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JOINT VENTURE AGREEMENT

FOR THE DEVELOPMENT AND PRODUCTION OF PETROLEUM FROM
THE MARGINAL/ABANDONED CHATTAK AND FENI GAS FIELDS

BETWEEN

BANGLADESH PETROLEUM EXPLORATION
& PRODUCTION COMPANY LIMITED (BAPEX)

AND

NIKO RESOURCES (BANGLADESH) LTD

N 00040



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ANNEXURES

ANNEX - A	STUDY AGREEMENT (Framework of Understanding for the Study for Development and Production of Hydrocarbon from the Non-producing Marginal Gas Fields of Chhatak, Feni and Kamta)
ANNEX - B	STUDY REPORT (Bangladesh Marginal Field Evaluation Chhatak, Feni, and Kamta)
ANNEX - C	PROCEDURE (PROCEDURE FOR DEVELOPMENT OF MARGINAL/ ABANDONED GAS FIELDS)
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"ABBREVIATION"

FOU -	Framework of Understanding for the Study for Development and Production of Hydrocarbon from the Non producing Marginal gas fields of Chattak, Feni and Kamta.
JVA -	Joint Venture Agreement.
JMC-	Joint Management Committee.
IOC -	International Oil Companies.
IM -	Investment Multiple.
LNG -	Liquefied Natural Gas.
LPG -	Liquefied Petroleum Gas.
TSCF-	Trillion Standard Cubic Feet.
MSCF -	Thousand Standard Cubic Feet.
NBR-	National Board of Revenue.
CPB-	Customs Pass Book.
GPSA -	Gas Purchase and Sales Agreement.
ICSID -	International Center for Settlement of Investment Disputes.
PROCEDURE-	PROCEDURE FOR DEVELOPMENT OF MARGINAL/ ABANDONED GAS FIELDS
BGFCL-	Bangladesh Gas Fields Company Limited.
SGFL -	Sylhet Gas Fields Limited.






PREAMBLE

This Joint Venture Agreement is made and entered to on this 16th day of October, 2003.

BETWEEN

1. Bangladesh Petroleum Exploration & Production Company Limited (hereinafter called "BAPEX") a wholly owned Company under Bangladesh Oil, Gas, and Mineral Corporation, (hereinafter called "PETROBANGLA"), a statutory corporation wholly owned and established by the Government of the Peoples Republic of Bangladesh (hereinafter called the Government)

AND

2. Niko Resources (Bangladesh) Ltd, a corporation organized under the laws of Barbados (hereinafter called "OPERATOR"), with its head office at P.O. Box 261 Bay Street, Bridgetown, Barbados.

WHEREAS

1. All mineral resources including Petroleum within the territory, continental shelf and economic zone of Bangladesh are vested in the People's Republic of Bangladesh; and
2. The Government has, under the Bangladesh Petroleum Act, 1974 (Act No. LXIX of 1974) (as amended up to date) the exclusive right and authority to explore, develop, exploit, produce, process, refine and market Petroleum Resources within the territory, continental shelf and economic zone of Bangladesh and it has also the exclusive right to enter into Petroleum Agreements with any persons for the purpose of any Petroleum Operations; and
3. Petrobangla has the power to exercise rights and powers of the Government to explore, develop, exploit, produce, process, refine, market petroleum in the territory, continental shelf and economic zone of Bangladesh and also to enter into Petroleum Agreements with any person/company for the purpose of any Petroleum Operations; and
4. OPERATOR made a request in 1998 to the Ministry of Energy and Mineral Resources, Govt. of the Peoples Republic of Bangladesh to develop Marginal & Non Producing Gas Fields of Bangladesh.
5. Development of Marginal/Abandoned gas fields require certain unique approach to cost control, technology application, economic and risk structure as compared to the development of a discovered gas field, which has not been produced.
6. OPERATOR has demonstrated through documentation its expertise in the development of Marginal/Abandoned Gas Fields;

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7. OPERATOR has assured that it has the financial ability and technical competence necessary for carrying out the development, production and other petroleum operation for Marginal/Abandoned Gas Field.
8. BAPEX through its predecessors has vast experience in the field of Petroleum operation for the last three decades in Bangladesh.
9. BAPEX and the OPERATOR executed an agreement on August 23, 1999 titled "Framework of Understanding for the Study for Development and Production of Hydrocarbon from the Non-producing Marginal Gas Fields of Chhatak, Feni and Kamta" (hereinafter referred to as the Study Agreement and attached herewith as Annex- A.)
10. In compliance with the terms and conditions of this Study Agreement a report titled "Bangladesh Marginal Field Evaluation Chhatak, Feni, and Kamta" were jointly prepared and executed by BAPEX and the OPERATOR in February 2000 (hereinafter referred to as STUDY REPORT) and attached herewith as Annex - B.
11. GOB has declared Chattak, Kamta & Feni as Marginal/Abandoned Gas Fields in the PROCEDURE FOR DEVELOPMENT OF MARGINAL/ABANDONED GAS FIELDS (hereinafter referred to as the PROCEDURE) and attached here with as Annex - C.
12. BAPEX is vested with all rights free from all encumbrances and liabilities whatsoever to assign, develop, produce, process, refine and distribute 100% (One hundred percent) of all Petroleum resources from or within the territory of the Marginal/Abandoned gas fields of Chattak & Feni and BAPEX and the OPERATOR has agreed to exclude Kamta from this JVA since Kamta is uneconomical to develop.
13. BAPEX agrees to have Chattak and Feni Fields put back into production in cooperation with OPERATOR at the sole risk and expense of OPERATOR;
14. BAPEX warrants that it has acquired from Petrobangla and the Government the requisite approvals to execute this JVA. The responsibilities and obligations of Petrobangla and the Government in all relevant Articles, Annexes and Amendments under this JVA has been assign to BAPEX.
15. BAPEX and OPERATOR mutually agree to enter into this JVA with respect to the JVA Area, and form a joint venture on the basis of and to implement this JVA for petroleum operations.
16. Now therefore, in consideration of the premises and the mutual covenants hereinafter set out, it is hereby mutually agreed as follows between the Parties:



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" ARTICLE - 1, DEFINITIONS "

The following words and terms used in this Joint Venture Agreement (JVA), unless otherwise expressly specified in this JVA, shall have the following respective meanings:

- 1.1 "Accounting Procedure" means the accounting procedure as per Article - 6.2.1.
- 1.2 "Affiliated Company" or "Affiliate" means a company:
 - 1.2.1 in which a Party hereto owns directly or indirectly share capital conferring a majority of votes at stockholders' meetings of such company.
 - 1.2.2 which is the owner directly or indirectly of share capital conferring a majority of votes at stockholders' meetings of such company;
 - 1.2.3 whose share capital conferring a majority of votes at stockholders' meetings of such company and the share capital conferring a majority of votes at stockholders' meetings of a Party hereto are owned directly or indirectly by the same company.
 - 1.2.4 with whom either party has a bonafide business relationship affirmed by a Contract relevant to this agreement.
- 1.3 "Annex" means any integral part of this JVA identified herein as such and attached hereto.
- 1.4 "Associated Natural Gas" means all gaseous hydrocarbons produced in association with Oil and separated therefrom.
- 1.5 "Available Natural Gas" means all natural gas produced and saved from the JVA Area and not used in petroleum operations.
- 1.6 "Available NGL" means all natural gas liquid produced and saved from the JVA Area and not used in petroleum operations.
- 1.7 "Available Oil" means all oil produced and saved from the JVA Area and not used in petroleum operations.
- 1.8 "Available Petroleum" means all "Available Natural Gas", "Available NGL" and "Available Oil" produced and saved from the JVA Area singularly or in any combination and not used in petroleum operations.
- 1.9 "Bangladesh" means the People's Republic of Bangladesh.
- 1.10 "BAPEX" means Bangladesh Petroleum Exploration & Production Company Limited, as specified in the preamble of this JVA.
- 1.11 "Barrel" means a unit of measurement consisting of forty-two (42) United States gallons liquid measure, corrected to a temperature of sixty degrees (60°) Fahrenheit with pressure at sea level.

