

LAW OF THE REPUBLIC OF KAZAKHSTAN
“ON SUBSOIL AND SUBSOIL USE”
(No. 291-IV LRK, enacted June 24, 2010, entered into force July 7, 2010)

CHAPTER 1. GENERAL PROVISIONS

Article 1. Principal terms used in this Law

The following principal terms are used in this Law:

- 90) “abandonment fund” means a fund formed by a subsoil user for eliminating the consequences of subsoil operations in the Republic of Kazakhstan;
- 43) “analysis of field development” means an integrated study of the results of geological, geophysical, hydrodynamic and other well and reservoir surveys in the process of production target development, as well as the dynamics of development parameters in order to establish the current location of oil and gas reserves and processes in productive formations and on this basis to make recommendations for regulation of the development to optimize production and increase oil recovery factor;
- 94) “annual goods, work and services procurement program” means the nomenclature and quantities of goods, work and services planned by a subsoil user for one calendar year, and including the methods and time of their acquisition;
- 4) “appraisal project” means a project document drawn up in the course of exploration which, in the event of the discovery of promising areas and occurrences of minerals, establishes the methods and scope of exploration in order to determine the total resources of the identified target, makes a detailed estimate of its commercial value and makes a feasibility study of its prospective commercial development. An appraisal project shall reflect year-by-year amounts of appraisal financing;
- 3) “appraisal works” mean the stage of geological exploration operations conducted for the purposes of determining the total resources of the prospect, estimating its commercial value and making a feasibility study of its prospective development;
- 75) “associate components in petroleum” means minerals and various types of compounds contained in petroleum and formation water which are technologically required to be extracted;
- 114) “associated gas” means hydrocarbon gas found in oil, oil and gas and gas deposits which is dissolved in the petroleum and released upon decrease of pressure, as well as non-hydrocarbon gases produced together with liquid or gaseous hydrocarbons;
- 115) “associated gas processing” means a complex of measures on bringing up the associated gas to the conditions of a commercial product;
- 117) “associated minerals” means mineral complexes, minerals, metals and other chemical elements and their compounds associated or produced with the base mineral whose production and processing in the course of development of the base mineral is cost-effective and utilization is economically viable;
- 14) “authorized agency for subsoil studies and use” means a state agency implementing the state policy and controlling geological studies, rational and integrated use of subsoil, and performing other functions in the sphere of subsoil established by Kazakhstan legislation;
- 77) “base mineral” means the mineral having the highest percentage of content in the raw feedstock or products of the field which determines the commercial value of the field and the main trends in the use of its products;
- 81) “central commission for exploration and development of minerals (CCED)” means a collegial body established by the competent authority for considering project documents related to prospecting, appraisal and development of mineral deposits, except for commonly occurring minerals;
- 10) “coast line” means the coast line of a water body which is formed as a result of maximum tide (high tide);
- 54) “commercial discovery” means the discovery of one or several economically viable deposits made as a result of exploration in the contract territory and confirmed by the state expert examination of the subsoil;
- 47) “commercial field development” means the entire scope of operations aimed at extracting approved mineral reserves from the subsoil on the basis of its rational and integrated use;
- 44) “commercial field development project” means a project document which defines technical

solutions to ensure the target productivity of the enterprise and other associated production process operations and determines the method of mineral production from a particular field, mineral extraction parameters;

24) “Commission for Holding Subsoil Use Right Tenders” means a standing collegial body established by the Government of the Republic of Kazakhstan for the purposes of holding a tender and identifying the tender winner;

48) “commonly occurring minerals” means sand, clay, rubble and other minerals commonly occurring in a certain region which are used in their natural state or after minor treatment and processing, generally, to satisfy local business needs;

19) “concentration of rights to subsoil operations” means the possession by one person or a group of persons of one country of such participatory interest in subsoil contracts in the territory of the Republic of Kazakhstan or such participatory interest (shareholding) in the charter capital of entities that are subsoil users in the Republic of Kazakhstan which is capable of creating or creates a threat to the economic interests of the Republic of Kazakhstan;

40) “concentration of rights within a contract” means the amount of the interest held by one of the co-holders of the subsoil use right in a contract made with the Republic of Kazakhstan which allows such participant to adopt decisions regarding subsoil user activities under the contract;

6) “construction and/or operation of underground facilities not associated with exploration and/or production” means work relating to the construction and/or operation of underground facilities or facilities embedded below soil level for oil and gas storage, tunnels, subways, constructions designed for ground water spreading to subsoil, tailings storage and sludge depositories for burial or storage of solid, fluid or radioactive wastes, hazardous substances and waste and industrial water;

38) “contract” means an agreement between the competent authority or the authorized agency for subsoil studies and use or a regional (city of republican significance or capital city) executive body within the authority established by Kazakhstan legislation and an individual(s) and/or a legal entity for the conduct of exploration, production, combined exploration and production of mineral resources or the construction and/or operation of underground facilities not connected with exploration and/or production or the state geological studies of the subsoil;

39) “contract territory” means the territory which is defined by the geological or mining allotment, in which a given subsoil user has the right to conduct subsoil operations in accordance with the contract;

62) “competent authority” means a central executive state agency which acts on behalf of the Republic of Kazakhstan to exercise rights related to the execution and performance of contracts for exploration, production, as well as combined exploration and production except for contracts for exploration and production of commonly occurring minerals determined by the Government of the Republic of Kazakhstan, unless otherwise is established by the laws of the Republic of Kazakhstan and edicts of the President of the Republic of Kazakhstan;

110) “cross-border field” means a field located within the boundaries of the territory of the Republic of Kazakhstan or the sea and extending into the territory or the sea which is under the jurisdiction of another neighbouring or opposite state;

111) “crude oil” means any hydrocarbons, regardless of their specific gravity, which are extracted from the subsoil in the liquid state under normal atmospheric temperature and pressure, including hydrocarbon fluids known as distillate or condensate formed from natural gas as a result of natural condensation;

41) “deposit (field)” means a part of the subsoil which contains a natural accumulation of a mineral(s);

57) “deposits (fields) with complex geological structure” means deposits (fields) more than 70% of which are characterized by layer thickness variation or broken bedding of minerals or unstable quality of minerals and random distribution of major valuable components thereof, or heterogeneity of reservoir or collecting properties of production strata, or abnormally high formation pressure;

60) “discoverer of a deposit(field) in Kazakhstan” means an individual or a legal entity who discovered a previously unknown deposit (field) with a commercial value as well as discovered additional reserves of minerals or a new mineral raw material in a previously known deposit (field) which discovery adds significant commercial value to such a deposit (field);

83) “easement” means the right of individuals and legal entities to a restricted targeted use of a

part of the subsoil area granted to other entities for the conduct of exploration, production or construction and/or operation of underground facilities not associated with exploration or production in the cases provided for by this Law;

119) “electronic procurement system” means an electronic information system established and operated in compliance with the procedure of purchasing of goods, works and services when conducting subsoil operations approved by the Government of the Republic of Kazakhstan and used by an organizer of procurements (a subsoil user or persons authorized by subsoil users) to purchase goods, works and services;

25) “Expert Commission for Subsoil Use Matters” means an advisory body created by the competent authority which elaborates proposals to the competent authority on the matters specified in Article 24 of this Law;

50) “Expert Commission for Subsoil Use Matters Relating to Exploration or Production of Commonly Occurring Minerals” means an advisory body created by regional (city of republican significance or capital city) executive body which works out proposals to such regional (city of republican significance or capital city) executive body on the matters specified in Article 24 of this Law;

5) “exploration” means work (operations) associated with prospecting for deposits of minerals and their appraisal;

65) “facilities associated with a main pipeline” means buildings, other structures with underlying land and roads, mechanisms and equipment as part of a main pipeline performing the functions of petroleum transportation;

26) “feasibility study” means a document which contains technical and economic parameters of a field development project and assessment of the economic viability of its implementation which must take into account the possibilities and offers of Kazakhstan producers of goods as well as Kazakhstan companies performing works and rendering services;

42) “field development flow sheet” means a project document which is drawn up for the purpose of putting a field into commercial development and defines technical solutions and field development parameters and methods of analysis of the development system to identify the principal oil stratum parameters, criteria of a rational development system;

1) “field supervision” means the monitoring of the subsoil user’s compliance with the project documents conducted by the design organization which prepared the project document in accordance with a contract for design work;

116) “flaring of associated and/or natural gas” means the process of destruction of associated and/or natural gas without use;

9) “geological allotment” means a supplement to a contract for exploration or contracts for combined exploration and production which is an integral part of the contract and defines both graphically and by description the subsoil area in which the subsoil user has the right to perform exploration;

8) “geological information” means a collection of materials containing geological, geochemical, geophysical, hydrogeological, geomorphological, structural data, technical documentation relating to workings, wells, forecast resources, in-place reserves of a deposit, work site and facilities in the contract territory where subsoil operations are conducted;

46) “good field development practice” means generally recognized international practice which is employed in subsoil operations as rational, safe, economically efficient and necessary;

93) “goods” means equipment, finished products and other inventory acquired both for direct use in subsoil operations and for associated activities anticipated by a contract;

58) “goods of Kazakhstan origin” means goods having a certificate of origin for internal circulation certifying their production in the territory of the Republic of Kazakhstan;

11) “ground water” means a water body found in the subsoil and used in accordance with this Law and the water legislation of the Republic of Kazakhstan;

32) “high technologies” means new generally recognized technological achievements implemented as new improved products and technologies of highest environmental purity and used for integrating Kazakhstan-made products into the world market;

91) “historical costs” means aggregate costs of geological studies of a contract territory and exploration of fields incurred in the past by the state where the geological information under such studies was transferred into the state’s ownership;

118) “inland water bodies” means lakes, man-made reservoirs and other surface water bodies;

- 67) “Interdepartmental Commission for the Exercise of the State Pre-emptive Right” means an advisory body created by the Government of the Republic of Kazakhstan for the purposes of considering matters pertaining to and working out proposals for the acquisition (or refusal to acquire) by the state of the alienated subsoil use rights (or part thereof) and/or objects associated with the subsoil use right;
- 51) “Inter-regional Commission for Exploration and Development of Commonly Occurring Minerals (ICED)” means a collegial body of the territorial subdivision of the authorized agency for subsoil studies and use which reviews project documents in respect of the prospecting, appraisal and development of commonly occurring mineral deposits;
- 92) “Kazakhstan content in goods” means a share (in per cent.) of the cost of Kazakhstan origin materials and producer’s expenses for goods processing in the Republic of Kazakhstan in the cost of goods;
- 37) “Kazakhstan content in personnel” means the percentage of Kazakhstan employees engaged in the implementation of a contract with a breakdown by personnel categories;
- 34) “Kazakhstan content in work(service)” means an aggregate cumulative share of Kazakhstan content in the cost of goods used for performance of works, in the agreement value and/or payments to Kazakhstan employees, in the salary fund of the entity performing works or rendering services under an agreement after deduction of the cost of goods used for the performance of work and subcontract agreement values;
- 59) “Kazakhstan goods producer” means individuals and legal entities of the Republic of Kazakhstan producing goods of Kazakhstan origin;
- 36) “Kazakhstan performer of works and services” means Kazakhstan citizens and/or legal entities established and located in the Republic of Kazakhstan where Kazakhstan citizen employees constitute at least 95% of the total number of employees;
- 96) “long-term goods, works and services procurement program” means the nomenclature and quantities of goods, works and services planned for a subsoil user for up to ten years or the duration of a contract and including time of their acquisition;
- 63) “main pipeline” means an engineering structure consisting of a linear part and associated surface facilities, telecontrol and communication which is designed for transporting petroleum from a subsoil user’s pipeline to places of its transfer into other types of transportation, processing or consumption. Pipelines operated as a gathering main shall not be referred to as main pipelines;
- 64) “main pipeline security zone” means a territory with specific conditions of security and use which is adjacent to main pipeline facilities and is intended for ensuring the safety of the population and creating the necessary conditions for a safe and uninterrupted operation of pipeline facilities and within which any type of activities inconsistent with its purposes is restricted or prohibited;
- 107) “man-made mineral formations” means accumulations of mineral formations, rock, liquids and mixtures which contain useful components and are waste of mining, concentration, metallurgical and other types of subsoil user production;
- 108) “man-produced water” means water which must be removed in the process of subsoil operations;
- 103) “marine research” means research related to studies of the impact of offshore subsoil operations and their consequences on the environment and biological variety;
- 95) “medium-term goods, works and services procurement program” means the nomenclature and quantities of goods, works and services planned for a subsoil user for up to three years and including the methods and time of their acquisition;
- 80) “mineral” means natural mineral substances, hydrocarbons and ground water which are contained in the subsoil and which due to their chemical composition and physical properties may be used directly or after processing in the area of material production and/or consumption and/or for other needs;
- 68) “mineral raw materials” means the part of the subsoil lifted to the surface (rocks, ores, etc.) which contains a mineral(s);
- 97) “mining allotment” means a document being an integral part of a production contract which graphically and by description determines the subsoil area in which a subsoil user is entitled to conduct production, exploration and construction and/or operation of underground facilities not connected with exploration or production;
- 71) “model contract” means a template contract approved by the Government of the Republic of Kazakhstan which reflects details of different types of contracts or specific provisions for conducting

certain subsoil operations and is used as a model when drawing up contracts;

21) “national subsoil use company (national company)” means a joint stock company wholly owned by the state or a national managing holding company, established by a resolution of the Government of the Republic of Kazakhstan for conducting operations in certain areas of subsoil use on terms and conditions stipulated by the laws of the Republic of Kazakhstan;

88) “natural gas” means hydrocarbons in the gaseous state under normal atmospheric temperature and pressure, including wet gas, dry gas, associated gas remaining after extraction or separation of hydrocarbon fluids from wet gas, and non-hydrocarbon gas produced together with liquid and gaseous hydrocarbons;

13) “normalized losses of in-place minerals” means losses of minerals incurred in the process of production which are technologically associated with the adopted methods and systems of mineral development and whose level is justified by a feasibility study;

23) “objects associated with subsoil use right” means participatory interests (shares) in a legal entity holding the subsoil use right, as well as a legal entity which may directly and/or indirectly determine and/or influence decisions adopted by a subsoil user if the principal activity of such subsoil user is related to the subsoil use in the Republic of Kazakhstan;

The objects associated with subsoil use also include securities confirming title to shares or securities convertible to shares of a subsoil user as well as a legal entity who may directly and/or indirectly determine the decisions and/or influence the decisions adopted by such a subsoil user if such a legal entity’s core activities are associated with subsoil use in the Republic of Kazakhstan;

104) “offshore security zones or safety zones” means zones determined and established by the Government of the Republic of Kazakhstan around offshore structures in order to ensure the safety of man, marine biological resources, environment, as well as navigation, fishing and other offshore activities of individuals and legal entities in accordance with Kazakhstan legislation;

106) “offshore structures” means man-made offshore structures, including artificial islands, dams, installations, stationary and floating equipment for conducting offshore petroleum operations;

73) “oil and gas pipelines” means pipelines designed for transporting petroleum, including main pipelines, a pipeline operated as a gathering main and equipment and machinery used for treatment, separation and liquefaction of substances transported through a system of pipelines or its individual parts, control and insulation systems, electrochemical protection systems and other equipment designed for servicing such pipelines;

78) “operator” means a legal entity established or designated by subsoil users in accordance with Kazakhstan laws with a notification in writing to the competent authority which carries out the day-to-day management of the activities and accounting and reporting operations under a contract and for the activities of which the subsoil users bear financial liability;

72) “petroleum” means crude oil, gas condensate, natural gas and associated gas, as well as hydrocarbons obtained after treatment of crude oil, natural gas, oil shale or tar sand;

76) “petroleum operations” means operations of petroleum prospecting, exploration or production, construction and/or operation of necessary technological facilities;

98) “pilot development” means operation of hydrocarbon fields and deposits in order to test new technologies or technologies which were previously known, but require testing under the geological and physical conditions of a particular field in order to obtain additional information;

99) “pilot development project” means a project document which is drawn up in respect of hydrocarbons and envisages putting fields and deposits into operation in order to test new technologies or technologies which were previously known, but require testing under the geological and physical conditions of a particular field in order to obtain additional information;

100) “pilot production” means production of minerals conducted during the stage of exploration in order to evaluate a commercial discovery, verify the available information and obtain additional information about the geological structure of the respective subsoil area, mining and geological conditions of extraction, material and mineral composition of ores, processing technology, selection of mining equipment and method of deposit operation;

101) “pilot production project” means a project document drawn up for exploration of solid minerals, in the event of discovery of promising areas and occurrences of minerals in order to verify the available information and obtain additional information about the geological structure of the respective subsoil area, mining and geological conditions of extraction, material and mineral composition of ores, processing technology, selection of mining equipment and method of deposit operation;

74) “pipeline construction and/or operation” means any operations conducted for the purposes of construction, laying and operation of oil and gas pipelines on land, rivers, lakes, seas and other inland water bodies;

69) “primary processing (concentration) of mineral raw materials” means the type of industrial mining activities which include on-site collection, crushing or grinding, classification (sorting), briquetting, agglomeration and concentration by physical and chemical methods (without qualitative changes in the mineral form of minerals, their aggregation phase state and crystalline chemical structure) and may also include processing technologies which are special types of work in mineral mining (underground gasification and melting, chemical and bacterial leaching, dredging and hydraulic mining).

The list of works involving primary processing (concentration) of mineral raw materials shall be established in each subsoil use contract, except for the subsoil use contracts signed before the effective date of this Law, as well as amendments and addendums to them;

70) “processing of mineral raw materials” means work associated with the extraction of a mineral (minerals) out of mineral raw materials;

31) “project documents” means documents that substantiate and establish technical conditions and engineering parameters of prospecting, appraisal and development of mineral deposits subject to the requirement of environmental, sanitary-epidemiological and industrial safety, including performance indicators and assessment of economic feasibility of the project which must take into the account the possibilities and offers of Kazakhstan producers of goods, works and services;

79) “production” means the entire range of work (operations) associated with the extraction of minerals from the subsoil onto the surface, as well as from man-made mineral formations, including primary processing and temporary storage of mineral raw materials;

52) “production of commonly occurring minerals” means any production of commonly occurring minerals which is not related to production of commonly occurring minerals for own needs;

53) “production of commonly occurring minerals and ground water for own needs” means production which is conducted on a land plot which is in ownership or under the right of land use without the intent of further entering into transactions in respect to commonly occurring minerals or ground water extracted;

112) “prospecting” means the stage of geological exploration operations conducted for the purpose of finding and delineating promising areas and showings of minerals, estimating their resources and making a preliminary geological and economic feasibility study of further exploration operations;

113) “prospecting project” means a project document drawn up with respect to exploration which determines the methods and scope of geological exploration ensuring an efficient and integrated study of a subsoil area over its entire territory with the aim of finding and delineating promising areas and showings of minerals, estimating their resources, making a preliminary geological and economic feasibility study of further exploration operations. A prospecting project shall reflect year-by-year volumes of financing for prospecting operations;

82) “protective zone” means a zone which extends five kilometres from the coast line of the sea towards the land in the territory of the Republic of Kazakhstan;

28) “rational and integrated subsoil use” means economically efficient development of all types of subsoil resources on the basis of advanced technologies and good field development practice;

2) “recovered reserves” mean extracted in-place reserves of solid minerals approved by the State Commission on Minerals Reserves of the Republic of Kazakhstan which are written off by a subsoil user from the balance of the enterprise due to their extraction, including normalized losses of in-place minerals in the process of extraction;

20) “register of goods, work and services used in subsoil operations and their producers” means a state information system established for control and monitoring of purchasing of goods, works and services used in subsoil operations and their producers, as well as for electronic purchasing and establishment of the list of goods, works and services used in subsoil operations;

15) “safe subsoil use” means ensuring environmental, sanitary-epidemiological and industrial safety in the course of subsoil operations;

102) “sea” means the surface and water column, as well as the bed of the Caspian Sea and the Aral Sea within the boundaries of the Kazakhstan part of the Caspian Sea and the Aral Sea;

105) “sea contamination” means discharge into the marine environment of materials, substances, energy, noise, vibrations, as well as formation of various types of radiation and fields which cause

harm or threat to health of humans, biological resources of the sea and the marine ecosystem, or create interference or are capable of causing losses to individuals or legal entities that conduct legitimate activities off shore or on shore;

55) “services” means the performance on a paid basis of necessary activities to be used both directly in subsoil operations and for associated activities provided for by a contract which are not aimed at producing goods or other material objects;

61) “signature bonus” means a one-time fixed payment by a subsoil user for the acquisition of the right of subsoil use in a contract territory;

29) “state expert examination of the subsoil” means a comprehensive expert examination of information regarding mineral reserves and other subsoil properties as to the possibility of their application for subsoil use and inclusion into the state mineral reserves register;

17) “state geological studies of subsoil” means work (operations) associated with monitoring of subsoil state, studies of the geological structure of subsoil areas as well as parts and the entire territory of the Republic of Kazakhstan as a whole, and determination of their prospects for the existence of minerals through survey and appraisal survey operations and creation of state geological maps constituting the information base for subsoil use;

66) “state pre-emptive right” means the pre-emptive right of the state exercisable under this Law to acquire the alienated subsoil use right (or part thereof) and/or objects associated with subsoil use right;

84) “strategic partner” means a Kazakhstan or foreign legal entity (their joint venture) which is designated by the national company upon agreement with the competent authority for joint implementation of projects under contracts executed on the basis of direct negotiations between the national company and the competent authority or in accordance with international treaties ratified by the Republic of Kazakhstan;

86) “strategic mineral raw materials” means mineral raw materials which are of strategic importance for the sustainable development of Kazakhstan society;

12) “subsoil” means a part of the earth's crust located underneath the soil level or outcroppings, and where there is no soil — underneath the earth's surface or the beds of seas, lakes, rivers, and other water bodies extending to the depths accessible for conducting subsoil operations on the basis of science and technological progress;

30) “subsoil area” means a geometrized part of the subsoil apportioned within its closed boundaries for conducting subsoil operations;

85) “subsoil (field) areas of strategic importance” means subsoil (field) areas which are of social and economic importance for the sustainable development of Kazakhstan society as defined in the list approved by the Government of the Republic of Kazakhstan;

56) “subsoil areas with complex geological structure” means areas with one of the following parameters: severe tectonic deformation; intensive contorted formations containing minerals; deep bedding in excess of five hundred meters for solid minerals and in excess of tree thousand meters of the top of prospective horizon for hydrocarbons; location within the offshore area;

18) “subsoil operations” means operations relating to the state geological studies of the subsoil, exploration and/or production of minerals, including operations relating to exploration or production of ground water, curing mud, exploration of the subsoil for discharge of waste water, as well as operations associated with the construction and/or operation of underground facilities not associated with exploration or production;

16) “subsoil protection” means a system of measures, anticipated by legislation of the Republic of Kazakhstan on the subsoil and subsoil use, aimed at preventing subsoil contamination in the course of subsoil operations and reducing the adverse impact thereof on the environment;

27) “subsoil user” means an individual or a legal entity that has the right to conduct subsoil operations in accordance with this Law;

22) “subsoil use right” means the right of possession and use of the subsoil acquired by a subsoil user in accordance with this Law;

7) “technologically unavoidable gas flaring” means flaring of gas in the course of technological gas processing due to lack of technical capability to perform such operations without gas flaring;

49) “tender commission for awarding the subsoil use right to explore or produce commonly occurring minerals” means a standing collegial body created pursuant to an act of a regional (city of republican significance or capital city) executive body for the purposes of holding a tender and

identifying the tender winner;

45) “test production” means operations conducted in a hydrocarbon field for the purposes of verifying the available information and obtaining additional information about the geological field characteristics of formations and reservoirs, integrated geological, geophysical and hydrodynamic studies of wells, production capacities of oil-and-gas bearing formations for working out a process flow sheet and a project of commercial development. Test production shall envisage temporary operation of drilled exploration wells;

87) “test production project” means a project document which is drawn up in respect of hydrocarbons for the purpose of verifying the available information and obtaining additional information about the geological field characteristics of formations and reservoirs, integrated geological, geophysical and hydrodynamic studies of wells, production capacities of oil-and-gas bearing formations for working out the a process flow sheet and a commercial development project;

109) “unified methods of calculation by organizations of Kazakhstan content for the purpose of procurement of goods, works and services” means the procedure approved by the Government of the Republic of Kazakhstan applicable to calculation of Kazakhstan content in goods, works and services;

89) “utilization of natural and associated gas” means field gathering of natural and associated gas for the purposes of its use for process needs and/or treatment to the conditions of a commercial product;

35) “work” means activities carried out on a fee basis for production (manufacture) of goods, installation of equipment, construction of structures and other facilities to be directly used in subsoil operations and associated activities as provided for by a contract;

33) “work program” means a document drawn up on the basis of indicators set out in project documents which defines a set of a subsoil user’s plans for the entire duration of a contract with generalized year-by-year volume and cost indicators;

Article 2. Subsoil and subsoil use legislation

1. The subsoil and subsoil use legislation shall be based on the Constitution of the Republic of Kazakhstan and shall consist of this Law and other normative legal acts of the Republic of Kazakhstan.

2. All civil relations with respect to subsoil use right shall be governed by Kazakhstan civil legislation unless regulated by this Law.

3. If an international treaty ratified by the Republic of Kazakhstan establishes rules other than those contained herein, the rules of the international treaty shall apply.

Article 3. Law application field

This Law shall regulate relations arising in the conduct of subsoil operations.

1. Relations with regard to the use and protection of land, water (except for ground water and peloid), forests, flora and fauna and atmospheric air shall be regulated by specific legislation of the Republic of Kazakhstan.

2. Foreign citizens and legal entities, as well as stateless persons, shall have equal rights and responsibilities in subsoil use relations with citizens and legal entities of the Republic of Kazakhstan, unless otherwise provided for by the laws of the Republic of Kazakhstan.

Article 4. Purpose and objectives of subsoil and subsoil use legislation

1. The purpose of the subsoil and subsoil use legislation shall be ensuring economic growth and protection of the interests of the Republic of Kazakhstan.

2. The objectives of Kazakhstan legislation on subsoil and subsoil use shall be as follows:

- 1) implementation of state policy in the sphere of subsoil use;
- 2) regulating relations in conducting of subsoil operations;
- 3) ensuring the harmony of the national and regional interests;
- 4) ensuring reproduction of the mineral and raw material base;
- 5) ensuring legal basis for subsoil operations;
- 6) creation of favourable conditions for raising investments in the subsoil use operations sector.

Article 5. Principles of subsoil and subsoil use legislation

Legal regulation of relations associated with the subsoil and subsoil use shall be based on the following principles:

- 1) ensuring the rational, integrated and safe utilisation of the subsoil;
- 2) ensuring the protection of the subsoil and the environment;
- 3) openness in conducting subsoil operations;
- 4) paid subsoil use.

Article 6. Ensuring the rational, integrated and safe utilisation of subsoil

A mandatory condition for the conduct of subsoil operations shall be economically efficient development of all types of subsoil resources on the basis of high technologies and good field development practice, as well as ensuring the safety of people's life and health.

Article 7. Ensuring the protection of the subsoil and the environment

A mandatory condition for the exercise of the subsoil use right shall be prevention of subsoil contamination and reduction of the adverse impact of subsoil operations on the environment.

Article 8. Openness in conducting subsoil operations

Information regarding the conduct of subsoil operations and contractual terms shall be provided in accordance with this Law.

All interested parties shall have the right to review the following at the competent authority, regional (city of republican significance or capital city) executive body:

- 1) the terms of tender for the acquisition of subsoil rights and the contents of decisions on its results;
- 2) compliance with the terms of tenders under concluded contracts.

The distribution of information which is recognised by the parties as confidential to state agencies, the Parliament of the Republic of Kazakhstan and local representative authorities, shall not constitute a violation of confidentiality.

Article 9. Paid subsoil use

Relations in the area of subsoil use shall be on a paid basis, except for instances provided for by this Law.

Article 10. Right to own subsoil, minerals, man-made mineral formations, and mineral raw materials

1. The subsoil and minerals contained therein shall be owned by the state in accordance with the Constitution of the Republic of Kazakhstan.

The state ownership of the subsoil shall be one of the constituent basic elements of the state sovereignty of the Republic of Kazakhstan. The state shall ensure access to the subsoil on the grounds, conditions and within the limits as provided for by this Law.

