

On subsurface and subsurface use

Invalidated Unofficial translation

Law of the Republic of Kazakhstan dated 24 June 2010 No 291-IV.

U n o f f i c i a l t r a n s l a t i o n

Footnote. The Code of the Republic of Kazakhstan dated December 27, 2017 No. 125-VI (enforced upon expiration of six months after the day of its first official publication) expired, with the exception of the provisions established by paragraph 14 of Article 277 of the Code.

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The order of enforcement of this Law of the Republic of Kazakhstan see Article 130

This Law regulates social relations in the sphere of subsurface use and shall be aimed at protection of the interests of the Republic of Kazakhstan as well as rational and comprehensive subsurface study and use.

Chapter 1. General provisions

1. Main definitions, used in this Law

The following main definitions are used in this Law:

1) Designer's supervision is the monitoring of compliance by a subsurface user of the provisions of project documents, performed by a project organization, in accordance with the project works contract;

2) depleted reserves are the mined in-place reserves of solid minerals that are approved by the state commission for mineral reserves of the Republic of Kazakhstan written off its register by the subsurface user due to their mining, including normalized losses of minerals in the subsurface in the process of production;

3) appraisal work is a stage of geological exploration work conducted for the purposes of the establishment of general resources of a discovered object, appraisal of their commercial value and a feasibility study of their involvement into development;

4) appraisal work project is a project document, compiling in performing the exploration, to the extent of discovering of prospective sites and occurrence of minerals, determining the methodology and scope of geological exploration work in order to establish general resources, detailed appraisal of the economic value of the discovered object and a feasibility study of their involvement into the commercial development. Appraisal work project shall reflect the amounts of financing of appraisal work by years;

5) exploration is the work (operations) related to the search and appraisal of mineral deposits;

6) construction and (or) operation of underground facilities not related to the exploration and (or) production – means the activities on construction and (or) operation of underground facilities or facilities embedded below the soil level for oil and gas storage, tunnels, subways, constructions intended for the injection of ground waters into subsurface for artificial replenishment of the reserves, tailings storages, sludge depositories for burial or storage of solid, fluid or radioactive wastes, noxious substances and discharge of waste and industrial waters into subsurface;

7) technologically unavoidable gas flaring is the flaring of gas in the course of technological gas processing operations due to the lack of technical capabilities to conduct such operations without flaring;

8) geological information is the cumulative materials, containing geological, geochemical, geophysical, hydro-geological, geomorphological, and tectonic information, technical documentation on mine workings, wells, inferred resources and in-place reserves of a deposit, a site and objects in the contract area where subsurface use operations are conducted;

9) a geological allotment is an annex to a contract for exploration, combined exploration and production that is its integral part, defining schematically and descriptively a portion of subsurface within that the subsurface user shall have the right to perform exploration;

10) a coastline is the shore line of a waters that is formed as a result of a maximum tide (high water);

11) ground waters are the concentrations of water in subsurface that are used in accordance with this Law and the water legislation of the Republic of Kazakhstan;

12) subsurface is a part of the earth's crust allocated underneath the soil layer or with exposure of minerals on the surface, and where there is no soil, underneath the land surface and under the bottom of seas, lakes, rivers and other waters, extending to the depths that are accessible for the performing the subsurface use operations, in recognition of the scientific and technological progress;

13) normalized losses of minerals in subsurface are the losses, technologically connected with the adopted methods and systems of mineral development during production, the level of that is supported by technical-economic calculations;

14) an authorized body for the research and use of subsurface is the state body performing the functions on the implementation of the state policy and control in the sphere of geological studies, rational and comprehensive use of subsurface, as well as other functions in the sphere of subsurface use, established by legislation of the Republic of Kazakhstan;

15) a safe subsurface use is the provision of ecological, and sanitary and epidemiological and industrial safety in the conducting subsurface use operations;

16) a subsurface protection is the system of measures stipulated by the legislation of the Republic of Kazakhstan on subsurface and subsurface use, aimed at the prevention of subsurface contamination in the course of subsurface use operations and reduction of harmful impact of subsurface use operations on the environment;

17) a state exploration is the work (operations) related to the monitoring of the subsurface condition, studies of the geological structure of a portion of subsurface, as well as particular parts and the entire territory of the Republic of Kazakhstan as a whole, determination of their prospects concerning the availability of minerals by performing prospecting and prospecting-appraisal operations, creation of state geological maps comprising the information base of subsurface use;

18) subsurface use operations are the activities related to state exploration, exploration and (or) production of minerals, including those relating to exploration and production of ground water, therapeutic muds, subsurface exploration for the disposal of sewage, as well as the construction and (or) operation of underground facilities not related to exploration and (or) production;

19) concentration of rights to conduct subsurface use operations is holding by one person or a group of persons from one country of such share in contracts in the territory of the Republic of Kazakhstan or such participating interest in the charter capitals (set of shares) of organizations being the subsurface users in the Republic of Kazakhstan that are able to create, or are creating a threat to the economic interests of the Republic of Kazakhstan;

20) register of goods, works and services used in performance of subsurface operations and their producers is the state information system intended to control and monitor of the purchase of goods, works and services used in subsurface operations and their producers, as well as in the performance of electronic purchases and formation of a list of goods, works and services used in the conducting subsurface use operations;

21) a national subsurface use company (hereinafter referred to as the national company) is a joint stock company formed by the resolution of the Government of the Republic of Kazakhstan or local executive bodies of regions, cities of republican significance, the capital city, whose control block of share is owned by the state or by a national management holding, performing its activity in certain spheres of land use the terms established by the legislation of the Republic of Kazakhstan;

22) the right to subsurface use is the right to possess and use subsurface acquired by a subsurface user in accordance with this Law;

23) objects, related to the right to subsurface use are the participating interests (blocks of shares) in a legal entity holding the right to subsurface use, as well as in a

legal entity that has an opportunity to determine directly and (or) indirectly, and (or) influence on decisions, adopted by such subsurface user unless the principal activity of that legal entity is related to subsurface use in the Republic of Kazakhstan.

Objects, related to the right to subsurface use shall also include securities confirming the title to shares or securities convertible into shares of a legal entity holding a the right to subsurface use as well as a legal entity that has an opportunity to determine directly and (or) indirectly, and (or) influence on the decisions adopted by such subsurface user unless the principal activity of such legal entity is related to subsurface use in the Republic of Kazakhstan;

24) the Commission for the holding of tenders for granting the right to subsurface use is a permanent collegial body established by the Government of the Republic of Kazakhstan for the purposes of holding a competitive tender and determining its winner;

25) the expert commission for subsurface use issues is an advisory and consultative body established by the competent body working out the proposals to the competent body on the issues specified in article 24 of this Law;

26) feasibility study in the sphere of subsurface use is a document that contains the technological and economic parameters of a deposit development project and the appraisal of the economic expediency of its implementation in obligatory recognition of the capacities and proposals of Kazakhstan producers of goods, works and services;

27) a subsurface user is a natural person or a legal entity that, in accordance with this Law, has the right to the conducting subsurface use operations;

28) rational and comprehensive use of subsurface is the cost-effective development of all types of subsurface resources based on the use of advanced technologies and good practices of deposit development;

29) state expertise of the subsurface is a complex expert examination of the information about mineral reserves as well as about other subsurface properties with a view to the possibility of their use in subsurface use and entering of the minerals on the state register;

30) a portion of subsurface is a geometrized portion of subsurface that is allotted within closed boundaries for the conducting subsurface use operations;

31) project documents are the documents substantiating and establishing technical conditions and engineering parameters of prospecting, appraisal and development of mineral deposits subject to the requirements of environmental, sanitary-epidemiological and industrial safety, including technical-and-economic indices and economic feasibility and implementation of the project in obligatory recognition of the capacities and proposals of Kazakhstan producers of goods, work and services;

32) high technologies are new generally recognized achievements in technologies and technological processes that have been implemented in the form of new and upgraded products and maximum ecologically clean technologies used for the purpose of integration of products produced in the territory of the Republic of Kazakhstan into the world market;

33) a work program is a document prepared on the basis of the indices set out in the project documents determining cumulative plans of a subsurface user for the validity period of the contract with aggregate indices of volumes and costs with a breakdown by years;

34) a local content in work (service) is the aggregate total portion of the cost of the local content in goods used in the performance of work, in the price of an agreement and (or) in payment of labour of employees that are the citizens of the Republic of Kazakhstan, in the labour compensation fund of the producers of work (services) under a contract for work or services, less cost of goods used in the performance of work and prices of subcontracts;

35) works is the performance on a paid basis of activities on the creation (production) of goods, assembly of equipment, construction of structures and other facilities, that are required for both their direct use in the conducting subsurface use operations and for activities that stipulated in the contract as related activities;

36) Kazakhstan producer of work, services are the citizens of the Republic of Kazakhstan and (or) legal entities incorporated in accordance with the legislation of the Republic of Kazakhstan, located within the territory of the Republic of Kazakhstan and engaging no less than ninety-five percent of citizens of the Republic of Kazakhstan in the total set of employees;

37) a local content in personnel is a set of Kazakhstan personnel in percentage to the total set of personal engaged in the performance of a contract, with a breakdown by each category of workers and employees;

38) a contract is an agreement between the competent body or the authorized body for the study and use of subsurface, or by a local executive body of a region, a city of the republican significance, the capital city, in accordance with its competence established by the legislation of the Republic of Kazakhstan, and a natural person and (or) a legal entity for the performance of exploration, production, combined exploration and production of minerals, or construction and (or) operation of underground facilities not related to exploration and (or) production, or for the state geological exploration of subsurface;

39) a contract area is the area defined by a geological or mining allotment in that the subsurface user shall have the right to perform the subsurface use operations in accordance with the contract;

40) the concentration of rights within the framework of a contract is the size of the interest of one of the joint holders of the right to subsurface use in a contract entered into with the Republic of Kazakhstan, that allows such a participant to determine decisions on the activities of a subsurface user in accordance with the contract;

41) a deposit is a portion of subsurface containing the natural concentration of a mineral (minerals);

42) a technological scheme of deposit development is a project document executing for the purpose of commissioning of a deposit and providing for engineering solutions and indices of the deposit development, a methodology of the analysis of the system of development in order to determine the basic parameters of oil reservoirs, criteria for a rational system of the development of production facilities;

43) analysis of deposit development is a complex study of the results of the geologic production, geophysical, hydrodynamic and other studies of wells and reservoirs in the process of the development of a production facility, as well as of the dynamics of the development indices, in order to determine the current location of oil and gas reserves and the processes running in productive reservoirs, with the development of recommendations, on this basis, concerning regulation of the elaboration for the purposes of optimization of production and increasing of the oil recovery factor;

44) a commercial development project is a project document determining technical solutions ensuring the specified productivity and other processing operations associated with production, and regulates the method of production of minerals from a relevant deposit, the parameters of mineral recovery from subsurface;

45) a pilot production from a deposit are the operations performed in deposits of hydrocarbon raw materials for the purpose of defining of the available information and obtaining the additional information about the geologic production characteristics of reservoirs and deposits, complex geological-geophysical and hydrodynamic survey of wells in order to work out a technological scheme and a commercial development project. The pilot production provides for temporary operation of exploration wells;

46) a good practice of deposit development is the generally accepted international practice used in conducting of the subsurface use operations, that is rational, safe, required and cost effective;

47) a commercial deposit development is the entire complex of work (operations) aimed at the recovery of approved mineral reserves from subsurface, subject to their rational and comprehensive use;

48) widespread mineral deposits are sand, mud, gravel and other minerals, used in their natural state or after insignificant processing and purification, generally in order to satisfy local economic needs;

49) tender commission for granting the right to subsurface use to conduct exploration or production of widespread mineral deposits is a permanent collegial body formed by a local executive body of a region, a city of republican significance, the capital, in order to conduct a tender and to determine its winner;

50) expert commission for subsurface use on the issues related to exploration or production of widespread mineral deposits means an advisory and consultative body formed by a local executive body of a region, a city of republican significance, the capital, working out the expert commission for subsurface use on the issues related to exploration or production of widespread mineral deposits means an advisory and consultative body formed by a local executive body of a region, a city of republican significance, the capital, working out the proposals on the issues set out in article 24 of this Law;

51) interregional commission for exploration and development of widespread mineral deposits (hereinafter referred to as the interregional commission) is a collegial body of territorial subdivision of the authorized body for study and use of the subsurface for consideration of project documents, on prospecting, appraisal and development of the deposits of widespread minerals;

52) the production of widespread mineral deposits is any production of widespread mineral deposits other than production of widespread mineral deposits for one's own needs;

53) the production of widespread mineral deposits and ground water for one's own needs is the production, performed on a land plot being owned or on the right of land use without the intention to subsequent execution of transactions with regard to produced widespread mineral deposits or ground water;

54) a commercial discovery is a discovery resulting from exploration in the contract area of one or more deposits of commercial interest, confirmed by the state expert expertise of the subsurface;

55) services is the performance on a paid basis, of an activity, required both for direct use in the conducting subsurface use operations and for activities stipulated in the contract as ancillary activities and not intended to the creation (production) of goods or other tangible things;

56) portions of subsurface having complex geological structure are portions of subsurface characterized by one of the following parameters: intense tectonic disruptions; intense folding of rocks containing proposed mass of minerals; deep bedding – more than five hundred meters for solid minerals and more than three thousand meters on the top of prospective horizon for hydrocarbons; located within areas of seas;

57) deposits having complex geological structure are deposits, in which more than seventy per cent of the reserves are characterized by variability of thickness or

disrupted bedding of mass of minerals or inconsistent quality of minerals and random distribution of primary valuable components, or heterogeneity of reservoir or reservoir properties of productive formations, or anomalously high formational pressure;

58) goods of Kazakhstan origin are goods for which a certificate of origin is issued for internal circulation confirming its origin in the territory of the Republic of Kazakhstan;

59) Kazakhstan producer of goods – means the citizens of the Republic of Kazakhstan and (or) legal entities of the Republic of Kazakhstan producing goods of Kazakhstan origin;

60) a discoverer of a deposit of the Republic of Kazakhstan is a person that has discovered a previously unknown deposit having commercial value and revealed additional mineral reserves or new mineral raw materials in a formerly known deposit that significantly increased its commercial value;

subparagraph 61) was stipulated as amended by the Law of the Republic of Kazakhstan dated 26.12.2012 No 61-V (shall be enforced from 01.01.2014).