- 1.12 "BUYER" means Buyer of JV's Gas as per Article - 24.3.
- 1.12 "Calendar Quarter" means a period of three (3) consecutive Months under the Gregorian Calendar beginning on the first day of April in the same year.
- 1.13 "Calendar Year" means a period of twelve (12) consecutive Months under the Gregorian Calendar beginning on the first day of April in the same year.
- 1.14 "Commercial Discovery" means discovery of Petroleum at Chattak East.
- 1.15 "Commercial Production" means production following a declaration of commerciality of Oil, Natural Gas or NGL, or a combination thereof, and delivery of such Oil, Natural Gas and NGL under a regular program of production of sales.
- 1.16 "JVA" means this JVA and its Annexes concluded between BAPEX and the OPERATOR on the Effective Date.
- 1.17 "JVA Area" means the area as specified in Article 3.1.
- 1.18 "JVA Year" means a period of twelve (12) consecutive Months under the Gregorian Calendar within the term of this JVA, beginning on the Effective Date or any anniversary, thereof.
- 1.19 "OPERATOR" means the OPERATOR specified in the preamble hereto, including assignee(s) in accordance with related Article hereof and where the context so requires, includes OPERATOR.
- 1.20 "Exploratory well" means the first well at Chattak East.
- 1.21 "Development" means the Petroleum Operations consisting of:
- 1.21.1 the Drilling of Development Wells.
- 1.21.2 the Drilling of Injection Wells pursuant to a Development Plan.
- 1.21.3 the design, engineering, construction and installation of materials, gas gathering lines, flow lines, storage tanks, measuring devices, equipment and systems necessary for the production and the operation of Wells, as well as for the processing of Petroleum in the field.
- 1.21.4 the design, engineering, construction and installation of equipment and facilities necessary for the enhanced recovery work, such as pumping, gas lift, water injection systems or any other method of pressure maintenance, secondary recovery or tertiary recovery.
- 1.21.5 the design, engineering, construction and installation of Pipelines, storage and loading facilities and facilities upstream of the Measurement Point for the extraction of NGL from Natural Gas and for the production of Oil; and 1.20.6 any other work or activity necessary to or complimentary to said operations.
- 1.22 "Development Plan" means a plan prepared by the OPERATOR for the Development of an Oil Field and/or Gas Field, which is reviewed and approved by the JMC, and such plan shall include, but not be limited to, recoverable reserves, the development well pattern, master design, production profile, economic evaluation and time schedule of the Development operations.
- 1.23 "Dollar" and the symbol "\$" means dollars of the United States of America.

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- 1.24 "Drilling" or "Drill" means the drilling, coring, casing, cementing, perforation, logging, preparation of programs of drilling fluid and mud, deviation or deepening of any Wells, including re-entry of temporarily abandoned Wells and all tests and evaluations of the Wells, and, if need be, the plugging, abandonment or temporary completion of the Wells for the purposes of a definitive completion or later abandonment, and includes the work necessary for the preparation of the placement of the Wells and the construction of access routes to the site of the Wells. The terms Drilling does not include the installation of permanent Production equipment or Pipelines.
- 1.25 "Effective Date" means the date on which this JVA is signed by BAPEX and OPERATOR.
- 1.26 "Fiscal Year" means the Government's financial year starting on July 1st and ending on the following June 30th, both dates being inclusive.
- 1.27 "Gas Field" means within the JVA Area, Petroleum Reservoir or a group of Petroleum Reservoirs within a common geological structure or feature.
- 1.28 "Government" means the government of the People's Republic of Bangladesh.
- 1.29 "Joint Management Committee" means the Committee defined in Article 6.
- 1.30 "Investment made by the OPERATOR" means the sum total of expenditure incurred by the OPERATOR for all capital, operating and Niko's Corporate Tax expenses under this JVA.
- 1.31 "IOC" means International Oil Company operating in Bangladesh under Production Sharing Contract.
- 1.32 "JVA" means Joint Venture Agreement between Niko and BAPEX.
- 1.33 "JV" means Joint Venture between Niko and BAPEX.
- 1.34 "LNG" means Liquefied Natural Gas, which is primarily methane gas (99% by volume) that has been liquified at -161°C and stored in heavily insulated containers to prevent vaporization.
- 1.35 "LPG" means butane, propane and propane-butane mixed, commonly known as Liquefied Petroleum Gases which can be delivered through a Pipeline at normal temperature and pressure.
- 1.36 "MSCF" means one thousand (1,000) standard cubic feet. One SCF is the amount of Natural Gas necessary to fill one cubic foot of space at atmospheric pressure of 14.73 pounds of pressure per square inch absolute at a base temperature of sixty (60) degrees Fahrenheit.
- 1.37 "Month" means a Calendar Month according to the Gregorian Calendar.
- 1.38 "MMBTU" means one million (1,000,000) BTU's.
- 1.39 "Natural Gas" means Non-associated Natural Gas and Associated Natural Gas in their natural state.

- 1.40 "Non-associated Natural gas" means all gaseous hydrocarbons produced from gas Wells, and includes wet gas, dry gas and residue gas remaining after the extraction of liquid hydrocarbons from wet gas.
- 1.41 "NGL" means natural gas liquids, which are those hydrocarbons in Natural Gas that may be extracted or isolated. Included in these hydrocarbons are LPG and condensations.
- 1.42 "Niko" means Niko Resources (Bangladesh) Ltd. as specified in the preamble of the JVA.
- 1.43 "Oil" means any hydrocarbons produced from the JVA Area which are in a liquid state at the wellhead, and includes crude mineral oil, asphalt, ozokerite and bituminous, both in solid and in liquid form, in their natural state.
- 1.44 "OPERATOR" means the entity, which is designated as such in Article 2.
- 1.45 "Party" means either (i) BAPEX, or (ii) the OPERATOR, on the other hand, and the "Parties" shall be construed accordingly.
- 1.46 "Petroleum" means:
 - 1.46.1 any naturally occurring hydrocarbon, whether in gaseous, liquid or solid state;
 - 1.46.2 any naturally occurring mixture of hydrocarbons, whether in a gaseous, liquid or solid state; or
 - 1.46.3 any naturally occurring mixture of hydrocarbon or hydrocarbons, whether in a gaseous, liquid or solid state and one or more of the following substances, hydrogen sulfide, nitrogen, helium or carbon dioxide.
- 1.47 "Petroleum Operations" means all the operations of Development and Production and all other operations, pertaining to Petroleum as provided for in this JVA.
- 1.48 "Pipeline" means the items and facilities for transportation of Petroleum.
- 1.49 "Production" means the Petroleum Operations, which consist of:
 - 1.49.1 the extraction, measuring, gathering, separation, treating and processing in the field (other than refining), pumping, storage and handling of Petroleum produced and saved from a Production Area and transport and delivery of such Petroleum to any Pipeline and operation of any Pipeline for the transportation of such Petroleum from the JVA Area up to the Measurement Point in Bangladesh;
 - 1.49.2 the operation of storage and loading facilities and facilities upstream of the Measurement Point for the extraction of NGL from Natural Gas and for the production of Oil;
 - 1.49.3 the Drilling of Injection Wells other than those Drilled during Development;
 - 1.49.4 the activities which increase Available Petroleum, including, but not limited to work-over, operations and/or installation of artificial lift facilities; and
 - 1.49.5 the dismantling and/or withdrawal of the installations and facilities used for Petroleum Operations as BAPEX may instruct; and
 - 1.49.6 all activities necessary or complementary to said operations.
- 1.50 "Production Area" means the portion of the JVA Area being the area designated to encompass any commercial production.

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- 1.51 "Production Period" means the ⁷/₂₄ period of time specified in Article 4 of this JVA.
- 1.52 "Quarter" means a period of three (3) consecutive Months in a Calendar Year.
- 1.53 "Reservoir" means a porous and permeable stratum capable of producing Petroleum and which is considered as a unit with respect to its natural exploitations.
- 1.54 "SELLER" means OPERATOR and BAPEX as one party (hereinafter referred to as SELLER) as per Article 24.3.
- 1.55 "Taka" means the currency of Bangladesh.
- 1.56 "Well" means a hole made in the subsoil by Drilling (except for seismic drilling), probe or any other method related to the Petroleum Operations. For the purposes of this JVA, the following classifications shall be applicable:
- 1.56.1 "Development Well" means a Well Drilled within the JVA Area with the goal of producing Petroleum from the JVA Area.
- 1.56.2 "Injection Well" means a Well drilled within a JVA Area with the goal of injecting Natural Gas or a fluid to enhance the recovery of Petroleum.
- 1.57 "Work Program" means a program itemizing the Petroleum Operations to be conducted within or with respect to the JVA Area and the time schedule for accomplishing such operations.
- 1.58 "Year" means a period of twelve- (12) consecutive months according to the Gregorian Calendar.