2. Unless otherwise stipulated by this Law and the contract, mineral raw materials shall be owned by the subsoil user under the right of ownership (or in the case of a state-owned enterprise of the Republic of Kazakhstan — under the right of economic or day-to-day management).

3. Man-made mineral formations and man-produced water shall be owned by the subsoil user.

When developing man-made mineral formations, the subsoil user or a third party which has the rights of ownership to man-made mineral formations shall be obliged to conduct a state expert examination of those mineral reserves which the man-made mineral formations contain and the production and use (sale) of which were not provided for in the contract and to enter into a corresponding contract with an authorized body.

4. Man-made mineral formations stockpiled before 30 May 1992 or included in the state

mineral reserves stock shall be owned by the state.

5. The right of ownership to minerals which are extracted from man-made mineral formations owned by the state shall be defined in the contract.

6. The subsoil user that owns mineral raw materials, man-made mineral formations and manproduced water or minerals shall have the right to dispose of mineral raw materials, man-made mineral formations or mineral raw materials, as well as effect in respect to them any civil-law transactions which are not prohibited by legislation of the Republic of Kazakhstan.

Article 11. Right of ownership to geological information and procedure of transfer thereof

1. Geological information shall be owned by the state, if obtained with the use of budget allocations of the Republic of Kazakhstan, and shall be owned by a subsoil user, if obtained at its own expense.

2. Regardless of the source of financing, geological and other information regarding the subsoil shall be transferred, free of charge and in accordance with the procedure established by the Government of the Republic of Kazakhstan, to the authorized agency for subsoil studies and use for storage, systematization and generalization.

3. Geological information shall be provided on a paid or free of charge basis.

Geological information shall be provided on free of charge basis in the following cases:

- to entities conducting subsoil geological studies financed from the state budget;
- for scientific purposes when scientific research is financed from the state budget;
- to state and accredited private educational institutions for educational purposes;
- to state agencies.

Except for the cases established in this paragraph all subsoil information shall be provided on a paid basis. Irrespective of the conditions of subsoil information provision the information recipient shall additionally compensate the costs of copying.

The Government of the Republic of Kazakhstan shall determine the rules for use of state owned geological information for educational, scientific, and commercial purposes as well as taking geological information outside of the Republic of Kazakhstan.

4. The cost of state-owned geological information shall be determined as a portion of historical costs and shall be paid to the budget of the Republic of Kazakhstan

The procedure for determining historical costs and the costs of geological information shall be determined by the Government of the Republic of Kazakhstan.

5. Upon termination of the contract, all geological information shall be transferred into state ownership. A subsoil user shall transfer, free of charge, all documents and other material forms of geological information to the authorized agency for subsoil studies and use.

Article 12. Pre-emptive rights of the Republic of Kazakhstan in the subsoil sphere

1. The Republic of Kazakhstan shall have a pre-emptive right over other parties to acquire a subsoil user's minerals at prices not exceeding those applied by subsoil users in transactions with the relevant minerals which prevail on the date of transaction minus transportation and selling costs.

In the absence of information on prices of minerals applied by subsoil users in transactions, prices not exceeding the prevailing world market prices on the date of transaction shall apply.

The limiting volume of purchased minerals and the type of payment shall be determined by the contract.

The procedure for the exercise of the pre-emptive right of the RK State to acquire minerals shall be determined by the Government of the Republic of Kazakhstan.

2. In order to preserve and strengthen the resource and power basis of the economy of the country, in new and earlier concluded subsoil use contracts, except for contracts in respect of ground water and commonly occurring minerals, the state shall have a pre-emptive right over any other party of the contract or participants in a legal entity having the subsoil use right and other persons to acquire an alienated, for consideration or free of charge, subsoil use right (or part thereof) and/or objects associated with subsoil use right.

The provisions of this Paragraph shall not apply to instances anticipated by Paragraph 5 of Article 36 of this Law.

Article 13. Procedure of exercise of pre-emptive right of the state

1. In the event that a subsoil user having the subsoil use right and/or an object associated with the subsoil use right intends to alienate its subsoil use right (or part thereof) and/or associated object, the state through the national managing holding, national company or the authorized state agency shall have the pre-emptive right to acquire the subsoil use right (or part thereof) and/or associated object.

The competent authority shall have the authority to adopt decisions on behalf of the Government of the Republic of Kazakhstan on the acquisition of the alienated subsoil use right (or part thereof) and/or associated object by the national managing holding or a national company.

2. Unless otherwise provided for by this Law, a person that intends to alienate its subsoil use right (or part thereof) and/or associated object shall submit to the competent authority an application for alienation of the subsoil use right (or part thereof) and/or associated object.

The application for alienation of the subsoil use right (or part thereof) and/or associated object must be made in Kazakh and Russian languages and contain information required by Paragraph 2 of Article 37 hereof.

3. Within twenty business days of receipt of the application, the competent authority shall submit materials necessary for working out a proposal regarding the acquisition (or refusal to acquire) of the alienated subsoil use right (or part thereof) and/or objects associated with subsoil use rights for consideration by the interdepartmental commission for the exercise of the state pre-emptive right.

4. Within thirty business days of receipt of the relevant materials, Inter-Agency Committee on Issues of Exercising by the State of its Pre-emptive Right shall review the application and other materials subject to the requirements of the national security laws of the Republic of Kazakhstan and work out an appropriate proposal regarding the acquisition (or refusal to acquire) by the state of the alienated subsoil use right (or part thereof) and/or object associated with subsoil use right.

If the proposal to acquire the alienated subsoil use right (or part thereof) and/or an object associated with subsoil use right by the national managing holding or national company is made, Inter-Agency Committee on Issues of Exercising by the State of its Pre-emptive Right shall identify the national company authorized to acquire the alienated subsoil use right (or part thereof) and/or object associated with subsoil use right.

In case the national managing holding or national company are not willing to purchase the alienated subsoil use right (or part thereof) and/or an associated object the Government of the Republic of Kazakhstan shall determine the state agency authorized to acquire such objects.

5. Inter-Agency Committee on Issues of Exercising by the State of its Pre-emptive Right may request and obtain from the applicant and other parties any additional materials necessary for working out a proposal regarding the acquisition (or refusal to acquire) of the alienated subsoil use right (or part thereof) and/or associated object, including documents on the financial and economic position of the subsoil user and legal entities which have the possibility of directly and/or indirectly determining decisions and/or influencing decisions adopted by such subsoil user.

6. The proposals worked out by Inter-Agency Committee on Issues of Exercising by the State of its Pre-emptive Right regarding the acquisition (or refusal to acquire) of the alienated subsoil use right (or part thereof) and/or associated object shall be set forth in a protocol to be delivered to the competent authority.

7. The decision to acquire the alienated subsoil use right (or part thereof) and/or associated object shall be delivered to the national managing holding or the national company or the state agency authorized to do so and identified by the Government of the Republic of Kazakhstan.

8. Following the receipt of the decision to acquire the alienated subsoil use right (or part thereof) and/or associated object the national managing holding, the national company or the state agency shall initiate negotiations with the subsoil user or the owner of the object associated with the subsoil use right.

The national company or the state agency shall acquire the alienated subsoil use right (or part thereof) and/or associated object on terms that are not worse than those offered by other applicants.

In the event that the subsoil use right (or part thereof) and/or associated object is alienated free of charge and in the event that the subsoil use right (or part thereof) and/or associated object is contributed to the charter capital of a legal entity, such objects shall be acquired at market value to be determined in compliance with appraisal legislation.

9. The subsoil use right (or part thereof) and/or associated object shall be acquired within no

more than six months from the date of the decision to acquire the subsoil use right (or part thereof) and/or associated object.

Article 14. Limitation and prohibition of subsoil use

1. The use of certain areas of the subsoil may be limited or prohibited by the decision of the Government of the Republic of Kazakhstan in order to ensure national security, population safety and protection of the environment.
2. The use of the subsoil within the territory of inhabited areas, suburban areas, industrial, transportation and communication facilities may be fully or partially prohibited by a decision of the Government of the Republic of Kazakhstan where such use may pose a threat to the life and health of the population and damage to business facilities or the environment.
3. The use of the subsoil within the territory of specially protected natural areas shall be carried out in compliance with the standards established by legislation of the Republic of Kazakhstan on specially protected natural areas.

Article 15. Requisition of minerals

1. In the event of announcement of extraordinary or military situations the Government of the Republic of Kazakhstan may requisition all or part of minerals owned by a subsoil user. Requisition may be in amounts necessary to cover the needs of the Republic of Kazakhstan during the entire period of extraordinary or military situations. Minerals may be requisitioned from any subsoil user regardless of the form of ownership.
2. The Republic of Kazakhstan shall guarantee compensation for requisitioned minerals in kind or by paying their value to a foreign subsoil user in freely convertible currency and to a domestic subsoil user in the national currency at prices not exceeding those applied by subsoil users in transactions with the relevant minerals which prevail on the date of requisition minus transportation and selling costs.

CHAPTER 2. SUBSOIL USE STATE REGULATION

Article 16. The authority of the Government of the Republic of Kazakhstan

The Government of the Republic of Kazakhstan shall:

- 1) organise the management of the state subsoil stock as an item of the state property;
- 2) work out the basic trend of the state policy in the area of subsoil use, strategic and tactical measures of its implementation;
- 3) establish the unified rules for rational and comprehensive subsoil utilisation during exploration and production of mineral resources;
- 4) outline the subsoil areas and fields which are intended for satisfaction of the state needs for strategic types of mineral raw materials;
- 5) impose restrictions on the utilisation of the subsoil for the purposes of ensuring national security and the safety of the population and protection of the environment;
- 6) determine the procedure for conservation of subsoil areas in order to save reserves of mineral raw materials for the interests of future generations;
- 7) approve the list of subsoil areas (fields) of strategic importance;
- 8) define the list of commonly occurring minerals;
- 9) define the procedure for granting subsoil use rights;
- 10) approve the list of subsoil areas, save those containing commonly occurring minerals, to be placed on tender;
- 11) approve model contracts;
- 12) approve the regulations concerning the State Commission on Minerals Reserves of the Republic of Kazakhstan and ICEDs;
- 13) appoint the competent authority for conclusion and performance of subsoil use contracts in regards to certain types of minerals, except for commonly occurring minerals, unless otherwise provided for by Kazakhstan laws and the edicts of the President of the Republic of Kazakhstan;
- 14) approve lists of geological, geomorphological and hydrogeological items of the state-owned

natural preserve stock of national and international significance and define the procedure for their limited business use in specially-protected natural territories, and also approve lists of subsoil areas that are of special environmental, scientific, cultural and other value, referred to the category of specially-protected natural territories of national significance;

15) determine the procedure for procurement of goods, work and services in subsoil operations;

16) approve the procedure for forming and maintaining the register of goods, works and services used in subsoil operations and their producers, including criteria of their evaluation for inclusion in such register;

17) determine the procedure for monitoring and control of compliance with contractual terms;

18) determine the procedure for issuing permits for construction in mineral-bearing areas;

19) determine the procedure for burial of hazardous substances, radioactive waste and waste water disposal in the subsoil;

20) approve technical regulations in the area of subsoil use;

21) approve regulations in connection with discoverers of deposits (fields) in the Republic of Kazakhstan;

22) regulate oil export, including approval (change) of rates of excise, customs, protective, antidumping and compensatory duties and oil export quotas;

23) set qualitative limits (quotas) on oil transportation by different means of transport;

24) determine the procedure for maintaining a unified oil production and sale database;

25) approve the procedure for determining the actual coast line location;

26) approve the composition and the regulations of the Interdepartmental Commission for the Exercise of the State Pre-emptive Right;

27) approve the composition and the regulations of the commission for holding subsoil use right tenders;

28) determine the procedure for the exercise of the pre-emptive right of the Republic of Kazakhstan to acquire minerals;

29) approve the rules for state owned geological information use for educational, scientific and commercial purposes and taking of geological information outside of Kazakhstan;

30) approve the rules of establishment, operation and use of artificial islands, causeways, constructions and units as well as other facilities related to petroleum operations;

31) establish the procedure for state subsoil monitoring;

32) determine the procedure for representation by the national company of state interests in contracts providing for a share of the national company;

33) approve the procedure of submission of reports on subsoil use operations by subsoil users;

34) establish the norms and requirements with respect to materials and substances necessary for sea water cleaning;

35) establish the rules for expert appraisal of draft subsoil use contracts;

36) establish the procedure for petroleum operations on the sea, inland water bodies, in environmental emergency zones and specially protected natural areas;

37) approve the rules for measuring and weighing of petrol produced by the subsoil user on the contract territory;

38) approve the methods of calculation of standards and volumes of flaring of associated and natural gas in the course of petroleum operations;

39) establish the procedure for entering of minerals reserves on the state balance and writing such reserves off the state balance;

40) approve the procedure for issue of permits for flaring of associated and/or natural gas;

41) establish the procedure for maintenance of the state cadastre of minerals deposits and showings;

42) establish the procedure for maintenance of the state cadastre of burials of hazardous substances, radioactive waste and waste water discharges into the subsoil;

43) establish the procedure for submission of information on the state balance of minerals reserves to state agencies;

44) approve the regulations for servicing of subsoil users by professional emergency rescue services;

45) establish the procedure for determination of losses resulted from violation of the requirements in the sphere of rational subsoil use;

46) approve the procedure for determination of historical costs and the cost of geological

information;

- 47) determine the procedure for provision of subsoil use right to construct and/or operate underground facilities not associated with exploration or production, as well as the right to construct and/or operate underground facilities not associated with exploration or production;
- 48) establish the procedure for entering into contract (agreement) for state geologic studies of subsoil;
- 49) establish the procedures for marine research;
- 50) decide on construction of main pipelines;
- 51) approve the rules for abandonment and conservation of subsoil use facilities;
- 52) approve the form of geological reports on subsoil condition;
- 53) approve the procedures for maintenance of the state cadastres of man-made mineral formations;
- 54) approve the rules of acquisition of goods, works and services for subsoil operations through Register of goods, works and services used in subsoil operations and their producers state information system;
- 55) approve the unified methods of calculation of Kazakhstan content in goods, works and services by organizations;
- 56) approve the procedure of utilization of main pipelines capacities and railway loading facilities in the event of available free capacities;
- 57) approve the procedure for synchronization of electronic purchasing system with the register of goods, works and services used for subsoil operations and their producers;
- 58) approve the procedure for granting the permit for exploration and production of ground process water in volumes of two thousand and more cubic meters per day for the purpose of injection thereof into the layer pursuant to the mineral field development flow sheets or for production of ground water for the purpose of water depression during mine operations;
- 59) approve the procedure for calculation of the minimum Kazakhstan content in goods, works and services in the course of subsoil operations included into the terms and conditions of a tender for granting the subsoil use rights;
- 60) approve the forms and procedure of preparation and submission of annual, medium-term, long-term programs of goods, works and services procurement, subsoil users' reports on purchased goods, works and services and on compliance with obligations related to Kazakhstan content in personnel;
- 61) approve the forms and procedure for preparation and submission of reports by subsoil users with respect to compliance with their obligations related to training, professional development and retraining of Kazakhstan citizens involved in the contract implementation or education of Kazakhstan citizens based upon the list of professions approved by the competent authority;
- 62) approve the procedure for determination of expenses for scientific research and development works in the territory of the Republic of Kazakhstan necessary to perform works under the contract;
- 63) perform other functions granted by the Constitution, this Law, other legislative acts of the Republic of Kazakhstan and Presidential edicts.

Article 17. Powers of competent authority

1. The powers of the competent authority shall include:

- 1) approval of the regulations concerning the central commission for exploration and development of minerals (CCED) and its composition;
- 2) preparation and organisation of tenders for the granting of the subsoil use rights for conducting exploration, production, or combined exploration and production of minerals, except for commonly occurring minerals;
- 3) granting of the subsoil use right for conducting exploration, production or combined exploration and production of minerals, except for commonly occurring minerals,
- 4) conduct of negotiations with subsoil users on the terms of contracts for conducting exploration, production or combined exploration and production of minerals, except for commonly occurring minerals;
- 5) organisation of expert examination of draft contractual documents for conducting exploration or production of minerals, except for examination of draft project documents for exploration or production of commonly occurring minerals;

- 6) organisation of expert examination of draft subsoil contracts in terms of determination of the list of works related to primary processing (concentration) of mineral raw materials, with a view of securing economic interests of the Republic of Kazakhstan, including full payment of all taxes to the budget in accordance with the rules established by the Government of the Republic of Kazakhstan;
- 7) execution, registration and safe keeping of contracts, except for contracts for exploration or production of commonly occurring minerals, state subsoil studies and construction and/or operation of underground facilities not related to exploration or production;
- 8) representation and ensuring of the interests of the Republic of Kazakhstan in contracts for conducting exploration, production or combined exploration and production of minerals, except for 23 commonly occurring minerals, in accordance with the authority established by legislation of the Republic of Kazakhstan;
- 9) control of subsoil users' compliance with the terms of contracts except for contracts for exploration and production of commonly occurring minerals, for state geological studies of subsoil, and for construction and/or operation of underground facilities not related to the exploration and production;
- 10) adoption, on the basis of proposals made by the Interdepartmental commission for the exercise of the state pre-emptive right, of the decision to acquire (or refusal to acquire) the alienated subsoil use right (or part thereof) and/or an object associated with subsoil use right;
- 11) issuing of (or refusal to issue) permits for alienation of subsoil use rights (or part thereof) and/or objects associated with subsoil use rights on the basis of proposals made by the Expert commission for subsoil use matters, as well as registration of transactions in respect of pledge of subsoil use rights and/or participatory interest (shareholding) in a subsoil user legal entity in accordance with Articles 34 and 35 of this Law, except for the subsoil use rights in respect of commonly occurring minerals;
- 12) ensuring the performance and termination of contracts for conducting exploration, production or combined exploration and production of minerals, except for commonly occurring minerals, in accordance with the procedure and on the grounds as provided for by legislation;
- 13) presentation of annual reports to the President and the Government of the Republic of Kazakhstan on the progress of contracts for conducting exploration, production or combined exploration or production of minerals, except for commonly occurring minerals;
- 14) drafting lists of subsoil areas to be tendered, except for subsoil areas containing commonly occurring minerals;
- 15) adoption of decision to resume the operation of contracts for conducting exploration, production or combined exploration and production of minerals, except for commonly occurring minerals;
- 16) conducting, on the instructions of the President or the Government of the Republic of Kazakhstan, of negotiations and entering into agreements with the relevant agencies of other countries to ensure the possibility of performance of contract;
- 17) approval of regulations of Expert Commission for Subsoil Use Matters;
- 18) determining the minimum amount of raw materials which a tender participant undertakes to process in the Republic of Kazakhstan;
- 19) submission for consolidation and analysis to the authorized body in the field of state regulation of trade and industrial policy of general information on Kazakhstan content in procurements of goods, works and services effected by subsoil users in compliance with legislation of the Republic of Kazakhstan;
- 20) development of draft model contracts;
- 21) monitoring and control over the compliance by subsoil users with their contract conditions, including the provisions related to Kazakhstan content in the procurement of goods, works and services and Kazakhstan content in personnel;
- 22) development of the procedure for monitoring of and control over compliance with the performance of the terms and conditions of contracts;
- 23) collection and analysis of information on the procurements of goods, works and services completed, outstanding and planned for the year following the reporting period submitted by subsoil users and/or the persons authorized by subsoil users to effect purchases of goods, works and services for subsoil operations;
- 24) collection and analysis of information on planned medium and long-term procurement of goods, works and services submitted by subsoil users and/or the persons authorized by subsoil users

- to effect purchases of goods, works and services for subsoil operations;
- 25) control over compliance by subsoil users with the procedure of purchase of goods, works and services for subsoil operations;
 - 26) request of information from national registers of identification numbers;
 - 27) approval of regulations concerning the working group on conduct of direct negotiations for granting subsoil use right for exploration and production as well as composition of such a working group;
 - 28) other powers granted by this Law, other legislative acts of the Republic of Kazakhstan, Presidential edicts and Governmental Resolutions.

Article 18. Competence of authorized agency in the field of oil and gas

The competence of the authorized agency in the field of oil and gas shall include:

- 1) conducting on the instruction of the President or Government of the Republic of Kazakhstan and conclusion of treaties with the relevant authorities of other states that provide for possibility of construction and operation of pipelines and other transportation means through their territories for export of oil;
- 2) ensuring the formation of strategic petroleum reserves and records of their location in the territory of the Republic of Kazakhstan;
- 3) preparation of schedules (annual and monthly) determining the necessary quantities of petroleum to be refined in the domestic market of the Republic of Kazakhstan in volumes capable to cover the domestic market requirements of fuel and lubricants, if any;
- 4) exercising of the state control of compliance with safety requirements in respect of petroleum and its life cycle processes as established by technical regulations;
- 5) approval of the program of development of associated gas processing, introducing amendments and additions into the approved programs of gas utilization and programs of development of associated gas processing, by consent of the authorized environmental protection agency and subsoil studies and use;
- 6) issue of permits for flaring of associated and/or natural gas in the course of testing of the well object, test production at the field, technologically unavoidable gas flaring during commissioning, operation, maintenance, and repairs of the process equipment;
- 7) development of the procedure for determination of the actual location of the coastline;
- 8) development of the procedure for maintenance of the unified database of oil production and sale;
- 9) development of the procedure for creation, operation and use of artificial islands, dams, structures and installations, and other facilities related to petroleum operations;
- 10) development of the rules for measuring and weighing petroleum produced by the subsoil user at the contract territory;
- 11) development of the procedure for performance of offshore petroleum operations, petroleum operations in inland water bodies, environmental emergency zones, and on specially protected natural territories;
- 12) development of the procedure for marine scientific research;
- 13) development of the procedure for use of capacities of mainline pipelines and railway overpasses, in case of availability of free carrying capacity;
- 14) development of methods of standards and volumes of flaring of associated and/or natural gas in the course of petroleum operation;
- 15) approval of the forms and terms of reporting in relation to execution of the development program of associated gas processing;
- 16) state regulation of petroleum production, in compliance with the project of field development, as well as sales of oil;
- 17) determination for subsoil users of volumes of supply of crude oil into the internal market of the Republic of Kazakhstan for processing, based on the economic indices of the feasibility study to the contract as of its signing, within the limits of calculated sale prices for oil adopted in the feasibility study;
- 18) development of technical regulations and approval of normative technical documents on petroleum operations and oil transportation;
- 19) analysis and evaluation of risks of damage to human life and health and environment relating to

petroleum operations and oil transportation;

20) development of the procedure for issue of permits for flaring of associated and/or natural gas;

21) together with the authorized agency in the field of regulation of the industrial policy, development of forms and procedure for preparation and submission of subsoil users' reports on compliance with obligations with respect to the amount of expenses allocated to training, professional development and re-training of employees being Kazakhstan citizen engaged in the contract implementation or to education of Kazakhstan citizens based upon the list of professions approved by the competent authority;

22) together with the authorized agency in the field of regulation of the industrial policy, development of forms and procedure for preparation and submission of annual, medium-term, long-term programs of goods, works and services procurement, subsoil users' reports on purchased goods, works and services and on compliance with obligations related to Kazakhstan content in personnel;

23) together with the authorized agency in the field of regulation of the industrial policy, development of the procedure for determination of expenses for scientific research and development works in the territory of the Republic of Kazakhstan necessary for performance of works under the contract;

24) other powers granted by this Law, other laws of the Republic of Kazakhstan and edicts of the President and Government of the Republic of Kazakhstan.

Article 19. Competence of authorized agency in the field of regulation of the industrial policy

The competence of the authorized agency in the field of regulation of the industrial policy shall include:

1) development of regulations on inter-regional commissions for exploration and development of commonly occurring minerals (ICEDs);

2) development of technical regulations and approval of normative technical documents in the field of studies and use of subsoil and in the field of subsoil use, except for petroleum operations;

3) development of regulations concerning the State Commission on Mineral Reserves of the Republic of Kazakhstan and ICEDs;

4) development of regulations concerning discoverers of deposits (fields) in the Republic of Kazakhstan;

5) development of the unified rules for rational and integrated subsoil use in the course of exploration and production of minerals;

6) development of the procedure for procurement of goods, works and services in the course of subsoil operations;

7) development of the procedure for burials of hazardous substances, radioactive waste and waste water discharges into the subsoil;

8) development of the rules for use of the state owned geological information for educational, scientific, and commercial purposes as well as taking geological information outside of the Republic of Kazakhstan;

9) development of the procedure for state monitoring of subsoil;

10) development of the procedure for determination of historical costs and the cost of geological information;

11) development of the procedure for entering into contracts (agreements) for state geological studies of subsoil;

12) development of the rules for abandonment or conservation of subsoil use facilities;

13) development of forms of submission of geological reports concerning subsoil condition;

14) development of the procedure for maintenance of the state cadastres of man-made mineral formations;

15) development of rules for procurement of goods, works and services in the course of subsoil operations through state information system 'Register of goods, works and services used in subsoil operations and the producers thereof';

16) development of the unified methods of calculation of Kazakhstan content in procurement of goods, works and services by organizations;

17) development of the procedure for synchronization of electronic purchasing system with the register of goods, works and services used in subsoil operations and the producers thereof;

18) development of the procedure for issue of permits for exploration and production of ground

process waters in volumes of two thousand and more cubic meters per day for the purpose of injection thereof into the layer pursuant to the mineral field development flow sheets or for production of ground water for the purpose of water depression during mine operations;

- 19) methodical guidelines for activities of local executive bodies of oblasts, cities of republican significance and capital city for formation of the list of goods, works and services produced in the territory of oblast, city of republican significance and capital city, and the producers thereof;
- 20) with consent by the authorized agency in the field of oil and gas approval of the list of priority high technology productions developed in the Republic of Kazakhstan;
- 21) development of the procedure for calculation of the minimum Kazakhstan content in goods, works and services in the course of subsoil operations included into the terms and conditions of tenders for granting of the subsoil use rights;
- 22) together with the authorized agency in the field of oil and gas, development of forms and procedure for preparation and submission of annual, medium-term, long-term programs of goods, works and services procurement, subsoil users' reports on purchased goods, works and services and on compliance with obligations related to Kazakhstan content in personnel;
- 23) together with the authorized agency in the field of oil and gas, development of forms and procedure for preparation and submission of subsoil users' reports on compliance with obligations with respect to the amount of expenses allocated to training, professional development and re-training of employees being Kazakhstan citizen engaged in the contract implementation or to education of Kazakhstan citizens based upon the list of professions approved by the competent authority;
- 24) together with the authorized agency in the field of oil and gas, development of the procedure for determination of expenses for scientific research and development works in Kazakhstan necessary for performance of works under the contract;
- 25) formation and maintenance of the register of goods, works and services used in the course of subsoil operations and their producers, as well as development of criteria of their estimation for the purpose of inclusion into the said register;
- 26) other powers granted by this Law, other laws of the Republic of Kazakhstan, edicts of the President and Government of the Republic of Kazakhstan.