61) a signature bonus is a one-time fixed payment of a subsurface user for the acquisition of the right to use subsurface within the contract area;

62) the competent body is the central executive body which, on behalf of the Republic of Kazakhstan, exercises the rights related to the execution and performance of contracts for exploration, production, combined exploration and production, except for contracts for exploration, production of widespread mineral deposits, specified by the Government of the Republic of Kazakhstan, unless as otherwise set forth by the laws of the Republic of Kazakhstan and acts of the President of the Republic of Kazakhstan;

63) the main pipeline is a universal engineering and technological complex, consisting of a linear part and objects, ensuring safe transportation of production, which compiles with the technical regulations and national standards;

64) *Is excluded by the Law of the Republic of Kazakhstan dated 22.06.2012 No 21 -V (shall be enforced upon expiry of ten calendar days after its first official publication);*

65) *Is excluded by the Law of the Republic of Kazakhstan dated 22.06.2012 No 21 -V (shall be enforced upon expiry of ten calendar days after its first official publication);*

66) the priority right of the state is the right of the state to first acquisition of the alienated right to subsurface use (its part) and (or) objects, related to the right of subsurface use;

67) Interdepartmental commission for exercising the state's priority right is an advisory-and-consultative body established by the Government of the Republic of Kazakhstan for the purposes of consideration of the issues and development of

recommendations concerning the acquisition (or waiver of acquisition) by the state of the alienated right to subsurface use (its part) and (or) objects related to the rights to subsurface use in the Republic of Kazakhstan;

68) mineral raw materials are the portion of subsurface (rocks, ore raw materials, etc.) extracted to the surface which contains a mineral (minerals);

69) primary processing (enrichment) of mineral raw materials is a type of mining activity comprises of the collection at the site, crushing or crumbling, classification (sorting), bricketing, agglomeration and enrichment using physical and chemical methods (without substantial changes of the mineral form of minerals, their aggregative-phase state, crystallochemical structure) and also may include processing technologies which are special types of the activities for production of minerals (underground gasification and melting, chemical and bacterial leaching, dredging and hydraulic development of placer deposits).

A list of operations related to the primary processing (enrichment) of mineral raw materials shall be specified in each subsurface use contract, except for subsurface use contracts which have been concluded prior to the effective date of this Law and amendments to such contracts;

70) processing of mineral raw materials is the work, following the primary processing of mineral raw materials and related to the recovery of a mineral (minerals) from mineral raw materials;

71) a model contract is a standard contract, approved by the Government of the Republic of Kazakhstan, which reflects the peculiarities of certain types of contracts, the performance of certain subsurface use operations, and which is used as a basis in drafting of contract projects;

72) petroleum is crude oil, gas condensate, natural gas and associated gas, as well as any hydrocarbons produced after refining of crude oil or natural gas, or after processing of shale oil or tarry sand;

73) oil and gas pipelines are the pipelines designated for transportation of petroleum, including main pipelines, pipelines operating in the gathering main mode, as well as equipment and machinery for treatment, separation and liquefaction of substances transported through a pipeline system or through its separate parts, control and insulation systems, electrochemical protection systems, and other equipment designated for servicing such pipelines;

74) construction and (or) operation of oil and gas pipelines is any work (operations) performed for the purposes of building, laying and operating oil and gas pipelines on land, rivers, lakes, seas or in any other inland water bodies;

75) associated components in petroleum are minerals and combinations of various types contained in petroleum and in stratal waters and technologically requiring their extraction;

76) petroleum operations are any operations related to exploration, production of petroleum, construction and (or) operation of necessary technological and associated objects;

77) a principal mineral - is the mineral determining the commercial value of a deposit, having the highest content in the feed stock or the highest specific weight in the production of the deposit and defining the basic direction in the use of the production of the deposit;

78) an operator - is a legal entity, which is created or specified by subsurface users in accordance with the legislation of the Republic of Kazakhstan by a written notice of the competent body, performing operative management of the activities and accounting and reporting operations related to the performance of the contract, for the activities of which the subsurface users shall bear property liability;

79) production - is the entire set of works (operations) related to the extraction of minerals from the subsurface to the surface, as well as from technogenic mineral formations, including primary processing and temporary storage of mineral raw materials;

80) a mineral is a natural mineral formations contained in the subsurface, hydrocarbons and ground water, the chemical composition and physical properties of which make it possible to use them in material production and (or) consumption, and (or) for other needs, either directly or after their processing;

81) the central commission for exploration and development of minerals (hereinafter referred to as the central commission) - is the collegial body established by the competent body for consideration of the project documents related to prospecting, appraisal and development of deposits of minerals, except for widespread mineral deposits;

82) a safety zone means a zone extending five kilometers from the sea coastline towards the land in the territory of the Republic of Kazakhstan;

83) easement - is the right of natural persons and legal entities to the restricted designated use of a part of a portion of subsurface allocated to other persons in order to conduct exploration, production or construction and (or) operation of underground facilities not related to exploration or production, to the extent, stipulated by this Law;

84) a strategic partner is a Kazakhstan or a foreign legal entity (their associations) determined by the national company and in coordination with the competent body for joint implementation of projects under contracts concluded on the results of direct negotiations between the national company and the competent body or in accordance with international treaties ratified by the Republic of Kazakhstan;

85) portion of subsurface, deposit sites having strategic importance are the portion of subsurface, deposit sites having social and economic value for the sustainable

development of the Republic of Kazakhstan, specified in the list, to be approved by the Government of the Republic of Kazakhstan;

86) strategic mineral raw materials are the mineral raw materials having strategic importance for the sustainable development of the Republic of Kazakhstan;

87) a test production project is a document which is drawn up for the works on production of hydrocarbons for the purpose of verifying the available information and obtaining additional information about the geologic production characteristics of formations and accumulations, complex geological-geophysical and hydrodynamic survey of wells in order to work out a technological scheme and a project of industrial development of a deposit;

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

89) utilization of natural and associated gas - is the provision with industrial collection of natural and associated gas from a deposit for the purposes of its utilization for technological needs and (or) its treatment for a commercial product;

90) an abandonment fund - is a fund formed by a subsurface user for elimination of the consequences of subsurface use operations in the Republic of Kazakhstan;

91) historical costs - are the aggregate past costs for the geological study of a contract area and for the exploration of deposits, incurred by the state, the geological information about which has been transferred into the ownership of the state;

92) local content in goods - is the percentage of the cost of used local materials and the costs incurred by the producer of goods for the processing of goods performed in the territory of the Republic of Kazakhstan, in the final cost of goods;

93) goods - are equipment, finished products and other material and technical valuables, acquired both for direct use in the conducting subsurface use operations and for the activities, provided by the contract as ancillary activities;

94) the annual program for the procurement of goods, works and services - is a document prepared by a subsurface user and determining the nomenclature and the scopes of goods, works and services, methods and timing of their purchase, which are planned by the subsurface user for the period of one calendar year;

95) a medium term program for the procurement of goods, works and services - is a document, prepared by a subsurface user and determining the nomenclature and quantities of goods, works and services, methods and timing of their purchase which are planned by the subsurface user for a period of up to three years;

96) a long term program for the procurement of goods, works and services - is a document, prepared by a subsurface user and determining the nomenclature and quantities of goods, works and services, methods and timing of their purchase which

are planned by the subsurface user for a period of up to ten years or for a period up to the expiry of a contract;

97) mining allotment – is a document, which is an integral part of the contract on the production, combined exploration and production, graphic and narrative defining the area of mineral resources on which the subsurface user has the right to conduct mining, construction and (or) the operation of underground facilities not related to exploration and (or) mining;

98) pilot development – is the exploitation of deposits, or accumulations of hydrocarbon raw materials for the purposes of testing of new or previously known techniques requiring approbation in geological and physical conditions of the deposit in order to obtain additional data;

99) pilot development project – is a project document, being executed to works for the extraction of hydrocarbon raw materials and stipulating the commissioning of deposits and (or) accumulations after the testing of new or previously known techniques that require approbation in geological and physical conditions of the deposit in order to obtain additional data;

100) pilot production - is the production of minerals performed at the stage of appraisal work for the appraising of a commercial discovery for the purposes of verification of the available information and obtaining of additional information about the geological structure of the relevant portion of subsurface, mining and geological conditions of the development, compositional and mineral content of ore, a processing technology, the choice of mining equipment and a method of deposit exploitation;

101) a pilot production project - is a project document composed during the exploration of solid mineral deposits in order to verify available information and obtain additional information on the geological structure of the relevant a portion of subsurface, mining and geological conditions of development, material and mineral composition of ores, a processing technology, the choice of mining equipment and a method of deposit development;

102) the sea is the surface of water and the layer of water as well as the bottom of the Caspian sea and the Aral sea within the boundaries of the Kazakhstan part of the Caspian and Aral seas;

103) a marine scientific research is a scientific research works performed in order to study the influence of subsurface use operations at sea and their impacts on the environment and biological diversity;

104) marine conservation zones or conservation zones - are zones specified by the Government of the Republic of Kazakhstan and established around offshore facilities in order to secure human safety and the safety of the biological resources of the sea, of

the environment as well as navigation, fishery and other activities of natural persons and legal entities at sea in accordance with the legislation of the Republic of Kazakhstan;

105) marine pollution is the entry of materials, substances, energy, noises, vibrations into the marine environment, as well as the formation of various types of radiations and deposits that cause harm or create a threat of causing harm to the human health, living marine resources or marine ecosystem, or disturbing, or inflicting losses, or capable to inflict losses on natural persons or legal entities performing lawful activities at sea or on its shores;

106) marine facilities are artificially created facilities in the sea, including artificial islands, dams, constructions, and fixed and floating equipment for conducting offshore petroleum operations at sea;

107) technogenic mineral formations are the accumulations of mineral formations, mass of rocks, liquids and mixtures containing useful components being the waste product of mining, enrichment, metallurgical and other types of production;

108) technogenic water is water, the removal of which is required for the performance of technological processes in conducting subsurface use operations;

109) a uniform methodology of the calculation by organizations of local content in the procurement of goods, works and services is the procedure approved by the Government of the Republic of Kazakhstan applicable to the calculation of the local content in the procurement of goods, works and services;

110) border deposit – is the deposit, located within the territory of the Republic of Kazakhstan or the sea, a part of which is also located in the territory or at sea, under the jurisdiction of another adjacent or opposite state;

111) Crude oil – is any hydrocarbons, regardless of their weight, extracted from the subsurface in the liquid state at normal atmospheric temperature and pressure, including liquid hydrocarbons known as distillate or condensate formed from natural gas through natural condensation;

112) prospecting works – is a stage of exploration works performed in order to identify and delineate prospective sites and occurrence of minerals, determination of inferred resources, their preliminary geological-economic appraisal and justification for further exploration;P110684

113) project prospecting works – is a project document, compiled during exploration, which determines the method and the scope of exploration ensuring effective and comprehensive study of portion of subsurface covering the entire territory of the portion of subsurface, in order to identify and delineate prospective sites and occurrence of minerals, determination of inferred resources, their preliminary geological-economic appraisal and justification for further exploration. A project of prospecting works reflects the amounts of financing of the prospecting works by years;

114) associated gas is hydrocarbon gas that is a part of petroleum composition in oil, oil and gas and gas deposits in a dissolved state and evolving from petroleum when the pressure decreases, as well as non-hydrocarbon gases produced together with liquid or gaseous hydrocarbons;

115) processing of associated gas - is a set of measures to bring up associated gas to a commercial product;

116) flaring of associated and (or) natural gas - is the process of elimination of associated and (or) natural gas without utilization;

117) associated minerals - are mineral complexes, minerals, metals and other chemical elements and their compounds associated and produced together with the principal mineral, the production and processing of which in the development of the principal mineral are cost-effective and the practical use of which is economically expedient;

118) inland water bodies - are lakes, artificial water reservoirs and other surface water bodies;

119) e-procurement system - is an electronic information system used by a procurement organizer (subsurface user or persons authorized by subsurface users) for the purchase of goods, works and services, created and operated in accordance with the procedure for the purchase of goods, works and services in conducting subsurface use operations approved by the Government of the Republic of Kazakhstan.

Footnote. Article 1 as amended by the Laws of the Republic of Kazakhstan dated 05.07.2011 No 452-IV (shall be enforced from 13.10.2011); dated 09.01.2012 No 535-IV (shall be enforced upon expiry of ten calendar days after its first official publication); dated 12.01.2012 No 538-IV (shall be enforced upon expiry of ten calendar days after its first official publication); dated 22.06.2012 No 21-V (shall be enforced upon expiry of ten calendar days after its first official publication).

2. The legislation of the Republic of Kazakhstan on subsurface and subsurface use

1. The legislation of the Republic of Kazakhstan on subsurface and subsurface use is based on the Constitution of the Republic of Kazakhstan and consists of this Law and other laws and regulations of the Republic of Kazakhstan.

2. The civil law relations related to the right to subsurface use shall be regulated by the norms of the civil legislation of the Republic of Kazakhstan, unless they are regulated by the provisions of this Law.

3. If an international treaty ratified by the Republic of Kazakhstan establishes rules, other than those provided in this Law, the rules of an international treaty shall be applied.

3. Sphere of application of this Law

1. This Law shall regulate the relations arising in the conduct of subsurface use operations.

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

3. Foreign persons and foreign legal entities as well as stateless persons shall enjoy rights and incur obligations concerning the subsurface use relations on an equal basis with the citizens and legal entities of the Republic of Kazakhstan, unless as otherwise provided by the laws of the Republic of Kazakhstan.

4. Aims and objectives of the legislation of the Republic of Kazakhstan on subsurface and subsurface use

1. The aims of legislation of the Republic of Kazakhstan on subsurface and subsurface use shall be the provision of the economic growth and the protection of interests of the Republic of Kazakhstan and its natural resources.

2. The objectives of legislation of the Republic of Kazakhstan on subsurface and subsurface use are as follows:

- 1) the implementation of the state policy in the sphere of subsurface use;
- 2) the regulation of relations in conduct of subsurface use operations;
- 3) the provision of the balance of the republican and regional interests;
- 4) the provision of mineral replacement;
- 5) the provision of legal basis in the conduct of subsurface use operations;
- 6) the creation of favorable conditions in order to attract investments to the conduct of subsurface use operations.

5. Principles of the legislation of the Republic of Kazakhstan on subsurface and subsurface use

Legal regulation of relations related to the subsurface and subsurface use shall be based on the following principles:

- 1) the provision of rational, comprehensive and safe subsurface use;
- 2) the provision of the protection of subsurface and environment;
- 3) the publicity in the conduct of subsurface use operations;
- 4) the serviceability of subsurface use.

6. The provision of rational, comprehensive and safe subsurface use

An obligatory condition for the conducting subsurface use operations shall be cost effective development of all kinds of subsurface resources on the basis of the use of high technologies and good practice of deposit development and the provision of safety of people's life and health.

7. The provision of the protection of subsurface and environment

An obligatory condition for exercising the right to subsurface use is the provision of prevention of subsurface contamination and reduction of the harmful impact of subsurface use operations on the environment.

8. The publicity in the conduct of subsurface use operations

The submission of the information, concerning the conduct of subsurface use operations and contract terms shall be performed in accordance with this Law.

All interested parties shall have the right to familiarize themselves in a competent body, a local executive body of a region, a city of republican significance, the capital with the following:

1) conditions of a tender for granting the right to subsurface use and the content of the decision on its results;

2) fulfillment of the conditions of a tender on the concluded contracts.

transfer of the information, which is recognized by the parties as confidential, to the state bodies, the Parliament of the Republic of Kazakhstan, and local representative bodies, shall not be treated as the violation of confidentiality.

9. The serviceability of the subsurface use

Relations in the sphere of subsurface use shall be based on a paid basis except for the cases established by this Law.

10. The right to the ownership of the subsurface, minerals, technogenic mineral formations and mineral raw materials

1. In accordance with the Constitution of the Republic of Kazakhstan, the subsurface and minerals contained therein is the property of the state.