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" ARTICLE - 2. JVA SCOPE "

- 2.1 This is a Joint Venture Agreement, the object of which is the Development and Production of Petroleum from the Marginal/Abandoned gas fields Chattak and Feni as specified in Article 3 at OPERATOR's sole risk and expense. All actions taken and operations conducted shall be in consideration to the requirement and applicability of such operation for a Marginal/Abandoned field.
- 2.2 As expeditiously as feasible but in 30 days or less after executing this JVA, the Parties shall complete and submit to the competent authorities all necessary documentation required to conduct Joint Venture operations.
- 2.3 BAPEX shall not be required to fund the Joint Venture operations.
- 2.4 All capital / Investment including operating expenses shall be provided by OPERATOR and BAPEX shall not have to make any investment. The revenue derived from petroleum produced and sold under this JVA shall be distributed on the basis of the Investment Multiple (IM) achieved as provided for in Article 23.3 under this JVA.
- 2.5 Subject to the terms and conditions of this JVA, Niko Resources (Bangladesh) Ltd shall be the exclusive OPERATOR to conduct Petroleum Operations in the JVA Area.
- 2.6 If there is no Commercial Production in the JVA Area or if the production achieved from the JVA Area developed by OPERATOR is insufficient to recover OPERATOR's investment, OPERATOR shall bear all its losses.
- 2.7 OPERATOR shall commence work at its sole risk and expense either in Chattak Gas Field or in Feni Gas Field within 180 days from the effective date of this JVA. Otherwise, the matter shall be referred to JMC for early commencement of work.
- 2.8 OPERATOR may conduct the Development Work Programs in one or more field at a time. In order to keep the costs to a minimum, OPERATOR shall be obliged to operate only one drilling rig and / or one work-over rig, as the case may be, at any given time.
- 2.9 For the purpose of preliminary evaluation, the figure of 10 (Ten) MMSCF/D shall be considered the cut-off production rate for abandonment of any given gas field. However, prior to abandonment, OPERATOR and BAPEX shall review the technical and economic aspects and determine the economic rate of production for each field.

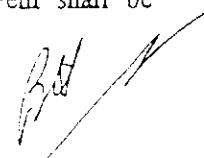
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" ARTICLE - 3. JVA AREA "

- 3.1 The JVA Area, as of the Effective Date of this JVA, comprises the Chattak & Feni Gas Fields.
- 3.2 The description of Chbatak & Feni Gas Fields complete with their coordinates and other relevant parameters under the scope of the JVA are stated below :

NAME OF THE GAS FIELDS	CO-ORDINATES		AREA	DEPTH (m)
CHATTAK	25° 06' 00"	25° 06' 00"	376 sq. km.	3300 m
	91° 25' 27"	91° 40' 10"		
	24° 55' 38"	24° 58' 38"		
	91° 40' 10"	91° 25' 27"		
FENI GAS FIELDS	A 22° 59' 23"	22° 59' 50"	43 sq. km.	3800m
	B 91° 22' 38"	91° 24' 55"		
	C 22° 53' 21"	22° 52' 50"		
	D 91° 26' 00"	91° 24' 05"		

- 3.3 The Chattak Gas Field structure consist of two major parts. Chattak (East) and Chattak (West). These two major parts are demarcated by a Major Fault that runs with north north east & south south west orientation. This Major Fault acts as the demarcation of the Chattak Structure intersecting all of the major producing horizons of the Chattak Gas Field structure. For the purpose of determining the investment multiple pursuant to Article 23.3, the Petroleum produced from the horizons of east of this Major Fault shall be produced from the Chattak (East). In the study report Chattak (East) has been identified as an exploration target. The Petroleum produced from the west of the Major Fault shall be the production from Chattak (West).
- 3.4 All Petroleum produced from the Chattak (East), Chattak (West) & Feni shall be accounted individually for applying Investment Multiple (IM).





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"ARTICLE - 4. JVA PERIOD "

- 4.1 The initial JVA Period shall be for Twenty (20) Years from the Effective Date, or the full economically producible life of the gas fields in the JVA Area, which ever is lower. However the JVA may be extended for a further period of five (5) years upon approval from GOB in the event that either of the gas field is under production after the initial period of 20 years.
- 4.2 In the event there is no Commercial Production in any of the JVA Area i.e Chattak (West), Chaattak (East) & Feni within five (5) years, this JVA shall be terminated for any particular field /area that is not under production and the field /area shall be handed over to BAPEX as per international petroleum industry rules.

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" ARTICLE - 5. EFFECTIVENESS AND AMENDMENT "

- 5.1 This JVA shall come into effect on the date of signing this JVA by the Parties.
- 5.2 This JVA shall not be amended or modified except by mutual agreement in writing of the Parties hereto.
- 5.3 All Annex(es) to the JVA shall be regarded as integral part of the JVA. If there is any inconsistency between the provisions of the Annex(es) and the Articles, the Articles shall prevail.

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" ARTICLE - 6. BUSINESS OF OPERATOR "

6.1 A Joint Management Committee (hereinafter referred to as the JMC) shall be formed comprising of six members; three from the OPERATOR and three from BAPEX. From time to time by at least 14 (fourteen) days notice to the other party, a party may replace one or more of its member on the Joint Management Committee. The Chairman of the JMC shall rotate between the OPERATOR and BAPEX for each alternate JMC meeting. All decisions of the JMC shall be determined unanimously. In the event of not reaching at an unanimous decision by the JMC, preferably a Bangladeshi independent third party of international repute may be engaged mutually to reach at a decision. The JMC shall meet at least twice per year at a place convenient to the Parties to discuss the following matters and shall take appropriate decisions there to :-

- a) work Programs, budgets and other reports and proposals required to be submitted to BAPEX ;
- b) progress of OPERATOR 's work ;
- c) OPERATOR 's statement under Article 28 ;
- d) OPERATOR 's proposed production levels ;
- e) terms of OPERATOR 's with sub - Contractor's and performance of sub - Contractor's work ;
- f) any problem arising in Petroleum Operations ;
- g) appointment of auditors ;
- h) terms and conditions of Developments Plans ;
- i) loan agreements for Development and
- j) such additional subject as may be requested by either Party.

6.2 Every JMC meeting shall deliberate, finalize, and approve all or any Work Programs of the OPERATOR and its related budget or any other business deemed necessary by the JMC.

6.2.1 A detailed accounting procedure as well as a procurement procedure to conduct Joint Venture operations shall be adopted in the first JMC meeting.

6.2.1.1 The accounting procedure of the joint venture operations shall be similar to such accounting procedure as set by Petrobangla for the international oil companies under PSC in so far it relates to the JVA.

6.2.1.2 The cost of equipment, material, and services procured by the Operator shall not exceed the cost of such equipment, material, and services prevailing at the time in South Asia / South East Asia. Any such cost exceeding South Asia/South East Asia shall not be treated as Investment under Article - 23.

6.2.1.3 Operator shall provide BAPEX two hard copies and two soft copies of the relevant technical manuals and drawings of equipment procured by the Operator.

6.2.2 A Joint Bank Account is to be opened in Bangladesh and operated jointly by the representatives of the Operator & BAPEX for receiving sales proceeds and making distribution to the Parties according to their respective Share as per Article -23.3 of the JVA.



" ARTICLE - 7, ENTIRE AGREEMENT "

- 7.1 This agreement together with the Annexes constitute the entire agreement with respect to the subject matter hereof and hereby cancels and supersedes any and all prior oral or written agreements or understandings between the Parties. This agreement may be varied or amended only by the mutual consent of the Parties in writing.

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" ARTICLE - 8. TITLE TO ASSETS. DATA AND ABANDONMENT "

- 8.1 BAPEX shall become the owner of all assets acquired and owned by the OPERATOR which are charged as investment under this JVA in connections with the petroleum operations carried out by the OPERATOR as provided here and under:
- (a) Title to any immovable property located in Bangladesh purchased or acquired by OPERATOR in Bangladesh shall pass to BAPEX as soon as it is purchased.
 - (b) Title to any fixed or movable asset (a) purchased by OPERATOR outside Bangladesh shall pass to BAPEX when it is landed in Bangladesh and (b) purchased in Bangladesh shall pass to BAPEX as soon as it is acquired.
 - (c) The above conditions shall not apply to machinery for equipment for other property which is rented or leased to OPERATOR or which belongs to sub Contractor's or employees of OPERATOR.
- 8.2 OPERATOR shall have the exclusive use of all assets mentioned under Article-8.1 for the conduct of Petroleum Operations under the JVA as long as they are required therefor. So long as such assets are not exclusively needed by OPERATOR and their use by others, designated by BAPEX, would not, in the opinion of the OPERATOR, hinder or delay Petroleum Operations hereunder, and not result in any additional cost, expenses or losses to the OPERATOR. OPERATOR shall make such assets available for use by others so designated by BAPEX.
- 8.3 Title to all original geological, geophysical, geochemical, drilling, engineering, well logs, production and other data obtained or compiled by OPERATOR as a result of Petroleum Operations from time to time as well as interpretations and interpretative and derivative data shall vest in BAPEX. OPERATOR shall, however, be entitled to make use of all such data, free of cost, for the purpose of Petroleum Operations under the JVA.
- 8.4 Abandonment
- 8.4.1 Whenever OPERATOR abandons any part of the JVA Area, all movable property located within the part of the JVA Area so abandoned may be removed to any part of the JVA Area that has been retained. The title to all movable and immovable property of whatever nature in such abandoned area shall pass on to BAPEX and all such movable and immovable property shall be handed over to BAPEX free of charge or liability.
- 8.4.2 Prior to relinquishment of any area, OPERATOR shall :-
- (a) Perform in accordance with international petroleum industry practices, and subject to Article 8.5 hereof all necessary clean - up activities to restore such area as nearly as possible to the condition in which it existed on the Effective Date, including removal of such facilities, equipment or installation as Petrobangla may instruct ;
 - (b) Unless otherwise instructed by BAPEX ensure that any development well technically capable of production, is left in a condition that it may be re-entered for further testing and /or completion.
 - (c) Take action necessary to prevent hazards to human life or property
- 8.4.3 Notwithstanding anything to the contrary in this Article 8, OPERATOR shall not later than the date of commercial Production in each Gas Field, submit to Joint Management Committee for its approval an abandonment plan (hereinafter referred to as "The Abandonment Plan") including a detailed technical and engineering description of the removal and abandonment measures, in accordance with good international petroleum industry practice, which it wishes to carry out upon completion of production from the subject Gas Field.