Article 20. Competence of authorized agency for study and use of subsoil

The authorized agency for subsoil study and use shall:

- 1) implement the state policy in the area of geological studies and integrated use of the subsoil;
- 2) grant and revoke permits for exploration or production of ground process water at a rate of two thousand and more cubic meters per day in the instances anticipated by Paragraph 6 of Article 35 of this Law;
- 3) grant the subsoil use right and enter into contracts for state geological studies of the subsoil;
- 4) enter into contracts for construction and/or operation of underground facilities not related to exploration or production;
- 5) organize and conduct state expert examination of the subsoil and approve mineral reserves;
- 6) organize and conducts economic expert examination of project documents for state geological subsoil studies;
- 7) organize the creation and maintenance of the state mineral register, state cadastres of mineral deposits and showings and dangerous geological processes;
- 8) determine the amount of historical costs, price and terms of obtaining geological data regarding the subsoil;
- 9) organize and provide for the functioning of republican and territorial subsoil geological data funds;
- 10) control subsoil users' compliance with the Republic of Kazakhstan subsoil and subsoil use legislation and the established procedures for subsoil use in respect of commonly occurring minerals;
- 11) within the limits of its competence, shall monitor subsoil users' compliance with contractual terms and conditions;
- 12) elaborate normative technical documents in the area of subsoil studies and use;
- 13) submit to the competent authority proposals regarding draft lists of subsoil areas to be tendered;
- 14) control the rational and integrated use of the subsoil, including primary treatment (concentration) of mineral raw materials;
- 15) issue geological and mining allotments;

- 16) organize and maintain the state cadastres of man-made mineral formations;
- 17) approve draft contracts and work programs;
- 18) maintain the state ground water records on the basis of ground water use records provided by water users and the hydro-meteorological service;
- 19) maintain the state water cadastre in respect of ground water;
- 20) coordinate permissions to use potable ground water for purposes not related to potable and domestic water supplies in territories with no surface water bodies, but with sufficient potable ground water reserves;
- 21) coordinate permissions to conduct water protection actions aimed to prevent depletion of ground water bodies;
- 22) agree water use limits for ground water bodies on the basis of basin schemes and standards of maximum permissible levels of adverse impact on water bodies;
- 23) agree the terms and conditions of placement, designing, construction, reconstruction and putting into operation of enterprises and other facilities on water bodies, water protective zones and strips;
- 24) agree project documents for conducting drilling and other mining operations; projects of infrastructure construction through ground water bodies;
- 25) issue expert opinions for construction, reconstruction, operation, conservation and liquidation of enterprises and other facilities which impact the condition of ground water bodies, and for direct intake of ground water from ground water bodies in the case of non-centralized potable water supply;
- 26) approve permits for flaring of associated and/or natural gas in instances anticipated by this Law;
- 27) approve project documents on the basis of the CCED recommendations;
- 28) submit to local executive body of oblast (city of republican significance or capital city) proposals with respect to draft lists of subsoil areas containing commonly occurring minerals subject to tender;
- 29) approve of the regulations on the working group for conduct of direct negotiations with respect to subsoil use right for construction and/or operation of underground facilities not related to exploration or production, and composition thereof;
- 30) approve of the procedure for economic expert examination of project documents with respect to works on state geological studies and monitoring of subsoil, conservation, liquidation of oil and gas and hydrogeologic wells;
- 31) approve the time frame standards and the rates for state subsoil geologic studies and monitoring works upon agreement with the competent authority in the sphere of employment;
- 32) determine the conditions and terms for test exploitation of field (deposit) reserves;
- 28) exercise other powers granted by this Law, other legislative acts of the Republic of Kazakhstan and Presidential edicts.

Article 21. The Central Commission for Exploration and Development of Minerals (CCED) and Inter-regional Commissions for Exploration and Development of Commonly Occurring Minerals (ICED)

1. The principal task of the CCED shall be to ensure the application of the most efficient methods of exploration and development of mineral and ground water deposits.
The CCED recommendations on matters within its authority shall be executed in the form of a protocol and adopted by the decision of the authorized agency for subsoil studies and use and which shall be binding upon all business entities regardless of their form of ownership, including foreign entities that design and conduct exploration and development of minerals in the territory of the Republic of Kazakhstan.
The organization of the CCED and ICED activities, the composition, structure, corporate records, collection and storage of materials and documents of the CCED shall be defined by the CCED and ICED Regulations approved by a legal act of the competent authority.
The competent authority may appoint to the CCED representatives (experts) of public associations, research institutes, organizations and other persons.
2. The deadline for considering the CCED proposals including recommendations on matters referred to its authority shall not exceed five months.
3. The authority of the CCED shall include the ensuring of the application of the most efficient

methods of exploration and development of mineral and ground water deposits at the design stage.

4. The CCED shall perform the following functions:

- 1) consider and submit to the authorized agency for subsoil studies and use proposals to approve or refuse to approve project documents for exploration or production of minerals, except for commonly occurring minerals, and amendments thereto submitted by subsoil users;
- 2) submit to the authorized agency for subsoil studies and use proposals to extend the periods of test productions of fields;
- 3) submit to the authorized agency for subsoil studies and use recommendations for design organizations and subsoil users to improve the rational and integrated use of mineral raw materials;
- 4) ensure the application of the most efficient methods and technologies of exploration and development of minerals in project documents;
- 5) consider developments of research and design organizations and subsoil users on matters of subsoil use, reliable accounting and rational and integrated use of mineral raw materials.

5. The CCED shall have to right:

- 1) to request reference and other materials concerning the subsoil use and rational and integrated use of mineral raw materials from research and design organizations and subsoil users;
- 2) to make proposals to the authorized agency for subsoil studies and use regarding the necessity for subsoil users to have additional expert examinations of submitted project documents made by research organizations and state agencies within their authority;
- 3) to recommend design organizations and subsoil users to apply new forms and methods of subsoil use and rational and integrated use of mineral raw materials elaborated by research and design organizations and subsoil users.

6. The ICED functions shall include the review and submission of proposals to approve or refuse to approve subsoil users' project documents for exploration and development of commonly occurring minerals and additions thereto to the respective territorial branches of the authorized agency for subsoil studies and use.

Article 22. The tasks, functions and rights of the Commission for Holding Subsoil Use Right Tenders and Tender Commissions for Awarding the Subsoil Use Right to Explore or Produce Commonly Occurring Minerals

1. The main tasks of the Commission for holding subsoil use right tenders shall include:

- 1) review and evaluation of bids for obtaining the subsoil use right for exploration or production, combined exploration and production of minerals, except for commonly occurring minerals;
- 2) determination of the winner among bidders of a tender for awarding the subsoil use right for exploration or production of minerals, except for commonly occurring minerals.

2. The functions of the Commission for Holding Subsoil Use Right Tenders shall include:

- 1) ensuring timely and qualitative consideration of bids;
- 2) objective and overall evaluation of submitted bids;

3. The Commission for holding subsoil use right tenders shall have the right to:

- 1) evaluate and compare bids submitted for tender;
- 2) determine the tender winner;
- 3) recognize a tender as failed on grounds stipulated by this Law;
- 4) request the necessary information from state agencies, organizations and other persons;
- 5) hear its responsible members, representatives of state agencies, organizations and other persons at the Commission's meetings;
- 6) reject bids on grounds stipulated by this Law;
- 7) engage experts from among specialists in a relevant area, if necessary;
- 8) exercise other rights provided by the current legislation of the Republic of Kazakhstan.

4. The main tasks of tender commissions for awarding the subsoil use right to explore or produce commonly occurring minerals created on the basis of an act of the executive body of a region (city of republican significance or capital city) shall include:

- 1) review and evaluation of bids for obtaining the subsoil use right for exploration or production of commonly occurring minerals;
- 2) determination of the winner among bidders of a tender for awarding the subsoil use right for exploration or production of commonly occurring minerals.

Tender commissions for awarding the subsoil use right to explore or produce commonly occurring minerals shall perform the functions set out in Paragraph 2 of this Article and have the rights set out in Paragraph 3 of this Article.

Article 23. The tasks, functions and rights of Inter-Agency Committee on Issues of Exercising by the State of its Pre-emptive Right

1. The main tasks of Inter-Agency Committee on Issues of Exercising by the State of its Preemptive Right shall include:

- 1) review of applications for alienation of the subsoil use right (or part thereof) and objects associated with subsoil use rights subject to the requirements of legislation of the Republic of Kazakhstan on national security and strengthening of the energy base of the country's economy;
- 2) preparation of proposals regarding the exercise of the state pre-emptive right.

2. The functions of Inter-Agency Committee on Issues of Exercising by the State of its Preemptive Right shall include:

- 1) review of subsoil users' applications for alienation of the subsoil use right (or part thereof) under subsoil use contracts;
- 2) review of persons' applications for alienation of their participatory interests (shares) in legal entities holding the subsoil use right;
- 3) review of persons' applications for alienation of their participatory interests (shares) in legal entities which have the possibility of directly and/or indirectly determining and/or influencing decisions adopted by the subsoil user if the principal activities of such legal entities is related to subsoil use in the Republic of Kazakhstan;
- 4) preparation, substantiation and submission to the competent authority of proposals on the acquisition (or refusal to acquire) by the state of an alienated asset related to the subsoil use right.

3. Inter-Agency Committee on Issues of Exercising by the State of its Pre-emptive Right shall have the right to:

- 1) interact with central executive and other state agencies and organizations;
- 2) invite to participate and hear representatives of state agencies, organizations and other persons on matters within their competence at its meetings;
- 3) request and receive from state agencies, organizations and other persons materials which are necessary for performing its functions in accordance with the statutory procedure.

Article 24. The tasks, functions and rights of the Expert Commission for Subsoil Use Matters and Expert Commissions for Subsoil Use Matters Relating to Exploration or Production of Commonly Occurring Minerals

1. The main task of the Expert commission for subsoil use matters shall be to prepare proposals to the competent authority on the matters set out in Paragraph 2 of this Article which are related to the disposal of the subsoil use right for exploration or production of minerals, except for commonly occurring minerals, and objects associated with subsoil use right to explore and/or produce minerals, except for commonly occurring minerals.

2. The functions of the Expert commission for subsoil use matters shall include the review of applications and preparation, substantiation and submission to the competent authority of proposals to grant (or refusal to grant) permission for:

- 1) alienation of the subsoil use right (or part thereof) under subsoil use contracts;
- 2) alienation of participatory interests (shares) in legal entities holding the subsoil use right;
- 3) pledge of the subsoil use right (or part thereof) or participatory interests (shares) in legal entities holding the subsoil use right;
- 4) participation in public auctions for sale of the subsoil use right (or part thereof) or participatory interests (shares) in legal entities holding the subsoil use right in cases of foreclosure, including pledge, on such subsoil use right (or part thereof), participatory interests (shares) in a legal entity holding the subsoil use right
- 5) participation in public auctions for sale of bankruptcy estate including the subsoil use right (or part thereof), a participatory interest (shares) in a legal entity holding the subsoil use right in the cases of bankruptcy proceedings;
- 6) acquisition by the pledge holder of the pledged subsoil use right (or part thereof), a

participatory interest (shares) in a legal entity holding the subsoil use right in the case of a failed auction for sale of the subsoil use right (or part thereof), participatory interests (shares) in legal entities holding the subsoil use right;

7) acquisition of the right to a participatory interest (shares) in a legal entity holding the subsoil use right as a result of an increase of charter capital through accession of a new participant in such legal entity;

8) initial public offering on the organized market of shares or other securities confirming the title to shares, or securities convertible to shares of a subsoil user legal entity and a legal entity able to directly and/or indirectly determine the resolutions and/or influence decisions made by such a subsoil user, if such a legal entity's core activities are associated with subsoil use in the Republic of Kazakhstan, including initial public offering on the organized market of additionally issued securities/shares of such subsoil user legal entities;

9) changes of obligations under a work program or contract;

10) extension of the validity term of contracts.

At the instructions of the competent authority, the Expert commission for subsoil use matters may consider other matters related to subsoil use, prepare proposals and submit them to the competent authority.

3. The Expert commission for subsoil use and related matters shall have the right to:

1) interact with central executive and other state agencies and organizations;

2) invite to participate and hear representatives of state agencies, organizations, officers and individuals on matters within their competence at its meetings;

3) request and receive from state agencies, organizations and other persons materials which are necessary for performing its functions in accordance with the statutory procedure.

4. The main task of the Expert commissions for subsoil use matters relating to exploration or production of commonly occurring minerals created under the executive body of a region (city of republican significance or capital city) shall be to prepare for the executive body of the region (city of republican significance or capital city) proposals on the matters indicated in Paragraph 2 of this Article which are related to the circulation of the subsoil use right for exploration or production of commonly occurring minerals, and/or participatory interests (shares) in legal entities holding the subsoil use right to explore and/or produce commonly occurring minerals.

The Expert commissions for subsoil use matters relating to exploration or production of commonly occurring minerals shall perform the functions set out in Paragraph 2 of this Article.

At the instructions of the relevant executive bodies of regions (cities of republican significance or the capital cities), the expert commissions for subsoil use matters relating to exploration or production of commonly occurring minerals may consider other subsoil use matters relating to exploration or production of commonly occurring minerals, prepare proposals and submit them to the executive bodies of regions (cities of republican significance or the capital cities).

The Expert commissions for subsoil use matters relating to exploration or production of commonly occurring minerals shall have the rights set out in Paragraph 3 of this Article.

Article 25. The authority of the authorized environmental protection agency

The authorized environmental protection agency shall:

1) exercise the state control of environmental protection;

2) maintain the state cadastre of burials of hazardous substances, radioactive waste and waste water discharges into the subsoil;

3) determine, together with the authorized agency for subsoil studies and use, the amount of damage caused by a violation of environmental requirements;

4) give consent to the issuance of permits for construction and/or operation of underground facilities which are not associated with exploration or production on or outside contract territories and are designed for burial of hazardous substances, radioactive waste and waste water;

5) give consent to programs for prevention of accidents and other dangerous situations in the course of petroleum operations, construction and operation of oil and gas pipelines;

6) exercise the state control of conservation and abandonment of subsoil use facilities;

7) conduct an environmental expert examination of draft exploration or production contracts;

8) give consent to draft lists of subsoil areas to be tendered, except for subsoil areas containing commonly occurring minerals;

9) exercise other authorities provided for by this Law, other legislative acts, Presidential edicts and Governmental Resolutions.

Article 26. The authority of other authorized agencies in the area of subsoil use

1. The authorized agency for employment of population shall:

- 1) develop and approve, upon agreement with the competent authority, the methods of calculating the Kazakhstan content in respect of Kazakhstan personnel;
- 2) take part in the monitoring of the performance by subsoil users of contractual obligations relating to the Kazakhstan content in respect of the employment of Kazakhstan work force, provision of indiscriminate labour conditions and remuneration;
- 3) approve the procedure for calculating the minimum percentage of Kazakhstan personnel in total work force engaged in subsoil operations;
- 4) pursuant to the established procedure, submit to the competent authority the minimum percentage of Kazakhstan personnel in total work force engaged in subsoil operations to be included in tender terms;
- 5) exercise other powers granted by this Law, other laws of the Republic of Kazakhstan, edicts of the President and Government of the Republic of Kazakhstan.

2. The authorized agency in the area of education and science shall:

- 1) develop and approve, upon agreement with the competent authority, the methods of calculating the minimum requirements in training Kazakhstan personnel;
- 2) take part in the monitoring of the performance by subsoil users of contractual obligations relating to the Kazakhstan content in respect of training Kazakhstan personnel;
- 3) approve the procedure for calculating the minimum percentage of Kazakhstan personnel in total work force to be trained;
- 4) pursuant to the established procedure, submit to the competent authority the minimum percentage of Kazakhstan personnel in total work force to be trained for inclusion in tender terms;
- 5) exercise other powers granted by this Law, other laws of the Republic of Kazakhstan, edicts of the President and Government of the Republic of Kazakhstan.

Article 27. The authority of the executive bodies of regions (cities of republican significance or the capital cities)

The executive bodies of regions (cities of republican significance or the capital cities) shall:

- 1) grant land plots to the subsoil user under the right of land use, of the size and for the term stipulated in the contract in accordance with land legislation; where necessary, take land plots from private owners or users for the indicated purposes, in accordance with the procedure established by land legislation;
- 2) within the authority granted to them by legislative acts, exercise supervision of the protection of land plots and water bodies allocated for conducting of subsoil operations, of compliance by subsoil users with the rules of environment safety, preservation of archaeological memorials and other items of historic and cultural heritage;
- 3) participate in negotiations with subsoil users to resolve issues related to the observance of the social, economic and environmental interests of the regional population, when concluding contracts;
- 4) take part in the monitoring of the performance by subsoil users of contractual obligations relating to the Kazakhstan content in goods, works, services and personnel and social development of territories, including through the register of goods, works and services used for subsoil operations and their producers;
- 5) issue permits for subsoil users to employ foreign personnel in accordance with the procedure established by legislation of the Republic of Kazakhstan;
- 6) approve the list of subsoil areas containing commonly occurring minerals to be submitted to tender;
- 7) make a list of goods, work and services produced in the territory of regions (cities of republican significance or the capital cities) and their producers which shall be submitted to the authorized agency on a quarterly basis in order to form the register of goods, work and services used in subsoil operations and their producers;
- 8) prepare and organize tenders for granting the subsoil use right for exploration or production

- of commonly occurring minerals;
- 9) approve the composition of tender commissions for awarding the subsoil use right to explore or produce commonly occurring minerals;
 - 10) negotiate with a subsoil user the terms and conditions of a contract and, together with the subsoil user, draft a contract for exploration or production of commonly occurring minerals;
 - 11) organize the conduct of an expert examination of draft contract documents for commonly occurring minerals, except for expert examination of design and cost documents for carrying out work related to state subsoil studies;
 - 12) conclude, register, and keep contracts for exploration or production of commonly occurring minerals;
 - 13) issue permits to transfers of subsoil use right in accordance with Article 37 hereof and register the subsoil use right pledge transaction in respect of commonly occurring minerals;
 - 14) ensure the performance and unilateral termination of contracts for exploration or production of commonly occurring minerals in accordance with legislation;
 - 15) assist in preservation of items connected with subsoil use which are of scientific, historic, cultural, and recreational significance;
 - 16) approve, in co-ordination with the authorized central executive bodies, lists of geological, geomorphological and hydrogeological items of the state natural preserve stock of local significance and of subsoil areas that are of special environmental, scientific, cultural and recreational value, referred to the category of specially-protected natural territories of local significance;
 - 17) adopt decisions regarding the renewal of contract for exploration or production of commonly occurring minerals;
 - 18) conduct the monitoring and supervision of the performance of contractual obligations in respect of commonly occurring minerals;
 - 19) reserve land for the subsoil use purposes in accordance with the procedure provided for by this Law and land laws of the Republic of Kazakhstan;
 - 20) exercise other authorities in the interests of local state management established by Kazakhstan legislation for local executive bodies.

CHAPTER 3. THE SUBSOIL USE RIGHT

Article 28. Types of subsoil use rights

1. The subsoil use rights shall be granted for the following operations:
 - 1) state geological studies of the subsoil;
 - 2) exploration;
 - 3) production;
 - 4) exploration and production combined;
 - 5) construction and/or operation of underground facilities not connected with exploration or production;
2. The subsoil use rights may be permanent or temporary, alienable or inalienable, payable or free of charge.
3. Production of commonly occurring minerals for the subsoil user's own needs in the land plots which are held under the right of ownership or temporary use shall be carried out under the right of permanent and free of charge subsoil use.
Any other types of subsoil operations shall be carried out on the basis of temporary and payable subsoil use.

Article 29. Holders of subsoil use rights

1. Subsoil use rights may be held by Kazakhstani and foreign individuals and legal entities.
2. Subsoil users shall be entrepreneurs, except for persons producing commonly occurring minerals and ground water for own needs.
3. Subsoil use rights under one contract may be held by several persons. Such persons shall be co-holders of the subsoil use right and bear joint and several liability for obligations arising out of the contract.
The rights and obligations of co-holders of the subsoil use right before the competent authority, as

well as their interests in the subsoil use right, shall be defined by the contract.

The rights and obligations of co-holders of the subsoil use right and the procedure for running common business shall be defined by the contract and the joint operations agreement. The provisions of the joint operations agreement shall not contradict those of the contract.

If the operator under a contract is created or designated, the co-holders of the subsoil use right shall notify the competent authority thereof in writing.

In contracts with a mandatory participatory interest held by the national company, the participatory interest of the national company in the operator's charter capital shall be at least fifty percent.

The co-holders of the subsoil use right shall bear liability from their property for the operator's activities.

Article 30. Guarantees of subsoil user's rights

A subsoil user shall be guaranteed protection of its rights in accordance with Kazakhstan legislation. Any amendments and additions to legislation that directly worsen the results of a subsoil user's commercial activities shall not apply to contracts concluded prior to such amendment and additions. The guarantees provided by this Article shall not apply to changes in legislation of the Republic of Kazakhstan in the area of national security, defence capabilities, environmental protection, health, taxation and customs regulation.

Article 31. Functions of the national company

1. In accordance with the authority established by the laws of the Republic of Kazakhstan, the national company shall:

- 1) participate in the implementation of a unified state policy in the area of subsoil use;
- 2) represent the state's interests in contracts providing for the national company to have a participatory interest in such contracts in accordance with the procedure established by the Government of the Republic of Kazakhstan and within the authority set forth in such contracts;
- 3) conduct subsoil operations together with tender winners by means of a participatory interest in contracts according to a resolution of the Government of Kazakhstan;
- 4) conduct subsoil operations in subsoil areas provided to them through direct negotiations;
- 5) participate in international and domestic subsoil operations and hydrocarbons transportation projects of the Republic of Kazakhstan in accordance with the procedure established by the legislation of the Republic of Kazakhstan;
- 6) participate in the preparation of annual reports on contract implementation to the President and the Government of the Republic of Kazakhstan;
- 7) conduct corporate management and monitoring of exploration, development, production, processing, and marketing of minerals as well as transportation of hydrocarbons and design, construction and operation of oil and gas pipelines and oil and gas field infrastructure;
- 8) as provided for in Paragraph 8 of Article 13 hereof, conduct negotiations and enter into contracts with the alienator(s) for acquisition of the alienated subsoil use right (or part thereof) and/or object associated with subsoil use right.

2. Under contracts in which the national company is subsoil user, exploration shall be financed by its strategic partner, unless otherwise provided for by a joint operation agreement.

Article 32. Subsoil areas allocated for subsoil operations

1. Subsoil areas within the boundaries of the Republic of Kazakhstan shall be owned by the state and allocated for subsoil operations in accordance with the procedure established by this Law.
2. A subsoil area may not be an object of sale.
3. The subsoil use right is an object of circulation in accordance with the procedure and subject to conditions defined herein.

Article 33. Geological and mining allotments

1. A holder of subsoil use rights for exploration, production or combined exploration and production, as well as construction and/or operation of underground facilities not associated with

exploration or production, shall be entitled to conduct the relevant subsoil operations only within the subsoil area defined by the relevant geological or mining allotment.

2. A geological allotment shall be issued by the authorized agency for subsoil studies and use to the winner of a tender or the person the subsoil use rights are granted to without holding a tender in instances anticipated by this Law no later than twenty days from filing an application.

3. A mining allotment shall be issued by the authorized agency for subsoil studies and use to the winner of a tender or the person the subsoil use rights are granted to without holding a tender in the instances anticipated by Paragraph 2 of Article 35 of this Law no later than twenty days from submission of a draft mining allotment by such person.

4. A holder of subsoil use rights for production shall be entitled to conduct exploration operations within the subsoil area defined by the relevant mining allotment. In the event of an increment of reserves and their confirmation by the state subsoil expert examination the contract may be amended accordingly upon agreement in writing between the parties in accordance with the procedure established by legislation of the Republic of Kazakhstan.

Article 34. Commencement of subsoil use right

1. The subsoil use right shall commence upon:

- 1) granting;
- 2) transfer;
- 3) passage in the procedure of legal succession.

2. Granting the subsoil use right shall mean conferring the right of subsoil use on an entity directly by the state.

3. Transfer of the subsoil use right shall mean conferring of the subsoil use rights on an entity by any other subsoil user.

4. Passage of the subsoil use rights in the procedure of legal succession shall mean acquiring of the subsoil use right by a legal successor as a result of reorganisation of a legal entity and death of an individual holding the subsoil use right.

Article 35. Granting of subsoil use rights

1. The subsoil use rights shall be granted by way of conclusion of a contract, save as provided by Paragraphs 3, 5, 6, 9 of this Article.

2. A contract for exploration or production shall be executed on the basis of the results of a tender.

The following contracts shall be executed on the basis of direct negotiations without holding a tender:

- 1) a production contract with a person having a pre-emptive right to obtain subsoil use rights for production in connection with a commercial discovery on the basis of an exploration contract;
- 2) a contract for construction and/or operation of underground facilities not associated with exploration or production;
- 3) a contract for exploration or production of commonly occurring minerals in the construction (reconstruction, repairs) of railroads and highways and general-purpose bridges;
- 4) a contract for exploration or production with the national company;
- 5) a contract for exploration or production in the instance anticipated by Paragraph 4 of Article 54 of this Law;

6) a contract for production of ground water for domestic use in the amount exceeding two thousand cubic meters per day with the owner or subsoil user of the land plot under which ground water is located, provided that such a person has the special water use right with respect to such land plot.

3. The subsoil use rights for construction and/or operation of underground facilities not associated with exploration or production in or outside the contract territory and intended for burial of radioactive waste, hazardous substances and waste water shall be granted on the basis of a written permit issued by the authorized agency for subsoil studies and use, upon agreement of the authorized environmental protection agency, in accordance with the procedure established by the Government of the Republic of Kazakhstan.

4. The subsoil use rights shall not be required for construction and/or operation of underground facilities which are associated with exploration or production and included in work programs under

exploration or production contracts.

5. The subsoil use rights for production of ground water for domestic and industrial use within the limits of their extraction in the range from fifty to two thousand cubic meters per day shall be granted on the basis of a permit issued by the authorized agency for use and protection of water reserves in accordance with the procedure established by the Government of the Republic of Kazakhstan.

6. The rights for exploration or production of industrial ground water in volumes of two thousand or more cubic meters per day for injection into the formation in accordance with the flow sheet of mineral production or extraction of ground water for the purposes of water depression in mining operations shall be granted to the subsoil user on the basis of a permit issued by the authorized agency for subsoil studies and use in accordance with the procedure established by the Government of the Republic of Kazakhstan.

This provision shall not be applicable to production of ground waters for the purpose of water depression when operating mines if such production is effected by a subsoil user under a subsoil use contract.

7. The subsoil use rights for exploration or production of commonly occurring minerals shall be granted on the basis of a contract concluded with the executive body of a region (city of republican significance or capital city).

8. The subsoil use rights for state geological studies of the subsoil shall be granted on the basis of an agreement on operations related to state geological studies of the subsoil with the authorized agency for subsoil studies and use in accordance with the procedure established by the Government of the Republic of Kazakhstan.

9. The subsoil use rights for production of commonly occurring minerals for own needs and ground water in volumes of not more than fifty cubic meters per day shall be granted simultaneously with the granting of the land plot, under which the commonly occurring minerals and ground water are located, into private ownership or use. When a land plot is granted for temporary land use, the terms of utilising commonly occurring minerals for own needs and ground water in volumes of not more than fifty cubic meters per day may be stipulated in an agreement on temporary use of land.

Article 36. Transfer of subsoil use rights and associated objects

1. The subsoil use rights and/or associated objects shall be transferred through:

1) alienation of the subsoil use right, in full or in part, to any other person on the basis of civil transactions for consideration or free of charge;

2) alienation of a participatory interest (shares) in a subsoil user legal entity on the basis of civil transactions for consideration or free of charge;

3) transfer of the subsoil use right, a participatory interest (shares) in a subsoil user legal entity as a contribution to the charter capital of another legal entity;

4) alienation of the subsoil use right in the process of privatization of the property complexes of state-owned companies having the subsoil use right;

5) alienation of the subsoil use right or object associated with subsoil use right in bankruptcy proceedings;

6) foreclosure on the subsoil use right or a participatory interest (shares) in a legal entity having the subsoil use right, including in the case of pledge;

7) the right to a participatory interest (shares) in a legal entity having the subsoil use right, a legal entity having a possibility to directly and/or indirectly determine the resolutions and/or influence the resolutions of such a subsoil user if such legal entity's core activities are associated with subsoil use in the Republic of Kazakhstan, if such a right arises as a result of an increase of the charter capital by accession of a new participant to such legal entity.

2. The transfer of the subsoil use right for exploration, production or combined exploration and production of minerals, except for commonly occurring minerals, and/or objects associated with the right of subsoil use shall be carried out with the permission of the competent authority to be issued in accordance with the procedure established by Article 37 hereof.

The transfer of the subsoil use right for exploration or production of commonly occurring minerals and/or objects associated with the right of subsoil use shall be effected with the permission of the local executive bodies of regions (cities of republican significance or the capital cities) to be issued in accordance with the procedure established by Article 37 hereof.

3. The initial public offering of shares on an organized market or other securities confirming title to shares or securities convertible to shares in a subsoil user legal entity, legal entity having a possibility to directly and/or indirectly determine the decisions and/or influence decision making by such a subsoil user if such a legal entity's core activities are associated with subsoil use in the Republic of Kazakhstan, including the initial public offering of additionally issued securities in such legal entities on an organized market shall be effected with the permission of the competent authority to be issued in accordance with the procedure established by Article 37 hereof.