The state ownership of the subsurface is one of the constituting bases of the state sovereignty of the Republic of Kazakhstan. The state shall provide the access to the subsurface on the grounds, conditions and to the extent stipulated by this Law.

2. Unless as otherwise provided by this Law and a contract, mineral raw materials shall be owned by the subsurface user on the right of ownership (for a state-owned enterprise of the Republic of Kazakhstan - on the right of economic management or operational management).

3. Technogenic mineral formations shall be the property of a subsurface user. In the development of technogenic mineral formations, the subsurface user, or a third party holding the right of ownership to technogenic mineral formations, shall be obliged to perform the state expertise of subsurface with respect to the reserves of those minerals which are contained in technogenic mineral formations and the extraction, use (sale) of which have not been provided by the terms of the subsurface contract, and to conclude a contract with a competent body.

4. Technogenic mineral formations stored prior to 30th of May 1992 or included into the state fund of mineral resources shall be the state property.

5. The right of ownership in respect of minerals extracted from technogenic mineral formations owned by the state shall be determined by a contract.

6. A subsurface user, that has the ownership of mineral raw materials, technogenic mineral formations or minerals shall have the right to dispose of mineral raw materials,

technogenic mineral formations or minerals, perform in respect of them any civil law transactions not prohibited by the legislation of the Republic of Kazakhstan.

11. The ownership right to geologic information and the procedure of its transfer

1. Geological information shall be the state property to the extent that it is obtained at the expense of the budgetary funds of the Republic of Kazakhstan and it shall be the property of the subsurface user to the extent that it is obtained at the expense of the subsurface user's own funds.

2. Notwithstanding the source of financing, geological and other information about the subsurface shall be subject to a mandatory free of charge transfer for storage, systematization and summarizing to the authorized body for the study and the use of subsurface in accordance with the procedure approved by the Government of the Republic of Kazakhstan.

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

Geological information shall be provided on a free of charge basis:

to persons conducting works related to the geological studies of subsurface at the expense of the state budget funds;

for scientific purposes to the extent, where scientific research is financed from the state budget;

for educational purposes - to state and accredited private educational institutions for educational purposes;

to state bodies.

Except as otherwise stipulated by this paragraph, information about the subsurface shall be provided on a paid basis. Notwithstanding the conditions of the provision of information about the subsurface, the costs of its copying shall be compensated by the recipient of information separately.

The rules for the use of state-owned geological information for educational, scientific and commercial purposes as well as exporting geological information from the territory of the Republic of Kazakhstan shall be approved by the Government of the Republic of Kazakhstan.

4. The cost of the state-owned geological information shall be specified as a part of the amount of historical costs. The payment of the cost of geological information shall be made to the budget of the Republic of Kazakhstan.

The procedure for appraisal of historical costs and the cost of geological information shall be approved by the Government of the Republic of Kazakhstan.

5. Upon termination of a contract, all geological information shall pass into the state ownership. A subsurface user shall be obliged to transfer to the authorized body for the study and use of subsurface, free of charge, all documents and other tangible media of geological information.

12. Pre-emptive and priority right of the state in the sphere of subsurface use

1. The Republic of Kazakhstan shall have the pre-emptive right over other persons for the acquisition of subsurface user's minerals at the prices not exceeding the prices, applied by the subsurface user in the execution of transactions with the relevant minerals established on the date of execution of the transaction, less transportation and sales costs.

To the extent that there is no information about the prices of minerals applied by the subsurface user in the execution of the transactions, the prices which do not exceed those established in the world markets on the date of execution of the transaction on the acquisition of minerals by the state shall apply.

The maximum amount of minerals to be acquired and the mode of payment shall be specified by the contract.

The procedure for exercising the pre-emptive right of the Republic of Kazakhstan for the acquisition of minerals shall be determined by the Government of the Republic of Kazakhstan.

2. In order to preserve and strengthen the resource and energy basis of the country's economy, the newly and previously executed contracts for subsurface use, except for contracts on ground water and widespread mineral deposits, the state shall have the priority right over other party to the contract or participants of the legal entity holding the right to subsurface use and other persons for the acquisition of the right to subsurface use (its part) to be alienated, whether with or without charge and (or) objects related to the right to subsurface use.

The provisions of this paragraph shall not apply to the cases provided by paragraph 5 of Article 36 of this Law.

13. the procedure of exercising the priority right of the state

1. To the extent that a person holding a the right to subsurface use and (or) an object related to the right to subsurface use intends to alienate the right to subsurface use (its part) and (or) an object related to the right to subsurface use, the state shall, through the national management holding, national company or authorized state body, have the priority right to acquire the right to subsurface use (its part) and (or) an object related to the right to subsurface use.

The decision on behalf of the Government of the Republic of Kazakhstan on acquisition by a national management holding, or a national company of the right to subsurface use to be alienated (its part) and (or) and an object, related to the right to subsurface use, shall be made by the competent body in the prescribed manner.

2. Unless as otherwise established by this Law, the entity that intends to alienate the right to subsurface use (its part) and (or) an object related to the right to subsurface use shall file an application for alienation of the right to subsurface use (its part) and (or) an object related to the right to subsurface use with the competent body.

An application for alienation of the right to subsurface use (its part) and (or) an item related to the right to subsurface use shall be made in the Kazakh and Russian languages and shall contain the data established by paragraph 2 of Article 37 of this Law.

3. The competent body shall within twenty working days from the receipt of the application, submit for consideration of the Interdepartmental commission for exercising the state's priority right the materials required for working out a proposal for acquisition (waiver of acquisition) by the state of the alienable right to subsurface use (its part) and (or) an object related to the right to subsurface use.

4. The Interdepartmental commission for exercising the state's priority right within thirty working days upon the date of receipt of the relevant materials shall consider the application and other materials with regard to the requirements of the legislation of the Republic of Kazakhstan on the national security and shall work out the recommendations on acquisition (waiver of acquisition) by the state of the alienable right to subsurface use (its part) and (or) an object, related to the right to subsurface use.

To the extent of making recommendations by the Interdepartmental commission for exercising the state's priority right on the acquisition of the alienable right to subsurface use (its part) and (or) an object, related to the right to subsurface use by a national management holding or a national company, which have declared about the intention to execute such acquisition, the interdepartmental commission shall recommend the competent body to determine a national management holding or a national company as such acquirer on behalf of the state.

To the extent of making recommendations by the Interdepartmental commission for exercising the state's priority right on the acquisition of the alienable right to subsurface use (its part) and (or) an object, related to the right to subsurface use under the conditions of the absence of intentions, on the part of a national management holding or a national company, on acquisition, the issue shall be submitted to consideration by the Government of the Republic of Kazakhstan, in order to determine the state body, to be authorized for the acquisition.

5. The Interdepartmental commission for exercising the state's priority right shall have the right to request and receive from the applicant and other persons any additional materials, required for making recommendations on acquisition (waiver of acquisition) of the alienable right to subsurface use (its part) and (or) an object, related to the right to subsurface use, including the documents concerning the financial and economic situation of the subsurface users, as well as legal entities, which have the opportunity directly or indirectly to determine decisions and (or) influence on the decisions made by a subsurface user.

6. The recommendations worked out by the Interdepartmental commission for exercising the state's priority right concerning the acquisition (waiver of acquisition) of the alienable right to subsurface use (its part) and (or) an object related to the right to subsurface use shall be set forth in a protocol to be delivered to the competent body.

7. The decision to acquire the alienable right to subsurface use (its part) and (or) an object related to the right to subsurface use shall be delivered to the national management holding or the national company, or to the state body determined by the Government of the Republic of Kazakhstan authorized to do so.

8. After the receipt of the decision of the competent body to acquire the alienable right to subsurface use (its part) and (or) an object related to the right to subsurface use, the national management holding, the national company or the authorized state body shall initiate negotiations with the subsurface user or the owner of the object related to the right to subsurface use.

The acquisition by the national management holding, the national company or the authorized state body of the alienable right to subsurface use (its part) and (or) an object related to the right to subsurface use, shall be executed on the terms that are not worse than those proposed by other applicants.

To the extent of alienation of a the right to subsurface use (its part) and (or) an object related to the right to subsurface use without charge and to the extent that the right to subsurface use (its part) and (or) an object related to the right to subsurface use is transferred to the charter capital of a legal entity, the acquisition of such objects shall be made at market value, determined in compliance with the legislation of the Republic of Kazakhstan on valuation activity.

9. The period for the acquisition of the right to subsurface use (its part) and (or) an object related to the right to subsurface use shall not exceed six months from the date of taking decision to acquire the right to subsurface use (a part thereof) and (or) the object related to the right to subsurface use.

14. Restriction and prohibition of subsurface use

1. The use of separate portions of subsurface may be restricted 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 subsurface 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 unless such use may endanger human life and health or cause damage to commercial facilities or to the environment.

3. The use of the subsurface within the territory of specially protected natural areas shall be performed in compliance with the legislation of the Republic of Kazakhstan on specially protected natural areas.

15. Requisition of minerals

1. In the event of announcing the state of emergency or imposing martial law, the Government of the Republic of Kazakhstan shall have the right to requisition of a part or all of minerals owned by a subsurface user. The requisition may be performed in the quantities required for the needs of the Republic of Kazakhstan within the whole period of emergency state or martial law. The requisition of minerals may be performed from any subsurface user notwithstanding the form of ownership.

2. The Republic of Kazakhstan shall guarantee compensation for requisitioned minerals in kind or through payment of their value to a foreign subsurface user in freely convertible currency, and to a national subsurface user – in the national currency at prices which shall not exceed the prices applied by the subsurface user in the performance of transactions with relevant minerals on the date of requisitioning, less transportation and sales costs.

Chapter 2. State regulation in the sphere of subsurface use

16. The competence of the Government of the Republic of Kazakhstan

The Government of the Republic of Kazakhstan shall:

1) organize the management of the state subsurface fund as an object of the state property;

2) develop the main objectives of the state policy in subsurface use, strategic and tactical measures for its implementation;

3) approve the uniform rules for the rational and comprehensive use of subsurface in the course of mineral exploration and production;

4) determine the portions of subsurface and deposits, intended for the satisfaction of the state needs in strategic types of mineral raw materials;

5) establish subsurface use restrictions and prohibitions for the purposes of ensuring national security, safety of the population and environmental protection;

6) establish the procedure for conservation of portions of subsurface in order to save the reserves of mineral raw materials to the benefit of future generations;

7) approve the list of the portion of subsurface, deposits having strategic importance;

8) determine the list of widespread mineral deposits;

9) determine the procedure for granting the right to subsurface use;

10) approve the list of portion of subsurface, except for the portions of subsurface containing widespread mineral deposits, which are subject to tendering;

11) approve model contracts;

12) approve the statutes of the state commission for mineral reserves of the Republic of Kazakhstan and the interregional commissions for mineral resources;

13) determine the competent body for execution and performance of subsurface use contracts for particular types of minerals, except for widespread mineral deposits, unless as otherwise established by the laws of the Republic of Kazakhstan and the acts of the President of the Republic of Kazakhstan;

14) approve lists of geological, geomorphological and hydrogeological objects of the state-owned natural preserve fund of republican and international significance and determine the procedure for their limited commercial use in specially protected natural areas, as well as approves lists of portions of subsurface representing special ecological, scientific, cultural and other value, recognized as the category of specially protected natural areas of the republican significance;

15) approve the procedure for acquisition of goods, works and services in the conducting subsurface use operations;

16) approve the procedure for the formation and keeping of the register of goods, works and services used in the conducting subsurface use operations and their producers, including the criteria for their appraisal in order to be included in this register;

17) determine the procedure for monitoring and control over the compliance with contract terms;

18) determine the procedure for issuing permissions for building-up in the areas of mineral occurrences;

19) *is excluded by the Law of the Republic of Kazakhstan dated 10.07.2012 No 36-V (shall be enforced upon the expiry of ten calendar days after its first official publication);*

20) approve technical regulations in the sphere of subsurface use;

21) approve the statute on discoverers of deposits of the Republic of Kazakhstan;

22) regulate export of petroleum including by approval (change) of customs, protective, anti-dumping and countervailing duties, quotas for petroleum export and;

23) establish quantitative restrictions (quotas) for petroleum transportation by different modes of transport;

24) establish the procedure for maintenance of the common data base on the production and turnover of petroleum;

25) approve the procedure for establishing the actual position of the coastline;

26) approve the composition of the Interdepartmental commission for exercising the state's priority right and its statute;

27) approve the composition of the tender commission for granting the right to subsurface use and its statute;

28) determine the procedure for exercising the pre-emptive right of the Republic of Kazakhstan for acquisition of minerals;

29) approve the rules for using geological information owned by the state for educational, scientific, commercial purposes and for exporting geological information from the territory of the Republic of Kazakhstan;

30) approve the rules for the creation, operation and use of artificial islands, dams, constructions and installations, and also other projects related to petroleum operations;

31) establish the procedure of state monitoring of the subsurface;

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

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

34) establish normative standards and requirements for materials and substances which are necessary for performing works on the sea cleaning;

35) establish rules for conducting expertise of project of subsurface use contracts;

36) approve the procedure for conducting petroleum operations at sea, in inland water bodies, within environmental emergency areas and specially protected natural areas;

37) approve the rules for measuring and weighing petroleum produced by subsurface users from the contract areas;

38) approve the methodology of the calculation of the norms and volumes of burning of associated and (or) natural gas during petroleum operations;

39) establish the procedure for including mineral reserves in the state register and their writing off from the state register;

40) approve the procedure for granting permissions for flaring of associated and (or) natural gas;;

41) establish the procedure for maintaining the state cadastre of deposits and occurrences of mineral;

42) establish the procedure for maintenance of the state cadastre of disposal of hazardous substances, radioactive waste and discharge of waste waters into the subsurface;

43) approve the procedure for the provision of information about the state register of mineral reserves to state bodies;

44) approves the rules of servicing of subsurface users by professional emergency rescue services;

45) establishes the procedure for identifying the amount of damages resulting from violations of the requirements for rational subsurface use;

46) approve the procedure for identifying historical costs and the value of geological information;

47) determine a procedure for granting the right to subsurface use for the construction and (or) operation of underground facilities not related to exploration or

production, as well as a performance of construction and (or) operation of underground facilities not related to exploration or production;

48) establish a procedure for concluding contracts (agreements) for the state exploration of subsurface;

49) establish a procedure for marine scientific research;

50) *is excluded by the Law of the Republic of Kazakhstan dated 22.06.2012 No 21-V (shall be enforced upon expiry of ten calendar days after its first official publication)* ;

51) approve the rules for the liquidation and temporary conservation of subsurface use objects;

52) approve the form of the provision of geological reports on the condition of subsurface;

53) approve the procedure for the maintenance of the state cadastre of technogenic mineral formations;

54) approve the rules for the procurement of goods, works and services for subsurface use operations through the state information system of the "Register of goods, works and services used for conducting subsurface use operations, and of their producers";

55) approve the uniform methodology for the calculation of local content by organizations procuring goods, works and services;

56) approve the procedure for utilization of the capacity of main pipelines and railway loading racks to the extent that free transfer capacity is available;

57) approve the procedure for synchronizing the operation of e-procurement systems with the operation of the register of goods, works and services used in conducting subsurface use operations, and of their producers;

58) approve the procedure for issuing permissions for the exploration and production of industrial ground waters in the volumes of two thousand or more cubic meters per day for their injection into a reservoir in accordance with technological schemes of mineral production or the production of ground water for the purposes of dewatering in the operation of mining;

59) approve the procedure for calculation of the minimum local content in goods, works and services during the conducting subsurface use operations, included in terms and conditions of tenders for granting the right to subsurface use;

60) approve the forms and procedures for preparation and submission of annual, medium-term, long-term programs for the procurement of goods, works and services, subsurface users' reports on the procured goods, works and services and on the fulfillment of the obligations on local content in personnel;

61) approve the forms and procedure for preparation and submission of subsurface users' reports on the fulfillment of the obligations on the amount of costs to be sent to

training, advanced training and retraining of employees being citizens of the Republic of Kazakhstan engaged in the performance of a contract, or training of citizens of the Republic of Kazakhstan in accordance with the list of professions agreed with the competent body;

62) *is excluded by the Law of the Republic of Kazakhstan dated 09.01.2012 No 535-IV (shall be enforced upon expiry of ten calendar days after its first official publication).*

63) perform other functions prescribed to it by the Constitution, this Law and other laws of the Republic of Kazakhstan and acts of the President of the Republic of Kazakhstan.