" ARTICLE - 9. ASSISTANCE BY BAPEX "

- 9.1 BAPEX shall fully assist and cooperate with OPERATOR at its request in all matters including but not limited to NBR, Bangladesh Bank, Customs, Telecommunications, Security Arrangements, and other relevant Government Ministries, Departments, and Agencies.
- 9.2 BAPEX shall, at the request of OPERATOR, also render other assistance as OPERATOR may reasonably request from time to time.
- 9.3 OPERATOR shall pay all expenses incurred in the assistance provided by BAPEX in accordance with this Article.

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" ARTICLE - 10. TRAINING OF BAPEX PERSONNEL "

- 10.1 Considering the risked recoverable reserve for Chattak (West) & Feni Gas Field based on the STUDY REPORT, the OPERATOR shall arrange training of BAPEX personnel both in Canada and in Bangladesh. OPERATOR shall bear the expense of one person of BAPEX per year to study in related subject for recognized post graduation degree at a Canadian University. Such person shall be deputed for a minimum mutually agreed period to the joint venture operations by BAPEX upon successful completion of the degree in Canada. OPERATOR shall not be required to bear the expense of more than one person at a time. Such cost shall not be included as investment as specified under Article 23.
- 10.2 Consequent upon discovery to the tune of 131 - 1000 BCF risked recoverable of gas and or Commercial Production of Oil less than 1000 barrels per day from Chattak (East), the OPERATOR shall bear the expense to arrange training of 02 (two) BAPEX personnel as laid down in Article 10.1. Such cost shall not be included as investment as specified under Article 23.
- 10.3 Consequent upon discovery of more than 1 TCF risked recoverable of gas and or Commercial Production of Oil more than 1000 barrels per day from at Chattak (East), the OPERATOR shall bear the expense to arrange training of 03 (three) BAPEX personnel as laid down in Article 10.1. Such cost shall not be included as investment as specified under Article 23.

" ARTICLE - 11, SUPPLEMENTARY DUTY, VAT & OTHER TAX MATTERS "

- 11.1 The objective of this Joint Venture Agreement is the development and production of petroleum from the Marginal/Abandoned and Non-producing gas fields lying under abandoned condition for numerous years, which involves high-risk expenditures. The OPERATOR shall give priority in using locally produced equipment & services.
- 11.2 The Joint Venture Agreement shall be exempted from paying SD -VAT on Available Petroleum from the JVA areas as authorized by PROCEDURE FOR THE DEVELOPMENT OF MARGINAL/ABANDONED GAS FIELDS".
- 11.3 Pursuant to Clause No. 5.4 of the PROCEDURE', in lieu of BAPEX paying Niko's Corporate Tax, Niko's Corporate Tax shall be paid by Niko from Niko's own share of revenue and the amount so paid each year shall be included as part of Investment in the following year for the purpose of calculating 'Investment Multiple' described in Article 23.2 of this proposed JVA.
- 11.4 In respect of Petroleum Operations undertaken by OPERATOR as evidenced hereunder and authorized by the "PROCEDURE FOR DEVELOPMENT OF MARGINAL /ABANDONED GAS FIELDS" issued by the Government, the OPERATOR shall be entitled to import equipment and machineries subject to the fulfillment of the terms and conditions of SRO 202-Law/95/1639/Cus. dated 23 November, 1995, Government shall hold and keep OPERATOR harmless from Import Permit License Fees (IPLF), pre-shipment inspection fees, customs duties, VAT and sales taxes and any other taxes on a similar nature on:
- I) Equipment, spares, and other consumables brought into Bangladesh by OPERATOR or any agent or representative on behalf on a permanent basis; and
 - II) all equipment and material related to drilling, directional drilling, work over, mud logging, mud engineering, wireline logging, cementation, well testing (production), DST, coil tubing and seismic survey by the OPERATOR, its sub - Contractor or by any agents on their behalf of on re - exportable basis, and
 - III) equipment or spares that are consumed after use or that become unserviceable shall not be subject to duties or taxes. Niko/BAPEX, however before clearance shall furnish to NBR and the Commissioner of Custom, a list of such consumable of which exemption shall be applicable.
 - IV) OPERATOR shall furnish a "Material Status Statement" to NBR through BAPEX/PETROBANGLA/Ministry of Energy and Mineral Resources at the end of each fiscal year but not later than 31st July which will include a list of consumed and un-consumed vehicles, materials, machineries, spares and expendable materials that were brought into Bangladesh during the fiscal year on a re-exportable basis.
 - V) Jeeps and pickups if not charged to investment in this JVA, solely used for the development of marginal gas fields that are brought into Bangladesh by OPERATOR and its sub-Contractor on re-exportable basis shall not be subject to duties and taxes. OPERATOR shall obtain prior permission of NBR regarding the total number of such vehicles before importation. Likewise, OPERATOR shall furnish to BAPEX the requisite number of such vehicles before importation.



- VI) Equipment, vehicles, spares and materials brought into Bangladesh under this SRO cannot be sold or transferred without the permission of NBR.
- VII) Personal and Household effects and consumables items for OPERATOR's maximum of 3 (three) expatriate/ personnel qualifying under the laws in force in Bangladesh covering Privileged Persons Baggage Rules 1985 (SRO/88/L/85/906/CUS date 13-2-1985 & SRO-89-L/85/907/Cus dated Feb 13, 1985) or as may be amended from time to time.
- VIII) OPERATOR shall provide an undertaking to BAPEX that when such an expatriate employee holding a Customs pass Book leaves Bangladesh his Customs Pass Book will be surrendered to NBR. If CPB is required for more than three (3) persons and found justified by BAPEX then NBR will be requested to issue CPB for such additional person not more than two (2).
- 11.5 OPERATOR shall prepare a tax return in Bangladesh and submit such return to the appropriate authority with required documentation evidencing OPERATOR's tax liabilities in Bangladesh under Bangladesh tax law.
- 11.6 BAPEX and where applicable, Government will not hold OPERATOR harmless in respect of the following:
- a) taxes on tobacco and liquor, except as provided in article 11.4 (VII);
 - b) income tax of sub Contractor's ;
 - c) income tax of employees of OPERATOR and OPERATOR's sub - Contractor's;
 - d) duties and taxes on locally purchased goods and commercial services provided by the public authorities; however, OPERATOR shall not be subjected to duties and taxes or levies of a discriminatory nature.
 - e) any levies or exactions in respect of property including leased property, capital net worth, operations, remittances or transactions pertaining to operations performed by OPERATOR or their JVA.
 - f) duties and Vat on imported office equipment, airconditioners, refrigerators except built in with the equipment, sedan cars, and station wagons, minibuses, household utensils, and such other materials which are not directly related to oil and gas exploration, development and production.

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" ARTICLE - 12. FINANCIAL MATTERS AND AUDIT "

- 12.1 OPERATOR shall maintain in accordance with the accepted accounting practices generally used in the international petroleum industry, at OPERATOR business office in Dhaka, books of account and such other books and records as may be necessary to show the work performed under this JVA, the costs incurred and the amount and value of all Petroleum produced and saved from the JVA Area. OPERATOR shall keep such books of account and records in English and in Dollars.
- 12.2 OPERATOR shall furnish BAPEX Quarterly return showing the amount of Petroleum produced and saved hereunder. Such return shall be prepared in the form required by BAPEX, shall be signed by a duly authorized official and delivered to BAPEX within twenty five (25) days after the end of the Quarter covered in the return.
- 12.3 BAPEX shall have the right to inspect and audit OPERATOR's books, accounts and records relating to Petroleum Operations under this JVA for the purpose of verifying OPERATOR's compliance with the terms and conditions hereof. Such books, accounts and records shall be available in Dhaka at all reasonable times for inspection and audit by duly authorized representatives of BAPEX including independent auditors that may be employed by BAPEX. Financial audits shall be carried out in accordance with the procedure within two (2) years period following the submission of expenditure statement to BAPEX. Any objection in respect thereto must be made in writing to OPERATOR within 06 (Six) months period following the end of such Audit and failure to give such written objection within such time shall establish the correctness of the expenditure statement.
- 12.4 All receipts and payment of production and sales of petroleum products under this JVA shall be settled between Niko and BAPEX on the basis of the Gas Purchase and Sales Agreement to be executed between the BUYER & SELLER.