4. The subsoil use right (or part thereof), participatory interests (shares) in a legal entity having the subsoil use right shall be pledged with the permission of the competent authority or a regional (city of republican significance or capital city) executive body with respect to commonly occurring minerals to be issued in accordance with the procedure established by Article 37 hereof

A loan facility secured by pledge of the subsoil use right shall only be applied for the purposes of subsoil use or for organization of subsequent transformation in Kazakhstan as provided by the contract by the subsoil user itself or by a subsidiary organization where a subsoil user owns 100% participatory interest (shareholding).

5. The provisions of Paragraph 2 of this Article shall not apply to the following instances:

1) transactions for alienation of shares or other securities confirming title to shares, or securities convertible to shares which are traded on an organized securities market and are issued by a subsoil user legal entity which has a possibility to directly and/or indirectly determine and/or influence the decisions of such a subsoil user if such legal entity's core activities associate with subsoil use in the Republic of Kazakhstan;

2) the transfer, in full or in part, of the subsoil use right and objects associated with subsoil use right:

in favour of a subsidiary in which at least 99 per cent of the participatory interest (shareholding) is directly or indirectly owned by the subsoil user, provided that this subsidiary is not incorporated in a state with preferential tax treatment;

between legal entities in which at least 99 per cent of the participatory interest (shareholding) is directly or indirectly owned by one person, provided that the acquirer of the subsoil use right (in full or in part) and objects associated with the subsoil use right is not incorporated in a state with preferential tax treatment;

3) the transfer of shares (participatory interests) in a subsoil user if as the result of such a transfer an entity acquires the right to directly or indirectly (through third parties) dispose of less than 0.1 per cent of participatory interests (shareholdings) in the charter capital of a subsoil user, and/or a legal entity having possibility to directly and/or indirectly determine the resolutions and/or influence the decisions of such a subsoil user, if core activities of such a legal entity are associated with subsoil use in the Republic of Kazakhstan.

6. The transfer of the subsoil use right for state geological studies which is granted to a subsoil user on the basis of a contract with the authorized agency for subsoil studies and use may only be effected with the prior consent of that agency.

7. The transfer of the subsoil use right for exploration or production of commonly occurring minerals and ground water for own needs shall be effected simultaneously with the transfer of the land plot under which the commonly occurring minerals and ground water are located, into private ownership or land use. When a land plot is transferred for temporary use, the terms of the use of commonly occurring minerals and ground water for own needs may be stipulated by an agreement on temporary land use.

No permission of the executive bodies of regions (cities of republican significance or the capital cities) for the transfer of the subsoil use right for exploration or production of commonly occurring minerals and ground water for own needs shall be required.

The transfer of the subsoil use rights in relation to commonly occurring minerals and ground water for own needs without transferring the land plot under which they are located shall not be allowed.

8. In the event of a partial transfer of the subsoil use right to a third party, the subsoil user and such third party must agree upon mutual obligations arising in the course of joint exercise of the rights and performance of the obligations under the contract. A joint operation agreement or other agreement establishing mutual rights and obligations within their activities under the contract shall be agreed with the competent authority or a regional (city of republican significance or capital city) executive body in case of commonly occurring minerals, and shall be an integral part of the contract

and binding upon the parties to the contract.

9. In the event of the transfer of the subsoil use right held by several individuals or legal entities, such transfer shall be possible with the consent of all holders of such subsoil use right.

10. As long as a subsoil user retains any participation in a contract, such subsoil user and the person to which the subsoil use right is transferred shall bear joint and several liability under the contract.

11. The transfer of the subsoil use right shall constitute an unconditional ground for the reregistration of the land plot and re-issuance of the geological or mining allotment.

The transfer of the subsoil use right shall constitute an unconditional ground for the reregistration (transfer) of the abandonment fund created under the contract.

12. All costs relating to the transfer of the subsoil use rights shall be borne by the subsoil user, unless otherwise stipulated in the terms and conditions of the transfer.

13. The transfer of the subsoil use right shall entail the necessity to make the respective amendments and/or additions to the contract and shall be deemed completed upon registration of such amendments and/or additions. The competent authority or regional (city of republican significance or capital city) executive body may refuse to register a contract if there is no fact of conclusion of a civil-law transaction to transfer the subsoil use rights or if it is found that the subsoil user provided the competent authority or the regional (city of republican significance or capital city) executive body with false information on the basis of which the permission for the transfer of the subsoil use rights was issued, or in the cases of non-compliance with Paragraphs 8 and 9 of this Article.

The transfer of the right to an object associated with a subsoil use right shall be effected in accordance with the procedure established by legislation of the Republic of Kazakhstan subject to the provisions of this Article.

14. Transactions and other actions effected with the aim to transfer the subsoil use right or an object associated with subsoil use right without permission of the competent authority or a regional (city of republican significance or capital city) executive body as provided for by Paragraph 2 of this Article and Article 35 of this Law, and upon expiration of the permit and without a prior consent of the competent authority for subsoil studies and use issued in accordance with Paragraph 6 of this Article, shall be invalid from the time of their conclusion.

The failure to notify the competent authority of an effected transaction within 5 business days following its conclusion shall constitute the ground for invalidity of such a transaction.

Article 37. Procedure for issuance of permission to alienate subsoil use rights and associated rights

1. Unless otherwise provided for by this Law, a person intending to alienate its subsoil use right (or part thereof) and/or an object associated with subsoil use right shall file with the competent authority an application for permission to transfer the subsoil use right and/or an object associated with a subsoil use right.

If a person intends to alienate the subsoil use right (or part thereof) for exploration or production of commonly occurring minerals, an application shall be filed with the executive body of the region (city of republican significance or capital city).

2. An application for permission to transfer the subsoil use right and/or an object associated with the subsoil use right must be made in the Kazakh and Russian languages and contain:

1) the full name of the legal entity or the first and the last name of an individual holding the subsoil use right or the object associated with subsoil use right;

2) an indication of the subsoil area and the subsoil use right (or part thereof) or the object associated with subsoil use right which are being alienated;

3) the exact volume of the alienated subsoil use right (or part thereof) or size of the alienated participatory interest (shares) in the subsoil user legal entity, the number of alienated securities, including the scope of rights left with the initial holder and other persons and type of alienated securities;

4) the total size of the charter capital and composition of shareholders, the total number of issued securities confirming title to shares or convertible to shares, the total number and the proportion of the blocks of shares of the legal entity having the subsoil use right, the legal entity having a possibility to directly and/or indirectly determine or influence the decisions of such a subsoil user legal entity;

5) information about the acquirer of the subsoil use right or an object associated with the subsoil use right:

in the case of legal entities – the name of the acquirer, its address, nationality, data on state registration as a legal entity and tax registration, information on directors and their authorities, participants with the indication of the sizes of their participatory interests (blocks of shares), circulation of its securities on an organized securities market with the indication of the total number of such securities and the acquirer's subsidiaries;

in the case of individuals – the name of the acquirer, his/her address, nationality, information on their identity documents, tax registration, availability of registration as an entrepreneur or absence thereof and data on legal entities in which the acquirer is a participant (shareholder);

6) information on the previous activities of the acquirer, including a list of states where the acquirer operated during the most recent three years, and data on the financial, technical, managerial and organizational capabilities of the acquirer, including personnel qualifications;

7) the reason for alienation of the subsoil use right or an object associated with subsoil use right;

8) the legal status of the applicant in the legal relations in the alienation of the subsoil use right or an object associated with subsoil use right;

9) the acquirer's written statement that all data regarding the acquirer indicated in the application and documents attached thereto are true;

10) the full name of the signatory of the application, the indication of the authority of such person and data of his/her identity document;

11) the price and other terms and conditions of the alienation of the subsoil use right or an object associated with subsoil use right.

All documents attached to the application shall be made in the state and Russian languages. If an application is made by a foreign person, such documents may be made in another language and each copy thereof shall be accompanied by a notarized translation into the state and Russian languages.

3. Within five business days of receipt of a protocol of the Inter-Agency Committee on Issues of Exercising by the State of its Pre-emptive Right, the competent authority shall submit for consideration by the Expert commission for subsoil use matters materials necessary for working out a proposal to grant (or refusal to grant) permission to alienate the subsoil use right and/or objects associated with subsoil use right.

4. Within ten business days of receipt of the materials, the Expert commission for subsoil use matters shall consider the application and other materials and work out a proposal to grant (or refusal to grant) permission to alienate the subsoil use right and/or the object associated with subsoil use right.

The Expert commission for subsoil use matters may request and receive from the applicant and other persons any additional materials directly relating to the alienation of the subsoil use right or objects associated with subsoil use right.

The proposal of the Expert commission for subsoil use matters to grant (or refusal to grant) permission to alienate the subsoil use right and/or the object associated with subsoil use right shall be formalized by a protocol to be submitted to the competent authority.

5. Based on the proposal of the Expert commission for subsoil use matters and within not more than five business days from the receipt of such proposal, the competent authority shall take a decision to grant (or refusal to grant) permission to alienate the subsoil use right and/or the object associated with subsoil use right.

6. Permission to alienate the subsoil use right and/or the object associated with subsoil use right shall only be granted by the competent authority subject to the following conditions:

1) if the acquirer of the subsoil use right (or part thereof) fully complies with the requirements of this Law to subsoil users and persons seeking the subsoil use right;

2) if such transfer does not result in breach of the requirements of legislation of the Republic of Kazakhstan, including the requirements of ensuring national security, concentration of rights within a contract and/or concentration of rights to subsoil operations, as well as international treaties of the Republic of Kazakhstan;

3) the application for permission to transfer the subsoil use right and/or the objects associated with subsoil use right meets the requirements of Paragraph 2 of this Article.

7. The issue of granting the competent authority's permission to alienate the subsoil use right and/or objects associated with subsoil use right shall be considered on a case-by-case basis. The provision of general permission for such alienation at the discretion of a subsoil user or a participant

(shareholder) in a contract or other act shall not be allowed.

8. A refusal to grant permission to alienate the subsoil use right (or part thereof) and/or the object associated with subsoil use right may be challenged in compliance with the legislation of the Republic of Kazakhstan.

9. A refusal to grant permission to alienate a subsoil use right in compliance with Paragraph 2 of Article 6 hereof shall be formalized without giving explanation thereof.

10. The subsoil use right may not be transferred during two years following the effective date of the contract.

This Paragraph shall not be applicable to the following cases:

1) transfer or acquisition of the subsoil use rights by the national managing holding, the national company or subsidiaries thereof;

2) foreclosure of the pledged subsoil use right;

3) reorganization of a subsoil user legal entity;

4) transfer of subsoil use right in the cases provided for in subparagraphs 2) and 3) of Paragraph 5 of Article 36 of this Law.

11. The permit to alienate subsoil use right (or part thereof) and/or an object associated with subsoil use right shall be issued for six months.

If the transaction is not entered into within the established term, then the applicant must apply to the competent authority to extend the permit for a term not exceeding six months and to obtain a new permit for the transaction.

A person who acquired the alienated subsoil use right (or part thereof) and/or an object associated with the subsoil use right must inform the competent authority on entering into the transaction within five business days following the transaction date.

12. The executive body of a region (city of republican significance or capital city) shall grant (or refusal to grant) permission and Expert commissions for matters of subsoil use relating to exploration or production of commonly occurring minerals shall work out proposals to grant (or refusal to grant) permission to transfer the subsoil use right for exploration or production of commonly occurring minerals, and/or a participatory interest (shares) in a legal entity having the subsoil use right for exploration or production of commonly occurring minerals in accordance with the procedure established by this Article.

Article 38. Passage of subsoil use right and associated rights in the procedure of legal succession in the event of reorganization of a legal entity

1. In the case of the re-organisation of a legal entity having the subsoil use right or a legal entity being a participant (shareholder) in a legal entity having the subsoil use right, the passage of the subsoil use right, participatory interest (shares) in the legal entity having the subsoil use right on the basis of a deed of transfer or a separation balance sheet in the procedure of legal succession shall only be allowed with the permission of the competent authority or the executive body of a region (city of republican significance or capital city) to be granted in accordance with the procedure established by Article 37 hereof.

2. The provisions of Paragraph 1 hereof shall not be applicable to reorganization of a national managing holding, the national company or subsidiaries thereof, transformation of a subsoil user legal entity by changing its organizational form as well as in the instances provided for in subparagraphs 2) and 3) of Paragraph 5 of Article 36 of this Law.

3. In the events provided for in Paragraph 2 hereof the competent authority shall make relevant amendments to the contract within one month following application of the subsoil user.

Article 39. Passage of the subsoil use right and associated rights in the procedure of the universal legal succession in the event of death of an individual

The subsoil use rights or objects associated with subsoil rights shall pass by inheritance in accordance with the rules of civil legislation of the Republic of Kazakhstan.

Article 40. Termination of the subsoil use right

1. No one may be deprived of the subsoil use right other than on the grounds established by this

Law and other laws of the Republic of Kazakhstan.

2. The subsoil use right shall be terminated in the following cases:

1) the expiry of the contract;

2) the expiry or revocation of the permit for construction and/or operation of underground facilities not related to exploration or production, but intended for burial of radioactive waste, hazardous substances and waste water, as well as for exploration or production of ground process water at a rate of two thousand and more cubic meters per day in accordance with Paragraph 6 of Article 35 of this Law;

3) the Government of the Republic of Kazakhstan takes the decision to prohibit the use of a subsoil area in accordance with Article 14 hereof;

4) the legal entity having the subsoil use right is liquidated.

3. The termination of the subsoil use right shall constitute an unconditional ground for terminating the land use right to the land plot allocated for the purposes of subsoil use.

Article 41. Enforced termination of the subsoil use right

1. In the event of foreclosure of the subsoil use right (or part thereof) or objects associated with subsoil use right, including pledge, the subsoil use right and objects associated with subsoil use right shall be sold by public auction, unless otherwise established by this Law.

Persons that have obtained the competent authority's or executive body's of a region (city of republican significance or capital city) permission to participate in such auction for the sale of the subsoil use right or participatory interests (shares) in a legal entity having the subsoil use right shall be admitted to such auction.

A person intending to participate in an auction for the sale of the subsoil use right (or part thereof) or objects associated with subsoil use right shall submit an application for permission to participate in such auction to the competent authority or executive body of a region (city of republican significance or capital city).

An application for permission to participate in an auction for the sale of the subsoil use right (or part thereof) or objects associated with subsoil use right shall be made in the Kazakh and Russian languages and contain information required by Paragraph 2 of Article 37 of this Law.

An application for permission to participate in an auction for the sale of the subsoil use right (or part thereof) or objects associated with subsoil use right shall be reviewed by the competent authority or the executive body of a region (city of republican significance or capital city) in accordance with the procedure provided by Article 37 of this Law.

The provisions of this Paragraph shall also apply to the sale of bankruptcy estate in the case of bankruptcy proceedings.

If, based on the results of an auction, a transaction on the alienation of the subsoil use right (or part thereof) or objects associated with subsoil use right is concluded with a person having the competent authority's or regional (city of republican significance or capital city) executive body's permission to participate in public auction in accordance with this Paragraph, no additional permission of the competent authority or regional (city of republican significance or capital city) executive body for alienation of the subsoil use right and/or associated objects shall be required.

2. The pledge holder's claims shall be satisfied out of the value of the pledged subsoil use right (or part thereof) or objects associated with subsoil use right in accordance with a judicial procedure.

3. If an auction for the sale of the subsoil use right (or part thereof) or objects associated with subsoil use right is declared as failed, the pledge holder, with the competent authority's or regional (city of republican significance or capital city) executive body's permission, may appropriate the pledged property (become the holder of the subsoil use right (or part thereof) and/or objects associated with subsoil use rights) or demand a new auction.

4. If an auction for the sale of the pledged subsoil use right (or part thereof), objects associated with subsoil use right is declared as failed, the pledge holder intending to acquire the pledged subsoil use right (or part thereof), objects associated with subsoil use right shall submit to the competent authority or regional (city of republican significance or capital city) executive body an application for permission to acquire the pledged subsoil use right (or part thereof) or objects associated with subsoil use right.

An application for permission to acquire the pledged subsoil use right (part thereof) or objects associated with subsoil use right shall be made in Kazakh and Russian languages and contain

information required by Paragraph 2 of Article 37 of this Law.

An application for permission to acquire the pledged subsoil use right (or part thereof) or objects associated with subsoil use right shall be reviewed by the competent authority or the regional (city of republican significance or capital city) executive body in accordance with the procedure provided by Article 37 of this Law.

5. The terms and conditions of pledge and other agreements that are not in line with the provisions of this Article shall be invalid.

Article 42. Exercise of the subsoil use rights relating to man-made mineral formations

Extraction from man-made mineral formations which are owned by the state and are not held by specific state-owned enterprises shall be generally carried out on the basis of a contract.

Article 43. Exercise of the subsoil use rights relating to state geological studies of the subsoil

1. State geological studies of the subsoil may be carried out by individuals and legal entities which have the subsoil use rights to conduct state geological studies of the subsoil as provided by Paragraph 8 of Article 35 of this Law.

2. Work (operations) related to state geological studies of the subsoil may include regional works and geological surveys, geological, geophysical, geochemical, hydrogeological studies, prospecting, appraisal prospecting and exploration, monitoring of the state of the subsoil, drawing up of state geological maps, applied research in the area of subsoil studies and use and abandonment and conservation of flowing hydrogeological and oil wells.

3. State geological studies of the subsoil shall be financed out of the republican budget and other sources not prohibited by legislation of the Republic of Kazakhstan.

Article 44. Construction and/or operation of underground facilities not connected with exploration or production

1. The peculiarities of construction and/or operation of underground facilities not connected with exploration or production, as well as the peculiarities of the procedure for granting the subsoil use rights for construction and/or operation of underground facilities not connected with exploration or production shall be defined by the Government of the Republic of Kazakhstan.

2. The terms and the procedure for conducting the construction and/or operation of underground facilities not connected with exploration or production shall be defined in contracts.

3. The construction and/or operation of underground facilities not connected with exploration or production shall be governed by the rules of this Law concerning production, unless otherwise provided for by legislation of the Republic of Kazakhstan.

Article 45. Processing of mineral raw materials

1. Processing of mineral raw materials is an operation immediately following production and shall not be regarded a subsoil operation.

2. Licensing of processing of mineral raw materials shall be carried out in accordance with the procedure established by licensing legislation of the Republic of Kazakhstan.

CHAPTER 4. GRANTING THE SUBSOIL USE RIGHT ON THE BASIS OF A TENDER

Article 46. Subsoil areas to be tendered

1. The competent authority shall make lists of subsoil areas designated for granting subsoil use rights for exploration, production or exploration and production combined and lists of subsoil areas in which the participatory interest of the national company is required by one of the terms of the tender. The regional (city of republican significance or capital city) executive body shall make lists of subsoil areas designated for granting subsoil use rights for exploration or production of commonly occurring minerals.

The lists of subsoil areas shall be made on the basis of proposals made by the authorized agency for subsoil studies and use.

2. The lists of subsoil areas to be tendered shall be approved by the Government of the Republic

of Kazakhstan, while those in the case of commonly occurring minerals – by regional (city of republican significance or capital city) executive body.

After such list is approved, the local executive body of oblast, city of republican significance or capital city allocates land plots for subsoil use purposes in accordance with the procedure established by the land laws of the Republic of Kazakhstan.

3. The lists of subsoil areas to be tendered which are located in specially protected natural territories shall be approved by the authorized agency in the area of specially protected natural territories.

4. Tenders for the subsoil use rights shall be held by the competent authority in accordance with this Law.

5. The competent authority or regional (city of republican significance or capital city) executive body shall hold tenders and conclude production contracts only after the state expert examination of the subsoil is conducted in respect of field reserves and the availability of commercial reserves is confirmed.

Article 47. Terms of holding a tender for the subsoil use right

1. Information on a tender to be held and its terms shall be published simultaneously in the Kazakh and Russian languages in printed periodicals circulating in the entire territory of the Republic of Kazakhstan.

All persons wishing to participate in a tender are entitled to receive information relating to the holding of the tender no later than the deadline for submitting applications for participation in the tender.

2. A notice of a tender for the subsoil use right shall indicate:

- 1) the time and place of its holding and the deadline for submitting applications;
- 2) the basic terms of the tender;
- 3) the location and a brief description of the subsoil areas to be allocated for subsoil operations;
- 4) the amount of a participation fee and bank details for its payment;
- 5) the amount of a signature bonus;
- 6) the minimum Kazakhstan content in personnel to be employed;
- 7) the minimum Kazakhstan content in goods, works and services;
- 8) the minimum cost of training Kazakhstan specialists;
- 9) the cost for scientific research and development works in Kazakhstan necessary for performance of works under the contract.

3. If necessary, a notice of a tender for the subsoil use right may indicate the minimum amount of mineral raw materials to be processed by a tender participant in the Republic of Kazakhstan. The minimum amount of mineral raw materials to be processed by the tender participant in the Republic of Kazakhstan shall be determined by the competent authority.

4. The period of time tender participants have to submit applications, including for commonly occurring minerals, may not be less than one month from the publication of the tender notice.

5. The period of time between the date of the publication of the tender terms and the date of holding (the beginning of summarization of the results of) of the tender may not be less than four months, while in the case of commonly occurring minerals – less than three months.

6. The participation fee shall not be refunded.

Article 48. Application for participation in tender for subsoil use right

1. An application for participation in a tender shall contain:

- 1) in the case of legal entities – the name of the applicant, its address, nationality, data on state registration as a legal entity and tax registration, information on its directors and participants or shareholders with stating the sizes of their participatory interests in the charter capital (in the total amount of the charter capital), circulation of its securities on organized securities markets with the indication of the total number of such securities and the applicant's subsidiaries;
- 2) in the case of individuals – the name of the applicant, his/her address, nationality, information on the identity documents, tax registration and registration as an entrepreneur;
- 3) data on the managers or representatives representing the applicants, including their authority;
- 4) information on the previous activities of the applicant, including a list of states where the

applicant operated during the most recent three years;

5) the name of the subsoil area and the subsoil right sought by the applicant;

6) a document evidencing the payment of a participation fee.

Duly certified documents confirming the data indicated in the application shall be attached to the application.

2. An application shall be accepted for review subject to compliance with the requirements of this Article. An application which is not in compliance with the requirements of this Article shall be rejected.

3. The applicant shall be officially informed by the competent authority of the acceptance of its application for participation in the tender within one month of the date of termination of the call for applications to participation in the tender.

Article 49. A package of geological information regarding the tendered subsoil areas

1. Prior to the notification of a tender, the authorized agency for subsoil studies and use shall prepare packages of geological information regarding the tendered subsoil areas and its price. A package must contain the volume of available geological, mining engineering, technological and other information necessary for an applicant to make the decision to participate in the tender.

2. Once the application for participation in the tender is accepted, the authorized agency for subsoil studies and use shall provide the applicant with a package of geological information regarding the tendered subsoil area for a fee within one month of the date of request.

The price of a package of geological information shall be determined on the basis of historical costs.

The price of a package of geological information shall not be refunded.

3. An applicant may not disclose in any way or transfer the received geological information to third parties.

Article 50. Tender bid

1. Within the time established by the terms of a given tender an applicant admitted to participation shall make a bid to obtain the subsoil use right for exploration or production.

2. The competent authority or a regional (city of republican significance or capital city) executive body shall take bids of the tender participants within three months of the announcement of the tender.

A tender participant that made a bid may not withdraw or change such bid within the time between the bidding deadline and the summing up of the tender results.

3. A bid must contain the following:

1) the proposed amount of a signature bonus;

2) documents evidencing the possibility of performing the obligation to fully pay the proposed signature bonus (own funds, bank guarantees);

3) the amount of funds to be allocated for the social and economic development of the region and its infrastructure development;

4) the obligations with regard to the employment of Kazakhstan personnel as a percentage of total employed personnel which should increase in the course of implementation of mandatory training programs and Kazakhstan personnel professional development;

5) the obligations to train Kazakhstan personnel;

6) the obligations with respect to Kazakhstan content in goods, work and services required to implement the contract;

7) the amount of expenditure to scientific and research and development works in Kazakhstan necessary to implement the contract;

8) the obligations to accede to the Memorandum of understanding in respect of the implementation of the Initiative Concerning Transparency of Activities in Mining Industries of the Republic of Kazakhstan prior to the execution of a contract, except for bids for obtaining the subsoil use rights in respect of ground water and commonly occurring minerals;

9) a copy of the document evidencing the payment for obtaining geological information.

If the notice of a tender contains the minimum amount of mineral raw materials to be processed by a tender participant in the Republic of Kazakhstan, a bid must meet such requirement.

A bid that does not meet the above requirement and as well as those described in subparagraphs 2),

5), 6), 7) and 8) of Paragraph 2 of Article 47 hereof shall be rejected.

4. The obligations and intentions proposed by an applicant in its bid shall be included in the contract.

Article 51. Denial of the Right to participate in a tender

The right to participate in a tender may be denied in the following cases:

1) an application to participate in a tender is not made in compliance with the requirements of Article 48 of this Law;

2) a bid does not meet the tender terms;

3) an applicant provides false information;

4) the granting of the subsoil use right to an applicant would result in a breach of the requirements of the country's national security, including in the case of concentration of rights within a contract and/or concentration of subsoil use rights.

A denial of the right to participate in a tender in accordance with Paragraph 4 of this Article shall be given without any explanation of the reasons.

A denial of the right to participate in a tender may be challenged in court.

Article 52. Summarizing tender results

1. The winner of a tender shall be determined on the basis of the consideration of bids using the following basic criteria taken together:

1) the amount of a signature bonus;

2) the amount of funds to be allocated for the social and economic development of the region and its infrastructure development.

2. The winner of a tender shall be determined from the bidders for the subsoil use right for exploration, production or combined exploration and production of minerals, except for commonly occurring minerals, by the commission for holding subsoil use right tenders.

The winner of a tender shall be determined from the bidders for the subsoil use right for exploration or production of commonly occurring minerals by the commission for holding subsoil use right tenders for commonly occurring minerals.

3. The summing up of the results of a tender shall be documented by a protocol to be signed by all present members of the commission for holding subsoil use right tenders (the tender commission for awarding the subsoil use right to explore or produce commonly occurring minerals).

The time for summing up the results of a tender shall not be more than fifteen days from the deadline for submitting bids. The time for summing up the results of a tender may be extended by the decisions of the commission for holding subsoil use right tenders (the tender commission for awarding the subsoil use right to explore or produce commonly occurring minerals), but not for more than one month.

4. The results of a tender may be challenged by tender participants in the procedure established by Kazakhstan legislation.

5. A contract with the tender winner shall be concluded in accordance with the procedure and terms established by this Law.

6. The results of a tender must be published simultaneously in the Kazakh and Russian languages in an official printed publication as well as on the official internet resource of the state authority holding the tender.

Article 53. Procedure and grounds for recognizing a tender as failed

1. A tender for the subsoil use right shall be recognized by the commission for holding subsoil use right tenders or the tender commission for awarding the subsoil use right to explore or produce commonly occurring minerals as failed in the following cases:

1) less than two applications have been submitted;

2) only one applicant has been admitted to the participation in the tender;

3) only one unrejected bid has been left.

2. The decision to recognize a tender as failed shall be documented in a protocol of the commission for holding subsoil use right tenders or the tender commission for awarding the subsoil use right to explore or produce commonly occurring minerals.

The decision of the Commission for holding subsoil use right tenders or the tender commission for

awarding the subsoil use right to explore or produce commonly occurring minerals to recognize a tender as failed shall be announced for all participants admitted to the tender.

3. The announcement of a tender as failed shall be published in an official printed publication simultaneously in the Kazakh and Russian languages as well as on the official internet resource of the state body conducting tender.

Article 54. Procedure and grounds for holding a repeat tender

1. If a tender for the subsoil use right is recognized as failed, the competent authority or a regional (city of republican significance or capital city) executive body may adopt either of the following decisions:

1) to hold a repeat tender;

2) to change the tender documentation and hold a repeat tender.

2. A repeat tender shall be held in accordance with the procedure and time provided by this Law for holding tenders

3. In the event that a tender is recognized as failed because only one bid has been submitted and a repeat tender is held, the applicant that submitted such bid shall not pay the participation fee and the price of the package of geological information.

