within fifteen (15) business days from the receipt of a written demand, pay to the Federation of Bosnia and Herzegovina or to such third party on first demand an amount equal to all such sums. We will make any payments under this Parent Company Guarantee in full, without any deduction or withholdings whatsoever, with the exception of any sum already reimbursed by any insurance to a beneficiary of this guarantee.

This Parent Company Guarantee does not cover any consequential, incidental, punitive, exemplary or indirect damages or lost profits.

5. Further, we agree that if any payments due from the Affiliate are not recoverable from

us as guarantor/surety for the Affiliate for any reason whatsoever, those payments shall nevertheless be recoverable from us as principal debtor and shall be payable by us on demand in accordance with the terms and conditions under this Parent Company Guarantee.

6. Any amounts due and payable under this Parent Company Guarantee shall carry interest at 1.5% above the EURIBOR per annum, calculated from the date of demand to the Affiliate up to and including the date of payment.

7. The Federation of Bosnia and Herzegovina may claim under this Parent Company Guarantee:

- a. only after making demand to the Affiliate; and
- b. before, at the same time as, or after taking any action to claim under or enforce any other right, security or guarantee which it may hold from time to time;

in respect of the Affiliate's obligations under the Contract confirmed by a final arbitration or sole expert decision.

8. A third party may claim under this Parent Company Guarantee:

- a. only after making demand of the Affiliate; and
- b. before, at the same time as, or after taking any action to claim under or enforce any other right, security or guarantee which it may hold from time to time;

in respect of the Affiliate's non-contractual liability towards any third party only for direct damages or loss, resulting from or related to incidents, accidents or pollution arising out of or relating to Petroleum Operations subject to applicable Federation of Bosnia and Herzegovina law and pursuant to the Contract as stipulated by a final court decision.

9. The Federation of Bosnia and Herzegovina shall not substitute the third party and call on this Parent Company Guarantee on behalf of such third party.

10. We shall accept as conclusive evidence of amounts payable by the Affiliate a final court, arbitration or sole expert decision, as applicable, in respect of the Affiliate's payment obligations (i) towards the Federation of Bosnia and Herzegovina pursuant to applicable Federation of Bosnia and Herzegovina law and the Contract or (ii) in respect of the non-contractual liability towards a third party only for direct damages or loss resulting from or related to incidents, accidents or pollution arising out or relating to Petroleum Operations subject to applicable Federation of Bosnia and Herzegovina law and the Contract.

11. We have not received any security from the Affiliate for giving this Parent Company Guarantee and we shall not take any security for our liability under this Parent Company Guarantee for so long as any sums may become payable under the Contract without first obtaining written consent from the Ministry. If, in contravention of that undertaking, we take any security, we shall hold the security and all or any amounts realized by us from it on trust for the Federation of Bosnia and Herzegovina.

12. We also undertake not to dissolve, wind up or take any other course of action that would materially prejudice the ability of the Affiliate to carry out its payment obligations towards the Federation of Bosnia and Herzegovina under the Contract or its non-contractual liability towards any third party only for direct damage or loss, resulting from or related to

incidents, accidents or pollution arising out or relating to Petroleum Operations subject to Federation of Bosnia and Herzegovina law and pursuant to the Contract.

13. We shall not take any steps to enforce any right or claim we may have against the Affiliate or any co-guarantor in respect of any monies paid by us to the Federation of Bosnia and Herzegovina or a third party pursuant to this Parent Company Guarantee or any other liabilities between the Affiliate and us unless and until all of the Affiliate's obligations owing to the Federation of Bosnia and Herzegovina and a third party (both actual and contingent) have been performed and discharged in full.

14. This Parent Company Guarantee is a continuing guarantee and will remain in force until no potential payments may become due from the Affiliate relating to Petroleum Operations under the Contract but only for the claims which have been filed against the Affiliate before the competent court, arbitration or sole expert, as applicable, within six (6) months as of the earlier of: (i) the completion of all the Petroleum Operations necessary to finalise the implementation of the approved plan of cessation of Petroleum Operations and Decommissioning of Facilities, or (ii) the approved withdrawal of the Affiliate from the Contract. Our liability under this Parent Company Guarantee will not be affected by:

- a. any concession, time, indulgence or release granted by the Federation of Bosnia and Herzegovina to the Affiliate or any co-guarantor;
- b. Federation of Bosnia and Herzegovina failure to take, perfect or hold unimpaired any security taken for the liabilities of the Affiliate; or
- c. any payment or dealing or anything else (whether by or relating to the Affiliate, us or any other person);

which would, but for this paragraph, operate to discharge or reduce that liability.

15. We shall not assign rights and obligations under this Parent Company Guarantee without the prior written consent of the competent authority of the Federation of Bosnia and Herzegovina.

16. This Parent Company Guarantee shall be in addition to any other guarantee signed by us that the State may hold for payment of any sums payable by the Affiliate under the Contract.

17. This Parent Company Guarantee shall remain in full force and effect even if we or the Affiliate have merged or amalgamated with another company or if we or the Affiliate have changed our constitutional documents.

18. Any demand or other communication concerning this Parent Company Guarantee should be sent to us at our registered office for the time being.

19. This Parent Company Guarantee shall be governed by and construed in accordance with Federation of Bosnia and Herzegovina law. We agree that the arbitration provisions of the Contract shall apply mutatis mutandis to any dispute that arises in connection with this Parent Company Guarantee. We irrevocably agree only to bring proceedings according to the arbitration provisions of the Contract. We agree in connection with arbitration proceedings that any writ, judgment or other notice of process shall be sufficiently and effectively served on us if delivered to: [insert address for service within Federation of Bosnia and

Herzegovina].

Signed.....

PRINT NAME .....

Company Director

for and on behalf of [insert name and registration number of the parent company

GARANTEE