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"ARTICLE -13. APPLICABLE LAW"

- 13.1 The Validity, interpretation and implementation of this JVA shall be governed by the laws of Bangladesh.

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" ARTICLE - 14. INSPECTION AND CONFIDENTIALITY "

- 14.1 OPERATOR shall prepare and maintain at all times during the term of this JVA accurate and current records of all operations. OPERATOR shall furnish BAPEX information and data concerning Petroleum Operations under this JVA.
- 14.2 Any Party shall have the right to disclose any such information to its employees, Affiliates, banks and financial institutions, consultants and sub - Contractor's or other relevant Parties required to efficiently conduct petroleum operations, provided it obtains from such individuals or entities, prior to disclosure, a written confidentiality undertaking no less restrictive than the obligation of the disclosing Party under this Article.
- 14.3 Each entity comprising OPERATOR may disclose such information with intimation to BAPEX, to a third party for the purpose of negotiating an assignment of the entity's interest in this JVA, provided that such third party executes an undertaking to keep such information confidential.
- 14.4 OPERATOR, including any entity comprising OPERATOR, shall have the right to disclose such data and information as is required by law or regulation or by the rules of any stock exchange, including issuing press releases.
- 14.5 Except as provided in this Article all such data and information shall be maintained by the Parties as strictly confidential and shall not be divulged during the term of this JVA by either Party without prior written consent of the other Party except to the extent required to comply with applicable law unless such data becomes part of the public domain. Such confidentiality undertaking shall continue to apply to OPERATOR for a period of five (5) years after the termination of this JVA.
- 14.6 OPERATOR shall not sell or publish data pertaining to the JVA Area without the prior written consent of BAPEX except as required by law or regulation or by the rules of any stock exchange outside Bangladesh.
- 14.7 At the end of the term of this JVA, all original data shall be delivered by OPERATOR to BAPEX, except for a reasonable amount of samples, which can be retained by OPERATOR, with the consent of BAPEX, which shall not be unreasonably withheld.



" ARTICLE 15. FORCE MAJEURE "


- 15.1 Neither Party to this JVA shall be considered in default of the performance of any of its obligations hereunder, if the failure to perform or the delay in performing such obligations results from events occurring in the circumstances set out hereunder:
- 15.1.1 The performance of any obligations hereunder is prevented, hindered or delayed because of any event or combination of events, including, but not limited to, acts of God, actions of government or governments (in whatever form taken), insurrection, riot, civil disturbances, war (whether declared or undeclared), actions by terrorists, strikes or other industrial disturbances, earthquake, explosion, fire, flood, storm, washouts, lightning, or epidemic, which could not be foreseen or is beyond the control of such Party;
- 15.1.2 Any such event or combination of events is the cause of preventing, hindering or delaying of such Party's performance of its obligations hereunder and such Party could not, by exercise of reasonable care, have avoided such effect of such event(s); and
- 15.1.3 When any such event or combination of events has occurred, such Party shall take all reasonable actions to overcome any cause that prevents, hinders or delays performance of its obligations and to minimize its consequences and shall, insofar as practicable, continue to perform its obligations hereunder.
- 15.2 Notice of any event of force majeure and the conclusion thereof shall, forthwith, be given to the other Party by the Party claiming force majeure.
- 15.2.1 If the Petroleum Operations in the JVA Area are partially or entirely suspended as a result of the force majeure referred to in Article 15.1, the period of the Petroleum Operations shall be extended by a period not exceeding the corresponding period of such suspension. Within fifteen (15) days following the end of each Calendar Year, OPERATOR shall report to BAPEX in writing on the suspension of the Petroleum Operations caused by force majeure, if any, during the preceding Calendar Year.

" ARTICLE - 16. DEFAULT AND TERMINATION "

16.1 The following shall constitute as event of default:

- a) The default of any of the Parties herein in making the payment required to be made by it under the terms of this agreement on the specified date and that such non payment continues for 30 days from such due date.
- b) Any of the party herein fails to meet and fulfil its duties and obligations in accordance with the terms of this agreement.
- c) Any of the party indulges/commits any act which is contrary to the interests of Bangladesh.

16.2 Upon default by any party in the performance of any material obligation hereunder to be performed by such party, the other party may give notice in writing to the party in default, specifying the thing or matter in default. Unless such default shall be cured within (90) days following the giving of such notice, or, if such cure can not be completed within such (90) days, if the cure thereof be not undertaken promptly upon receipt of such notice and diligently prosecuted thereafter, the party giving such notice may give a further written notice to the other party terminating this agreement, in which event this agreement shall terminate on the date specified in such further notice. The exercise of such termination right shall be in addition to, and not in substitution of, and other remedies that may be available to the party serving such notice against the party in default, and any termination of this agreement by the exercise of such right shall not relieve the party in default from liability and damages to the other for breach of this agreement. Waiver by any party of a single default or a succession of defaults shall not deprive such party of any right to terminate this agreement, or to have recourse to arbitration, arising by reason of any subsequent default.





" ARTICLE - 17. ASSIGNMENT OF SHARES "

- 17.1 BAPEX shall have the right to assign any or all of its share holdings and equity to any company or enterprise under its control, provided that assignment of any party of BAPEX's rights, interests and obligations under this JVA shall not relieve BAPEX from its obligations under this JVA.
- 17.2 OPERATOR shall have the right to assign any or all of its share holdings and equity to any of its Affiliates, or to any other entity comprising OPERATOR or its Affiliates, provided that assignment of any part of OPERATOR's rights, interests and obligations under this JVA shall not relieve OPERATOR from fulfilling OPERATOR's obligations under this JVA.
- 17.3 Any entity constituting OPERATOR shall have the right to assign, to pledge, or otherwise to encumber the entity's interest in this JVA for the purpose of financing all or part of the entity's obligations under this JVA.
- 17.4 Any assignment contemplated by BAPEX or by the Operator shall be done upon mutual consent of the parties, which consent shall not be unreasonably withheld.

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" ARTICLE – 18. DISPUTES AND ARBITRATION "

- 18.1 The Parties shall make their best efforts to settle amicably through consultation any dispute arising in connection with the performance or interpretation of any provision of this JVA or over an impasse in any decision of the JMC.
- 18.2 If any dispute mentioned in Article 18.1 has not been settled through such consultation within ninety (90) days after the dispute arises, either Party may, by notice to the other Party, propose that the dispute be referred either for determination by a sole expert or to arbitration in accordance with the provisions of this Article.
- 18.3 Following the giving of notice under Article 18.2, the Parties may, by mutual agreement, refer the dispute for determination by a sole expert to be appointed by agreement between the Parties.
- 18.4 As an alternative to the procedure described in Article 18.3 and if agreed upon by the Parties, such dispute shall be referred to arbitration by an agreed Sole Arbitrator.
- 18.5 If the Parties fail to refer such dispute to a sole expert under Article 18.3 or to a Sole Arbitrator under Article 18.4, within sixty (60) days from giving of notice under Article 18.2, such dispute shall be referred to the International Center for Settlement of Investment Disputes ("ICSID") and the Parties hereby consent to arbitration under the Treaty establishing ICSID. If for any reason, ICSID fails or refuses to take jurisdiction over such dispute, the dispute shall be finally settled by International Chamber of Commerce.
- 18.6 Arbitration pursuant to Article 18.4 shall be by an arbitration tribunal consisting of three (3) arbitrators. Each Party shall appoint an arbitrator and the two (2) arbitrators so appointed shall designate a third arbitrator. If one of the Parties does not appoint its arbitrator within sixty (60) days after the first appointment or if two (2) arbitrators, once appointed, fail to appoint the third arbitrator, the relevant appointment shall be made in accordance with the rules of ICSID.
- 18.7 The arbitrators shall be citizens of countries that have formal diplomatic relations with both Bangladesh and Canada and any home country of the entities comprising OPERATOR, and shall not have any economic interest in or economic relationship with the Parties.
- 18.8 The Sole Arbitrator or the arbitration tribunal shall conduct the arbitration in accordance with the arbitration rules of ICSID. However, if the above mentioned arbitration rules are in conflict with the provisions of this Article 18, including the provisions concerning appointment of arbitrators, the provisions of this Article 18 shall prevail.
- 18.9 The English language shall be the language used in the arbitral proceedings. All hearing materials, statements of claim or defense, award and the reasons supporting them shall be in English.
- 18.10 The place of arbitration shall be Dhaka or elsewhere as mutually agreed by the Parties.
- 18.11 Any arbitration award given pursuant to this Article 18 shall be final and binding upon the Parties and shall be enforceable by a court of competent jurisdiction on the same basis as obligations between private Parties, and any reference in this JVA to such an award shall include any determination by a sole expert.
- 18.12 The right to arbitrate disputes under this agreement shall survive the termination of this agreement.