4. In the event that a repeat tender is recognized as failed because only one unrejected bid has been left, the competent authority or a regional (city of republican significance or capital city) executive body may enter into a contract with the tender participant that submitted such bid through direct negotiations on terms which shall not be worse than those indicated in the bid.

Article 55. Recognizing a tender as invalid

1. A tender held with violations of the rules established by this Law may be recognized as invalid on the basis of a court decision in an action brought by an interested party.

The grounds for invalidating a tender shall be as follows:

1) any violation of the rules for holding tenders established by this Law which affected the determination of the tender winner;

2) the establishment of the fact that the competent authority was provided with misleading information which affected its decision regarding the tender winner;

3) any change in the composition of participants or shareholders in the legal entity recognized as the winner prior to the execution of a contract;

4) the establishment of the fact that officials involved in the tender provided the entity recognized as the winner with illegal advantages over the other tender participants (applicants) and/or softened the terms.

2. If a tender is invalidated prior to the execution of a contract, no contract shall be executed, and if invalidated after the execution of a contract, the contract executed with the tender winner shall be invalidated within court procedures.

3. In the event that a tender is invalidated on the grounds specified in subparagraph 1) of Paragraph 1 hereof, then the entity which was recognized as the winner of such tender shall be entitled to demand the refund of the signature bonus paid.

The competent authority shall send a written notice to the state agency responsible for ensuring payment of tax and other obligatory payments to the budget of the invalidity of the tender at the fault of the person recognized as the winner.

4. The provisions of subparagraph 3) of Paragraph 1 hereof shall not be applicable in the following cases:

1) transactions involving disposal of shares or other securities confirming the rights to shares or the securities convertible to shares, traded on the organized securities market of the legal entity recognized as the winner of the tender;

2) transfer of participatory interests (shareholdings) in a legal entity recognized as the winner of the tender in favour of another legal entity, provided that in each of such legal entities at least ninety nine per cent of participatory interests (shareholdings) are directly or indirectly owned by one person, and provided that the acquirer of the participatory interest (shareholding) is not incorporated in a state with preferential tax treatment;

3) transfer of participatory interests (shareholdings) in a legal entity recognized as the winner of

the tender if as the result of such a transfer a person acquires the right to directly or indirectly (through third parties) dispose of less than 0.1 per cent. participatory interest (shareholdings) in the charter capital of a legal entity recognized the winner of such tender.

CHAPTER 5. GRANTING THE SUBSOIL USE RIGHT ON THE BASIS OF DIRECT NEGOTIATIONS

Article 56. Subjects of direct negotiations

1. Subsoil areas to be allocated for exploration, production or combined exploration and production of minerals, except for commonly occurring minerals, on the basis of direct negotiations shall be identified by the competent authority, with the exception of subsoil areas to be allocated for conducting production operations with a person having a pre-emptive right to obtain the subsoil use right for production due to a commercial discovery under an exploration contract.

Contracts shall be concluded on the basis of direct negotiations without holding a tender in the cases as established by Paragraph 2 of Article 35 of this Law.

2. The subjects of direct negotiations for concluding contracts in respect of the subsoil use rights for construction and/or operation of underground facilities not connected with exploration or production, as identified by the authorized agency for subsoil studies and use, shall be as follows:

- 1) underground and buried structures for storage of oil and gas except for petrol filling stations;
- 2) tunnels, underground railways, underground viaducts and engineering structures at a depth of more than three meters;
- 3) facilities designed to inject ground water into the subsoil for artificial reserve replenishment;
- 4) tailing and sludge pits for storage and burial of solid, liquid and radioactive waste, hazardous poisonous substances and discharge of waste and industrial water into the subsoil.

3. Subsoil areas to be allocated for exploration or production of commonly occurring minerals on the basis of direct negotiations shall be identified by the executive bodies of regions (cities of republican significance or the capital cities).

Article 57. Procedure for and terms of conducting direct negotiations

1. The persons identified by this Law shall have the right to enter into a contract through direct negotiations.

A person seeking to obtain the subsoil use right on the basis of direct negotiations must meet the requirements for subsoil users established by this Law.

2. Direct negotiations for the grant of the subsoil use right for exploration, production or combined exploration and production of minerals shall be conducted by a working group of the competent authority. The composition of a working group shall be approved by the competent authority.

Direct negotiations for the grant of the subsoil use right for construction and/or operation of underground facilities not connected with exploration or production shall be conducted by a working group of the authorized agency for subsoil studies and use. The composition of a working group shall be approved by the authorized agency for subsoil studies and use in coordination with the competent authority.

3. In order to participate in direct negotiations, a person seeking to enter into a contract shall submit to the competent authority an application made in accordance with the requirements established by this Chapter.

In cases provided for in subparagraph 4 of Paragraph 2 of Article 35 hereof the local executive bodies of oblast, city of republican significance or the capital city carry out reservation of land for subsoil use upon the receipt of the notice from the competent authority on conduction of direct negotiations on granting the subsoil use right in the procedure established by the land laws of the Republic of Kazakhstan.

4. Within one month after the application for participation in direct negotiations is accepted, the authorized agency for subsoil studies and use shall provide the applicant, for a fee, within one month,

with a package of geological information regarding the subsoil area to be allocated.

5. Within two months of receipt of the application to participate in direct negotiations, the competent authority shall notify the applicant of the decision to conduct, or refuse to conduct, direct negotiations.

The competent authority shall notify the applicant of the date of direct negotiations.

6. Direct negotiations shall be held within two months of receipt of the application executed as required by Article 58 of this Law. The period of direct negotiations may be extended by a decision of the competent authority.

7. The provisions of this Article shall be applicable to negotiations conducted by a regional (city of republican significance or capital city) executive body in connection with granting a subsoil use right for exploration or production of commonly occurring minerals.

Article 58. Application for participation in direct negotiations

1. An application for participation in direct negotiations must contain:

1) in the case of legal entities – the full name of the applicant, its location, nationality, information on state registration as a legal entity and tax registration, information on managers and their authorities, information on participants or shareholders of the applying legal entity specifying the amounts of their interests in its charter capital (of the total amount of the charter capital), information on the circulation of the legal entity's securities on an organized securities market specifying the total number of such securities and information of the applicant's subsidiaries;

2) in the case of individuals – the full name of the applicant, his/her location, nationality, information on the identity documents of the applicant, information on tax registration of the applicant, information on the registration of the applicant as an entrepreneur;

3) data on managers or representatives who will represent the applicant, including the information on the authority of such persons;

4) data on technical, managerial, organizational and financial capabilities of the applicant to be specified in an application by all applicants, except national companies and also persons that apply for the subsoil use right on the basis that they have made a commercial discovery under an exploration contract;

The applicant shall additionally provide other information as the competent authority may request, depending on the basis on which direct negotiations are held.

2. An application for participation in direct negotiations on the conclusion of a contract for the construction and/or operation of underground facilities not connected with exploration or production must be supplemented with documents containing the following information:

1) general characteristics of the facilities for burial of harmful, toxic substances, solid and liquid wastes, place of discharge of waste and industrial water (their location, period of operation, maintenance costs, the availability and location of a network for monitoring ground water, the environment and the subsoil);

2) physical characteristics of the facilities – characteristics of insulation, type of rocks, depth of occurrence and effective thickness of the reservoir bed, its acreage, porosity factor, characteristics of the underlying and overlying aquicludes, velocity of natural flow of ground water, qualitative and quantitative indices, technical, special geotechnical, hydrogeological and ecological conditions of burial, storage and discharge;

3) information on organizations, the activities of which result in the formation of harmful, toxic substances, solid and liquid waste, waste and industrial water;

4) characteristics of harmful, toxic substances, solid and liquid wastes, waste and industrial water indicating the names of products, technical production or process resulting in the formation of products, their physical characteristics, full chemical composition, content of toxic components, fire and explosion safety, solubility, compatibility with other substances in the course of storage, basic contaminating radionuclides, their intensity, characteristics of transportation system);

5) the conclusion of the authorized agency for subsoil studies and use;

6) the conclusion of state environmental expert examination.

3. An application for obtaining the subsoil use right for production must include:

1) the amount of a signature bonus;

2) the amount of Kazakhstan content in goods, work, services and engaged personnel;

3) the amount of allocations for social and economic and infrastructure development.

4. Duly certified documents (or their copies) supporting the information specified in the application shall be enclosed in the application.

Article 59. Making decisions based on the results of direct negotiations

1. The decision to grant or to deny the subsoil use right on the basis of direct negotiations shall be made on the basis of data evidencing that the applicant is capable of performing its obligations under the contract.

2. The decision of the competent authority or a regional (city of republican significance or capital city) executive body based on the results of direct negotiations shall be documented as a protocol of direct negotiations to be signed by all members of the working group formed by the competent authority.

In the event that the subsoil use right is granted on the basis of the results of direct negotiations, the protocol of direct negotiations shall be signed by the authorized representative of the applicant.

The date of the decision made on the basis of the results of direct negotiations shall be deemed to be the date when the protocol of direct negotiations is signed.

The competent authority shall be obliged to notify the applicant of the decision made on the basis of the results of direct negotiations within ten days of the date of signing the protocol of direct negotiations.

3. In the event that the decision is made to grant the subsoil use right on the basis of direct negotiations, a contract with the applicant shall be concluded in accordance with the procedure and on the terms established by this Law, subject to the peculiarities provided for by this Chapter.

The terms of subsoil operations proposed by the applicant in the course of direct negotiations and accepted by the competent authority or a regional (city of republican significance or capital city) executive body shall be included in the protocol of direct negotiations and subsequently in the contract.

Article 60. Peculiarities of granting the subsoil use right when transiting from the exploration stage to the production stage

1. A subsoil user that has discovered and appraised a deposit under an exploration contract shall have a pre-emptive right over any other persons to be granted the subsoil use right for production without holding a tender on the basis of direct negotiations.

2. A person that has discovered and appraised a deposit under an exploration contract shall have the right to apply to the competent authority for conducting direct negotiations for the conclusion of a production contract within a period of time no later than three months following the date of completion of the exploration contract.

3. Within two months after the receipt of the application, the competent authority and the subsoil user shall jointly determine the following contract terms through direct negotiations:

1) the amount of Kazakhstan content in goods, work, services and personnel;

2) the amount of allocations for socio-economic and infrastructure development.

4. Based upon the results of direct negotiations the parties shall sign a protocol of direct negotiations. If the parties does not come to an agreement on the conditions indicated in Paragraph 3 hereof, then within 3 months following the commencement of direct negotiations the competent authority shall adopt a resolution on refusal to grant the right to production operations.

In the event that through the fault of the applicant no contract is concluded during twenty four months following the date of signing the protocol of direct negotiations, the applicant shall lose its preemptive right to conclude a production contract, and the relevant subsoil area(s) may be put to tender or provided based upon direct negotiations in the procedure provided for by this Law, provided that such person shall be reimbursed for its exploration costs.

5. If the competent authority decides to refuse granting the subsoil use right for production to the applicant based upon direct negotiations in compliance with Paragraph 4 hereof, then the relevant subsoil area(s) shall be put to tender by the competent authority within 3 months following such a decision.

Tender shall be conducted in accordance with Chapter 4 of this Law. The necessary conditions for participation in such tender shall be the following obligations of a person seeking to conclude a contract:

1) the obligations provided for in Paragraph 3 hereof which may not be less than the amounts: agreed by the parties during direct negotiations with respect to contract for production as the result of a commercial discovery; and declined earlier by the applicant who discovered and assessed the deposit (field) as the result of direct negotiations with the competent authority;

2) to take necessary measures to maintain contract territory in the condition suitable to perform production operations with respect to environmental safety and ensuring corresponding safe conditions on the contract territory for the population and personnel starting from the date of determination of the tender winner till conclusion of the contract;

3) to reimburse the person that has made a commercial discovery under an exploration contract for the costs of discovery and appraisal of the subsoil area put to tender and of maintenance of the contract territory in the condition suitable for further production operations in compliance with Paragraph 11.2 hereof.

Such reimbursement shall be a lump sum of such total costs adjusted for inflation determined on the basis of the official statistical data of the authorized state statistics agency.

The period for reimbursement of such costs shall be established by the competent authority and must not exceed three months following the date of conclusion of a contract with a tender winner.

The tender winner shall have the right to perform an audit of costs to be reimbursed by it. In the event that the tender winner and the subsoil user that discovered and appraised a deposit under an exploration contract dispute the amount of recoverable costs, such dispute shall be settled in court.

6. The decision of the competent authority to refuse to grant the subsoil use right on the basis of direct negotiations to a person may be challenged in court.

7. If a tender held in accordance with Paragraph 5 of this Article is recognized failed, the competent authority and the person that has discovered and appraised a deposit under an exploration contract must hold direct negotiations to determine the terms indicated in Paragraph 3 of this Article.

If an agreement on such terms is reached, a protocol of direct negotiations shall be executed and project documents and a contract shall be drafted as provided for by Paragraph 4 of this Article.

If no agreement on the terms indicated in Paragraph 3 of this Article is reached, the competent authority and the person that has discovered and appraised a deposit under an exploration contract shall jointly determine the necessary terms of a repeat tender concerning the amount of a signature bonus, the amount of Kazakhstan content in goods, work, services, and Kazakhstan personnel and the amount of allocations for socio-economic and infrastructure development.

8. If a repeat tender is recognized as failed, the person that has discovered and appraised a deposit under an exploration contract shall be entitled to demand that a contract with it be executed on the terms offered by it in the course of direct negotiations.

In this case the competent authority must enter with such a person into a production contract if a direct negotiations protocol is available.

9. The provisions of this Article shall be applicable to regional (city of republican significance or capital city) executive body with respect to transition from the phase of exploration to production of commonly occurring minerals.

10. A subsoil user that has discovered and appraised a deposit under an exploration contract and filed an application for conducting direct negotiation for entering into a production contract shall continue to perform the obligations under the exploration contract, work program and project documents until the expiry of the exploration contract.

11. Upon expiry of the exploration contract, the subsoil user that filed an application for conducting direct negotiation for entering into a production contract shall be obliged:

1) in case of relinquishment of a part(s) of the contract territory, to carry out the abandonment or conservation of the subsoil use facilities in accordance with Article 111 of this Law, including the restoration of land plots and other natural sites disturbed as a result of exploration operations to a condition suitable for their further use in the relinquished part(s) of the contract territory;

2) in case of intention to conduct production operations in the entire contract territory or part(s) thereof which are not to be relinquished, to take necessary actions to maintain the contract territory in a condition suitable for subsequent production operations subject to environmental requirements and ensure safety of the population and the personnel in the relevant contract territory or part(s) thereof until the execution of a production contract.

If a production contract is not concluded on the basis of direct negotiations with the subsoil user who has discovered and assessed the deposit (field) under an exploration contract such subsoil user's

obligations to maintain the contract territory (or parts thereof) in the condition suitable for further production operations shall be terminated when a tender winner is determined in accordance with this Article.

12. If a subsoil user being a party to a production contract based upon a tender fails to compensate the person who has discovered and assessed the deposit (field) for the exploration costs under this Paragraph 5 hereof within the established period, then such a person shall be entitled to demand the competent authority to immediately terminate the contract with such a subsoil user or conduct of a repeat tender. At the same time the person who has discovered and assessed the deposit (field) shall be entitled to demand compensation of losses from the person being a party to the production contract and failing to perform its obligation to compensate for exploration costs in accordance with Paragraph 5 hereof.

13. Upon conclusion of a production contract based upon the results of direct negotiations or a tender conducted in compliance with this Article the expenses incurred by the subsoil user in accordance with subparagraph 2) Paragraph 5 and/or Paragraph 11 of this Article shall be allocated to the expenses under such production contract and shall be subject to compensation in compliance with Kazakhstan legislation.

CHAPTER 6. SUBSOIL USE CONTRACT

Article 61. Types of subsoil use contracts

1. The following types of contracts shall be used for subsoil operations:

- 1) exploration works – an exploration contract;
- 2) production works – a production contract;
- 3) exploration and production combined – a combined exploration and production contract;
- 4) construction and/or operation of underground facilities not connected with exploration or production – a contract on the construction and/or operation of underground facilities not connected with exploration or production;
- 5) the state geological studies of the subsoil – a contract on the state geological studies of the subsoil.

Contracts shall be concluded, performed, amended or terminated in accordance with this Law.

2. The terms of a contract, except for a contract on the state geological studies of the subsoil, must be determined subject to the provisions of model contracts for subsoil use types approved by resolutions of the Government of the Republic of Kazakhstan and must include the following terms:

- 1) definitions;
- 2) purpose of contract;
- 3) contract term;
- 4) contract territory;
- 5) ownership right to property and information;
- 6) state's right to acquisition and requisition of minerals;
- 7) general rights and obligations of parties;
- 8) exploration or production period (depending on the type of contract);
- 9) commercial discovery;
- 10) measurement of minerals;
- 11) performance of contract work;
- 12) financing;
- 13) taxation;
- 14) accounting;
- 15) insurance;
- 16) conservation or abandonment and abandonment fund;
- 17) subsoil and environment protection;
- 18) safety of population and personnel;
- 19) liability of subsoil user for breach of contract terms;
- 20) force majeure;
- 21) confidentiality;
- 22) transfer of rights and obligations;
- 23) applicable law;

- 24) procedure for dispute resolution;
- 25) guarantees of contract stability;
- 26) conditions of suspension and termination of contract;
- 27) language of contract.

A contract must contain the following obligations: on the amount and terms of payment of a signature bonus; on the amount and terms of allocations to the local budget for socio-economic and infrastructure development; on Kazakhstan content in personnel, on the amount of costs of training, professional development and retraining of Kazakhstan personnel involved in contract implementation or training of Kazakhstan specialists based upon the list of professions approved by the competent authority; on Kazakhstan content in goods, work, services; on the provision of equal conditions and remuneration for Kazakhstan personnel as compared to engaged foreign personnel, including subcontract personnel; on the amount of expenses for scientific, research and development works in Kazakhstan necessary for work under the contract.

A contract shall contain the subsoil user's obligations with respect to transfer of property securing process flow continuity and industrial safety as well as the powers of the competent authority to transfer such a property in the cases described in Paragraph 10 of Article 72 of this Law.

If a contract is concluded with respect to a subsoil area which contract was terminated a contract with a new subsoil user must contain obligations to compensate the previous subsoil user and a trust manager for costs, including the cost of property transferred under Paragraph 10 of Article 72 of this Law as well as the obligation to pay a fee to the trust manager.

The terms of a contract shall include amounts of forfeiture (fines and penalties) for any failure by a subsoil user to perform its obligations or undue performance thereof, including those pertaining to Kazakhstan content in goods, work, services and personnel, and in respect of non-tax payments provided for by the contract.

A hydrocarbon production contract shall include obligations of a subsoil user on processing (utilization) of associated gas.

A contract may contain other terms.

3. The terms of a contract may not be less beneficial for the Republic of Kazakhstan than those established according to the results of direct negotiations or in the bid.

4. A combined exploration and production contract shall be entered into based upon a resolution of the Government of Kazakhstan exclusively with respect to subsoil use areas or deposits (fields) of strategic significance and/or complex geological structure.

Unless otherwise established by Kazakhstan legislation:

the provisions of Kazakhstan legislation related to exploration contracts shall be applicable to a combined exploration and production contract during exploration;

upon discovery and assessment of the deposit (field) and the approval of relevant project documents based upon the exclusive right to production in connection with commercial discovery such contract shall be amended to reflect production stage and thereafter Kazakhstan legislation relating to production contracts shall be applicable to such a contract.

5. Mandatory annexes to a contract, except for a contract on the state geological studies of the subsoil, shall be a geological or mining allotment and a work program.

6. The terms of a contract must provide that the applicable law under the contract shall be the laws of the Republic of Kazakhstan.

7. A contract must be made in the Kazakh and Russian languages. The text of a contract may also be translated into another language as its parties may agree.

8. Control of subsoil users' compliance with the terms of contracts for exploration, production or combined exploration and production of minerals, except for commonly occurring minerals, shall be exercised by the competent authority.

Control of subsoil users' compliance with the terms of contracts for exploration or production of commonly occurring minerals shall be exercised by the executive bodies of regions (cities of republican significance or the capital cities).

In the event that a subsoil user breaches the terms of the contract the competent authority, and in the event that a subsoil user breaches a contract for exploration or production of commonly occurring minerals the executive agency of the region (city of republican significance or capital city), shall notify the subsoil user in writing of the subsoil user's obligation to eliminate such breach within the established period of time.

9. A contract on the state geological studies of the subsoil shall be concluded in accordance with

the procedure established by the Government of the Republic of Kazakhstan.

Article 62. Preparing a draft subsoil use contract

1. A draft contract shall be prepared by the tender winner or the person the contract is to be concluded with on the basis of direct negotiations, and shall be agreed with the competent authority or regional (city of republican significance or capital city) executing agency through negotiations.

2. A draft contract shall be prepared on the basis of a model contract, a protocol of direct negotiations, the winner's bid and approved work program worked out on the basis of project documents prepared and approved in accordance with the established procedure.

The provisions of a draft contract must meet the requirements applied by this Law to contract terms. A draft exploration or combined exploration and production contract must provide for the subsoil user's obligations to prepare an appraisal work project in accordance with the requirements of this Law.

3. A draft contract, together with a work program, shall be, prior to its signing, subject to agreement with the authorized agency for subsoil studies and use, and the following mandatory expert examinations: legal, environmental and economic.

Expert appraisal shall deal with the compliance of the contract with Kazakhstan legislation. The compliance of the contract terms with the winning bid, direct negotiations terms, the assessment of economic feasibility and social significance of the project implementation shall be the subject matters of the economic expert appraisal.

Expert opinions shall be issued by relevant state agencies within their authority in accordance with Kazakhstan legislation within 30 calendar days, and the environmental expert opinion shall be issued within 3 months following the date of transfer of the full package of documents necessary for the relevant expert appraisal.

The results of expert appraisal shall be formalized by an expert opinion which may be negative or positive.

The person seeking to conclude a subsoil use contract shall revise the contract draft to eliminate the comments of the state body outlined in the expert opinion.

After the said comments are taken into the account in a revised draft the state body shall conduct a repeat expert appraisal. A repeat expert appraisal shall also be conducted in the events of amendments to project or other documents upon the receipt of a positive expert opinion.

If a person seeking to conclude a contract does not agree with the comments in legal and/or economic expert opinion, then such a person shall be entitled to send his grounded objections to the competent authority or a regional (city of republican significance or capital city) executive body for consideration by a conciliation committee.

Within 10 days the competent authority or regional (city of republican significance or capital city) executive body shall establish a conciliation committee to consider the objections. The conciliation committee shall include the representatives of the competent authority or regional (city of republican significance or capital city) executive body, state bodies which made the comments and the person seeking to conclude a contract. Based upon the results of the sitting the conciliation committee shall develop recommendations reflected in the protocol. Subject to the conciliation committee's recommendations the contract shall be passed over for repeat expert appraisal.

4. A person seeking to conclude a contract shall have the right to submit a draft contract and a work program for agreement to the competent authority or a regional (city of republican significance or capital city) executive body prior to the agreement of the draft contract and work program with the authorized agency for subsoil studies and use and receipt of the results of necessary expert examinations, but not earlier than the project documents are approved in accordance with established procedure.

The competent authority or a regional (city of republican significance or capital city) executive body shall approve of the draft contract together with a work program within one month following the date of their receipt.

5. After the agreement of a draft contract and a work program with the authorized agency for subsoil studies and use, the conduct of necessary expert examinations and the elimination by the person seeking to conclude a contract of all comments made in expert opinions, the draft contract together with the work program, all approved project documents, results of agreements and expert examinations shall be submitted by the person seeking to conclude a contract for final approval to the

competent authority or a regional (city of republican significance or capital city) executive body. The competent authority or a regional (city of republican significance or capital city) executive body shall approve the final version of the contract and the work program no later than two months following the date of submission of the documents by the person seeking to conclude a contract.

Article 63. Work program

1. A work program shall be a mandatory part (annex) of the contract and shall be prepared on the basis of project documents prepared and approved in accordance with established procedure and must be agreed with the authorized agency for subsoil studies and use.

A work program shall be agreed with the authorized agency for subsoil studies and use simultaneously with the conduct of expert examination of a draft contract. The period of agreeing a work program shall be no more than one month following the date of receipt of the work program by the authorized agency for subsoil studies and use.

2. When any indices in project documents are changed resulting in changes in the indices of the work program, the work program must be amended accordingly.

Amendments to work program resulting from the changes to project documents shall be agreed simultaneously with the approval of the project document by the authorized agency for subsoil studies and use. Such amendments to work program shall be made by way of execution of a supplemental agreement to contract between the subsoil user and the competent authority or a regional (city of republican significance or capital city) executive body within 30 calendar days following the approval of the work program by the authorized agency for subsoil studies and use.

Article 64. Prospecting project

1. Prior to the signing and registration of an exploration or combined exploration and production contract, the tender winner or the person the contract is to be concluded with on the basis of direct negotiations shall prepare a prospecting project.

A prospecting project must include the most efficient and intense program for studying the territory, including up-to-date and high-precision methods of prospecting and laboratory analysis studies, which must ensure efficient and integrated studies of the subsoil area and fully cover the entire territory of the subsoil area granted for use.

A prospecting project must contain a financial part reflecting costs of prospecting and finding a deposit for the entire period of the prospecting stage.

2. A prospecting project shall be subject to the following mandatory expert examinations:

- 1) state environmental examination,
- 2) on industrial safety,
- 3) on healthcare and sanitation.

3. The period of preparing and agreeing a prospecting project must not exceed six months following the date of signing the protocol of direct negotiations in the case of a person a contract is to be concluded with on the basis of direct negotiations, and in case of a person recognized as a tender winner following the date of announcement of a tender winner. In the case of persons procuring design work in accordance with state procurement legislation or in accordance with the procurement procedure established for the national managing holding and legal entities in which the national managing holding directly or indirectly owns 50 per cent. or more of voting shares (participatory interests), the period of preparing and agreeing a prospecting project may be extended on the basis of the competent authority's or a regional (city of republican significance or capital city) executive body's decision subject to the mandatory procedures established by state procurement legislation or the procurement procedures established for the national managing holding and the legal entities in which the national managing holding directly or indirectly owns 50 per cent. or more voting shares (participatory interests).

A prospecting work project shall be prepared for a period of up to six years.

The validity term of a prospecting project shall be extended in the event that the competent authority extends the validity period of an exploration or combined exploration and production contract in the case of off-shore petroleum operations in accordance with Paragraph 1 of Article 69 of this Law.

4. A prospecting project in respect of minerals, except for commonly occurring minerals, shall be reviewed by the CCED within one month following the date of receipt of the project by the CCED,

and approved by the authorized agency for subsoil studies and use within fifteen business days following the date of receipt of proposals from the CCED.

A prospecting project in respect of commonly occurring minerals shall be reviewed by the ICED within one month following the date of receipt of the project by the ICED, and approved by the territorial body of the authorized agency for subsoil studies within fifteen business days following the date of receipt of proposals from the ICED.

5. Where amendments and/or additions to the conditions and scope of work determined in the approved prospecting project are necessary, draft amendments and/or additions to the prospecting project shall be reviewed and approved by the agencies specified by Paragraph 4 of this Article. A subsoil user may be denied in the approval of such amendments and/or additions to the prospecting project if one of the expert appraisals listed in Paragraph 2 hereof issued a negative opinion. The consideration and approval of amendments and/or additions to the prospecting project shall not take more than one month following the date of receipt by the CCED or the ICED of such draft amendments and/or additions to the prospecting project.

6. An approved prospecting project shall serve as a basis for drafting and concluding a contract. Prospecting for deposits without a duly approved prospecting project and also in violation of any requirements of such prospecting project shall be prohibited.

Article 65. Appraisal project

1. In the event of a commercial discovery, a subsoil user shall be obliged to notify the competent authority or a regional (city of republican significance or capital city) executing agency thereof within thirty business days.

The competent authority or a regional (city of republican significance or capital city) executing agency shall, within one month, issue a permit for transiting to an appraisal stage. When transiting to an appraisal stage, it shall be mandatory to modify the work program and execute a supplement to the contract.