Footnote. Article 16 as amended by the Laws of the Republic of Kazakhstan dated 09.01.2012 No 535-IV (shall be enforced upon expiry of ten calendar days after its first official publication); dated 22.06.2012 No 21-V (shall be enforced upon expiry of ten calendar days after its first official publication); dated 10.07.2012 No 36-V (shall be enforced upon expiry of ten calendar days after its first official publication).

17. Powers of the competent body

The powers of the competent body shall include: P100454

1) the approval of the regulations governing the central commission for exploration and development of minerals and the approval of the composition of such commission;

2) preparation and organization of a tender for granting the right to subsurface use for conducting exploration, production of minerals, combined exploration and production of minerals, except for widespread mineral deposits;

3) provision of the right to subsurface use for conducting exploration, production, combined exploration and production of minerals, except for widespread mineral deposits;

4) negotiations with subsurface users concerning the terms and conditions of contracts for exploration, production, combined exploration and production, except for contracts for exploration, production of widespread mineral deposits;

5) organization of the performance of expert examination of project documents for exploration, production, combined exploration and production, except for projects of contract documents for the exploration, production of widespread mineral deposits;

6) organization of the performance of the expertise of the projects of contracts for subsurface use concerning the determination of a list of works related to the primary processing (enrichment) of raw materials in order to secure the economic interests of the Republic of Kazakhstan, under the rules established by the Government of the Republic of Kazakhstan;

7) concluding, state registration and storage of contracts, except for contracts for the exploration, production of widespread mineral deposits, for the state geological

exploration of subsurface and for the construction and (or) operation of underground facilities not related to exploration and production;

8) representation and enforcement of interests of the Republic of Kazakhstan in contracts for the exploration, production, combined exploration and production, except for contracts for the exploration, production of widespread mineral deposits, in accordance with the powers established by the legislation of the Republic of Kazakhstan;

9) exercising control over the performance of the terms of contracts by subsurface users, except for the contracts on exploration and production of widespread mineral deposits, for the state geological exploration of subsurface and for the construction and (or) operation of underground facilities not related to exploration and production;

10) adoption of decisions, on the basis of recommendations of the Interdepartmental commission for exercising the state's priority right, on the acquisition (waiver of acquisition) of alienable right to subsurface use (a part thereof) and (or) items related to the right to subsurface use;

11) issuance, on the basis of proposals by the expert commission for subsurface use issues, of a permission (refusals to issue such permission) to alienate the right to subsurface use (its part) and (or) objects, related to the right to subsurface use, to transfer the pledge of the right to subsurface use (its part) and (or) a participating interest (block of shares) in a legal entity having the right to subsurface use, as well as registration of the transaction on transfer of the pledge of the right to subsurface use in accordance with Articles 36 and 37 of this Law, except for the right to subsurface use with respect to widespread mineral deposits;

12) ensure the performance and termination of contracts for exploration, production, combined exploration and production, except for contracts for the exploration, production of widespread mineral deposits;

13) submission of an annual report to the President and the Government of the Republic of Kazakhstan on the progress of the performance of contract terms under contracts for exploration, production, combined exploration and production, except for contracts for the exploration, production of widespread mineral deposits;

14) development of projects of lists of portion of subsurface, except for those portions of subsurface containing widespread mineral deposits, which are subject to tendering;

15) adoption of decisions on renewal of contracts for the exploration, production and combined exploration and production, except for contracts for the exploration, production of widespread mineral deposits;

16) order of the President or the Government of the Republic of Kazakhstan, holding negotiations and execution of agreements with relevant bodies of other states which ensure the possibility of the performance of contracts;

17) approval of the regulations of the expert commission for subsurface use issues;
18) determination of the minimum quantity of mineral raw materials the processing of which in the territory of the Republic of Kazakhstan shall be ensured by a tender participant;

19) submission to the authorized body in the sphere of the state support of industrial and innovation activity for summarizing and analysis, of general information concerning local content in procurement of goods, works and services by subsurface users in accordance with the legislation of the Republic of Kazakhstan;

20) development of the projects of model contracts;

21) monitoring and control of the performance by subsurface users of the terms of contracts, including the obligations with regard to local content in the procurement of goods, works and services and local content in personnel;

22) development of the procedure for monitoring and control of the compliance with the terms of contracts;

23) collection and analysis of information concerning procurement of goods, works and services performed, being performed and planned to be performed in the year following the reporting period to be submitted by subsurface users and (or) persons authorized by subsurface users to procure goods, works and services for the conducting subsurface use operations;

24) collection and analysis of information concerning procurement of goods, works and services planned for medium-term and long-term periods, submitted by subsurface users and (or) persons authorized by subsurface users to procure goods, works and services for the conducting subsurface use operations;

25) control over the compliance by subsurface users with the procedure for procurement of goods, works and services in performing subsurface use operations;

26) request of information from national registers of identification numbers;

27) approval of the regulations of the working group for holding direct negotiations for granting the right to subsurface use for exploration and production of minerals and its membership;

28) exercise of other powers provided for by this Law, other laws of the Republic of Kazakhstan, acts of the President of the Republic of Kazakhstan and the Government of the Republic of Kazakhstan.

Footnote. Article 17 as amended by the Laws of the Republic of Kazakhstan dated 09.01.2012 No 535-IV (shall be enforced upon expiry of ten calendar days after its first official publication); dated 10.07.2012 No 36-V (shall be enforced upon expiry of ten calendar days after its first official publication).

18. The competence of the authorized body in the sphere of oil and gas

The competence of the authorized body in the sphere of oil and gas shall include:

1) by order of the President or the Government of the Republic of Kazakhstan, holding negotiations and making agreements with the relevant bodies of other states, providing with the possibility of construction and operation of pipelines and other transportation means in their territory for export of petroleum;

2) ensuring the formation of strategic petroleum reserves and recording their placement in the territory of the Republic of Kazakhstan;

3) determining by schedules (annual and monthly) of the quantity of petroleum to be processed in the internal market of the Republic of Kazakhstan required covering the request of the internal market for lubricants, if necessary;

4) performing the state control over the compliance with the safety requirements for petroleum and the processes of its life cycle established by technical regulations;

5) approval of the development program of associated gas processing, introduction of alterations and amendments to approved programs of gas utilization and programs of development of associated gas processing upon agreement with the authorized bodies for environment protection and for study and use of subsurface;

6) issuance of permissions for flaring of associated and (or) natural gas during testing of an object of wells, pilot production from a deposit, technologically unavoidable gas flaring during commissioning, operation, maintenance and repair of technological equipment;

7) development of the procedure for establishing the actual position of the coastline ;

8) development of the procedure for maintenance of the common database of petroleum production and turnover;

9) development of the procedure for creation, operation and use of artificial islands, dams, constructions and installations, as well as other facilities related to petroleum operations;

10) developing the rules for measuring and weighing of petroleum produced by subsurface users in the contract areas;

11) development of the procedure for conducting petroleum operations on sea, inland water bodies, within environmental emergency areas and specially protected natural areas;

12) development of the procedure for conducting of marine scientific researches;

13) development of the procedure for the use of the capacity of main pipelines and railway loading racks where free transfer capacity is available;

14) development of methodology of the calculation of normative standards and volumes of associated and (or) natural gas flaring in conducting of petroleum operations;

15) approval of forms and time periods of reporting on the fulfillment of the development of associated gas processing;

16) performance of state regulation of petroleum production in accordance with the project of deposit development, as well as its turnover;

17) determination for subsurface users of the volumes of crude oil supply to the external market of the Republic of Kazakhstan for refining due to economic indices of feasibility study to the contract at the moment of its signing, within appraised petroleum sale prices specified in the feasibility study;

18) working out of technical regulations and the approval of normative and technical documents in the sphere of petroleum operations and petroleum transportation;

19) conducting analysis and the appraisal of risks of causing harm to human life and health and environment in the sphere of petroleum operations and petroleum transportation;

20) development of the procedure for the issuance of permissions for associated and (or) natural gas flaring;

21) development jointly with the authorized body for industrial policy regulation, of the forms and procedure for execution and submission of reports of subsurface users on the fulfillment of the obligations by the amount of costs to be allocated for training, advanced training and retraining of employees being the citizens of the Republic of Kazakhstan engaged in the performance of a contract, or training of the citizens of the Republic of Kazakhstan in accordance with the list of occupations agreed with the competent body;

22) development jointly with the authorized body for industrial policy regulation, of the forms and procedures for execution and submission of annual, medium-term, long-term programs for the procurement of goods, works and services, reports of subsurface users on the procured goods, works and services and on the fulfillment of the obligations on Kazakhstan content in personnel;

23) development jointly with the authorized body for industrial policy regulation, of the procedure for determination of the amount of expenses for scientific research and experimental development activities in the territory of the Republic of Kazakhstan required for the performance of works under a contract;

24) exercising other powers provided for by this Law, other laws of the Republic of Kazakhstan, acts of the President of the Republic of Kazakhstan and the Government of the Republic of Kazakhstan.

Footnote. Article 18 as amended by the Law of the Republic of Kazakhstan dated 22.06.2012 No 21-V (shall be enforced upon expiry of ten calendar days after its first official publication).

19. the competence of the authorized body in the sphere of state support of industrial and innovation activity

Footnote. The title of Article 19 as amended by the Law of the Republic of Kazakhstan dated 09.01.2012 No 535-IV (shall be enforced upon expiry of ten calendar days after its first official publication).

The competence of the authorized body in the sphere of state support of industrial and innovation activity shall include:

1) approval of the statute on interregional commissions for exploration and development of widespread mineral deposits;

2) development of technical regulations and the approval of normative technical documents in the sphere of study and use of the subsurface, except for the sphere of conducting petroleum operations;

3) development of the statute on the State commission for mineral reserves of the Republic of Kazakhstan and interregional commissions for mineral reserves;

4) development of the statute on discoverers of mineral deposits of the Republic of Kazakhstan;

5) development of uniform rules for rational and comprehensive subsurface use in exploration and production of minerals;

6) development of the procedure for the purchase of goods, works and services in conducting of the subsurface use operations;

7) *is excluded by the Law of the Republic of Kazakhstan dated 10.07.2012 No 36-V (shall be enforced upon expiry of ten calendar days after its first official publication)* ;

8) development of the rules of using geological information, owned by the state, for educational, scientific, commercial purposes and export of geological information outside the territory of the Republic of Kazakhstan;

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

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

11) development of the procedure for concluding a contract (agreement) for state geological exploration of the subsurface;

12) development of the rules of liquidation and conservation of the objects of the subsurface use;

13) development of the form of submission of geological reporting on the subsurface condition;

14) development of the procedure for conducting of the state cadastre of technogenic mineral formations;

15) development of the rules of the purchase of goods, works and services by means of the state information system “Register of goods, works and services, used in conducting of the subsurface use operations and their producers”;

- 16) development of a common methodology of calculation by organizations of local content in purchasing goods, works and services;
- 17) development of the procedure for synchronization of operation of the systems of e-purchase with the work of the register of goods, works and services, used in conducting the subsurface use operations, and their producers;
- 18) development of the procedure for issuance of the permission for exploration and production of industrial and technical waters in the amounts of two thousand and more cubical meters and their injection to the reservoir in accordance with technological scheme of production of minerals or for the production of underground waters for the purposes of water depression in course of the maintenance of mine operations;
- 19) performance of methodological guidance of the activity of local executive bodies of a region, a city of republican significance, the capital concerning the formation of the list of goods, works and services produced in the territory of a region, a city of republican significance, the capital, and their producers;
- 20) approval, upon agreement with the authorized body for oil and gas, of the list of priority high-technology productions, developed in the Republic of Kazakhstan;
- 21) development of the procedure for calculating the minimum local content in goods, works and services in the course of subsurface use operations, included in the conditions of a tender for granting the right to subsurface use;
- 22) development, jointly with the authorized body for oil and gas, of the forms and procedures for development and submission of annual, medium-term, long-term programs for the procurement of goods, works and services, subsurface users' reports on the procured goods, works and services and on the fulfillment of the obligations on local content in personnel;
- 23) development, jointly with the authorized body for oil and gas, of the forms and procedure for preparation and submission of subsurface users' reports on the fulfillment of the obligations on the amount of costs, allocated for training, advanced training and retraining of employees being the citizens of the Republic of Kazakhstan engaged in the performance of a contract, or training of the citizens of the Republic of Kazakhstan in accordance with the list of professions agreed with the competent body;
- 24) *is excluded by the Law of the Republic of Kazakhstan dated 09.01.2012 No 535-IV (shall be enforced upon expiry of ten calendar days after its first official publication).*
- 25) formation and maintenance of the register of goods, works and services used in subsurface operations and their producers, as well as the development of the criteria for their appraisal in order to record into that register;

26) exercise of other powers provided for by this Law, other laws of the Republic of Kazakhstan, acts of the President of the Republic of Kazakhstan and the Government of the Republic of Kazakhstan.

Footnote. Article 19 as amended by the Laws of the Republic of Kazakhstan dated 09.01.2012 No 535-IV (shall be enforced upon expiry of ten calendar days after its first official publication); dated 10.07.2012 No 36-V (shall be enforced upon expiry of ten calendar days after its first official publication).