" ARTICLE - 19. NOTICES "

- 19.1 Any notice or other communication required or given under this JVA shall be deemed given when delivered in writing either by hand or through the mail, or when received after being sent by prepared telex or facsimile transmission, appropriately addressed as follows, provided, however, that notices sent by telex or facsimile transmission shall be confirmed by black and white copies sent by mail or courier:

To BAPEX (for itself and for the Government)

By Hand or Mail: BAPEX

Shahjalal Tower, 4th Floor

80/A-B, Siddeshwary Circular Road,

Malibagh, Dhaka - 1217, Bangladesh.

Attention : Managing Director

By Facsimile : 880-2-956-1473

To OPERATOR

By Hand or Mail:

Niko Resources (Bangladesh) Ltd.

Bush Hill, Bay Street

Bridgetown, Barbados

Attention: Cecil Smith, Director

By Facsimile: 246-426-9551

Or

President

Niko Resources (Bangladesh) Ltd.

11 Mohakhali C/A, Second Floor,

Dhaka-1212, Bangladesh.

Tel : 8813498, Fax : 9885595

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



" ARTICLE - 20. INDEMNITIES "

- 20.1 Except as expressly provided in this Agreement, BAPEX shall forego all claims against OPERATOR for, and shall indemnify OPERATOR against any and all liability in respect of any of the following insofar as caused by or arising in the course of performance or purported performance of this Agreement (whether or not involving the negligent act or omission of OPERATOR, its directors or other officers, employees or agents), namely:
- (a) any death, injury or illness of any employee of BAPEX;
 - (b) any physical loss or damage to BAPEX facilities (and any loss including consequential losses associated with or arising from such loss or damage); or
 - (c) any death, injury or illness of any third party, or damage to the property of any third party, occurring on or as a result of an accident involving any of the BAPEX facilities and shall indemnify OPERATOR against any and all costs, damages or expenses whatsoever incurred by OPERATOR in respect of any claims, demands, proceedings or causes of action arising from such death, injury, illness, loss or damage.
- 20.2 Except as expressly provided in this Agreement, OPERATOR shall forego all claims against BAPEX for, and shall indemnify BAPEX against, any and all liability in respect of any of the following insofar as caused by or arising in the course of performance or purported performance of this Agreement (whether or not involving the negligent act or omission of BAPEX its directors or other officers, employees or agents), namely:-
- (a) any death, injury or illness of any employee of OPERATOR;
 - (b) any physical loss or damage to OPERATOR's facilities (and any loss including consequential losses associated with or arising from such loss or damage); or
 - (c) any death, injury, illness of any third party, or damage to the property of any third party, occurring on or as a result of an accident involving any of OPERATOR's facilities and shall indemnify BAPEX against any and all costs, damages or expenses whatsoever incurred by BAPEX in respect of any claims, damages, proceeding or causes of action arising from such death, injury, illness, loss or damage.
- 20.3 None of the provisions above shall :-
- (a) prevent or restrict either Party from making any charge or cost recovery or claiming any relief which it is expressly entitled to make or claim under any other provision of this Agreement; or
confer any right on a Party to be indemnified in respect of any costs, damages or expenses incurred by that Party by reason of the Willful Misconduct of that Party.
- 20.4 None of the provisions above shall :-
- (b) prevent or restrict either Party from bringing a claim which it would otherwise be entitled to bring against the other Party arising out of the Willful Misconduct of that other Party; or
 - (c) prevent or restrict either Party from making any charge or cost recovery or claiming any relief which it is expressly entitled to make or claim under any other provision of this Agreement; or
confer any right on a Party to be indemnified in respect of any costs, damages or expenses incurred by that Party by reason of the Willful Misconduct of that Party.

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" ARTICLE - 21. INSURANCE COVERAGE "

- 21.1 OPERATOR shall obtain insurance coverage during the term of this JVA, for and in relation to Petroleum Operations for such amounts and against such risks as are customarily or prudently insured in the International Petroleum Industry in accordance with good Petroleum Industry practices, and shall furnish to BAPEX certificates evidencing that such coverage is in effect. Such Insurance policies shall include BAPEX as an additional insured and shall waive subrogation against BAPEX. The said Insurance shall, without prejudice to the generality of the foregoing, cover:
- a) Loss or damage to all installations, equipment and other assets for so long as they are used in or in connection with Petroleum Operations ; provided, however, that if for any reason the OPERATOR fails to insure any such installation, equipment or assets, it shall replace any loss thereof or repair any damage caused thereto;
 - b) Loss, damage or injury caused by pollution in the course of or as a result of Petroleum Operations.
 - c) Loss of property or damage of bodily injury suffered by any third party in the course of or as a result of Petroleum Operations for which the OPERATOR may be liable.
 - d) Any claim of which BAPEX may be liable relating to the loss of property or damage or bodily injury suffered by any third party in the course of or as a result of Petroleum Operations for which the OPERATOR is liable to indemnify BAPEX pursuant to Article 21.1.
 - e) The OPERATOR'S and/or the OPERATOR'S liability to its employees engaged in Petroleum Operations and
 - f) Give preference to local insurance Companies as long as their risk coverage and financial standing are customarily comparable with International Petroleum Industry practices.
- 21.2 Require its sub - Contractor's to obtain and maintain insurance against the risks referred to in Article 21.1 relating mutatis mutandis to such sub - Contractor's.
- 21.3 The proceeds of any such insurance or claim collected shall be credited against the appropriate expenditure account and reduce investment costs.



" ARTICLE - 22. WAIVER "

- 22.1 No waiver by a Party of any matter, non-compliance or breach of any provision of this Agreement shall be binding unless such waiver is made expressly and confirmed in writing. Any such waiver shall relate only to the matter, non-compliance or breach, as expressly waived and shall not apply to a repetition thereof or any other subsequent matter, non-compliance or breach.

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" ARTICLE - 23 INVESTMENT RECOVERY AND ALLOCATION
OF PETROLEUM PRODUCTION "

- 23.1 OPERATOR shall have the right to use free of charge Petroleum and natural gas produced from the JVA Area to the extent reasonably required for Petroleum Operations under the JVA.
- 23.2 Subject to the Accounting Procedure and the auditing provisions of the JVA, OPERATOR shall be entitled to include in the "Investment made by the OPERATOR" all its investments, costs and expenses not excluded by the provisions of this JVA or the Accounting Procedure in respect of all development, production operation and related operations with respect to the JVA Area as per Investment Multiple specified in Article 23.3. Investment shall be limited only to the respective field /area i.e. Chattak (West), Chattak (East) & Feni separately as per Article 23.3.2. Investment Multiple shall be calculated applying the following formula :

$$IM = (CGR - CDP) / CI$$

Where :

IM = Investment Multiple

CGR = Cumulative Gross Revenue i.e. Cumulative value of Petroleum Sold.

CDP = Cumulative Debt. Payment of SGFL & BGFCL as per Article 24.8 & 24.9.

CI = Cumulative Investment (i.e. Cumulative Capital Expenditure + Operating Expenditure + the amount of Taka paid by Niko as Niko's Corporate Tax for the preceding year for arriving at Cumulative Investment amount as per Article 23.3).

- 23.3 The share split between OPERATOR and BAPEX shall be determined from the net income of JV as per Investment Multiple laid down in this article 23.3 of the JVA. Investment Multiple of 1.0 (One) shall be achieved when the cumulative total proceeds from all petroleum produced and sold from the JVA area subtracting the cumulative debt liabilities stipulated in Articles 24.8 and 24.9 equals 100% of the cumulative investment made by the Operator in the preceding years.