The competent authority or a regional (city of republican significance or capital city) executing agency shall confirm a discovery and establish the period of its appraisal on the basis of the opinion of the authorized agency for subsoil studies and use. The commercial discovery shall be announced by the subsoil user.

2. An appraisal project shall be subject to the following mandatory expert examinations:

- 1) state environmental examination,
- 2) on industrial safety,
- 3) on healthcare and sanitation.

3. An appraisal project shall be developed for a period required to fully estimate the reserves and identify the mining and geological conditions of the deposit, technological parameters and economic feasibility of deposit development.

An appraisal project must contain a financial part reflecting costs of prospecting and finding a deposit for the entire period of the appraisal stage.

4. Appraisal in respect of solid and commonly occurring minerals may include a pilot production project.

A pilot production may be effected in the course of production of mineral within the terms and in the scope established in project documents.

The scope and period of pilot production shall be identified according to the results of a preliminary expert examination of the subsoil.

Appraisal in respect of hydrocarbons may include a test production project.

A test production project shall provide for a temporary operation of drilled exploratory wells.

Any proposals as regards the necessity and period of test production shall be submitted by the CCED to the authorized agency for subsoil studies and use.

5. An appraisal project and a pilot production project in respect of minerals, except for commonly occurring minerals, shall be reviewed by the CCED within one month following the date of receipt of the respective project, and approved by the authorized agency for subsoil studies and use within fifteen business days following the date of receipt of proposals from the CCED.

A test production project shall be reviewed by the CCED within three months following the date of receipt of the project by the CCED, and approved by the authorized agency for subsoil studies and use within fifteen business days following the date of receipt of proposals from the CCED.

An appraisal project and a pilot production project in respect of commonly occurring minerals shall be reviewed by the ICED within one month following the date of receipt of the respective project by the ICED, and approved by the territorial body of the authorized agency for subsoil studies within fifteen business days following the date of receipt of proposals from the ICED.

6. The period of preparing and agreeing a project must not exceed five months following the date of the decision on transiting to the appraisal stage.

7. Where amendments and/or additions to the conditions and scope of work determined in the approved projects are necessary, draft amendments and/or addition to the prospecting project shall be reviewed and approved by the agencies specified by Paragraph 5 of this Article.

A subsoil user may be refused in the approval of such amendments and/or additions if one of the expert appraisals listed in Paragraph 2 hereof issued a negative opinion

The consideration and approval of amendments and/or additions to the projects shall not take more than one month following the date of receipt by the CCED or the ICED of such draft amendments and/or additions.

8. Appraisals of deposits without a duly approved appraisal project and also in violation of any requirements of such appraisal project shall be prohibited.

Article 66. Project documents for production operations

1. Prior to the signing and registration of a production contract, the winner of a tender or a person with whom a contract is to be entered into on the basis of direct negotiations shall ensure the preparation of the project documents specified in this Article.

2. The following shall be prepared with respect to solid commonly occurring minerals and ground water:

1) a commercial deposit development project which must include: the time schedule of mining and production work, technical solutions ensuring the specified productivity of the enterprise and other associated production operations; measures ensuring compliance with the requirements of rational and integrated use of the subsoil, work safety, protection of the environment; reclamation of disturbed soils, as well as information on the financing of the planned work with a breakdown by years;

2) a feasibility study.

3. The following shall be prepared with respect to hydrocarbons:

1) a pilot development project which is prepared for putting specific deposits or formations into operation in order to test new or previously known technologies which require testing under the geological and physical conditions of the deposit, and, if the test is positive, its general application in deposits, the necessity, terms and volumes of pilot development shall be determined by a resolution of the authorized agency for subsoil studies and use;

2) a deposit development flow sheet;

3) a commercial development project;

4) a feasibility study.

A commercial development project shall include a section on processing and/or utilization of associated gas. Feasibility study shall include substantiation of associated gas use.

4. The project documents provided for in this Article shall be worked out for a period until complete depletion of mineral reserves in the deposit, which period must not exceed twenty five years or forty five years in the case of deposits with large and unique mineral reserves. The validity term of production project documents may be extended by the authorized agency for subsoil studies and use upon agreement with the authorized agency for subsoil studies and use upon agreement with the CCED depending on the volumes of approved mineral reserves.

The project documents envisaged by this Article shall be worked out with the obligatory contracting of a design organization having necessary design licenses. A contract with such design organization shall provide for the obligations of the design organization to conduct field supervision.

Deposit reserves shall be classified in accordance with the procedure established by the authorized agency for subsoil studies and use.

5. The production project documents shall be subject to the following mandatory expert examinations:

1) on environmental protection,

2) on industrial safety,

3) on healthcare and sanitation,

4) on rational and integrated use of subsoil.

A feasibility study shall be subject to mandatory economic expert examination.

6. The period of preparation and approval of the project documents may not exceed eighteen months from the date of signing of the protocol of direct negotiations in the case of a person with whom the contract is entered into on the basis of direct negotiations, and from the date of declaring the results of a tender in the case of a person recognized as the tender winner.

In the case of persons procuring design work in accordance with state procurement legislation or the procurement procedures established for the national managing holding and the legal entities in which the national managing holding directly or indirectly owns 50 per cent. or more of voting shares (participatory interests), the period of preparation and approval of production project documents may be extended by the competent authority's or a regional (city of republican significance or capital city) executive body's decision subject to the mandatory procedures established by state procurement legislation or the procurement procedures established for the national managing holding and the legal entities in which the national managing holding directly or indirectly owns 50 per cent. or more of voting shares (participatory interests).

7. The deposit development project for solid minerals shall be reviewed by the CCED within one month from the date of receipt of the project by the CCED and approved by the authorized agency for subsoil studies and use within fifteen business days following the date of receipt of proposals from the CCED.

The development flow sheet and pilot development and commercial development projects for hydrocarbons shall be reviewed by the CCED within three months from the date of their receipt and shall be approved by the authorized agency for subsoil studies and use within fifteen business days following the date of receipt of proposals from the CCED.

The project documents for the development of deposits of commonly occurring minerals envisaged by this Article shall be reviewed by the ICED within one month following the date of receipt of the respective project by the ICED, and approved by the territorial body of the authorized agency for subsoil studies within fifteen business days following the date of receipt of proposals from the ICED.

Deposit development projects with respect to ground water at production rate of over two thousand cubic meters per day and for injecting thereof in the formation in accordance with the production flow sheet shall be reviewed by CCED within one month from the date of receipt thereof by CCED and shall be approved by the authorized agency for subsoil studies and use within fifteen business days following the date of receipt of proposals from the CCED.

8. Where amendments and/or additions to the conditions and scope of work determined in the approved projects are necessary, draft amendments and/or additions to the approved project shall be reviewed and approved by the agencies specified by Paragraph 7 of this Article. 64

A subsoil user may be denied in the approval of amendments and/or additions to production works project documents in the following instances:

1) the proposed amendments and/or additions do not comply with the positive practice of deposit development;

2) the proposed amendments and/or additions do not comply with the requirements established for rational and integral use of subsoil;

3) one of the expert examinations listed in Paragraph 5 hereof issued a negative expert opinion.

The consideration and approval of amendments and/or additions to the projects shall not take more than one month following the date of receipt by the CCED or the ICED of such draft amendments and/or additions to the prospecting project.

9. Approved project documents for production operations shall serve as a basis for drafting and concluding a contract.

10. It shall be prohibited to conduct any production operations without the project documents being approved in the established manner and in case of any violation of the requirements of such project documents.

Article 67. Terms of payment of a signature bonus

1. The tender winner, the person with whom a contract is entered into on the basis of direct negotiations and the person which concluded a contract shall pay the signature in compliance with tax legislation of the Republic of Kazakhstan. Under the contracts where the national company is a subsoil user the signature bonus shall be paid to the Republic of Kazakhstan by its strategic partner,

unless otherwise provided for in the joint operation agreement.

2. The control of the timely and full payment of the signature bonus shall be carried out in accordance with tax legislation.

3. If the person declared as the winner of a tender fails to timely pay fifty percent of the signature bonus, the tender commission for awarding the subsoil use (tender commission for awarding the subsoil use right to explore or produce commonly occurring minerals) shall have the right to cancel the decision to recognize such person as the tender winner.

If the person with whom a contract is entered into on the basis of direct negotiations fails to timely pay fifty percent of the stated signature bonus, the competent authority (a regional (city of republican significance or capital city) executive body) shall have the right to cancel the decision to enter into a contract with such person on the basis of direct negotiations.

4. If the tender commission for awarding the subsoil use (tender commission for awarding the subsoil use right to explore or produce commonly occurring minerals) cancels its decision to recognize the person as the tender winner because such person fails to comply with its obligation to pay fifty per cent. of the signature bonus or the competent authority (a regional (city of republican significance or capital city) cancels the decision to enter into a contract on the basis of direct negotiations with the person that fails to comply with its obligation to pay the signature bonus, such person shall lose the right to enter into a contract and the competent authority.

5. If a contract is not entered into within the established time period through the fault of the tender winner or the person with whom a contract is entered into on the basis of direct negotiations, the paid signature bonus shall not be refunded.

The competent authority shall send a written notice to the state agency responsible for ensuring payment of taxes and other obligatory payments to the budget on the fact of non-conclusion of a contract through the fault of the tender winner or a person with which a contract is concluded on the basis of direct negotiations.

Article 68. Entering into and registration of the contract

1. A subsoil use contract shall be concluded after the terms of such contract, the work program and project documents provided for by this Law and approved in the established manner having been finally agreed upon with the competent authority, and the results of the mandatory expert examinations which allow the entering into of the contract have been obtained.

2. The period for conclusion of an exploration contract shall not exceed eighteen months from the date of the competent authority's decision to enter into the contract and signing of the protocol of direct negotiations in the case of a person with whom a contract is entered into on the basis of direct negotiations, and from the date of declaring the tender results in the case of a person recognized as the tender winner.

The period for conclusion of a production contract shall not exceed twenty four months from the date of the competent authority's decision to enter into the contract and signing of the protocol of direct negotiations in the case of a person with whom a contract is entered into on the basis of direct negotiations, and from the date of declaring the tender results in the case of a person recognized as the tender winner.

The period for conclusion of a contract may be extended by the competent authority if the tender winner or the person with whom a contract is entered into on the basis of direct negotiations submits to the competent authority an application for an extension of such period providing good reasons for such extension.

If a contract is not concluded within the established period of time through the fault of the person seeking to enter into the contract, such person shall lose the right to enter into the contract and the costs incurred by such person in acquiring the geological information, drafting and approving project documents, work programs and draft contract shall not be reimbursed. The competent authority shall be entitled to put such subsoil area for a further tender in the manner established by this Law.

3. Contracts shall be subject to mandatory registration with the competent authority and shall enter into force upon their registration.

The competent authority which registered a contract shall keep the register of state registration of contracts and shall ensure the safekeeping of the contract.

Any amendments and additions to the contract shall also be subject to mandatory registration with the competent authority by entering the same in the register of state registration of contracts. Any

amendments and/or additions to the contract shall be deemed valid only upon registration thereof.

4. A copy of the contract, upon its registration with the competent authority, shall be delivered to the authorized agency for subsoil studies and use, the authorized agency for environmental protection and to the authorized agency for budget implementation.

5. The conclusion of a contract shall be the basis for registration of the land plot with the (a regional (city of republican significance or capital city) executive body within thirty business days after the date of an application of the subsoil user, except for cases of forced seizure of land plots (land use right) for the state needs in compliance with land legislation of the Republic of Kazakhstan. Land plots that are owned or used by third parties shall be granted in accordance with the land legislation of the Republic of Kazakhstan. In such event, the spatial boundaries of a land plot to be registered shall be limited to the area which is actually used by the subsoil user, with disturbance of the land surface during the period of the actual use of the land plot.

6. Contracts for exploration or production of commonly occurring minerals shall be concluded and registered by the executive bodies of regions (cities of republican significance or the capital cities).

Article 69. Validity term of the contract

1. An exploration contract shall be concluded for a period of up to six years.

The validity term of an exploration contract in the case of off-shore petroleum operations may be extended by the competent authority for up to two years if six months prior to the expiry of such contract the subsoil user submits to the competent authority an application for an extension of the validity term providing good reasons for such extension.

In the event of a commercial discovery, subsoil user shall be entitled to extend the contract for a period which is required for its appraisal.

An application for an extension of the contract for appraisal of a discovery shall be reviewed within one month after its receipt by the competent authority or a regional (city of republican significance or capital city) executive body.

2. A production contract shall be concluded for a period established in the production project.

The competent authority or the local executive body of oblast, city of republican significance or capital city may extend the term of a production contract, provided there are no violations of contractual obligations by subsoil user and the subsoil user applied for such extension of the contract to the competent authority or the regional (city of republican significance or capital city) executive body six months before the termination of operations, providing good reasons for such extension. An application seeking extension of a contract shall be reviewed within two months after its receipt by the competent authority.

3. If the validity term of a contract is changed, the contract shall be amended accordingly.

Article 70. Territorial area of contract application

1. Within a contract territory, there may be one or more subsoil areas, either adjacent to one another or separate. A subsoil area(s) allocated within a contract territory may be limited to a certain depth.

2. If two or more subsoil users conduct subsoil operations under different contracts within one contract territory, the procedure for conducting subsoil operations shall be determined as such subsoil users may agree.

If the subsoil users conducting subsoil operations under different contracts within one contract territory fail to agree upon such procedure, the subsoil user that conducts exploration or production of minerals under the contract with the competent authority shall have the right to establish the procedure for conducting subsoil operations in the contract territory.

The subsoil user that conducts exploration or production of commonly occurring minerals under a contract concluded with the executive bodies of regions (cities of republican significance or the capital cities) shall be obliged to comply with the procedure for conducting operations in the contract territory established by the subsoil user that conducts exploration or production of minerals under the contract with the competent authority.

If two or more subsoil users conduct subsoil operations within one contract territory under different contracts with the competent authority, the subsoil user that entered into the contract earlier shall have the right to establish the procedure for conducting subsoil operations in the contract territory.

The subsoil user that entered into the contract later shall be obliged to comply with the procedure for

conducting operations in the contract territory established by the subsoil user that entered into the contract earlier.

The procedure for conducting subsoil operations within one contract territory determined in accordance with this Paragraph shall be agreed upon with the authorized agency for subsoil studies and use.

3. If a subsoil user finds it impossible or difficult to conduct subsoil operations in a subsoil area or may incur unreasonable costs without being granted an easement to an adjacent or other subsoil area, the person interested in obtaining an easement (easement claimer) may propose entering into an easement agreement with the subsoil user on the subsoil area on which an easement must be established.

If the subsoil user and the easement claimer fail to reach an agreement on the possibility of establishing an easement or the terms of an easement agreement, the interested person may take legal action to enforce the establishment of an easement.

An easement shall be registered with the competent authority, and in cases when the subsoil area is intended for exploration and production of commonly occurring minerals it shall be registered with the regional (city of republican significance or capital city) executive body.

It shall be prohibited to grant easements in the cases where such granting creates a threat to the life and health of people or the environment, as well as entails the impossibility of performance of the exploration and/or production conducted in a given subsoil area.

When an easement is established on a subsoil area, the holder of easement rights shall reimburse the subsoil user for losses related to the easement unless otherwise provided by the easement terms agreement or the laws of the Republic of Kazakhstan.

An easement agreement or judgment may provide for an easement fee to be payable by the holder of easement rights to the subsoil user.

An easement shall be terminated upon its expiry or upon termination of the grounds on which it was granted, or if the easement holder releases it.

An easement may not be an independent subject of transactions, including sale-purchase and pledge.

An easement may only be transferred to other persons together with the right secured by such easement. An easement shall remain in force in the event that the subsoil use rights to a subsoil area encumbered by an easement are transferred or pass in universal legal succession to a third party.

The granting of an easement, if necessary, in respect to a part of a subsoil area shall be the basis for granting the easement on a given land plot in accordance with land legislation of the Republic of Kazakhstan.

4. If it is discovered in the course of exploration or production of minerals that the geographical boundaries of a discovery or a field/deposit (whether on-shore or off-shore) extend beyond the boundaries of the contract territory specified in the geological or mining allotment, then the issue of its expansion shall be resolved by the competent authority or a regional (city of republican significance or capital city) executive body in case of exploration or production of commonly occurring minerals through amendment of the terms of the contract without holding a tender in the procedure and within the term established in this Law for the approval of a contract and conclusion thereof in the event that no subsoil operations are conducted within such area.

5. The terms of and procedures for the relinquishment of a contract territory shall be determined by this Law and the contract.

6. The relinquishment of parts of a contract territory shall be carried out through the reissue of the geological allotment, excluding from such geological allotment the parts of the contract territory that are subject to relinquishment.

Article 71. Amendments and additions to the contract

1. Unless otherwise stipulated by this Law, amendments and/or additions to a contract may be made upon mutual agreement of the parties.

2. Amendments and/or additions to the terms of a contract at the request of a party shall be allowed on the grounds and in accordance with the procedure stipulated by legislation of the Republic of Kazakhstan and the contract.

3. If a subsoil user's actions in the course of subsoil operations in strategically important subsoil areas (deposits) lead to a change in the economic interests of the Republic of Kazakhstan which poses a threat to the national security, the competent authority may demand an amendment and/or addition

to be made to the contract, including a previously concluded contract, in order to restore the economic interests of the Republic of Kazakhstan.

Article 72. Termination of contracts

1. A contract shall be terminated upon expiry of its validity term unless the parties agree to extend the validity term as provided for by Article 69 of this Law.

2. A contract may be prematurely terminated by agreement between the parties and on demand of either party in instances established by this Law

3. The competent authority may prematurely terminate a contract unilaterally in the following cases:

1) if the subsoil user fails to timely eliminate more than two violations of obligations under its subsoil use contract or project documents within the stated period of time;

2) in case of transfer of subsoil use right and/or objects associated with subsoil use right by subsoil user without permit of the competent authority as provided for by Paragraphs 1 and 3 of Article 36 of this Law, except for the cases when such consent is not required in accordance with Paragraph 5 of Article 36 of this Law.

A violation of contractual terms which the subsoil user fully eliminated within the period of time stated in the competent authority's notice shall not be a reason for a premature unilateral termination of the contract.

4. In case established in Paragraph 3 of Article 71 of this Law the competent authority shall be entitled to unilaterally terminate such contract before its expiration in the following cases:

(1) within a period of up to two months after the receipt of the competent authority's notice of an amendment and/or an addition to the contract, the subsoil user fails to give its consent in writing to the conduct of such negotiations or if it refuses to conduct them;

(2) within a period of up to four months after the receipt of the subsoil user's consent to negotiate an amendment and/or addition to the contract, the parties fail to reach an agreement on the amendment and/or addition to the contract;

(3) within a period of up to six months after the date of achievement of a mutually agreed decision on the restoration of the economic interests of the Republic of Kazakhstan, the parties fail to sign amendments and/or additions to the contract.

5. On the initiative of the Government of the Republic of Kazakhstan, the competent authority may unilaterally terminate a contract, including a previously concluded contract, if the actions of the subsoil user, while conducting subsoil operations in relation to subsoil areas (fields) of strategic significance, lead to changes in the economic interests of the Republic of Kazakhstan which jeopardize national security.

In the event of a unilateral termination of the contract for the above reason, the competent authority shall give at least a two-month prior notice to the subsoil user.

6. The executive body of a region (city of republican significance or capital city) may early terminate the contract for exploration or production of commonly occurring minerals unilaterally if the subsoil user fails to eliminate more than two violations of its contractual obligations or the obligations provided for in the project documents by the time indicated in written notices sent by the executive body of the region (city of republican significance or capital city) to the subsoil user.

The violation of contractual terms and conditions which the subsoil user fully eliminated within the period of time stated in notices sent by the executive body of a region (city of republican significance or capital city) shall not be a reason for a premature unilateral termination of the contract.

7. If due to change in current market prices as well as for other reasons beyond a subsoil user's control a subsoil user's actual costs are reduced compared to the costs taken into the account at contract conclusion, approval of the work program and project documents but the physical scope of the subsoil user's obligations provided for in the contract, work program and project documents was fully performed, then such a reduction of actual subsoil user's costs shall not be violation of a contract and the basis for early unilateral termination of the contract.

8. A subsoil user may judicially demand an early termination of the contract or unilaterally refuse to perform the contract for reasons stipulated by the contract.

9. The termination of the contract shall not release the subsoil user from the obligations to relinquish the contract territory to the state and eliminate the consequences of its subsoil operations as required by the laws of the Republic of Kazakhstan.

10. If a contract is early terminated by the competent authority, the national company shall take the contract territory into its trust management. The former subsoil user's property, structures and equipment ensuring continuity of the process flow and industrial safety shall pass into temporary possession and use to the national company for the period until the property is transferred to a new subsoil user. If the former subsoil user is absent or evades transferring its property to the national company, then the national company shall act as the former subsoil user's attorney with respect to its property.

The competent authority shall be obliged to put the subsoil area under the contract to tender or conduct direct negotiations.

Article 73. Grounds for renewal of an exploration, production or combined exploration and production contract

1. The competent authority may renew in a non-judicial procedure an exploration, production or combined exploration and production contract that was earlier terminated by the competent authority by taking a decision to resume the contract and cancel its earlier decision on the termination of the contract by the competent authority in the following cases:

- (1) the fact is established that the decision to terminate the contract was taken on the basis of false information which significantly influenced the adoption of the decision to terminate the contract, including in the event that, as of the date of the decision to terminate the contract, the subsoil user, for a valid reason, had no documents confirming the performance of its contractual obligations;
- (2) certain causes are established and confirmed which are beyond the control of the subsoil user and which resulted in a failure to perform, or duly perform contractual obligations, including forcemajeure, that is, emergency circumstances that are insurmountable under the existing conditions (natural calamities, hostilities, etc.) that directly affected the failure to perform, or duly perform contractual obligations.

2. An application received within six months following the decision on termination from the person whose contract was terminated or the independent establishment by the competent authority of the grounds for contract renewal shall be the basis for the competent authority to consider renewing the contract that was earlier terminated on the initiative of the competent authority.

3. The competent authority's decision to renew the contract and cancel its earlier decision to terminate the contract shall be taken within one month after the receipt of an application from the person with whom the contract was terminated, or after the establishment by the competent authority of the circumstances set forth in Paragraph 1 of this Article.

4. If a decision to renew an exploration, production or combined exploration and production contract and cancel an earlier decision to terminate the contract on the initiative of the competent authority is taken on the grounds set forth in Paragraph 1 of this Article, the competent authority and the subsoil user shall, within three months after the date of such decision, agree and sign in the established procedure a supplement agreement to the contract, which shall settle the issues of the renewal of the contract, including the issues relating to the suspension of activities under the contract and liabilities. The period for agreeing and signing a supplement agreement to the contract which is stipulated in this Paragraph may be extended by the competent authority's decision.

5. The competent authority's decision to renew an exploration or production contract and cancel its earlier decision to terminate the contract on the initiative of the competent authority shall be forwarded to the person with whom the contract was earlier terminated within ten business days after its adoption and shall constitute the ground for renewal by the subsoil user of contract activities until a supplement agreement to the contract is signed in accordance with Paragraph 4 of this Article.

6. This Article shall be applicable to decisions adopted by a regional (city of republican significance or capital city) executive body to renew the contracts for exploration or production of commonly occurring minerals.

Article 74. Contract invalidation

1 A contract shall be recognized as invalid on the following grounds:

- 1) the tender for granting the subsoil use right was recognized as invalid;
- 2) the contract does not contain the mandatory terms as established by this Law;
- 3) it is established that the competent authority or a regional (city of republican significance or

capital city) executive body was knowingly provided with false information which influenced its decision to conclude the contract with such person;

4) any other grounds stipulated by legislative acts.

2. An invalidated contract shall entail no legal consequences, with the exception of those relating to its invalidity, and shall be invalid from the moment of its conclusion.

The invalidation of a contract shall not release the subsoil user from its obligations to relinquish the contract territory to the state and eliminate the effects of its subsoil operations in accordance with the requirements set forth in the legislation of the Republic of Kazakhstan.

3. The cancellation in a judicial proceeding or termination of an agreement on the basis of which the subsoil use right was transferred and reissued shall entail the invalidation of the amendments and additions to the contract that were adopted in connection with such transfer of the subsoil use right, but not of the contract itself.

4. The invalidation of a contract shall entail the invalidation of all subsequent transactions the subject of which is the subsoil use right granted on the basis of such contract.

CHAPTER 7. RIGHTS AND OBLIGATIONS OF THE SUBSOIL USER

Article 75. Rights of the subsoil user

1 The subsoil user shall have the following rights:

1) to independently take any actions relating to subsoil use within the contract territory allocated to it, in accordance with the terms established in the contract;

2) to use at its own discretion the results of its activities, including mineral raw materials, unless otherwise stipulated by the contract or Kazakhstan legislation;

3) to construct within the contract territory and, where necessary, on other land plots allocated to the subsoil user in accordance with the established procedure, industrial and social facilities which are required for the conduct of operations, and upon mutual agreement, to use facilities and utility systems of common use both within and outside of the contract territory;

4) to carry out negotiations on an extension of the contract beyond the established period;

5) to retain subcontractors for the performance of certain types of work relating to subsoil operations;

6) to assign all or part of its rights to other persons in compliance with the requirements established by this Law;

7) to terminate its activities on the conditions established by this Law and the contract.

Article 76. Obligations of the subsoil user

1 The subsoil user shall:

1) conduct subsoil operations in accordance with the contract and the legislation of the Republic of Kazakhstan and comply with the legislative requirements for subsoil operations;

2) ensure the safety of human life and health and environmental safety in the course of subsoil operations;

3) use the contract territory only for the purposes stipulated by the contract;

4) choose the most efficient methods and technologies for the conduct of subsoil operations, which shall be based on good subsoil use practice;

5) proceed to exploration or production on the registration date of the contract unless another date is stipulated in the contract;

6) comply with the provisions of the Memorandum of Understanding in respect of the implementation of the Initiative Concerning Transparency of Activities in Mining Industries of the Republic of Kazakhstan, with the exception of contracts for ground water and commonly occurring minerals;

7) comply with the provisions of project documents and process flow sheets relating to the conduct of subsoil operations that are agreed as provided for by the legislation of the Republic of Kazakhstan and that ensure the safety of the health and life of the personnel and the population, as well as a rational and integrated use of the subsoil and environmental protection;

8) not prevent other persons from moving freely within the contract territory and use facilities and utility systems of common use unless it is connected with special security conditions and unless such

activities interfere with its subsoil operations;

9) mandatorily use equipment, materials and finished products that are manufactured in the Republic of Kazakhstan, provided that they comply with the requirements of the tender and Kazakhstan legislation;

10) mandatorily retain Kazakhstan organizations to perform work and provide services in the course of subsoil operations, including the use of air, railway, water and other types of transport, if such services comply with the standards, and the price and qualitative characteristics of similar work and services performed or provided by non-residents of the Republic of Kazakhstan;

11) give preference to Kazakhstan personnel in the conduct of subsoil operations;

12) finance, in accordance with the contract, the training and re-training of the Republic of Kazakhstan citizens employed under the contract;

13) provide the competent authority or a regional (city of republican significance or capital city) executive body with information about the implementation of the work program;

14) without hindrance, provide controlling bodies of the Republic of Kazakhstan with necessary documents, information and access to workplaces in the performance of their official duties and timely eliminate any violations revealed by them;

15) submit geological reports on the results of its activities within the contract territory to the authorized agency for subsoil studies and use;

16) timely and fully pay taxes and make other obligatory payments to the budget;

17) on an annual basis by 1 February of the year planned for procurement or within sixty calendar days following registration of a subsoil use contract, submit to the competent authority an annual program for the procurement of goods, work and services for the following year in the form and procedure approved by the Government of the Republic of Kazakhstan;

18) on an annual basis by 1 February or within sixty calendar days following the subsoil use contract registration to submit to the competent authority medium- and long-term program for procurement of goods, works and services for the subsequent periods in the form and procedure approved by the Government of the Republic of Kazakhstan;

19) on a quarterly basis, not later than the fifteenth day of the month following the reporting period, submit reports on procured goods, works and services as well as its compliance with Kazakhstan content in personnel to the competent authority in the form and procedure approved by the Government of the Republic of Kazakhstan;

20) on a quarterly basis not later than the fifteenth day of the month following the reporting period, submit to the competent authority (in the forms and the procedure approved by the Government of the Republic of Kazakhstan) the reports on its compliance with its obligations with respect to the amount of funds allocated to training, professional development and re-training of Kazakhstan citizen employees engaged in the contract implementation or to education of Kazakhstan citizens based upon the list of professions approved by the competent authority;

21) on an annual basis not later than the fifteenth day of the month following the reporting period, submit to the competent authority its report on compliance with its obligations with respect to Kazakhstan content in personnel;

22) submit reporting documents, which shall be confirmed by an audit report, in compliance with the requirements set forth in the Initiative Concerning Transparency of Activities in Mining Industries and in accordance with the procedure approved by the Government of the Republic of Kazakhstan;

23) unless otherwise established by the contract and except for the information set out in Paragraph 3 of Article 78 of this Law, disclose information on the content of operations to third parties, if necessary, only with mutual consent of the parties;

24) preserve cultural and historic sites;

25) restore land plots and other natural sites disturbed as a result of subsoil operations to a condition suitable for their further use in accordance with legislation;

26) forecast the environmental consequences of its activities at the design stage;

27) insure its civil liability for causing harm to the environment;

28) include in its balance sheets all wells previously drilled within the contract territory and monitor them;

29) ensure the organization of monitoring of the condition of the subsoil and control over the development of the field/deposit;

30) notify the competent authority of the transactions related to disposal of subsoil use right to affiliated and other persons as well as the participatory interest in the charter capital of the subsoil

user or the block of shares within five days following entering into such a transaction;

- 31) register in the register of goods, works and services used for subsoil use operations and producers thereof except for persons indicated in Paragraph 7 of Article 77 of this Law;
- 32) submit to competent authority (in the forms and the procedure approved by the Government of the Republic of Kazakhstan) information on amendments and/or additions to annual program of procurement of goods, works or services within five business days following such changes;
- 33) based upon a request of the competent authority and by the time indicated thereby, provide data, information and documents related to the compliance by the subsoil user with contract obligations;
- 34) keep records, including internal documents, and enter into written transactions in the Kazakh and Russian languages with attached translations into other languages, if necessary.