20. The competence of the authorized body for study and use of the subsurface

The authorized body for the study and use of subsurface shall:

1) implement the state policy in the sphere of geological studies and comprehensive use of subsurface;

2) issue and recall permissions for exploration and production of ground industrial-technical water in volumes from two thousand and more cubic meters a day to the extent, provided for in paragraph 6 of Article 35 of this Law;

3) grant the right to subsurface use and execute contracts (agreements) for the state geological exploration of subsurface;

4) *is excluded by the Law of the Republic of Kazakhstan dated 10.07.2012 No 36-V (shall be enforced upon expiry of ten calendar days after its first official publication)* ;

5) organize and conduct the state expertise of the subsurface, approve mineral reserves;

6) organize and conduct economic expertise of project budget documentation on performance of works in the sphere of state geological exploration of the subsurface;

7) organize the preparation and maintain the state register of the mineral reserves, state cadastres of deposits and occurrences of minerals, hazardous geological processes ;

8) determine the amount of historical costs, cost and terms of obtaining geological information;

9) organize and provide functioning of republican and territorial funds of geological information;

10) control over the compliance by a subsurface user with the legislation of the Republic of Kazakhstan on subsurface and subsurface use and the established procedure for the subsurface use to the extent, related to widespread mineral deposits;

11) monitor and control, within its competence, over the performance by subsurface users of the conditions of contracts;

12) develop normative and technical documentation in the sphere of study and use of the subsurface;

13) submit proposal to the competent bodies on formation of projects of the lists of portion of subsurface, subject to tendering;

- 14) control over rational and comprehensive subsurface use, including primary processing (enrichment) of mineral raw materials;
- 15) issue geological and mining allotments;
- 16) organize and maintain the state cadastre of technogenic mineral formations;
- 17) approve projects of contracts and work programs;
- 18) perform state recording of ground waters in the basis of the data of recording of the use of ground waters, provided by water users and by the hydro-meteorological service;
- 19) maintain the state water cadastre to the extent, related to ground waters;
- 20) approve permissions for the use of ground water of drinking quality for purposes not related to portable and public water supply within the areas where there are no surface water bodies but sufficient reserves of ground water of drinking quality exist;
- 21) approve permissions for water-protective measures, aimed at prevention of depletion of ground water bodies;
- 22) approve limits of water use for ground water bodies on the basis of basin charts and norms of maximum permissible harmful impacts on water bodies;
- 23) approve conditions of location, design, construction, reconstruction and commissioning of enterprises and other facilities in water bodies, water conservation zones and bands;
- 24) approve project documentation for performance of drilling and other mining operations; projects for construction of service lines across ground water bodies;
- 25) issue expert opinions for construction, reconstruction, operation, conservation, liquidation of enterprises and other structures, affecting the condition of ground water bodies as well as intake of ground water directly from ground water bodies to the extent of non-centralized drinkable water supply;
- 26) approve permissions for flaring associated and (or) natural gas to the extent, stipulated by this Law;
- 27) approve project documents on the basis of recommendations of the central commission for the exploration and production of minerals,;
- 28) submit proposals to the local executive body of a region, cities of republican significance, or the capital concerning the formation of draft lists of the portions of subsurface containing widespread mineral deposits subject to tendering;
- 29) *is excluded by the Law of the Republic of Kazakhstan dated 10.07.2012 No 36-V (shall be enforced upon expiry of ten calendar days after its first official publication)* ;
- 30) approve the procedure for conducting economic expertise of project budget documentation on the facilities, related to works on state geological exploration and

monitoring of subsurface, and temporary abandonment and abandonment of oil and gas wells and water wells;

31) approve time standards and price rates for the performance of works in the sphere of state geological exploration and monitoring of subsurface upon agreement with the authorized body for employment;

32) establish the terms of and time frames for pilot production of deposit reserves;

33) exercise other powers stipulated by this Law and the legislation of the Republic of Kazakhstan.

Footnote. Article 20 as amended by the Law of the Republic of Kazakhstan dated 10.07.2012 No 36-V (shall be enforced upon expiry of ten calendar days after its first official publication).

21. The central commission for exploration and development of minerals and interregional commission on exploration and development of widespread mineral deposits

1. The main task of the central commission shall be to ensure the application of the most effective methods of exploration and development of mineral and ground water deposits.

Recommendations of the central commission which are related to issues within its competence shall be documented in a protocol, adopted by a resolution of the authorized body for the study and use of subsurface, binding for all business entities notwithstanding their form of ownership, including foreign entities engaged in designing and exploration and development of minerals on the territory of the Republic of Kazakhstan.

Organization of the activities of the central commission and interregional commissions, their composition and a procedure for the collection and storage of materials and documents shall be established by the statute of the central commission and interregional commissions, which shall be subject to approval by the competent body.

The competent body shall have the right to retain representatives (experts) of public associations, scientific research institutes, organizations and other entities for work in the central commission.

2. Deadlines for consideration by the central commission of the issues referred to its competence shall not exceed five months.

3. The competence of the central commission shall include ensuring the application of the most effective methods of exploration and development of minerals and ground water during designing.

4. The central commission shall perform the following functions:

1) consider and submit to the authorized body for the study and use of subsurface recommendations to approve or reject project documents for exploration and

development of minerals, except for widespread mineral deposits, which are submitted by subsurface users, and amendments to such documents;

2) submit to the authorized body for the study and use of subsurface recommendations concerning extension of the time period for performance of pilot production from deposits;

3) submit to the authorized body for the study and use of subsurface recommendations to project organizations and subsurface users to enhance the rational and comprehensive use of mineral raw materials;

4) ensure the use of the most effective methods and technologies for exploration and development of minerals in project documents;

5) consider developments of scientific research, project organizations and subsurface users related to subsurface use, accurate records, the effective and comprehensive use of mineral raw materials.

5. The central commission shall have the right to:

1) request reference and other materials related to subsurface use, the effective and comprehensive use of mineral raw materials from scientific research and project organizations and subsurface users;

2) submit recommendations to the authorized body for the study and use of subsurface concerning the necessity for subsurface users to conduct additional expertise of submitted project documents in scientific research organizations and state bodies within their competence;

3) recommend the use of new forms and methods developed by scientific research, project organizations and subsurface users related to subsurface use, accurate record, rational and comprehensive use of mineral raw materials to project organizations and subsurface users.

6. The powers of interregional commissions shall include the consideration and introduction to the relevant territorial subdivisions of the authorized body for the study and use of subsurface recommendations concerning approval of, or refusal to approve project documents related to exploration and development of widespread mineral deposits and amendments to them submitted by subsurface users.

22. Tasks, functions and rights of the Commissions for the holding of tenders for granting the right to subsurface use and tender commissions for granting the right to subsurface use to exploration or production of widespread mineral deposits

1. The main tasks of the Commission for the holding of tenders for granting the right to subsurface use shall be:

1) consideration and appraisal of bids for obtaining the right to subsurface use for exploration, production, combined exploration and production of minerals, except for widespread mineral deposits;

2) selection of a winner among bidders for obtaining the right to subsurface use for exploration, production, combined exploration and production of minerals, except for widespread mineral deposits.

2. Functions of the Commission for the holding of tenders for granting the right to subsurface use shall be:

- 1) ensuring timely and qualitative consideration of bids;
- 2) objective and comprehensive appraisal of submitted bids.

3. The Commission for the holding of tenders for granting the right to subsurface use shall have the right to:

- 1) apprise, compare the bids, submitted for participation in a tender;
- 2) select the tender winner;
- 3) declare the tender void on the grounds established by this Law;
- 4) request the necessary information from state bodies, organizations, other entities;
- 5) hear at the meetings the members of commission, representatives of state bodies, organizations and other persons;
- 6) dismiss a bid on the grounds, established by this Law;
- 7) engage experts if necessary among the specialists of relevant fields;
- 8) exercise other rights stipulated by the legislation of the Republic of Kazakhstan.

4. The main tasks of tender commissions for granting the right to subsurface use for exploration or production of widespread mineral deposits, established on the basis of the act of a local executive body of a region, a city of republican significance, the capital shall be:

1) consideration and appraisal of bids for granting the right to subsurface use to exploration or production of widespread mineral deposits;

2) selection of a winner among bidders for obtaining the right to subsurface use for exploration, production of widespread mineral deposits.

Tender commissions for granting the right to subsurface use to exploration or production of widespread mineral deposits shall perform the functions, specified by paragraph 2 of this Article and shall have the rights specified by paragraph 3 of this Article.

23. Tasks, functions and rights of Interdepartmental commission for exercising the state's priority right

1. The main tasks of the Interdepartmental commission for exercising the state's priority right shall be:

1) consideration of applications concerning the alienation of the right to subsurface use (its part) and (or) an object related to the right to subsurface use, subject to the requirements of this Law and legislation of the Republic of Kazakhstan on the national security;

2) preparation of proposals related to exercising the priority right of the state.

2. Functions of the Interdepartmental commission for exercising the state's priority right shall include:

1) consideration of applications of subsurface users concerning the alienation of the right to subsurface use (its part) under subsurface use contracts;

2) consideration of applications of persons concerning the alienation of their interests (packages of shares) in legal entities having the right to subsurface use;

3) consideration of applications of persons concerning the alienation of their interests (packages of shares) in legal entities which can directly and (or) indirectly determine decisions and (or) influence decisions to be made by subsurface users, if the main activity of such legal entities is related to the subsurface use in the Republic of Kazakhstan;

4) preparation, justification and submission of proposals to the competent body concerning the acquisition or waiver of acquisition by the state of alienable objects related to the right to subsurface use.

3. The Interdepartmental commission for exercising the state's priority right shall have the right to:

1) interact with central executive and other state bodies and organisations;

2) invite to meetings and hear representatives of state bodies, organizations, officials and natural persons concerning the issues which are within its competence;

3) according to the procedure established by the legislation of the Republic of Kazakhstan, request and receive from state bodies, organizations, officials and natural persons any materials required for the performance of its functions.

24. Tasks, functions and rights of the expert commission for subsurface use issues and expert commission for subsurface use for exploration or production of widespread mineral deposits

1. The main task of the expert commission for subsurface use issues shall be preparation of proposals to the competent body concerning the issues specified in paragraph 2 of this Article which are related to the turnover of the right to subsurface use (its part) and (or) objects related to the right to subsurface use, for exploration and (or) production of minerals, except for widespread mineral deposits.

2. Functions of the expert commission for subsurface use issues shall include consideration of applications, preparation, justification and submission to the competent body of proposals for issuance (refusal to issue) of permissions for:

1) alienation of the right to subsurface use (its part) under subsurface use contracts;

2) alienation of objects related to the right to subsurface use;

3) pledge of the right to subsurface use (its part), participating interests (packages of shares) in legal entities having the right to subsurface use;

4) participation in public auctions for sale of the right to subsurface use (its part), objects related to the right to subsurface use, in cases of foreclosure, including upon

pledge, on such the right to subsurface use (its part), objects related to the right to subsurface use;

5) participation in public auctions for the realization (sale) of such bankruptcy assets which include the right to subsurface use (its part), objects related to the right to subsurface use, in the course of bankruptcy proceedings;

6) acquisition by a pledgeholder of a pledged right to subsurface use (its part), a participating interest (package of shares) in a legal entity having the right to subsurface use, to the extent that auctions for the sale of the pledged the right to subsurface use (its part), an interest (packages of shares) in a legal entity having the right to subsurface use are declared void;

7) acquisition of the right to an interest in a legal entity having the right to subsurface use, as a result of an increase in the charter capital through additional contributions made by one or more of the participants or through accepting a new participant as a member of the legal entity;

8) original issue to an organized security market of shares or other securities confirming the right of ownership to shares, or securities convertible into shares, of a legal entity which is a subsurface user, or a legal entity able to determine, either directly and (or) indirectly, decisions and (or) influence decisions adopted by such subsurface user, provided that the main activity of such legal entity is related to subsurface use in the Republic of Kazakhstan, including original issue to the organized market of securities of such securities issued within the framework of an additional issue;

9) a change in obligations under a work program, a contract;

10) extension of contracts.

By the order of the competent body, the expert commission for subsurface use issues shall consider other issues related to subsurface use, [and] shall prepare and submit to the competent body relevant proposals related to such issues.

3. The expert commission for subsurface use issues and rights related to it shall have the right to:

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

2) invite to meetings and hear representatives of state bodies, organizations, officials and natural persons concerning the issues which are within its competence;

3) according to the procedure established by the legislation of the Republic of Kazakhstan, request and receive from state bodies, organizations, officials and natural persons any materials required for the performance of its functions.

4. The main task of the expert commission for subsurface use issues for exploration or production of widespread mineral deposits established under local executive bodies of a region, a city of republican significance, the capital, shall be preparation of proposals to the local executive bodies of a region, a city of republican significance,

the capital, concerning the issues specified in paragraph 2 of this Article which are related to the turnover of the right to subsurface use (its part) and (or) objects related to the right to subsurface use, for exploration and (or) production of minerals, except for widespread mineral deposits.

Expert commission for subsurface use issues for exploration or production of widespread mineral deposits shall perform functions, specified by paragraph 2 of this Article.

by the order of relevant local executive bodies of a region, a city of republican significance, the capital, expert commission for subsurface use issues for exploration or production of widespread mineral deposits shall have the right to consider other issues, related to subsurface use for exploration or production of widespread mineral deposits, to prepare and to submit to the local executive bodies of a region, a city of republican significance, the capital, appropriate proposals related to such issues.

Expert commission for subsurface use issues for exploration or production of widespread mineral deposits shall have the rights, specified by paragraph 3 of this Article.

25. The competence of an authorized body for environmental protection

The authorized body for environmental protection shall:

- 1) exercise state control over subsurface protection;
- 2) approve the issuance of permissions for the construction and (or) operation of underground facilities not related to exploration or production, within or outside of a contract area and designated for burial of radioactive wastes, harmful substances and waste waters;
- 3) determine, together with the authorized body for the study and use of subsurface, the amount of damage resulting from violation of subsurface protection requirements;
- 4) *is excluded by the Law of the Republic of Kazakhstan dated 10.07.2012 No 36-V (shall be enforced upon expiry of ten calendar days after its first official publication)*
;
- 5) approve programs of measures for prevention of accidents and other dangerous situations during the performance of petroleum operations, the construction and operation of oil and gas pipelines;
- 6) exercise state control over conservation and liquidation of subsurface use objects
;
- 7) perform ecological expertise of projects of exploration, production, and combined exploration and production contracts;
- 8) approve projects of the lists of a portion of subsurface, except for the portions of subsurface containing widespread mineral deposits which are subject to tendering;

8-1) approve the issuance of a written permission to the right to subsurface use under construction (reconstruction) and repair of general purpose highways, railroads and hydraulic structures;

9) exercise other powers stipulated by this Law, other laws of the Republic of Kazakhstan, acts of the President of the Republic of Kazakhstan and the Government of the Republic of Kazakhstan.

Footnote. Article 25 as amended by the Laws of the Republic of Kazakhstan dated 27.04.2012 No 15-V (shall be enforced upon expiry of ten calendar days after its first official publication); dated 10.07.2012 No 36-V (shall be enforced upon expiry of ten calendar days after its first official publication).

26. The competence of other authorized bodies for subsurface use

1. The authorized body for employment of the population shall:

1) develop and approve, upon agreement with the competent body, methodology for the calculation of local content in personnel;

2) participate in monitoring the fulfillment by subsurface users of their contractual obligations related to Kazakhstan content in personnel as well as in ensuring that the labour conditions and payment for work of Kazakhstan personnel are on a non-discriminatory basis;

3) approve a procedure for calculation of a minimum local content in personnel;

4) in accordance with the procedure agreed with the competent body, submit the minimum local content in personnel to the competent body for inclusion in the conditions of tenders for granting the right to subsurface use;

5) other powers stipulated by the laws of the Republic of Kazakhstan, acts of the President of the Republic of Kazakhstan and the Government of the Republic of Kazakhstan.