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Pursuant to Article 3.2 under this JVA, OPERATOR and BAPEX shall share in the total Petroleum produced from the Chattak Gas Field and the Feni Gas Field in accordance with the Investment Multiple achieved as follows :

Investment Multiple	Share Split between BAPEX & NIKO			
	Chattak West & Feni		Chattak East	
	BAPEX's Share	Niko's Share	BAPEX's Share	Niko's Share
Less than 1.0	20	80	25	75
1.0 to less than 1.5	25	75	30	70
1.5 to less than 2.0	32	68	38	62
2.0 to less than 3.0	38	62	43	57
3.0 and above	42	58	50	50

23.3.1 An example showing calculation Investment Multiple and sharing ratio is attached under Annex - D hereto.

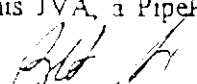
23.3.2 All cost and revenue associated with the production of Petroleum from Chattak (East) shall be used to calculate the Investment Multiple of Chattak (East). Similarly, all cost and revenue associated with the production of Petroleum from Chattak (West) & Feni shall be used to calculate the Investment Multiple of Chattak (West) & Feni. The CDP stated above shall be applicable for calculating the IM for Chattak (West) & Feni only.

23.3.3 Operator shall be allowed to undertake one exploration well at Chattak (East) and the cost shall be limited to US\$ 6 (six) million. In the event Chattak (East) is dry and /or economically unviable for Development and there is no production from Chattak East, then the cost upto US\$ 6 (six) million for Chattak (East) shall be used to calculate the investment multiple of Chattak (West).

23.3.4 If Chattak (West) turns out to be non-commercial, then the cost of one well (first well) of Chattak (West) not exceeding US\$ 04 (four) Million shall be added to the Investment of Chattak (East) provided Chattak (East) is developed commercially.

" ARTICLE - 24. PETROLEUM SALES AND TRANSMISSION "

- 24.1 The Parties shall use their reasonable, good faith efforts to investigate and consider the markets, which could be developed commercially for Petroleum, for domestic use or to search prospect for marketing gas and petroleum products within Bangladesh.
- 24.2 Following good reservoir management practices, OPERATOR shall have the right to produce annually a volume of optimum deliverable Petroleum of each reservoir of individual Gas Field.
- 24.3 OPERATOR and BAPEX (hereinafter referred to as SELLER) agree to sell the produced Petroleum to the Bangladesh domestic market under this JVA. BUYER of JV's gas shall be Petrobangla or a designee of Petrobangla (hereinafter referred to as BUYER) BUYER & SELLER shall enter into a Gas Purchase and Sales Agreement (GPSA) under which the Buyer shall agree to purchase the Petroleum to which the Seller is entitled to under this JVA, subject to deliverability and testing and proof of such Petroleum. OPERATOR shall be free to find a market outlet within the Country if a market outlet is not given by Petrobangla within six months after a request is made.
- 24.4 "The well head price of natural gas and associated products to be produced by the Seller and delivered to the Buyer shall be determined through negotiation as per Article - 7 of the "Procedure for the Development of Marginal /Abandoned Gas Fields". The Well Head Gas would meet the specification (quality, pressure etc.) of the sales gas determined by Petrobangla/GOB.
- 24.5 JV shall receive its gas sales revenue based upon the wellhead price, the JV will not have to cater
 - (i) to any such levies viz SD/VAT, import fee on Material & Equipment's,
 - (ii) Transmission and Distribution Margin, Price Deficit Fund (PDF), Exploration Margin etc., since they are all based on the end user's price.
- 24.6 Transmission & Distribution margin shall be the responsibility of the BUYER.
- 24.7 In case JV is to construct pipe line for Transmission of gas from Chattak Gas Field, then the revenue so earned from the BUYER shall be added to the gross earnings of JV. Construction of Transmission pipeline from Feni Field has not been considered as there exists such pipeline.
- 24.8 Debt liabilities of US Dollars 2.00 MM (Two) shall be paid to Sylhet Gas Field Ltd. out of the sales proceeds of JVA over a period of seventeen years.
- 24.9 Debt liabilities of US Dollars 1.00 MM (one) shall be paid to Bangladesh Gas Fields Company out of the sales proceeds of JVA over a period of seventeen years
- 24.10 The share split between BAPEX & Niko shall be determined from the net income of JV as per Investment Multiple laid down in Article 23.3 of the draft JVA.
- 24.11 Buyer shall agree to provide access to its Pipeline system on a priority basis provided there is spare capacity at the time, for all Petroleum to which Seller is entitled to under the JVA, and which the Seller dedicates to the domestic market.
- 24.12 BAPEX and OPERATOR agree to dedicate their proportionate share of Petroleum from this JVA and deliverability to domestic market.
- 24.13 At any time following the commencement of Commercial production, JV shall have the right to construct and to operate one or more Pipelines within or from the JVA Area to points of delivery in Bangladesh. For the purpose of this JVA, a Pipeline shall include related facilities.



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" ARTICLE - 25. SERVICE CHARGE "

25.1 The OPERATOR shall pay to BAPEx The sum of Taka ten (10) million on the effective date of the JVA as Service Charge. Such Service Charge shall not be included as Investment by the OPERATOR.

25.2 Operator shall pay BAPEx Taka ten (10) million per year as service fee in the event of Commercial Production at Chattak East. Such Service Charge shall not be included as Investment by the OPERATOR.

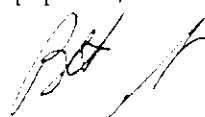
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" ARTICLE – 26. RIGHTS AND OBLIGATIONS OF OPERATOR "

- 26.1 OPERATOR shall, for the efficient conduct of Petroleum Operations, have the right:
- 26.1.1 To free access to and from the JVA Area and to and from facilities pertaining to Petroleum Operations hereunder, wherever located, at all times, and to unimpeded use of the land required and to use in Petroleum Operations materials belonging to the public domain at a generally agreed cost.
 - 26.1.2 To utilize in Bangladesh qualified foreign nationals and qualified foreign sub – Contractor's that OPERATOR deems necessary for the conduct of Petroleum Operations under this JVA.
 - 26.1.3 To import goods and services required for conduct of Petroleum Operations. OPERATOR shall be free to avail all exemptions and benefits accorded to International Oil and Gas Companies conducting oil and gas operations in Bangladesh.
 - 26.1.4 To undertake all Petroleum Operations pertaining to the JVA Area and the Petroleum produced there from.
 - 26.1.5 In the event that there is (i) any change in laws or regulations, (ii) any change in the manner of implementation of new laws or regulations, (iii) any introduction of new laws or regulations or (iv) any cancellation of existing laws or regulations, which affects OPERATOR's cost of performing this JVA or the rights of OPERATOR under this JVA, the terms and conditions of this JVA shall be adjusted by mutual agreement as of the implementation of any such event to balance the economics under this JVA.
 - 26.1.6 OPERATOR shall freely remit and transfer any required amount of foreign exchange from Bangladesh to any destination outside of Bangladesh to meet its payment obligations and for repatriation of its revenues and earnings in accordance with the policy of the Government /Bangladesh Bank.
- 26.2 OPERATOR shall, in addition to OPERATOR's obligations under other provisions of this JVA, be obliged to:
- 26.2.1 Use the manpower, equipment and services available with BAPEX meeting required technical specifications and standards on a priority basis and on competitive international rates. To provide necessary funds as mutually agreed by the Parties to upgrade BAPEX equipment and services to international standards to be used for petroleum operation under this JVA. Such funding will be adjusted against the charges for the equipment and services provided by BAPEX and where necessary from BAPEX's share of cash flow of Petroleum sales.
 - 26.2.2 Give priority to local sub-Contractor's as long as their prices, equipment performance and availability are comparable with prices, performance and availability of international sub sub-Contractor's.
 - 26.2.3 Give preference to locally manufactured materials, equipment, machinery, supplies and consumables so long as their quality, price and time of delivery are comparable to internationally available materials, equipment, machinery, supplies and consumables CIF Bangladesh.