2. The contract may also provide for other obligations of the subsoil user unless they contradict Kazakhstan legislation.

Article 77. Procurement of goods, work and services in the course of subsoil operations

1. Procurement of goods, work and services in the course of subsoil operations shall be carried out, including such procurement by subcontractors, using one of the following methods:

- 1) through an open tender;
- 2) from one source;
- 3) by requesting price proposals;
- 4) through the system of electronic procurements;
- 5) through open commodity exchanges.

2. The procedure for procurement of goods, work and services in the course of subsoil operations shall be established by the Government of the Republic of Kazakhstan.

3. The goods, works and services used for subsoil use operations shall be effected in the methods established in subparagraphs 1), 2), 3) and 4) of Paragraph 1 hereof with obligatory use of the register of goods, works and services used to conduct subsoil use operations and their producers or with the use by the subsoil user of other electronic procurement systems placed in the Kazakhstan section of internet which are synchronized with the register of goods, work and service used to conduct subsoil use operations and their producers in the procedure approved by the Government of the Republic of Kazakhstan.

4. When purchasing goods, works and services using the methods listed in subparagraphs 1), 2), 3) and 4) of Paragraph 1 hereof, a tender announcement, protocols on bids opening and admission to participation in tender, confirmations of the results must be published in the register of goods, works and services used for subsoil use operations and producers thereof and the announcements on purchases and results thereof must be published in printed periodicals published at least three times a week and circulated in Kazakhstan in Kazakh and Russian.

5. Subsoil users and their subcontractors as well as persons authorized by subsoil users to procure goods, work and services for conducting subsoil operations in the Republic of Kazakhstan, must effect the purchases using the methods listed in Paragraph 1 hereof in the territory of the Republic of Kazakhstan.

6. All costs resulted from procurement of goods, works and services used for subsoil use operations based upon the results of a tender outside of the Republic of Kazakhstan or purchased in violation of the procedure established by the Government of the Republic of Kazakhstan with respect to procurement of goods, works and services used for subsoil use operations shall be excluded from expenses taken into the account by the competent authority as discharged contractual obligations of the subsoil user.

7. The requirements of this Article shall not apply to:

- 1) subsoil users conducting exploration or production operations in respect of commonly occurring minerals;
- 2) subsoil users procuring goods, work and services in accordance with Kazakhstan state procurement legislation; and
- 3) legal entities holding the subsoil use rights in which the national managing holding company directly or indirectly holds participatory interests (shares).

Article 78. Support for Kazakhstan producers

1. In the performance of subsoil operations in the Republic of Kazakhstan, the subsoil user and its subcontractors shall acquire goods, work and services from Kazakhstan producers in accordance with this Law, provided that the project document and Kazakhstan legislation on technical regulation are complied with.
2. The tender organizer shall, when identifying a tender winner, conditionally reduce the price of the bids submitted by those tender participants that are Kazakhstan producers by twenty percent.
3. The information related to performance of contractual obligations on the part of Kazakhstan content, planning and purchases by the subsoil user of goods, works and services as well as on the costs of training of Kazakhstan personnel and expenses for socio-economic development of the region and its infrastructure development shall not be confidential.

Article 79. Implementation of obligations to develop and use high technologies, new and processing production facilities, main and other pipelines, and to construct and jointly use infrastructure and other facilities

The subsoil user shall implement its obligations to develop and use high technologies, new and processing production facilities, main and other pipelines, and to construct and jointly use infrastructure projects and other facilities in accordance with the provisions of its subsoil use contract.

Article 80. Obligations of the subsoil user upon termination of subsoil operations

1. Upon termination of subsoil operations, all production facilities of the subsoil user and the land plots shall be brought to a condition ensuring the safety of the life and health of the population and environmental protection, and the effects of the subsoil users' operations shall be liquidated in accordance with the procedure established by legislation.
2. Upon termination of exploration or production, as well as of the construction and/or operation of underground facilities unrelated to exploration or production, the subsoil user must transfer without charge all geological and other documentation and media to the authorized agency for subsoil studies and use.

Article 81. Title to subsoil user's equipment and other property

1. The issues of transfer of title, as well as of compensation payable for such transfer, to the equipment and other property, with the exception of money, securities and other non-production property used by the subsoil user for conducting exploration or production, shall be established in the contract, unless otherwise provided for by this Law.
2. Regardless of any transfer of title to equipment and other property to the Republic of Kazakhstan, the subsoil user shall still have the obligation to dismantle or remove such equipment and other property from the contract territory at its own expense during the term of the contract, as well as within one year after the expiry of the contract, with the exception of the cases of transfer of such equipment or other property to another subsoil user in accordance with instructions of the competent authority or where otherwise is established in the contract.
3. Subsoil user shall dismantle and remove equipment and other property from the contract territory, regardless of who is the owner of such equipment and other property, in a manner which shall be safe for human life and health and for the environment, and in compliance with Kazakhstan legislation.

CHAPTER 8. PETROLEUM OPERATIONS

Article 82. Terms of petroleum operations conducting

1. Subsoil user conducting petroleum operations shall perform such petroleum operations in compliance with the legislation of the Republic of Kazakhstan, as well as in accordance with the procedure and upon the terms and conditions established in the contract.
2. Subsoil user should follow a good field development practice and the requirements of approved project documents in the course of its exploration or production operations.
3. A subsoil user conducting exploration shall have the right to conduct test production of field

reserves.

The conditions and period of test production shall be established by the authorized agency for subsoil studies and use.

4. Petroleum reserves of a field, as well as a petroleum recoverability level, shall be subject to state expert examination of the subsoil and to approval by the State Commission on Mineral Reserves of the Republic of Kazakhstan.

Article 83. Exploration and test production at hydrocarbon fields

1. Exploration shall include field geological and geophysical studies, structural drilling, drilling, well sampling and testing of prospecting wells and exploration wells. Exploration shall be conducted in accordance with an approved prospecting project, which shall substantiate the number and location of wells and dates of their drilling, as well as the goals to be achieved and a set and scope of necessary surveys.

2. In the course of exploration at oil and gas and oil fields, test production shall be carried out at wells in accordance with a test production project, which shall be approved in accordance with the procedure established by this Law.

3. It shall be prohibited to carry out test production without a test production project approved in accordance with the established procedure, or to breach the requirements set forth in such test production project.

Article 84. Commercial development of hydrocarbon fields

1. A hydrocarbon field or deposit the operation of which in accordance with the accepted development version is recognised as profitable for the entire term of its implementation shall be recognised as a site of commercial development.

2. Hydrocarbon fields shall be developed in accordance with the Unified Rules for Rational and Integrated Subsoil Use in the Course of Exploration and Production of Hydrocarbons to be approved by the Government of the Republic of Kazakhstan.

3. Commercial development of a hydrocarbon field (deposit) shall be allowed provided that:

1) exploration operations at the oil field and, if necessary, test production at deposits or pilot development of the presented blocks of the field have been conducted, and, in the case of a gas field, pilot commercial production at the field has been conducted;

2) a state expert examination of hydrocarbon reserves and other associated components contained therein has been conducted and the reserves have been included in the state register of mineral reserves;

3) the project has been approved by the authorized agency in the area of industrial safety;

4) project documents for commercial development have been approved in accordance with the established procedure.

4. Commercial development of a field shall be conducted in accordance with the approved pilot development project, the development flow sheet and the commercial development project.

5. When conducting the commercial development of a hydrocarbon field, subsoil users shall ensure a full, systematic and high-quality conduct of geological surveys and surveyor observations and corresponding documentation, as well as its safe keeping.

6. Commercial development or pilot development without relevant project documents approved in accordance with the established procedure, as well as violation of the requirements set forth in the project documents, shall be prohibited.

7. It shall not be allowed to conduct any operations related to commercial development without monitoring the condition of the subsoil and exercising control over the development of the field.

8. A contract for production of natural gas may provide that the competent authority may not require the subsoil user, and the subsoil user is not obliged, to commence natural gas production prior to the execution of transactions for natural gas delivery from the discovered field. The validity term of the contract shall be suspended until the relevant transactions for natural gas delivery from the discovered field are executed, unless otherwise provided by the contract.

If a subsoil user does not enter into transactions for natural gas delivery within one year, the competent authority may require the subsoil user to enter into a gas delivery agreement with a third party on reasonable terms and conditions, including an option to subsequently resell the delivered gas

to domestic or foreign consumers, subject to the third party's consent to the transaction to be effected with the subsoil user. If the subsoil user and such third party, designated by the competent authority, fail to come to agreement on this matter, they may demand that such dispute be resolved in court.

Article 85. Flaring of associated gas and/or natural gas

1. Flaring associated gas and/or natural gas shall be prohibited, except for:

- 1) cases of occurrence and threat of emergency situations, threat to the life of personnel and to the health of the population and to the environment;
- 2) cases of well objects testing, and field production testing;
- 3) technologically unavoidable gas flaring in the course of: commissioning and start-up of processing facilities; operation of processing facilities; technical maintenance and repair works of the processing facilities.

2. Flaring of associated and/or natural gas without permit shall be allowed in cases provided for by subparagraph 1 of Paragraph 1 of this Article and related to any failure in operation of processing facilities within the whole processing set of actions associated with production, gathering, treatment, processing and transportation of oil and gas stipulated in the approved technical regulations, damage to machine, equipment and facilities.

In such case a subsoil user must notify within ten days in writing the authorized agencies in the field of oil and gas, subsoil studies and use and the authorized environmental protection agency of such flaring.

Such notice shall include reasons based on which flaring of associated and/or natural gas occurred and information as to the volumes of burned gas.

3. In cases provided for in subparagraphs 2 and 3 of Paragraph 1 of this Article flaring of associated and/or natural gas shall be allowed with the permit of the authorized agency in the field of oil and gas agreed with the authorized agency for subsoil studies and use, the authorized environmental protection agency and the authorized industrial safety agency, provided a subsoil user observes the project documents within the standards and volumes estimated according to the methodology approved by the Government of the Republic of Kazakhstan.

The procedure for issue of permits for flaring of associated and/or natural gas shall be established by the Government of the Republic of Kazakhstan.

4. Flaring of gas in the course of well objects testing shall be allowed in accordance with the approved project for the period not exceeding three months per each well object.

Gas flaring in case of field production testing is allowed for the total period not exceeding three years.

5. Gas flaring in the course of commissioning and start-up of processing facilities shall be conducted within the period associated with commissioning and start-up works.

Gas flaring in the course of technical maintenance and repair works shall be conducted in the regulated volumes exceeding volumes of technologically unavoidable flaring of gas in the course of facilities operation.

6. Paragraph 1 of this Article shall not apply to subsoil users, carrying out petroleum operations under subsoil use contracts as at 1 December 2004, until the expiration of the periods of implementation of programs for utilisation of associated gas and/or natural gas if they were approved by (agreed with) a state agency before 1 December 2004 or agreed with the competent authority and the authorized environmental protection agency before 1 July 2006.

Article 86. Utilization and processing of associated and/or natural gas

1. Commercial development of oil and hydrocarbon fields without processing and/or utilization of associated gas and/or natural gas shall be prohibited.

2. For the purpose of assuring environmental safety subsoil user carrying out production of hydrocarbon raw materials shall conduct activities targeted at minimization of damage to environment, minimization of the volumes of burned gas, rational and integrated use of associated gas including its processing.

3. Unless otherwise is provided for by the contract, associated gas shall be the property of the state.

4. Obligations on processing of associated gas according to the contracts concluded prior to enactment of this Law shall be executed under a separate agreement between a subsoil user and the competent authority and shall be attached to a contract on production or combined exploration

and production of hydrocarbons.

5. On certain fields where processing of associated gas is inexpedient, its utilization without processing for process needs, gas flooding to increase intrastratal pressure as well as gas repressuring for the purpose of storage shall be allowed based on the decision of the authorized agency for oil and gas in coordination with the authorized agency on subsoil studies and use and the authorized environmental protection agency.

6. Project documentation on commercial deposit development must include a section on processing (utilization) of associated gas.

7. For the purpose of rational use of associated gas as an important strategic state resource, subsoil users carrying out production of hydrocarbons and the authorized agency for oil and gas may carry out joint implementation of the projects on use of associated gas.

8. Subsoil users must provide for development programs of associated gas processing subject to approval by the authorized agency for oil and gas and agreement with the authorized agency on subsoil studies and use and the authorized environmental protection agency which shall be updated each three years for the purpose of rational use of associated gas and reduction of detrimental effect on environment by decreasing of flaring volumes or repressuring into the layer (utilization).

Reports on implementation of the programs shall be sent annually by a subsoil user to the authorized agencies for oil and gas, environment protection and subsoil studies and use.

9. Paragraph 1 of this Article shall not cover subsoil users carrying out petroleum operations under subsoil use contracts as at 1 December 2004, until the expiration of the periods of implementation of programs for utilisation of associated gas and/or natural gas if they were approved by (agreed with) a state agency before 1 December 2004 or agreed with the competent authority and the authorized environmental protection agency before 1 July 2006.

Article 87. Measures for prevention of accidents and other dangerous situations in the course of petroleum operations

1. A subsoil user carrying out petroleum operations in accordance with this Law shall use all reasonable endeavours to prevent accidents and other dangerous situations creating a threat to the life and health of people and to the environment, as well as a threat of destruction of property in the course of petroleum operations, and shall be guided by good field development practice and Kazakhstan legislation.

2. A subsoil user carrying out petroleum operations shall develop action plans for preventing accidents and other dangerous situations in the course of petroleum operations as well as operation of oil and gas fields and shall have them approved as part of the project documents.

Article 88. Hydrocarbon field facility construction

1. The construction of necessary field facilities and other infrastructure facilities that are required for production, treatment, storage and transportation of hydrocarbons shall be carried out in accordance with project documents approved in accordance with the established procedure.

2. When designing and constructing hydrocarbon field facilities, necessary measures shall be taken to ensure the safe operation of such facilities, and localisation and minimisation of the consequences of possible emergencies.

3. When constructing field facilities, the sequence of their commissioning as established by the project document shall be observed so that it does not result in changes in the project indicators in the adopted technological version of field development and in a violation of industrial and environmental safety requirements.

Article 89. Peculiarities of exploration and production at cross-border fields

1. If, as a result of conducted exploration or production, the subsoil user discovers that the field is a cross-border field, the subsoil user shall immediately notify the competent authority thereof.

2. If no relevant international treaties of the Republic of Kazakhstan have been entered into with the state on the territory or under the jurisdiction of which a part of a given cross-border field is located, the competent authority may demand that exploration or production at the cross-border field

be suspended until a relevant agreement with that state is reached. In such event, the contract shall be deemed suspended until the competent authority gives its consent to resume exploration or production.

3. The rules of this Law and other subsoil legislation of the Republic of Kazakhstan shall apply to relations involving exploration or production at cross-border fields to the extent they do not contradict international treaties to which the Republic of Kazakhstan is a party.

The procedures and terms of exploration or production at cross-border fields defined by international treaties to which the Republic of Kazakhstan is a party shall prevail over the rules of this Law.

Article 90. Exploration or production at a field as a single object

1. If a part of the field at which the subsoil user conducts exploration or production operations is located within the contract territory of another subsoil user, such subsoil users at their discretion shall:

(1) transfer their rights to exploration or production in compliance with the transfer procedures that are established for the transfer of the subsoil use right in such a manner that there will remain only one subsoil user having the right to conduct exploration and/or production at the given field, or several subsoil users having the right to use the subsoil partially on the basis of one contract;

(2) enter into a contract for joint exploration or production at the field as a whole, making relevant amendments to project documents and having obtained a prior approval of such contract from the competent authority.

2. In the event that subsoil users fail to comply with Paragraph 1 of this Article, the competent authority shall have the right to demand in a judicial procedure that such subsoil users enter into an agreement for joint exploration or production at the field as a whole. When a contract for joint exploration or production is executed, a single work program for the entire field shall be developed, which shall be subject to mandatory agreement with the authorized agency for subsoil studies and use and the authorized environmental protection agency.

3. The subsoil users conducting joint exploration or production shall bear joint and several liability for the performance of the obligations imposed on them by the contract, as well as by the work program.

Article 91. Safety requirements for conducting petroleum operations and petroleum transportation

1. Safety in the course of petroleum operations and petroleum transportation shall be ensured through compliance with the established rules, implementation of a complex of organisational and technical measures aimed at protecting human life and health and the environment, creation of conditions for safe construction and operation of aboveground and underground structures and equipment, as well as elimination of potential accidents.

2. Petroleum and its life-cycle processes shall be subject to technical regulation.

3. Equipment and other property used by the subsoil user in conducting petroleum operations and petroleum transportation shall comply with the safety requirements established by the technical regulations.

4. The regime of petroleum handling, the design and operational specifications of storage and transportation facilities shall comply with the fire safety rules established by the technical regulations for petroleum and its life-cycle processes.

5. Petroleum delivered to oil refineries for refining shall comply with the safety rules established by this Law and other normative legal acts.

6. A respective project document approved in accordance with the established procedure, shall provide for a complex of safety measures for petroleum operations and petroleum transportation.

Article 92. Construction of wells

1. All well construction and commissioning operations shall be carried out in accordance with well construction projects. Well construction projects shall be subject to agreement with the authorized industrial safety agency.

2. Well construction projects shall be subject to approval by the competent authority in the case of the construction of wells:

- with a hydrogen sulphide content in the gas exceeding six percent of the volume;
- onshore, with a depth of more than five thousand metres;
- offshore, with a depth of more than four thousand metres;
- with wellhead pressure of more than thirty five megapascals.

A construction project for other types of wells shall be approved by the subsoil user.

3. Special requirements for preparing well construction projects shall be approved by the competent authority.

CHAPTER 9. OFFSHORE PETROLEUM OPERATIONS AND PETROLEUM OPERATIONS IN INLAND WATER BODIES

Article 93. General terms of conducting offshore petroleum operations and petroleum operations in inland water bodies

1. A subsoil user conducting offshore petroleum operations shall perform those operations in such a manner so as not to impede or damage marine navigation, fisheries or any other legitimate activity which is usually conducted in a specific part of the sea.

2. Subsoil user conducting offshore petroleum operations shall be guided by the best marine environment protection practice.

3. A national company having a subsoil user's participating interest of at least fifty percent in a given contract shall be a mandatory condition of tenders for the subsoil use right to conduct offshore petroleum operations.

The right to use the sea bed for conducting petroleum operations thereon shall be granted on the basis of a permit issued by the authorized agency for land resources management.

4. A subsoil user conducting offshore petroleum operations shall be liable for any damage and loss inflicted on the environment and individuals or legal entities in the event of sea contamination resulting from offshore petroleum operations conducted, no matter whether such persons are guilty or not, unless it proves that such damage resulted from force-majeure or the intent of the affected person.

5. A subsoil user conducting offshore petroleum operations shall develop special programs for prevention of sea contamination and shall have such programs approved as included into project documents. Such programs shall include the following measures:

- 1) internal control over petroleum operations;
- 2) training of personnel;
- 3) taking wells under control, supply of equipment and materials required in an emergency and other dangerous situations, and in the event of sea contamination;
- 4) provide for engagement of other organisations specialising in elimination of offshore accidents and their effects.

6. In the event of sea contamination despite precautions taken by a subsoil user conducting offshore petroleum operations in accordance with a special program for prevention of accidents and other dangerous situations, such a subsoil user shall use all reasonable endeavours to eliminate the sea contamination or reduce its level by using all resources available.

7. A subsoil user conducting offshore petroleum operations shall at its own expense arrange for transportation of representatives of state bodies for conducting inspections at offshore facilities owned or used by such entity, provided that such representatives of state bodies are authorized to perform those inspections in accordance with Kazakhstan legislation. Representatives of state bodies shall conduct inspections at offshore facilities in accordance with the procedure established by the Government of the Republic of Kazakhstan and shall not hinder normal activities of the subsoil user conducting offshore petroleum operations.

8. A subsoil user conducting offshore petroleum operations shall not commence the construction or deployment of an offshore facility without obtaining written consent thereto from the competent authority. Subsoil user, in order to obtain such consent, shall file an application with the competent authority before the commencement of the planned deployment or construction of an offshore facility. The application shall include a description, timing and location of the planned offshore facility or of the work to be done for the purpose of constructing such offshore facility. The competent authority shall consider an application of the subsoil user conducting offshore petroleum operations and issue a decision within thirty days after the submission of such application.

The rules established in this Article shall apply to individuals and legal entities performing work

and/or providing services for state offshore geological subsoil studies.

9. The provisions of this Law established for offshore petroleum operations shall apply to petroleum operations in inland water bodies.

10. Peculiarities of conducting offshore petroleum operations shall be provided for in project documents, which shall be approved in the established procedure.

Article 94. Petroleum operations within a protective zone

1. A subsoil user conducting petroleum operations within a protective zone shall conduct those petroleum operations in such a way so as to avoid sea contamination in case of rising of sea level or to reduce such contamination to the maximum extent.

2. A subsoil user conducting petroleum operations within a protective zone must develop special programs for the prevention of sea pollution and have such programs approved as a part of project documents. Such programs shall include the following measures:

- 1) urgent conservation of exploration or production facilities with a due level of protection from the marine environment;
- 2) removal from the flooded area of stored petroleum, materials, drilling mud and other substances capable of damaging the environment;
- 3) localising and cleaning water in the event of sea pollution;
- 4) legitimate use of the sea and for other business activities.

Article 95. Terms of conducting offshore exploration and production

1. A subsoil user conducting offshore exploration shall only have the right to commence drilling prospecting and exploration wells when all necessary geophysical and seismic studies in the contract territory are completed.

2. A subsoil user shall not have the right to commence drilling a prospecting, exploration, production or any other well without written consent from the competent authority, with the exception of drilling a relief well for pressure relief, when an earlier drilled well goes out of control, provided that no other method of taking such well under control is possible or effective under the given circumstances. In such case, the subsoil user shall be obliged to notify the competent authority in writing of the commencement of the drilling of such relief well within a reasonable period of time, indicating the specific circumstances and reasons that influenced its decision to drill such relief well.

3. The competent authority shall issue its approval to the drilling of a well provided that the subsoil user or the sub-contractor engaged by such subsoil user has an appropriate license for drilling operations; that the subsoil user has complied with its mandatory risk insurance obligations with respect to the risks arising in the course of the drilling of the said well; that a positive opinion of the state environmental expert examination of the well-drilling project has been issued by the authorized environmental protection agency; and that consent has been issued by the state agency for the construction or deployment of the offshore facility in question. Appropriate documents confirming the facts stated in the application shall be attached to such application.

4. Injecting associated and natural gas to maintain the reservoir pressure shall be prohibited unless there is a written consent thereto issued by the competent authority. The competent authority may issue such consent provided that no other method of maintaining reservoir pressure is efficient and that such injection has a sufficient level of safety for the environment and human life, and provided that a positive opinion of the state expert environmental examination with regard to the project, describing such injection, has been issued by the authorized environmental protection agency.

5. Subsoil users conducting offshore exploration or production shall have, either at the offshore facility or within a thirty minute reach, appropriate equipment, materials and substances in quantities required for conducting sea cleanup operations. The standards and requirements with regard to materials, substances, their quantities and availability shall be established by the Government of the Republic of Kazakhstan.

6. Programs for the prevention of offshore accidents and other dangerous situations in conducting exploration or production, which shall be approved pursuant to this Law, must contain certain measures of immediate localisation and cleaning of the sea if sea contamination occurs.

Article 96. Construction and operation of offshore oil and gas pipelines

1. A subsoil user performing the construction and operation of offshore oil and gas pipelines may not commence the construction, installation or laying of oil and gas pipelines without the written consent of the competent authority. Such consent shall be issued in accordance with the general procedure established by Paragraph 8 of Article 93 of this Law.
2. In the course of the construction and operation of offshore oil and gas pipelines, the requirements and rules ensuring the safety of the conducted operations for human life and health and for the environment shall be complied with.
3. Peculiarities of the construction and operation of offshore oil and gas pipelines shall be provided for in project documents approved in accordance with the established procedure.

Article 97. Construction and operation of offshore petroleum storage facilities and tanks

1. Construction and operation of offshore petroleum storages facilities and tanks shall be prohibited.
2. It shall be prohibited to store and accumulate petroleum at offshore facilities, with the exception of temporary (not more than twenty days) storage of petroleum when such petroleum is transported by tankers directly from the offshore facilities.

Article 98. Artificial islands, dams, structures and installations

1. The Government of the Republic of Kazakhstan shall have the exclusive right to permit and regulate the creation, operation and use of artificial islands, dams, structures and installations intended for offshore petroleum operations for scientific research and for any other purposes, provided that the protection and conservation of the natural environment and biological resources are ensured.
2. Safety zones shall be established around such artificial islands, dams, structures and installations, extending for five hundred meters from each point of their outer edge. Such islands, dams, structures and installations, as well as safety zones surrounding them, shall be located in places where they cannot hinder operations on traditional marine routes that are important for international navigation and fishery.
3. Organisations responsible for maintenance and operation of artificial islands, dams, structures and installations shall ensure their security as well as for the availability of appropriate means for warning of their location.
4. Artificial islands, dams, structures and installations which may not be used for business or other purposes shall be dismantled so as not to create a threat to people's safety or hinder navigation or fishery.
5. The construction, operation and use of artificial islands, dams, structures and installations as well as other facilities related to subsoil operations shall be carried out in accordance with the regulations approved by the Government of the Republic of Kazakhstan.

Article 99. Discharge and burial of waste in the course of offshore petroleum operations

1. Any discharge into the sea and burial on the sea bottom of waste in the course of offshore petroleum operations shall be prohibited.
2. Technical and other waste water may only be discharged into the sea if allowed by state controlling bodies and under their control, provided that such water has been cleaned to comply with the established standards.

Article 100. Marine scientific research

1. Marine scientific research may only be carried out if permitted by the competent authority. The procedure for carrying out marine scientific research shall be subject to approval by the Government of the Republic of Kazakhstan.
2. Marine scientific research may be carried out both by Kazakhstan and foreign legal entities and individuals, as well as by foreign government organisations and competent international organisations.