2. The authorized body for education and science shall:

1) develop and approve, upon agreement with the competent body, methodology for calculation of the minimum level of requirements related to the training of Kazakhstan specialists;

2) participate in monitoring the fulfillment by subsurface users of their contractual obligations related to the training of Kazakhstan specialists;

3) approve the procedure for calculation of the minimum quantity of Kazakhstan personnel to undergo training as a percentage of the total set of the personnel;

4) in accordance with the procedure agreed with the competent body, provide the competent body with the minimum quantity of Kazakhstan personnel to be trained, expressed as a percentage of the total set of the personnel subject to training;

5) exercise other powers stipulated by laws of the Republic of Kazakhstan, acts of the President of the Republic of Kazakhstan and the Government of the Republic of Kazakhstan.

Footnote. Article 26 as amended by the Law of the Republic of Kazakhstan dated 09.01.2012 No 535-IV (shall be enforced upon expiry of ten calendar days after its first official publication).

27. The competence of local executive bodies of a region, a city of republican significance, the capital

Local executive bodies of a region, a city of republican significance, the capital shall:

1)) grant land plots to subsurface users with the right of land use, of the size and for a period which are determined in the contract, in accordance with the land legislation of the Republic of Kazakhstan. If necessary, they seize land plots from private owners or land users for the purposes stated above, in accordance with the procedure established by the land legislation of the Republic of Kazakhstan;

2) within the limits of their competence, exercise control of the protection of land plots and water areas granted for conducting subsurface use operations, compliance by subsurface users with the requirements for ecological safety, preservation of archaeological monuments and other sites of historic and cultural heritage;

3) participate in negotiations with subsurface users to resolve issues related to the observance of the social-economic and ecological interests of the population in the region when concluding contracts;

4) participate in monitoring the fulfillment of their contractual obligations by subsurface users with regard to local content in goods, work, services and personnel, and social development of territories, including through a register of the goods, works and services used for conducting subsurface use operations, and of their producers;

5) issue permissions to subsurface users for retaining foreign labour in accordance with the procedure established by the legislation of the Republic of Kazakhstan;

6) approve lists of the portions of subsurface containing widespread mineral deposits which shall be subject to tendering;

7) form a list of goods, works and services produced on the territory of a region, a city of republican significance, the capital, and of their producers, which list shall be submitted to the competent body on a quarterly basis for purposes of the formation and maintenance of a register of the goods, works and services used for conducting subsurface operations, and of their producers;

8) prepare and organize tenders for granting the right to subsurface use for exploration and production of widespread mineral deposits;

9) approve the composition of tender commissions for granting the right to subsurface use for exploration and production of widespread mineral deposits;

10) conduct negotiations with subsurface users on contract terms and prepare jointly with subsurface users project contracts for exploration or production of widespread mineral deposits;

11) organize expertise of project contract documents related to widespread mineral deposits, except for expertise of design apprise documentation for the performance of work related to the state geological exploration of subsurface;

12) conclude, register and store contracts for exploration, production of widespread mineral deposits and construction and (or) operation of underground facilities, not related to the exploration or production;

13) permissions for transfer of the right to subsurface use in accordance with Article 37 of this Law and register transactions involving the pledge of the right to subsurface use with respect to widespread mineral deposits;

13-1) issue permissions for the right to subsurface use under construction (reconstruction) and repair of general purpose highways, railroads and hydraulic structures;

14) ensure the performance and termination of contracts for exploration or production of widespread mineral deposits and construction and (or) operation of underground facilities, not related to the exploration or production;

15) promote the preservation of the items related to subsurface use which have environmental, scientific, historic and cultural, and recreational significance;

16) approve, upon agreement with the competent body and authorized central executive bodies, lists of the geological, geomorphologic and hydro-geological sites of the state natural preserve fund of local significance and the portions of subsurface that represent special ecological, scientific, historic and cultural, and recreational value and are included in the category of specially-protected natural areas of local significance;

17) make decisions on renewal of contracts for exploration and production of widespread mineral deposits and construction and (or) operation of underground facilities, not related to the exploration or production;

18) exercise monitoring and control over the performance of contractual obligations with respect to widespread mineral deposits and construction and (or) operation of underground facilities, not related to the exploration or production;

19) reserve land for subsurface use purposes in accordance with the procedure established by this Law and the land legislation of the Republic of Kazakhstan;

20) exercise, in behalf of the local state administration, other powers which are assigned to local executive bodies in accordance with the legislation of the Republic of Kazakhstan.

Footnote. Article 27 as amended by the Laws of the Republic of Kazakhstan dated 09.01.2012 No 535-IV (shall be enforced upon expiry of ten calendar days after its first official publication); dated 27.04.2012 No 15-V (shall be enforced upon expiry of ten calendar days after its first official publication); dated 10.07.2012 No 36-V (shall be enforced upon expiry of ten calendar days after its first official publication).

Chapter 3. The right to subsurface use

28. Types of the right to subsurface use

1. The right to subsurface use shall be granted in order to conduct the following operations:

- 1) state geological exploration of subsurface;
- 2) exploration;
- 3) production;
- 4) combined exploration and production;

5) construction and (or) operation of underground facilities, not related to the exploration or production.

2. The right to subsurface use may be permanent or temporary, alienable or inalienable, and granted for value or free of charge.

3. The production of widespread mineral deposits for the subsurface user's own needs shall be conducted on the basis of the permanent right to subsurface use granted free of charge, on the land plots which are held by the subsurface user according to the private ownership or land use right.

All other types of subsurface use operations shall be conducted on the basis of temporary subsurface use for value.

29. Holders of the right to subsurface use

1. Holders of the right to subsurface use may be Kazakhstan and foreign natural persons and legal entities.

2. Subsurface users must be business entities, except for persons producing widespread mineral deposits and ground water for their own needs.

3. Several persons may be holders of the right to subsurface use under one contract. Such persons shall be joint holders of the right to subsurface use and shall bear joint and several liabilities for obligations arising under the contract.

Rights and obligations of joint holders of the right to subsurface use with respect to the competent body or local executive body of a region, a city of republican significance, the capital as well as the amount of their interests in the right to subsurface use shall be established in the contract.

Rights and obligations of joint holders of the right to subsurface use and a procedure for conducting common affairs shall be established in the contract as well as in the joint operating agreement. The provisions of the joint operating agreement shall not contradict the provisions of the contract.

To the extent of establishment or appointment of an operator under a contract, the joint holders of the right to subsurface use shall be obliged to inform the competent body thereof in writing.

In contracts with mandatory shared participation of a national company, the participating interest of the national company in the charter capital of the operator shall not be less than fifty percent.

Joint holders of the right to subsurface use shall bear property liability for actions of the operator.

30. Guarantees of a subsurface user rights

A subsurface user shall be guaranteed protection of its rights in accordance with the legislation of the Republic of Kazakhstan. Any amendments and additions to legislation which deteriorate the results of the entrepreneurial activities of the subsurface user under contracts shall not apply to the contracts concluded prior to the introduction of such amendments and additions.

The guarantees established by this Article shall not apply to changes of the legislation of the Republic of Kazakhstan in the sphere of ensuring national security, defence capacity, in the spheres of ecological safety, healthcare, taxation and customs regulation.

31. Functions of a national company

1. The functions of a national company within the competence established by the legislation of the Republic of Kazakhstan shall be as follows:

1) participation in the implementation of the unified state policy in the sphere of subsurface use;

2) representation of state interests in contracts involving shared participation of the national company, in accordance with the procedure established by the Government of the Republic of Kazakhstan and within the powers set forth in the contracts;

3) conducting subsurface use operations jointly with winners of tenders through shared participation in contracts according to the decision of the Government of the Republic of Kazakhstan;

4) conducting subsurface use operations in portions of subsurface granted on the basis of direct negotiations;

5) participation in the international and internal projects of the Republic of Kazakhstan which involve subsurface use operations and transportation of hydrocarbons;

6) participation in the preparation of annual reports on the implementation of contracts to the President and the Government of the Republic of Kazakhstan;

7) performance of corporate management and monitoring of exploration, development, production, treatment, sale of minerals, transportation of hydrocarbons, designing, construction, operation of oil and gas pipelines and the petroleum deposit infrastructure;

8) accordance with the procedure specified in paragraph 8 of Article 13 of this Law , negotiating and signing agreements on the acquisition of an alienable right to

subsurface use (its part) and (or) an object related to the right to subsurface use, with its alienator (alienators).

2. In contracts under which the national company acts as a subsurface user, exploration shall be financed by its strategic partner unless as otherwise provided in the joint operating agreement.

32. Portion of subsurface, granted for the conducting subsurface use operations

1. Portions of subsurface within the borders of the territory of the Republic of Kazakhstan shall be the state property and shall be granted for the conducting subsurface use operations according to the procedure established by this Law.

2. A portion of subsurface may not be subject in turnover.

3. The right to subsurface use shall be the subject of turnover in accordance with the procedure and on the conditions established in this Law.

33. Geological and mining allotments

1. Holders of the right to subsurface use for exploration, production, combined exploration and production as well as for the construction and (or) operation of underground facilities not related to exploration or production shall have the right to conduct the relevant subsurface use operations only within a portion of subsurface, established by the geological or mining allotment, accordingly.

2. A geological allotment shall be issued by the authorized body for the study and use of subsurface within twenty days after the day of application by the tender winner or a person to which the right to subsurface use is granted without holding a tender to the extent, stipulated by this Law.

3. A mining allotment shall be issued by the authorized body for the study and use of subsurface to the tender winner or person to which the right to subsurface use is granted without holding a tender to the extent, stipulated in paragraph 2 of Article 35 of this Law, within twenty days of the day of submission by the above person of a project of mining allotment.

4. A holder of the right to subsurface use for production shall have the right to perform exploration operations within a portion of subsurface established by the mining allotment. To the extent of increase in the reserves and their confirmation by a state expertise of subsurface, relevant amendments shall be introduced into the contract by written agreement of the parties in accordance with the procedure established by the legislation of the Republic of Kazakhstan.

34. Creation of the right to subsurface use

1. The right to subsurface use may arise by:

1) granting;

2) transfer;

3) transfer through legal succession.

2. Granting the right to subsurface use means vesting the right to subsurface use in a person directly by the state.

3. Transfer of the right to subsurface use means vesting the right to subsurface use in a person by another subsurface user.

4. Transfer of the right to subsurface use through legal succession means the creation the right to subsurface use of a legal successor to the extent of reorganization of a legal entity and in case of death of the natural person having the right to subsurface use.

35. Granting the right to subsurface use

1. The right to subsurface use shall be granted by way of conclusion of contracts, except for the cases stipulated in paragraphs 5, 6, 9 and 10 of this Article.

2. A contract for exploration, production, combined exploration and production shall be concluded with the tender winner on the basis of tender results.

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

1) for the performance of production operations, with a person having the exclusive right to be granted the right to subsurface use for production in connection with a commercial discovery and on the basis of an exploration contract;

2) for the performance of operations related to the construction and (or) operation of underground facilities not related to exploration or production;

3) *is excluded by the Law of the Republic of Kazakhstan dated 27.04.2012 No 15-V (shall be enforced upon expiry of ten calendar days after its first official publication)* ;

4) for the performance of exploration and (or) production operations with a national company;

4-1) for the performance of exploration and (or) production operations with industrial and innovative entities in accordance with the Law of the Republic of Kazakhstan “On State support of industrial and innovative activity”;

5) for the performance of exploration and (or) production operations in the case established by paragraph.4 of Article of this Law;

6) for the performance of operations involving the daily production of more than two thousand cubic meters of ground water for drinking or domestic water supply to the population, with the owner or land user of the land plot beneath which the ground water is located, provided that he/she/it has the special water use right to this plot.

3. *Is excluded by the Law of the Republic of Kazakhstan dated 10.07.2012 No 36-V (shall be enforced upon expiry of ten calendar days after its first official publication)*

4. Granting of the right to subsurface use shall not be required for the construction and (or) operation of underground facilities related to exploration and (or) production which are provided in work programs under exploration or production contracts.

5. Rights for the production of ground water for household-potable and industrial-technical purposes with the limits of extraction from fifty to two thousand cubic meters a day shall be granted on the basis of a permission issued by the authorized body for the use and protection of the water stock, water supply and water removal, in accordance with the procedure established by the Government of the Republic of Kazakhstan.

6. Granting a subsurface user of the right for exploration or production of industrial-technical ground water in the volumes of two thousand or more cubic meters a day for its injection in a reservoir in accordance with a technological scheme of production of minerals, or for production of ground water for purposes of water depression in the operation of mine workings shall be made by the issuance of a permission by the authorized body for the study and use of subsurface, in accordance with the procedure established by the Government of the Republic of Kazakhstan.

The provisions of this paragraph shall not apply to the production of ground water for dewatering purposes in the operation of mine workings which subsurface users perform under concluded subsurface use contracts.

7. The right to subsurface use for the exploration or production of widespread mineral deposits shall be granted by conclusion of a contract with the local executive body of a region, a city of republican significance, the capital, except for the cases, stipulated by paragraph 10 of this Article.

8. The right to subsurface use for state geological exploration of subsurface shall be granted by conclusion of contracts (agreements) for operations involving the state geological exploration of subsurface with the authorized body for the study and use of subsurface, in accordance with the procedure established by the Government of the Republic of Kazakhstan.

9. The right to subsurface use for the production of widespread mineral deposits for own needs as well as ground water in production quantities not exceeding fifty cubic meters a day shall be granted simultaneously with granting into private ownership or land use of the land plot beneath which the widespread mineral deposits and ground water are located. If a land plot is granted for temporary land use, the terms of using widespread mineral deposits for own needs as well as ground water in production volumes not exceeding fifty cubic meters a day may be provided in a temporary land use agreement.

10. Granting the right to subsurface use for widespread mineral deposits, used in construction (reconstruction) and repair of general purpose highways, railroads and hydraulic structures shall be performed on the basis of a permission in writing by a

local executive body under the agreement with the territorial division of the competent body for study and use of subsurface and the authorized body for environmental protection, according to the procedure, established by the Government of the Republic of Kazakhstan.

Footnote. Article 35 as amended by the Laws of the Republic of Kazakhstan dated 09.01.2012 No 535-IV (shall be enforced upon expiry of ten calendar days after its first official publication); dated 27.04.2012 No 15-V (shall be enforced upon expiry of ten calendar days after its first official publication); dated 10.07.2012 No 36-V (shall be enforced upon expiry of ten calendar days after its first official publication).