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- 26.2.4 conduct all Petroleum Operations in a diligent, conscientious and workmanlike manner, in accordance with the applicable law, this JVA and generally accepted standards of the international Petroleum industry designed to achieve efficient and safe development and production of Petroleum and to maximize the ultimate economic recovery of Petroleum from the JVA Area.
- 26.2.5 Provide all necessary funds for Petroleum Operations, including but not limited to funds required for purchase or lease of all assets, materials and supplies to be purchased or leased pursuant to work program and such other funds for the performance of work program including payment to third Parties who may perform any sub- Contractor's services and to provide technical services, technology and such expatriate personnel as may be required for the performance of the work program.
- 26.2.6 Unless otherwise instructed by BAPEX, ensure that any Appraisal Well technically capable of production, is left in a condition that it may be re-entered for further testing and /or completion;
- 26.2.7 Maximize in all aspects of the Petroleum Operations the employment of Bangladesh nationals possessing the requisite qualifications and experience in petroleum operations. The OPERATOR should be mindful that the employment of the Bangladesh nationals should be maintained in the following proportion:
- Production Period:
- 1st five years - not below 60%.
- Next five years - not below 75%.
- Period over ten years - not below 90%.
- OPERATOR shall prepare a personnel plan which shall be reviewed each Calendar Quarter by the Joint Management Committee as appropriate.
- 26.3 upon declaring a field to be non-commercial, OPERATOR shall abandon any Well it has drilled and shall plug said Wells in accordance with generally accepted standards in the international Petroleum industry. The abandonment program shall take into account any requirements of BAPEX to re-enter a Well in the future.
- 26.4 keep BAPEX regularly informed of all Petroleum Operations; OPERATOR shall notify BAPEX in advance of all major Petroleum Operations scheduled and maintain records of such Petroleum Operations.
- 26.5 Submit to BAPEX detail daily drilling reports and quarterly physical progress reports covering in reasonable detail all the activities carried out under Petroleum Operations.
- 26.5.1 submit to BAPEX a procedure of procurement of materials, equipment, and services to be used for the work program and conduct all procurement as per the procurement procedure to be approved by BAPEX.
- 26.5.2 be always careful, in the conduct of Petroleum Operations, of the rights and interest of Bangladesh.
- 26.5.3 assist and allow at any time during normal business hours the duly authorized representatives(s) of the Government, Petrobangla and/or BAPEX full and complete reasonable access to inspect any part of Petroleum Operations and all facilities, installations, offices, record books or data related to Petroleum Operations, including, but not limited to, continued presence of a representative at any field installation or establishment. Information if any collected by any representative shall not be considered official, unless properly certified by OPERATOR as an official transmission.

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" ARTICLE - 27. HEALTH, SAFETY & ENVIRONMENT (HSE) "

27.1 While conducting Petroleum Operations, OPERATOR shall take necessary measures in accordance with generally accepted standards of the international petroleum industry, for conservation, safety of life, property, crops, fishing and fisheries, navigation, protection of environment, prevention of pollution and safety and health of personnel, including but not limited to :

- a) ensuring security areas around all machinery, equipment and tools ;
- b) erecting of fences at a distance of not less than fifty (50) meters from any drilling, generator, or other structures;
- c) providing secure storage areas for all explosives, detonators, and similar dangerous materials used in Petroleum Operations ;
- d) preventing damage to any Petroleum and water bearing formations, and other natural resources;
- e) preventing unintentional entrance of fluids into Petroleum formations and the productions of Oil or Natural Gas from reservoirs at higher rates than consistent with good Petroleum industry practice;
- f) taking all necessary precautions to prevent pollution of or damage to the environment;
- g) maintaining records of workers working in the form prescribed by BAPEX, and sending details of workers in the form prescribed by BAPEX, and sending details of workers joining or leaving every Month to BAPEX within the first week of the following months;
- h) maintaining a register of workers in the form prescribed by BAPEX, and sending details of workers joining or leaving every month to BAPEX within the first week of the following Months;
- i) reporting to BAPEX within seventy two (72) hours in case any worker is injured while performing his duties in connection with Petroleum Operations;
- j) arranging an adequate supply of first - aid medicines and equipment in each area and maintaining healthy environment for the workers;
- k) providing safety and fire fighting equipment in each work area.

27.2 Bear responsibility in accordance with laws applicable in Bangladesh for any loss or damage to third Parties caused by the wrongful or negligent acts or omissions of the OPERATOR or the OPERATOR employees or sub - Contractor's or sub- Contractor's employees and indemnify BAPEX and the Government against all claims and liabilities in respect thereof. Under no circumstances shall a Party be liable to the other Party for any consequential loss or damage including but not limited to lost profits or lost production or other consequential loss or damage resulting from pollution.



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- 27.3 (a) The OPERATOR shall abide by the laws, decrees, rules, regulations and ordinances on environment protection adopted international Petroleum Industry standards, practices and methods of Operations for the prevention of pollution of the air , water land and ecology. Before undertaking Petroleum Operations, the OPERATOR shall conduct Environmental Impact Assessment (EIA) as per the prevailing Environment Conservation Act, 1995. The EIA so conducted should get due clearance from the Ministry of Environment and Forest of the Government. Thereafter, the OPERATOR shall take necessary measures in line with the EIA recommendations and incorporate those measures in the Work Program.
- (b) The OPERATOR shall submit an Emergency Response Plan to the Ministry of Environment and Forest for approval prior to undertaking Petroleum Operations.
- (c) After completion of approved Petroleum Operations the OPERATOR shall level, restore or reclaim the affected lands to generally accepted standards of the international Petroleum industry.

A handwritten signature in dark ink, appearing to be "BH" followed by a flourish.

" ARTICLE - 28. REPORTS TO BE SUBMITTED BY OPERATOR "

- 28.1 Submit to BAPEX detailed daily drilling reports and monthly physical progress reports covering in reasonable detail all the activities carried out under Petroleum Operations hereunder and ensure that such monthly progress reports shall reach BAPEX by the fifteenth (15th) day of the Month following the Month under report, and all other reports as may be required by BAPEX, including but not limited to those enumerated below :
- 28.2 Monthly, quarterly and annual progress reports.
- 28.3 Reports on drilling operations including the following:
- (a) A daily report within 13.00 hours of the following day, which must contain the following details.
 - i. Names of well and OPERATOR.
 - ii. Date and time of Operation.
 - iii. Name of drilling Rig.
 - iv. Days of previous operation on the particular well.
 - v. Depth of well at time report.
 - vi. Diameter of well
 - vii. Type and size of drill bit.
 - viii. Deviation of well.
 - ix. Type weight & specification of drilling mud.
 - x. Operation and problem during previous 24 hours.
 - xi. Lithology within previous 24 hours.
 - xii. Petroleum found.
 - xiii. Type, size, weight and depth of casing.
 - xiv. Cementing
 - xv. Pressure test of Petroleum blow -out preventer, casing and other related equipment.
 - xvi. Well-logging including type and depth of logging.
 - xvii. Core sampling.
 - xviii. Flow tests and the depth thereof
 - xix. Well abandonment.
 - xx. Drilling rig released.
 - xxi. Conditions of weather.
 - (b) Well completion reports on well test analysis and details of geology and lithology within thirty (30) days after completion of drilling.
 - (c) One complete set of well logs at 1 : 1000 spliced into continuous logs, both on hard copy (sepia and on blue print) and soft copy within 20 days after the completion of well logging operations (in addition to well logs at scales received in the usual course from the logger) The well completion logs should include at least the following :
 - i. log curves
 - ii. lithologic plot and description
 - iii. formation tops
 - iv. velocity information.

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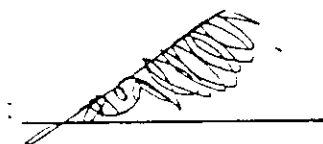
- f) Structural contour maps for all horizons together with well location, reserve assessment, and detailed calculation and reservoir simulation report within 30 days prior to production and was six months production in the event of change.
- 28.5 Reports on investigation of Petroleum reserves field limits and economic evaluations.
- 28.6 Safety programs and reports on accidents.
- 28.7 Procurement plans for goods and services, and copies of all JVAs with sub - -JVAs.
- 28.8 Design criteria, specifications, maps and construction records.
- 28.9 Reports technical investigations relating to Petroleum Operations.
- 28.10 Statements of Petroleum Costs.
- 28.11 Reports on education and training programs.
- 28.12 Such other reports as may be required according to the Accounting Procedure or by BAPEX or Petrobangla or Government.

IN WITNESS HEREOF, BAPEX AND OPERATOR HAVE SIGNED THIS JVA IN 10 (TEN) ORIGINALS IN THE ENGLISH LANGUAGE ON THE DATE FIRST HEREIN ABOVE STATED.

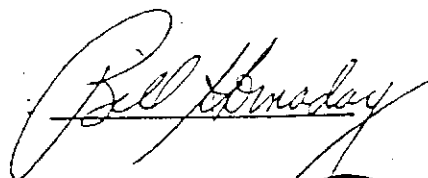
SIGNED ON BEHALF OF "BAPEX":

SIGNED ON BEHALF OF "OPERATOR":

By



By



Name

: FARUQUE ALAMGIR

Name

: WILLIAM T. HORNADAY

Faruque Alamgir
Company Secretary

Designation : Company Secretary

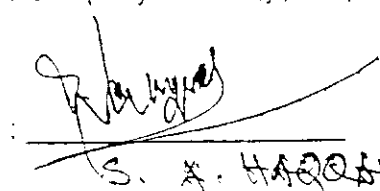
Bangladesh Petroleum Exploration & Production Company Limited (BAPEX)

Designation : Vice President.

International Operations

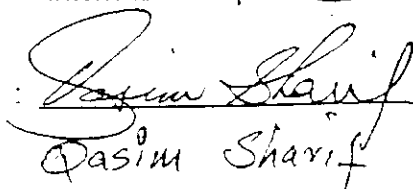


Witness



S. A. HAQQANI

Witness



Qasim Sharif