3. The following principles shall be observed in conducting marine scientific research:

- 1) marine scientific research shall not create any unreasonable impediments to other entities which use the sea on a legal basis;
- 2) marine scientific research shall be carried out with the use of appropriate scientific methods and means in compliance with nature protection measures;
- 3) all data collected in the course of marine scientific research shall, after their processing and analysis, be transferred to the Republic of Kazakhstan and may not be freely circulated or published without the prior consent of the Government of the Republic of Kazakhstan.

Article 101. Measurement of produced petroleum

1. Measurement and weighing of petroleum produced in the contract territory shall be carried out by subsoil user in accordance with the method approved by the Government of the Republic of Kazakhstan.

2. The subsoil user shall systematically conduct tests of the equipment and devices used for weighing and measurement of petroleum at time intervals determined in accordance with the established procedure and with the participation of a representative of the competent authority.

3. When a test or inspection reveals that some equipment or devices are defective, then, where it is impossible to determine the time when such defect occurred, the period of such defect shall be defined as one half of the period of time between the previous measurement and the day on which the defect was revealed.

CHAPTER 10. MAIN PIPELINE TRANSPORTATION

Article 102. Ownership right to a main pipeline

1. A main pipeline is an indivisible technological system and may be either state property or private property.

2. Decisions on the construction of main pipelines shall be taken by the Government of the Republic of Kazakhstan.

3. Main pipelines, as well as participatory interests (shareholdings, participatory shares) in legal entities owning main pipelines, participatory interests (shareholdings, participatory shares) of individuals and legal entities that are capable, either directly or indirectly, to determine decisions or influence decisions to be taken by the legal entities owning such main pipelines, shall be strategic properties having social and economic significance for a sustainable development of the Kazakhstan society, the possession and/or use, and/or disposal of which may influence the state of the national security of the Republic of Kazakhstan.

Article 103. Operation of a main pipeline

1. A main pipeline facility shall be operated in accordance with the technical rules approved by the Government of the Republic of Kazakhstan.

2. Power supply enterprises shall be prohibited from carrying out any regime measures aimed at imposing limitations on the established energy consumption limits without agreement with the main pipeline owner

3. The main pipeline owner, upon agreement with the executive bodies of regions (cities of republican significance or the capital cities) and with any other interested enterprises and organizations, shall work out joint measures to ensure safe operation of the main pipeline facilities, elimination of possible accidents, emergencies and their effects.

4. The main pipeline owner shall be responsible for compliance with the standards of the technical rules.

6. For safety purposes, no facilities unrelated to a main pipeline may be constructed within certain minimum distances established by construction standards and rules.

Article 104. Relationships between the owner of a main pipeline and local representative and executive bodies and consignors

1. Local representative and executive bodies shall not interfere with the operating activities of main pipelines that involve the processes of pumping, storage and distribution of petroleum.
2. Emergency workers and emergency and special-purpose equipment of a main pipeline may not be diverted to any other operations.
3. If a certain capacity reserve is available at a main pipeline, its owner may not deny a consignor transportation of petroleum. Consignors shall have equal rights of access to transportation services at the same tariffs.

Article 105. Protective zones of main pipelines

1. For the purposes of ensuring safety of the population, prevention of harm to the environment, and in order to create conditions for safe operations, along the routes of main pipelines (regardless of the laying method used) and around main pipelines facilities, protective zones shall be established which shall be designated by special on-site signs in accordance with the requirements of technical regulations on main pipeline safety. If several pipelines are to be located within one and the same technical corridor, a single protective zone shall be established for all such pipelines.
2. Protective zones of a main pipeline include: protective forest zones, land plots that are required to ensure the safety, durability and strength of structures, equipment and other facilities, service roads, as well as the land plots adjoining the right of way of the main pipeline that are located in mud slide zones, land slide zones or places that are exposed to other hazardous impacts.
3. The boundaries of protective zones and the facilities of main pipelines which are subject to physical protection shall be established in accordance with the requirements of technical regulations on main pipeline safety.
4. If main pipelines are located within the same technical corridor as utility systems or if they cross each other, the relationships between the organisations operating such pipelines and utility systems shall be defined in accordance with the requirements of technical regulations on main pipeline safety.
5. It shall be prohibited to carry out any business activity in the protective zones of main pipelines without written consent issued by the owners of the main pipelines and without notifying the security organisation thereof.

Article 106. Construction, laying and operation of underwater pipelines and cables

Construction, laying, and operation of underwater pipelines and cables shall be carried out in accordance with technical regulations in the area of petroleum sales.

CHAPTER 11. SUBSOIL AND ENVIRONMENT PROTECTION, RATIONAL AND INTEGRATED USE OF THE SUBSOIL, AND SAFETY OF THE POPULATION AND PERSONNEL

Article 107. Tasks of subsoil and environment protection and of rational and integrated use of subsoil

Subsoil and environmental protection and the study and use of the subsoil shall comprise a system of legal, organisational, economic, technological and other measures aimed at:

- 1) protection of the life and health of the population;
- 2) rational and integrated use of subsoil resources;
- 3) preservation of natural landscapes and recultivation of disturbed land and other geomorphological structures;
- 4) preservation of the properties of the energy state of the upper parts of the subsoil for the purpose of prevention of earthquakes, landslides, flooding, and soil subsidence;
- 5) ensuring the preservation of the natural state of water bodies.

Article 108. General environmental requirements

At all stages of subsoil use, including forecasting, planning, and designing, the environmental requirements stipulated by the environmental legislation of the Republic of Kazakhstan must be complied with as a pre-emptive.

Article 109. Environmental basis for carrying out subsoil operations

1. Positive opinions of state environmental and sanitary and epidemiological expert examinations of the subsoil contracts and project documents as well as environmental permits shall form the necessary environmental basis for the performance of subsoil operations.
2. A subsoil user must submit all pre-project and project documents which should include the assessment of the planned activities on the environment and containing a section related to environmental protection for review of the state environmental and sanitary and epidemiological expert commissions.

Article 110. Requirements for rational and integrated use of the subsoil and protection of the subsoil

1. The following shall be the requirements for the rational and integrated use of the subsoil and protection of the subsoil:
 - 1) ensuring the completeness of a forward-looking geological study of the subsoil for a reliable appraisal of the size and structure of mineral reserves, fields and subsoil areas allocated for the performance of subsoil operations, including for the purposes unrelated to production;
 - 2) ensuring the rational and integrated use of subsoil resources at all stages of subsoil operations;
 - 3) ensuring the completeness of the extraction of minerals from the subsoil without selective development of rich areas;
 - 4) reliable recording of the reserves of basic and associated minerals and components, both recoverable and residual, including products of processing of mineral raw materials and production waste resulting from the development of the fields/deposits;
 - 5) inadmissibility of revisions of reserves of those minerals which are included in the state register, based on the results of primary processing;
 - 6) prevention of accumulations of industrial and domestic waste in watershed areas and at locations of ground water that is used for drinking purposes or for industrial water supply;
 - 7) protection of the subsoil from flooding, fire and other natural calamity factors that lower their quality or complicate the operation and development of fields/deposits;
 - 8) prevention of subsoil contamination in the course of subsoil operations, especially in the cases of underground storage of oil, gas or other substances and materials, burial of harmful substances and waste, and discharge of waste water;
 - 9) compliance with the established procedure for the suspension and termination of subsoil operations, and conservation and abandonment of facilities related to the development of fields/deposits;
 - 10) ensuring compliance with environmental requirements during the storage and placement of industrial and domestic waste.
 - 11) maximum use of petroleum associated gas by means of its processing for the purpose of obtaining strategically important energy resources or raw materials for petrochemical industry and minimization of environmental damage.
2. Subsoil users must ensure compliance with the requirements for the rational use and protection of the subsoil as stipulated by Paragraph 1 of this Article when planning their operations connected with the use of the subsoil, geological studies, and the exploration and development of mineral fields/deposits.

Article 111. Abandonment and conservation of subsoil use facilities

1. Subsoil use facilities where operations connected with the state geological studies of the subsoil, exploration and production, including exploration and production of ground water, medicinal mud, exploration of the subsoil for discharge of waste water as well as the construction and/or operation of underground facilities unrelated to exploration or production are or were conducted, with the exception of technological units of subsoil use facilities (blocks, panels, workings, oil and gas wells of various purposes) shall be subject to abandonment or conservation in the case of termination of subsoil operations, as well as in the case of the full development of mineral reserves in accordance with the project documents and the work program.

2. In case of termination of subsoil operations, the subsoil user shall promptly proceed with abandonment or conservation operations at the subsoil use facility. If there is a need to take an urgent decision to terminate production, the subsoil user shall implement all measures ensuring the preservation of the facilities until their abandonment or conservation begins.
3. Abandonment or conservation of subsoil use facilities shall be carried out in accordance with abandonment or conservation project documents, which shall be developed by a design organization having an appropriate license for the performance of operations and provision of services in the area of environmental protection and which shall be agreed with the authorized environmental protection agencies, for subsoil studies and use, industrial safety, sanitary and epidemiological service, and management of land resources and which shall be approved by the subsoil user financing work associated with the designing and implementation of the project, on the basis of the Rules for the Abandonment and Conservation of Subsoil Use Facilities approved by the Government of the Republic of Kazakhstan.
4. Operations involving abandonment or conservation of subsoil use facilities shall be deemed to be completed upon the signing of an act on the acceptance of work associated with the abandonment or conservation of the subsoil use facility, by a commission created by the competent authority and consisting of representatives of the authorized bodies for environmental protection, study and use of subsoil, industrial safety, sanitary-and-epidemiological service, management of land resources and a regional (city of republican significance or capital city) executive body.
5. After the receipt of an act on the acceptance of work associated with the abandonment or conservation of a subsoil use facility approved by the authorized environmental protection agencies, the geological, surveyor and other documentation shall be replenished as of the time of the completion of the work and shall be delivered for storage to the authorized agency for subsoil studies and use in accordance with the established procedure.
6. Operations connected with the abandonment or conservation of a facility shall be financed from the abandonment fund. Subsoil user shall make contributions to the abandonment fund into a special deposit account with any bank in the territory of the Republic of Kazakhstan. The subsoil user shall use the abandonment fund with the consent of the competent authority, which consent shall be agreed with the authorized agency for subsoil studies and use. Provisions regarding the procedure for forming the abandonment fund, the amount of contributions thereto and the periodicity of such disbursements shall be stipulated by the contract.

Article 112. Subsoil areas of special environmental, scientific, cultural and historic or other value

1. Subsoil areas of special environmental, scientific, cultural and historic or other value shall be referred to specially protected natural territories with the legal regime of special protection or regulated regime of business activities, which are intended for the preservation of typical, unique or rare geological, geomorphological and hydrogeological items of the state-owned natural preserve stock.
2. Peculiarities of the protection and use of subsoil areas having special environmental, scientific, cultural or other value shall be established in the legislation of the Republic of Kazakhstan on specially protected natural territories.
3. Subsoil areas of special environmental, scientific, cultural or other value may not be alienated for any other needs.
4. If a subsoil user discovers a geological, geomorphological or hydrogeological site having special environmental, scientific, cultural or other value, such subsoil user must terminate its operations in the respective area and notify thereof the authorized agency for subsoil studies and use and the authorized environmental protection agency.

Article 113. Terms of development of areas with mineral occurrences

1. Designing and construction of populated areas, industrial complexes and other business facilities shall only be allowed upon receipt of opinion from the authorized agency for subsoil studies and use concerning the absence or insignificance of minerals in the subsoil underneath the plot intended for development.
2. Developing areas where minerals occur as well as placement of underground facilities in places

of their occurrence shall be allowed with the consent of the authorized agency for subsoil studies and use, and the authorized agency for industrial safety, provided that the possibility for recovery of minerals is ensured or economic expedience of the development is proved.

3. Unauthorized development of areas where minerals occur shall be terminated without compensation for costs and expenditures incurred in re-cultivation of land within the contract territory and dismantling of constructed facilities.

Article 114. Offshore petroleum operations and petroleum operations in inland water bodies, environmental emergency zones, and on specially protected natural areas

1. A general permit for performance of offshore petroleum operations, petroleum operations in inland water bodies, environmental emergency zones and on specially protected natural areas shall be given by the President of the Republic of Kazakhstan following a proposal made by the Government of the Republic of Kazakhstan on the basis of a state environmental expert opinion.

2. The procedure for performing offshore petroleum operations, petroleum operations in inland water bodies, environmental emergency zones, and on specially protected natural and cultural areas shall be approved by the Government of the Republic of Kazakhstan.

3. During the operation of fields, oil transportation in offshore nature reserve areas shall be carried out through pipelines in accordance with the requirements established by environmental legislation.

Article 115. Ensuring safe subsoil use conditions for society and personnel

1. A subsoil user must ensure compliance with the rules and regulations for the safety of operations which are stipulated by legislation, as well as ensure the implementation of measures to prevent and eliminate accidents, casualties and occupational diseases.

2. It shall be prohibited to carry out subsoil operations if they are dangerous for the life and health of people.

3. The state supervision of compliance with the rules and regulations for technical safety and industrial sanitation in subsoil use shall be carried out by the authorized agency for supervision of safe performance of operations in industries and for mining supervision and the authorized agency for sanitary and epidemiological supervision.

4. The basic requirements ensuring the safety of subsoil operations shall be as follows:

1) only persons received special training and having adequate qualifications shall be admitted to operations, and only persons having an appropriate special educational background shall be admitted to manage mining operations;

2) providing persons engaged in mining and drilling operations with special clothes and personal and collective protection equipment;

3) use of machinery, equipment and materials which meet the requirements of safety and sanitary regulations;

4) accounting and proper storage and use of explosive substances and explosives as well as correct and safe use thereof;

5) performing a set of geological, mining survey and other observations which are required and sufficient to support the technological cycle of operations and for predicting emergency situations, timely identification and marking of risk zones on mining operations maps;

6) systematic monitoring of condition of mining atmosphere, contents in it of oxygen, harmful and explosive gases and dusts;

7) timely update of technical documentation and accident elimination plans with information specifying the boundaries of safe operation zones;

8) compliance with the designed systems for the development of deposits and solid minerals, plans and flow sheets for the development of and construction at oil, gas and ground water deposits;

9) implementation of special measures for the prediction and prevention of sudden discharges of gas, floods of water, minerals and rocks, as well as quakes.

5. In the event of an immediate threat to the life and health of workers, officers of the subsoil users shall immediately suspend operations and arrange for the transportation of people to a safe place.

6. In the event of an immediate threat to the life and health of the population in a subsoil use zone, the managers of the relevant organizations shall immediately notify the local executive bodies.

7. If a threat to the health and life of people arises in a zone affected by subsoil operations, the

subsoil user shall suspend its operations and shall have no right to resume subsoil operations without creating safe conditions for the health and life of people and without preventing the threat that arose. Where it is impossible to take other steps for the prevention of such threat, the subsoil user shall have the right to resume subsoil operations only after relocating the population from the risk areas affected by subsoil operations.

8. Rescue departments shall provide services to subsoil users based upon relevant agreements in accordance with regulations approved by the Government of the Republic of Kazakhstan.

CHAPTER 12. STATE CONTROL OVER THE STUDY, USE AND PROTECTION OF SUBSOIL

Article 116. State control over the protection of the subsoil

1. State control over the protection of the subsoil shall be exercised by the authorized environmental protection agency.
2. The task of state control over the protection of the subsoil shall be to ensure control over compliance by subsoil users with the subsoil and subsoil use legislation of the Republic of Kazakhstan as it relates to the prevention of subsoil contamination in the course of subsoil operations and reduce harmful environmental impacts of subsoil operations.
3. State control over the protection of subsoil shall include:
 - 1) state monitoring of subsoil protection;
 - 2) control over compliance with licensing and contractual terms relating to the subsoil protection;
 - 3) control over the burial of harmful substances, radioactive waste and discharge of waste water into the subsoil;
 - 4) control over the prevention of subsoil contamination, flooding, fire and man-caused processes damaging fields/deposits and other environmental objects;
 - 5) control over conservation and abandonment of subsoil use facilities;
 - 6) control over the performance of measures aimed at preventing accidents or other hazardous situations in the course of subsoil operations;
 - 7) control over compliance with environmental standards and rules when using the subsoil and processing mineral raw materials;
 - 8) control over compliance with design solutions relating to environmental protection in the course of production and processing of mineral raw materials.

Article 117. State control over subsoil studies and use

1. The authorized agency for subsoil studies and use shall exercise state control over the study and use of the subsoil.
2. The task of state control over the study and use of subsoil shall be to ensure control over compliance by subsoil users with the subsoil and subsoil use legislation of the Republic of Kazakhstan during prospecting for and appraisal of deposits, the rational and integrated use of mineral raw materials in the course of production and geological studies and appraisal of subsoil areas for the construction and operation of underground facilities unrelated to production.
3. State control over the rational and integrated use of subsoil shall include:
 - 1) control over the geological study and use of the subsoil, ensuring the opening up, preparation and completeness of the extraction of reserves and ruling out selective development of rich subsoil areas, and control over compliance with solutions set forth in technical project documents for the development of fields/deposits;
 - 2) control over reliability of records of mineral reserves, both recoverable and residual, and of their losses in the course of production.

Article 118. State control over the performance of subsoil operations

1. State control over the performance of petroleum operations shall be exercised by state agencies within their competence in accordance with the current legislation of the Republic of Kazakhstan. Employees of these agencies that conduct inspections shall ensure the maintenance of commercial secrets.

2. State control over the performance of subsoil use operations shall be effected in the form of inspections and otherwise.
3. All inspections shall be effected in compliance with the Law of the Republic of Kazakhstan on Private Entrepreneurship. Other types of state control shall be effected pursuant to this Law.

CHAPTER 13. STATE SUBSOIL STOCK

Article 119. Records of the condition of the state subsoil stock

1. The state subsoil stock shall comprise the subsoil of the Republic of Kazakhstan.
2. The following shall be carried out in order to ensure the rational use of the state subsoil stock:
 - 1) state subsoil monitoring;
 - 2) state expert examination of the subsoil;
 - 3) state storage of geological information;
 - 4) maintenance of the state reserve register of minerals;
 - 5) maintenance of state cadastres of:
 - deposits and occurrences of minerals;
 - burials of harmful substances, radioactive waste and discharge of waste waters into the subsoil;
 - man-made mineral formations.
3. Geological reporting documents on the condition of the subsoil which is based on the materials of primary records shall be submitted by subsoil users in accordance with special forms approved by the Government of the Republic of Kazakhstan.

Article 120. State subsoil monitoring

1. State subsoil monitoring shall mean a system of observing the condition of subsoil to ensure the rational use of the state subsoil stock and timely identification of its changes, and the assessment, prevention and elimination of consequences of negative processes.
2. The structure and content of, as well as the procedure for conducting, the state subsoil monitoring shall be established by the Government of the Republic of Kazakhstan.

Article 121. State expert examination of subsoil

1. For the purposes of creating conditions for the rational and integrated use of the subsoil, establishing fees for subsoil use and establishing boundaries of subsoil areas allocated for use, the mineral reserves in explored fields/deposits shall be subject to state expert examination.
2. A subsoil user having the subsoil use right to carry out production shall have the right to commence production only after conducting a state expert examination of mineral reserves. An opinion of state experts on the economic feasibility of the development of explored mineral reserves shall be the basis for their inclusion in state registers.
3. A state expert examination may be carried out at any stage of the geological study of a field/deposit, provided that the geological materials submitted for state expert examination make it possible to provide an objective assessment of the quantity and quality of the mineral reserves, their significance for the economy of the Republic, and of the mining, hydrogeological, environmental and other terms of production.
4. Geological information about subsoil areas which are suitable for the construction and operation of underground facilities unrelated to exploration and/or production shall also be subject to state expert examination. Such subsoil areas may be granted for use only after the state expert examination of geological information.
5. A state expert examination of the subsoil shall be carried out by the State Reserves Commission of the Republic of Kazakhstan and by inter-regional commissions for mineral reserves of common minerals.
6. The Regulations concerning the State Committee on Mineral Reserves of the Republic of Kazakhstan and Inter-regional Committees for Mineral Reserves of the Republic of Kazakhstan shall establish the organization procedure, composition, work procedures and records keeping thereof and shall be approved by the Government of the Republic of Kazakhstan.

Article 122. State register of mineral reserves

1. The state register of mineral reserves shall be maintained by the authorized agency for subsoil studies and use for the purposes of recording the status of the mineral and raw material base of the Republic of Kazakhstan.
2. The state register of mineral reserves shall contain information about the quantity, quality and extent to which each type of mineral has been studied, for each commercial discovery, as well as about their location, degree of their commercial use, production, losses and the availability of explored mineral reserves to the industry.
3. A procedure for the inclusion of mineral reserves into the state register of reserves and for their writing off from the state register of reserves shall be established by the Government of the Republic of Kazakhstan.
4. The authorized agency for subsoil studies and use shall provide state bodies with information about the state register of mineral reserves in accordance with the procedure established by the legislation of the Republic of Kazakhstan.

Article 123. State cadastre of fields / deposits and occurrences of minerals

1. The state cadastre of deposits and occurrences of minerals shall be maintained by the authorized agency for subsoil studies and use for the purposes of ensuring the development of industry (sectoral) and regional programs for the geological study of the subsoil, integrated use of fields/deposits, as well as for the resolution of other tasks.
2. The state cadastre of deposits and occurrences of minerals shall include information on each deposit, describing the quantity and quality of the base minerals and associated minerals and components, and mining, hydrogeological, environmental and other conditions of deposit development and its geological and economic appraisal, as well as information concerning any discovered occurrences of minerals.
3. The Government of the Republic of Kazakhstan shall establish the procedure for maintaining the state cadastre of deposits and occurrences of minerals.

Article 124. State cadastre of burials of harmful substances, radioactive waste and discharges of waste water into the subsoil

1. The state cadastre of burials of harmful substances, radioactive waste and discharges of waste water into the subsoil shall be organized by the authorized environmental protection agency for the purposes of prompt receipt of information, decision making with regard to environmental protection matters and for exercising planned control over the condition of places of burial of harmful substances, radioactive waste and the discharge of waste water into the subsoil.
2. The state cadastre of burials of harmful substances, radioactive waste and discharges of waste water into the subsoil shall contain information describing the type and form of buried substances and discharged water, indicating their quantity and quality parameters, and mining, special engineering geological, hydrogeological and ecological conditions of the burial or discharge.
3. The Government of the Republic of Kazakhstan shall establish the procedure for maintaining the state cadastre of burials of harmful substances, radioactive waste and discharges of waste water into the subsoil.

Article 125. State cadastre of man-made mineral formations

1. The state cadastre of man-made mineral formations shall be maintained by the authorized agency for subsoil studies and use in the procedure established by the Government of the Republic of Kazakhstan.
2. The state cadastre of man-made mineral formations shall contain information about stored items, characterizing the type and form of the man-made mineral formations and indicating their quantity and quality parameters, and mining and environmental conditions of storage.

CHAPTER 14. LIABILITY FOR VIOLATIONS OF THE REQUIREMENTS FOR THE USE AND PROTECTION OF SUBSOIL

Article 126. Liability for violations of the requirements for the subsoil use and protection

1. Any violation of the legislation of the Republic of Kazakhstan on the subsoil use and protection shall entail liability as stipulated in the legislation of the Republic of Kazakhstan.

2. Transactions involving the use of the subsoil which are consummated in violation of the requirements set forth in the legislation of the Republic of Kazakhstan shall be invalid.

Persons guilty of the consummation of such transactions shall bear administrative or criminal liability as stipulated in the legislation of the Republic of Kazakhstan.

Article 127. Compensation for damage (harm) resulting from violation of legislation on subsoil and subsoil use

1. Persons that caused harm due to a violation of the requirements for the subsoil use and protection shall compensate for the harm caused, unless they prove that such harm resulted from force Majeure or the intent of the affected person, in the amounts and in accordance with the procedure established by the legislation of the Republic of Kazakhstan.

2. The amount of damage caused due to a violation of the requirements for the rational use of the subsoil shall be determined by the authorized agency for subsoil studies and use together with the subsoil user, in accordance with the procedure established by the Government of the Republic of Kazakhstan.

3. The amount of damage caused due to a violation of the requirements for subsoil protection shall be determined by the authorized environmental protection agency in accordance with the environmental legislation of the Republic of Kazakhstan.

Article 128. Dispute resolution

1. Any disputes arising out of the performance and termination of contracts shall be resolved through negotiations.

2. If a dispute arising out of the performance, amendment or termination of a contract cannot be resolved in accordance with Paragraph 1 of this Article, the parties are entitled to resolve disputes in accordance with the laws of the Republic of Kazakhstan and international treaties ratified by the Republic of Kazakhstan.

CHAPTER 15. FINAL AND TRANSITIONAL PROVISIONS

Article 129. Transitional provisions

1. This Law shall apply to relations arising after its enactment except for instances described in Paragraph 3 of this Article.

2. The subsoil users who executed subsoil use contracts with the competent authority without project documents shall be obliged to ensure development of the project documents and approval thereof in the procedure and within 12 months following the date when this Law comes into force and effect, and shall submit its working programs to exploration and production contracts prepared based upon the project documents for the approval by the authorized agency for subsoil studies and use not later than 18 months upon coming this Law into force and effect.

3. Under the contracts previously executed with state bodies of the Republic of Kazakhstan the parties thereof shall be governed by this Law with respect to unified terminology, provision of information on Kazakhstan content in personnel, Kazakhstan content in goods, works and service calculated based upon unified methods of calculation of Kazakhstan content by organizations when purchasing goods, works and services, on planned and completed procurement of goods, works and services in the procedure in the form approved by the competent authority.

4. Any licenses issued and contracts concluded before the enactment of this Law, as well as all related acts issued by executive bodies of the Republic of Kazakhstan, shall remain valid.

5. The functions of the licensor (the Government of the Republic of Kazakhstan) in relation to the previously issued valid licenses for subsoil use shall be assigned to the competent authority.

6. The subsoil users performing petroleum operations under one contract entered before 1 January 2004, performing production at a number of deposits/fields of hydrocarbons a part of which is entered

into the high viscosity, flooded, marginal or worked out deposits/ fields which list is adopted by the Government of the Republic of Kazakhstan in compliance with the tax code of the Republic of Kazakhstan shall be entitled to apply to the competent authority to enter into separate production contracts with respect to such deposit(s)/field(s). Such contract shall be valid for remaining validity period of the initial contract.

Article 130. Procedure for the enactment of this Law

1. This Law shall take effect in ten calendar days following its first publication in official press except for Paragraph 3 of Article 77 which will come into force from 1 October 2010.

2. The following laws of the Republic of Kazakhstan shall be recognized invalid:

1) Law of the Republic of Kazakhstan "On Petroleum", dated 28 June 1995 (Bulletin of the Supreme Council of the Republic of Kazakhstan, 1995, Paragraph 11, Article 76; Bulletin of the Parliament of the Republic of Kazakhstan, 1997, Paragraph 11 Article 150; 1999, Paragraph 21, Article 787; 2003, Paragraph 6, Article 34, Paragraph 11, Article 56; 2004, Paragraph 22, Article 131, Paragraph 23, Article 142; 2005, Paragraph 16, Article 70; 2006, Paragraph 16, Article 99; Paragraph 24, Article 148; 2007, Paragraph 2, Article 18, Paragraph 3, Article 22, Paragraph 8, Article 52, Paragraph 9, Article 67, Paragraph 19, Article 148; 2008, Paragraph 23, Article 114; Paragraph 24, Article 129; 2009, Paragraph 2.3, Article 18);

2) Law of the Republic of Kazakhstan "On the Subsoil and Subsoil Use", dated 27 January 1996 (Bulletin of the Parliament of the Republic of Kazakhstan, 1996, Paragraph 2, Article 182; 1999, Paragraph 11, Article 357; Paragraph 21, Article 787; 2003, Paragraph 11, Article 56; 2004, Paragraph 22, Article 131; Paragraph 23, Article 142; 2005, Paragraph 16, Article 70; 2006, Paragraph 3, Article 22; Paragraph 16, Article 99, Paragraph 24, Article 148; 2007, Paragraph 1, Article 4, Paragraph 3, Article 22, Article 170; 2008, Paragraph 23, Article 114; 2009, Paragraph 2.3, Paragraph 18, Article 84; Paragraph 24, Article 133, Paragraph 5, Article 23).

The President of the Republic of Kazakhstan

Nazarbayev N.

Astana, Akorda, June 24, 2010

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