36. Transfer of the right to subsurface use and objects, related to the right to subsurface use

1. Transfer of the right to subsurface use and (or) objects related to the right to subsurface use shall be performed by:

1) alienation of the right to subsurface use, either fully or partially, to another entity on the basis of paid or free of charge civil transactions;

2) alienation of objects related to the right to subsurface use, on the basis of paid or free of charge civil transactions;

3) transfer of the right to subsurface use, objects related to the right to subsurface use to the charter capital of another legal entity;

4) alienation of the right to subsurface use which is performed in the course of privatization of the property complexes of state enterprises having the right to subsurface use;

5) alienation of the right to subsurface use, objects related to the right to subsurface use during the process of bankruptcy proceedings;

6) levy of execution upon the right to subsurface use, objects related to the right to subsurface use, including in case of pledge;

7) creation of a right to an interest in a legal entity having the right to subsurface use, in a legal entity which is able to determine, directly and (or) indirectly, decisions and (or) influence decisions adopted by such subsurface user, provided that the main activity of such legal entity is associated with subsurface use in the Republic of Kazakhstan, as a result of an increase in the charter capital through additional contributions made by one or more participants as well as through admission of a new participant to the legal entity.

2. Transfer of the right to subsurface use for exploration, production, combined exploration and production of minerals, except for widespread mineral deposits and (or) objects related to the right to subsurface use, shall be performed with the permission of the competent body, which shall be issued in accordance with the procedure established by Article 37 of this Law.

Transfer of the right to subsurface use for exploration and production of widespread mineral deposits and (or) objects related to the right to subsurface use shall be performed with the permission of the local executive bodies of a region, a city of republican significance, the capital, which shall be issued in accordance with the procedure established by Article 37 of this Law.

3. Original issue to an organized security market of shares or other securities confirming the right of ownership to shares, or of securities convertible into shares, of a legal entity which is a subsurface user, a legal entity which is able to determine, directly and (or) indirectly, decisions and (or) influence decisions adopted by such subsurface user, provided that the main activity of such legal entity is related to subsurface use in the Republic of Kazakhstan, including original issue to an organized security market of such securities issued within the framework of an additional issue, shall be performed upon the permission of the competent body, issued in accordance with the procedure established by Article 37 of this Law.

4. Transfer of the right to subsurface use (its part), objects related to the right to subsurface use into pledge shall be performed upon the permission of the competent body or local executive body of a region, a city of republican significance, the capital, concerning widespread mineral deposits, which shall be granted in accordance with the procedure established by Article 37 of this Law.

A received loan secured by the right to subsurface use shall be used for subsurface use purposes or for organizing any subsequent redistribution on the territory of the Republic of Kazakhstan stipulated by the subsurface use contract, by the subsurface user itself or by its subsidiary organization with one hundred percent participation interest in its charter capital.

5. The provisions of paragraph 2 of this Article shall not apply to the following cases:

1) execution of the transactions involving the alienation of shares or other securities confirming the ownership of shares, or of securities convertible into shares and circulating on an organized securities market of a legal entity having the right to subsurface use, a legal entity which is able to determine, directly and (or) indirectly, decisions and (or) influence decisions adopted by such subsurface user, provided that the main activity of such legal entity is related to the subsurface use in the Republic of Kazakhstan;

2) transfer of the right to subsurface use or its part, objects related to the right to subsurface use:

in favor of a subsidiary in which not less than a ninety nine percent interest (block of shares) is owned, directly or indirectly, by the subsurface user, provided that such subsidiary is not registered in a tax-haven country;

between the legal entities, in each of which not less than ninety nine percent of interests (blocks of shares) are owned, directly or indirectly, by the same person, provided that the acquirer of the whole or part of the right to subsurface use, objects related to the right to subsurface use is not registered in a tax-haven country;

3) transfer of shares (participating interests) in a legal entity which is a subsurface user unless, as the result of such a transfer, the entity acquires the right to dispose, either directly or indirectly (through third parties), of less than 0.1 per cent of participating interests (blocks of shares) in the charter capital of a legal entity subsurface user, and (or) a legal entity able to determine, directly and (or) indirectly, decisions and (or) influence decisions of such subsurface user, provided that the main activity in the Republic of Kazakhstan of that legal entity is related to the subsurface use.

6. Transfer of the right to subsurface use for the state geological exploration of subsurface which is granted to a subsurface user on the basis of a contract with the authorized body for the study and use of subsurface may be effected only upon the prior permission of that body.

7. Transfer of the right to subsurface use for exploration or production of widespread mineral deposits and ground water to satisfy one's own needs shall be executed simultaneously with transfer into private ownership or land use of the land plot beneath which the widespread mineral deposits or ground waters are located. In case of transfer of a land plot for temporary land use, the terms of use of widespread mineral deposits and ground water for satisfaction of one's own needs may be provided in a temporary land use agreement.

No permission shall be required from the local executive bodies of a region, a city of republican significance, the capital for transfer of the right to subsurface use for exploration or production of widespread mineral deposits and ground waters for the satisfaction of one's own needs.

The transfer the right to subsurface use to widespread mineral deposits and ground waters to satisfy one's own needs without transferring the land plot beneath which they are located, shall be prohibited.

8. To the extent of a partial transfer of the right to subsurface use to another person, the subsurface user and such person shall agree on their mutual obligations arising in the course of their joint exercise of rights and performance of obligations under the contact. A joint operating agreement or any other agreement on the establishment of mutual rights and obligations within the framework of the activities under a contract between subsurface users shall be agreed with the competent body or local executive body of a region, a city of republican significance, the capital with respect to widespread mineral deposits and shall be a supplement to the contact which shall be binding on the parties to the contract.

9. To the extent of transfer of a part of the right to subsurface use held by several natural persons or legal entities, such transfer shall be possible only upon the permission of all holders of such the right to subsurface use.

10. long as a subsurface user retains any participation in a contract, the subsurface user and the transferee of the right to subsurface use shall have joint-and-several liability for any obligations arising from the contract.

11. Transfer of the right to subsurface use shall be the unconditional basis for re-registration of the land plot, mining or geological allotment.

Transfer of the right to subsurface use shall be the unconditional basis for re-registration (transfer) of the liquidation fund established under the contract terms.

12. All costs for transferring the right to subsurface use shall be the subsurface user's costs unless otherwise established by the conditions of such transfer.

13. Transfer of the right to subsurface use shall entail the necessity to introduce relevant amendments and (or) additions to the contract and shall be considered completed from the moment of registration of such amendments and (or) additions. The competent body or the local executive body of a region, a city of republican significance, the capital shall have the right to deny registration of a contract in the absence of the fact of consummation of a civil transaction involving the transfer of the right to subsurface use or the establishment of the fact of provision by the subsurface user to the competent body or the local executive body of a region, a city of republican significance, the capital of unreliable information about the basis of which the permission to the transfer of the right to subsurface use was issued, or to the extent of a failure to comply with the provisions of paragraphs 8 and 9 of this Article.

Transfer of rights to the objects related to the right to subsurface use shall be documented in accordance with the procedure stipulated by the legislation of the Republic of Kazakhstan, subject to the provisions of this Article.

14. Transactions and other actions aimed at transferring the right to subsurface use, objects related to the right to subsurface use, which are concluded without the permission of the competent body or the local executive body of a region, a city of republican significance, the capital which is stipulated in paragraph 2 of this Article, or after the expiration of the term of such permission, and without the prior permission of the authorized body for the study and use of subsurface, granted in accordance with paragraph 6 of this Article, shall be invalid from the moment of their conclusion.

Any failure to notify the competent body of a concluded transaction within five working days after its conclusion shall be the basis for recognizing the transaction as void.

37. The procedure for granting permissions to alienate the right to subsurface use and rights related to them

1. Unless as otherwise established by this Law, a person intending to alienate its right to subsurface use (its part) and (or) objects related to the right to subsurface use shall submit an application to the competent body, seeking its permission to the transfer of the right to subsurface use and (or) the objects related to the right to subsurface use.

To the extent of alienation of the right to subsurface use (its part) for exploration or production of widespread mineral deposits, an application seeking permission to the transfer of the right to subsurface use shall be submitted to the local executive body of a region, a city of republican significance, the capital.

2. An application for granting permission to alienate the right to subsurface use (its part) and (or) objects related to the right to subsurface use must be executed in the Kazakh and Russian languages and shall contain:

1) the full name of a legal entity or the surname and name of the natural person holding the right to subsurface use or owning the object related to the right to subsurface use;

2) specification of the portion of subsurface and the right to subsurface use (its part) which is being alienated or specification of the object related to the right to subsurface use which is subject to alienation;

3) the exact scope of an alienable right to subsurface use (its part) or the amount of participating interest (package of shares), the set of securities being alienated, and the scope of the rights remaining with the initial holder and other persons, a type of alienable securities;

4) information about the total amount of the charter capital and composition of the participants, the total set of issued securities confirming the right of ownership of the shares or convertible into shares, the total number and the proportion of share packages of the legal entity holding the right to subsurface use, of the legal entity that is able to directly and (or) indirectly determine decisions and (or) influence decisions adopted by such subsurface user;

5) information about the acquirer of the right to subsurface use or of the object related to the right to subsurface use:

for legal entities, the name of the acquirer, its location, nationality, information about its state registration as a legal entity and registration with tax bodies, information about managers and their powers, information about participants with specification of the amount of their participating interests (packages of shares), information about circulation of securities of the legal entity on an organized security market and about the total set of such securities, information about subsidiaries of the acquirer;

for legal entities, the name of the acquirer, its location, nationality, information about its state registration as a legal entity and registration with tax bodies, information about managers and their powers, information about participants with specification of

the amount of their participating interests (packages of shares), information about circulation of securities of the legal entity on an organized security market and about the total set of such securities, information about subsidiaries of the acquirer);

6) information about the previous activities of the acquirer, including a list of the states in which the acquirer conducted its activities for the last three years as well as information about the financial, technical, managerial and organizational capabilities of the acquirer, including the qualifications of the personnel;

7) the basis for alienating the right to subsurface use or an object related to the right to subsurface use;

8) a legal status of the applicant in the legal relations involving the alienation of the right to subsurface use or interest (package of shares) in a legal entity being a subsurface user;

9) written confirmation by the acquirer certifying that all information about the acquirer in the application and documents attached to it is accurate;

10) the surname and the first name of the person that signed the application, specification of the powers of such person, information about a document certifying his /her identity;

11) information about the price and other conditions of alienation of the right to subsurface use or the object related to the right to subsurface use.

Such application shall be supplemented by duly certified documents (or their notarized copies) confirming the information included in the application.

All documents attached to an application shall be drafted in the Kazakh and Russian languages. In the event that an application is submitted by a foreign national or a foreign legal entity, such documents may be drafted in another language, and each document must be accompanied with a translation of such document into the Kazakh and Russian languages, and its accuracy shall be certified by a notary.

3. The competent body shall, within five working days of the receipt of the protocol of the interdepartmental commission for the issues of exercising of the priority right of the state, send for consideration of the expert commission for subsurface use issues the materials required for preparation of proposals for granting (refusal to grant) permission for alienation of the right to subsurface use and (or) objects related to the right to subsurface use.

4. The expert commission for subsurface use issues shall, within ten working days of the receipt of materials, consider the application and other materials and prepare corresponding proposals for granting (refusal to grant) its permission for alienation of the right to subsurface use and (or) objects related to the right to subsurface use.

The expert commission for subsurface use issues shall have the right to request and receive from an applicant and other persons any additional materials directly pertaining

to the alienation of the right to subsurface use or objects related to the right to subsurface use.

Proposals of the expert commission for subsurface use issues concerning granting (refusal to grant) permission for alienation of the right to subsurface use and (or) objects related to the right to subsurface use shall be documented in a protocol, which shall be sent to the competent body.

5. The competent body shall, on the basis of proposals of the expert commission for subsurface use issues and within the time period not exceeding five working days of the receipt of a proposal, made a decision to issue (refuse to issue) its permission to the alienation of the right to subsurface use and (or) objects related to the right to subsurface use.

6. Permission for alienation of the right to subsurface use (its part) and (or) objects related to the right to subsurface use shall be granted by the competent body only provided that the following conditions are met:

1) the acquirer of the right to subsurface use (its part) must fully comply with the requirements established in this Law for subsurface users and persons seeking to obtain the right to subsurface use;

2) such transfer will not entail violation of the requirements of the legislation of the Republic of Kazakhstan, including the requirements for ensuring national security in the country, concentration of rights within the framework of the contract and (or) concentration of rights for the conducting subsurface use operations as well as international agreements concluded by the Republic of Kazakhstan;

3) the application for granting permission to transfer the right to subsurface use, objects related to the right to subsurface use must be consistent with the requirements of paragraph 2 of this Article.

7. The matter concerning granting the permission of the competent body to the alienation of the right to subsurface use (its part), and (or) objects related to the right to subsurface use to a specific person shall be considered separately in each case of such alienation. It shall be prohibited to establish in a contract or other act general permission to such alienation at the discretion of the subsurface user or its participant (shareholder).

8. Any refusal to issue permission to a transfer of the right to subsurface use (its part) and (or) an object related to the right to subsurface use may be challenged in accordance with the legislation of the Republic of Kazakhstan.

9. Refusal to issue the permission for a transfer of the right to subsurface use in accordance with paragraph 2) of this Article shall be given without any explanation of the reasons for such refusal.

10. The right to subsurface use may not be transferred during the period of two years after the effective date of the contract.

he provisions of this paragraph shall not apply to the extent, of:

- 1) transfer or acquisition of the right to subsurface use by the national management holding, a national company or their subsidiaries;
- 2) enforcement on the right to subsurface use as collateral;
- 3) transfer or acquisition of the right to subsurface use within the framework of reorganization of the legal entity holding the right to subsurface use;
- 4) transfer of the right to subsurface use to the extent, provided by subparagraphs 2) and 3) of paragraph 5 of Article 34 of this Law.

11. Permission to the alienation of the right to subsurface use (its part) and (or) an object related to the right to subsurface use shall be issued for a term of six months.

If a transaction is not consummated within an established period, the applicant shall apply to the competent body for an extension of the term of the permission for a period not exceeding six months or for obtaining a new permission for the execution of the transaction.

The acquirer of an alienable right to subsurface use (its part) and (or) an object related to the right to subsurface use shall be obliged to notify the competent body of a consummated transaction within five working days after the date of execution of the transaction.

12. Issue (refusal to issue) of permissions by local executive bodies of regions, cities of the Republic's significance, the capital and preparation of proposals by expert commissions on subsurface use matters for exploration or production of widespread mineral deposits for issuance (refusal to issue) of permissions to the transfer of the right to subsurface use for exploration or production of widespread mineral deposits and (or) interests (packages of shares) in a legal entity holding the right to subsurface use for exploration or production of widespread mineral deposits shall be performed in accordance with the procedure established by this Article.

38. The transfer of the right to subsurface use and the rights related to them in accordance with the procedure of legal succession under reorganization of a legal entity

1. The transfer, in accordance with the procedure of legal succession, of the right to subsurface use (parts thereof) and (or) objects related to the right to subsurface use on the basis of an act of transfer or separation balance sheet to the extent of reorganization of a legal entity holding the right to subsurface use, or a legal entity which is a participant (shareholder) of a legal entity holding the right to subsurface use, shall only be allowed on the basis of the permission of the competent body or local executive body of a region, a city of republican significance, the capital, which shall be granted in accordance with the procedure established by Article 37 of this Law.

2. The provisions of paragraph 1 of this Article shall not apply in cases of reorganization of the national management holding, a national company or its

subsidiary, or reorganization of a legal entity holding the right to subsurface use by means of changing their organizational and legal form, and to the extent, provided for in subparagraphs 2) and 3) of paragraph 6 of Article 36 of this Law.

3. To the extent, set forth in paragraph 2 of this Article, the competent body shall introduce relevant amendments to the contract within one month of the application of the subsurface user.

39. The transfer of the right to subsurface use and the rights related to them in accordance with the procedure of universal legal succession to the extent of death of a natural person

The transfer, in accordance with the procedure of inheritance, of the right to subsurface use, objects related to the right to subsurface use shall be performed through the procedure established by the civil legislation of the Republic of Kazakhstan.

40. Termination of the right to subsurface use

1. No one may be deprived of the right to subsurface use other than on the grounds established by this Law and other laws of the Republic of Kazakhstan.

2. The right to subsurface use shall terminate in the following cases:

1) termination of the contract;

2) expiration of the term or revocation of a permission for performance of operations involving the construction and (or) operation of underground facilities not related to exploration or production and designated for burial of radioactive waste, harmful substances and waste waters, as well as for exploration or production of industrial-technical ground water in volumes of two thousand or more cubic meters a day, for granting the right to subsurface use under construction (reconstruction) and repair of general purpose highways, railroads and hydraulic structures in accordance with paragraph 6 and 10 of Article 35 of this Law;

3) adoption by the Government of the Republic of Kazakhstan of a resolution prohibiting to use the a portion of subsurface in accordance with Article 14 of this Law ;

4) liquidation of the legal entity holding the right to subsurface use.

3. Termination of the right to subsurface use shall serve as the unconditional ground for termination of the land use right with respect to the land plot granted for subsurface use purposes.

Footnote. Article 40 as amended by the Law of the Republic of Kazakhstan dated 27.04.2012 No 15-V (shall be enforced upon expiry of ten calendar days after its first official publication).

41. The procedure for compulsory termination of the right to subsurface use

1. To the extent of enforcement of the right to subsurface use (its part) and (or) objects related to the right to subsurface use, including cases of pledge, the corresponding realization (sale) of the right to subsurface use (its part) and (or) the

objects related to the right to subsurface use shall be performed through public auctions unless as otherwise established by this Law.

Persons that obtained the permission of the competent body or the local executive body of a region, a city of republican significance, the capital for participation in an auction for realization (sale) of the right to subsurface use (its part) and (or) objects related to the right to subsurface use shall be allowed to participate in such auction.

A person intending to participate in a public auction for realization (sale) of the right to subsurface use (its part), objects related to the right to subsurface use shall submit to the competent body or the local executive body of a region, a city of republican significance, the capital an application, seeking its permission to the participation in the public auction.

An application for permission to participate in an auction for realization (sale) of the right to subsurface use (its part), objects related to the right to subsurface use shall be executed in the Kazakh and Russian languages and shall contain the information established in paragraph 2 of Article 37 of this Law.

An application for permission to participate in an auction for realization (sale) of the right to subsurface use (its part), objects related to the right to subsurface use shall be considered by the competent body or the local executive body of a region, a city of republican significance, the capital in accordance with the procedure established by Article 37 of this Law.

The provisions of this paragraph shall also apply to cases of realization of bankruptcy estate in the course of bankruptcy proceedings.

No additional permission from the competent body or local executive bodies of regions, cities of the Republic's significance, the capital for the disposal of the right to subsurface use (its part) and (or) objects related to the right to subsurface use shall be required at entering into a transaction, based on auction results, involving the disposal of the right to subsurface use (its part) and (or) objects related to the right to subsurface use, with a person that obtained the permission of the competent body or the local executive body of the region, the city of the Republic's significance, the capital to the participation in the public auction.

2. Claims of a pledgeholder from the value of a pledged the right to subsurface use (its part), objects related to the right to subsurface use shall be satisfied through a judicial proceeding.

3. If an auction for the sale of a pledged the right to subsurface use, objects related to the right to subsurface use is declared as having not been held, the pledgeholder may , with the permission of the competent body or the local executive body of the region, the city of the Republic's significance, the capital, turn the pledged property into its property (become the holder of the right to subsurface use (its part) and (or) of objects related to the right to subsurface use, or demand that a new auction be announced.

4. A pledgeholder intending to acquire a pledged the right to subsurface use (its part), objects related to the right to subsurface use shall, in the event that an auction for the sale of the pledged the right to subsurface use (its part), objects related to the right to subsurface use is declared as having not been held, submit to the competent body or the local executive body of the region, the city of the Republic's significance, the capital an application, seeking permission to the acquisition of the pledged the right to subsurface use (its part), objects related to the right to subsurface use.

Applications for granting a permission to the acquisition of a pledged the right to subsurface use (its part), objects related to the right to subsurface use, shall be executed in the Kazakh and Russian languages and shall contain the information established in paragraph 2 of Article 37 of this Law.

Applications for granting a permission to the acquisition of a pledged the right to subsurface use (its part), objects related to the right to subsurface use, shall be considered by the competent body or the local executive body of regions, cities of the Republic's significance, the capital in accordance with the procedure established by Article 37 of this Law.

5. Any terms of pledge agreements and other agreements which are inconsistent with the provisions of this Article shall be void.

42. The exercise of the right to subsurface use related to techogenic mineral formations

Production from technogenic mineral formations owned by the state and not attached to concrete state-owned enterprises shall be performed in accordance with a general procedure on the basis of the contract.

43. The exercise of the right to subsurface use for state geological exploration of the subsurface

1. The state geological exploration of the subsurface may be performed by natural persons and legal entities to which the right to subsurface use to perform state geological exploration of subsurface is granted in accordance with paragraph 8 of Article 35 of this Law.

2. Works (operations) in the course of state geological exploration of subsurface may include regional and geological surveying work, geological, geophysical, geochemical and hydro-geological studies, prospecting, prospect appraisal surveys, exploration, monitoring of subsurface, creation of state geological maps, applied scientific research in the sphere of study and use of subsurface, liquidation and conservation of flowing hydro-geological and oil wells.

3. State geological exploration of subsurface may be financed from the budget or from other sources which are not prohibited by the legislation of the Republic of Kazakhstan.

44. Construction and (or) operation of underground facilities not related to exploration or production

1. Particularities of conducting construction and (or) operation of underground facilities not related to exploration or production, as well as particularities of the procedure for granting the right to subsurface use for construction and (or) operation of underground facilities not related to exploration or production, shall be established by the Government of the Republic of Kazakhstan.

2. Terms of and procedures for conducting construction and (or) operation of underground facilities not related to exploration or production shall be established in the contract.

3. Construction and (or) operation of underground facilities not related to exploration or production shall be subject to the rules of this Law related to production unless as otherwise stipulated by the legislation of the Republic of Kazakhstan.

45. Processing of mineral raw materials

1. Processing of mineral raw materials is an operation which immediately follows production and is not a subsurface use operation.

2. *Is excluded by the Law of the Republic of Kazakhstan dated 10.07.2012 No 36-V (shall be enforced upon expiry of ten calendar days after its first official publication)*

Footnote. Article 45 as amended by the Law of the Republic of Kazakhstan dated 10.07.2012 No 36-V (shall be enforced upon expiry of ten calendar days after its first official publication).

Chapter 4. Granting the right to subsurface use on a tender basis

46. Portions of subsurface to be tendered

1. The competent body shall form lists of portions of subsurface for granting the right to subsurface use for exploration, production, combined exploration and production, as well as lists of portions of subsurface for which the shared participation of the national company is a precondition for tendering.

Local executive bodies of regions, cities of the Republic's significance, the capital shall form lists of portions of subsurface for which the right to subsurface use for exploration or production of widespread mineral deposits shall be granted.

The lists of portions of subsurface shall be formed on the basis of proposals of the authorized body for the study and use of subsurface.

2. The lists of portions of subsurface to be tendered shall be approved by the Government of the Republic of Kazakhstan, and with respect to widespread mineral deposits – by local executive bodies of regions, cities of the Republic's significance, the capital.

Following the approval of such a list, the local executive body of a region, a city of republican significance, the capital shall reserves land for subsurface use purposes in

accordance with the procedure established by the land legislation of the Republic of Kazakhstan.

3. Lists of portions of subsurface subject to tendering that are located within specially protected natural areas shall be agreed with the authorized body for specially protected natural areas.

4. Tenders for granting the right to subsurface use shall be conducted by the competent body or local executive bodies of regions, cities of the Republic's significance, the capital in accordance with this Law.

5. The competent body or local executive bodies of a region, a city of republican significance and the capital shall hold a tender and enter into production contracts only after conducting a state expertise of a deposit reserves and confirming the presence of reserves of commercial categories.

47. Terms of conducting a tender for granting the right to subsurface use

1. Information about holding a tender and its conditions shall be published in periodicals circulated throughout the entire territory of the Republic of Kazakhstan, simultaneously in the Kazakh and Russian languages.

All persons wishing to participate in a tender shall have the right to receive information about tender procedures before the expiration of the period of submission of bids for participation in the tender.

2. notice of a tender for granting the right to subsurface use shall contain the following:

- 1) the time and place of the tender as well as the deadline for submission of bids;
- 2) main terms and conditions of the tender;
- 3) the location and brief description of the portions of subsurface to be granted for subsurface use operations;
- 4) information about the fee for participation in the tender and banking details for its payment;
- 5) the starting amount of the signature bonus;
- 6) the minimum local content in personnel;
- 7) the minimum local content in goods, work, services;
- 8) the minimum amount of costs for training Kazakhstan personnel;
- 9) the amount of costs for the research and development work on the territory of the Republic of Kazakhstan which are required for the performance of work under the contract.

3. If necessary, a notice of a tender for granting the right to subsurface use may include a condition on the minimum quantity of produced mineral raw materials which a tender participant undertakes to process on the territory of the Republic of Kazakhstan.

The minimum quantity of mineral raw materials which a tender participant undertakes to process on the territory of the Republic of Kazakhstan shall be established by the competent body.

4. The time period granted to tender participants for submission of their applications for participation in a tenders for granting the right to subsurface use, including with respect to widespread mineral deposits, may not be less than one month from the date of publication of a tender notice.

5. A period between the date of publication of tender conditions and the date of conducting a tender (commencement of summarizing the results) may not be less than four months, and with respect to widespread mineral deposits, it shall be not less than three months.

6. A fee for participation in a tender shall be non-refundable.

Footnote. Article 47 as amended by the Law of the Republic of Kazakhstan dated 09.01.2012 No 535-IV (shall be enforced upon expiry of ten calendar days after its first official publication).

48. Application for participation in a tender for granting the right to subsurface use

1. Applications for participation in a tender must contain:

1) for legal entities – the name of the applicant, its location, nationality, information about state registration of the legal entity and its registration with tax bodies, information about managers and participants or shareholders of the legal entity applicant, indicating the amount of their interest in the charter capital (of the total amount of the charter capital), information about the circulation of securities held by the legal entity on an organized security market, showing the total set of such securities , and information about subsidiaries of the applicant;

2) for natural persons – the surname and first name of the applicant, legal address, citizenship, information about identity documents of the applicant, registration of the applicant with tax bodies, registration of the applicant as a subject of entrepreneurial activities;

3) information about managers or representatives that will represent the applicant, including information about the bodies of such persons;

4) information about the previous activity of the applicant, including a list of the states in which the applicant performed its/his/her activities for the past three years;

5) the name of the a portion of subsurface and the right to subsurface use which the applicant seeks to obtain;

6) a document confirming payment by the applicant of the fee for participation in the tender.

Duly certified documents confirming the information included in the application shall be attached to the application.

2. The application shall be accepted for consideration provided that the applicants complied with the requirements of this Article. The application which does not meet the requirements of this Article shall be rejected.

3. The competent body or the local executive body of a region, a city of republican significance, the capital shall officially notify an applicant of the acceptance of its/his/her application for participation in the tender within one month after the final date of the acceptance of applications for participation in the tender.

49. Package of geological information related to the portions of subsurface subject to tendering

1. Prior to notification of a tender the authorized body for the study and use of subsurface shall prepare packages of geological information related to the portions of subsurface subject to tendering and determine its cost. The package shall contain the amount of geological, mining-technical, technological, and other information which is required for the applicant to resolve to participate in a tender.

2. Upon acceptance of applications for participation in a tender the package of geological information related to the a portion of subsurface subject to tendering shall be provided to the applicant for a valuable consideration by the authorized body for the study and use of subsurface within one month after the application by the applicant.

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

The cost of the package of geological information shall not be subject to refunding.

3. An applicant shall have no right to disclose or transfer the received geological information to third parties.

50. A bid

1. An applicant admitted for participation in a tender shall, within the time periods established by the tender terms, prepare a bid for obtaining the right to subsurface use for exploration, production, combined exploration and production.

2. The competent body or local executive bodies of a region, a city of republican significance, the capital shall, within three months from the date of the announcement of a tender, accept the tender bids submitted by the tender participants.

A tender participant, that has submitted a bid, shall have no right to revoke or amend it after the deadline for submission of bids.

3. A bid shall contain the following:

- 1) the proposed amount of the signature bonus;
- 2) documents confirming ability to perform obligations related to payment of the stated signature bonus in the full amount (own funds, bank guarantees);
- 3) amount of costs for social and economic development of the region and the development of its infrastructure;

4) obligations related to local content in personnel which content must grow upon performing the programs of mandatory training and development of Kazakhstan personnel;

5) obligations related to training of Kazakhstan personnel;

6) obligations related to local content in goods, works and services required for the performance of work under the contract;

7) the amount of costs for scientific and research and development work in the territory of the Republic of Kazakhstan required for the performance of work under the contract;

8) obligations related to the accession to the Memorandum of Understanding with respect to the implementation of the Initiative on Transparent Performance of Extractive Industries in the Republic of Kazakhstan prior to the signing of a contract, except for the bids for obtaining the right to subsurface use with respect to widespread mineral deposits and underground waters;

9) a copy of the document confirming the payment for the acquisition of geological information.

If a tender notice contains the indication of a minimum quantity of mineral raw materials which a bidder is obliged to process in the territory of the Republic of Kazakhstan, the bid shall meet such requirement.

Bids which do not meet the above requirements and the requirements stated in subparagraphs 2), 5), 6), 7) and 8) of paragraph 2 of Article 47 of this Law shall be rejected.

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

Footnote. Article 50 as amended by the Law of the Republic of Kazakhstan dated 09.01.2012 No 535-IV (shall be enforced upon expiry of ten calendar days after its first official publication).

51. Denial of the right to participate in a tender

A person that submitted an application for participation in a tender may be deprived of the right to participate in the tender to the extent as follows:

1) inconsistency of the application to participate in the tender with the requirements of Article 48 of this Law;

2) inconsistency of the bid with the tender conditions;

3) submission by the applicant of untrustworthy information;

4) when granting the right to subsurface use to the applicant would result in non-compliance with the requirements related to ensuring the country's national security, including to the extent of concentration of rights under a contract and (or) concentration of rights on subsurface use operations.

Denial of the right to participate in a tender in accordance with subparagraph 4) of this Article shall be documented without explanation of the reasons.

Any denial of the right to participate in a tender may be challenged in a judicial proceeding.

52. Summing up of tender results

1. A tender winner shall be determined based on the results of consideration of bids :

- 1) the amount of the signature bonus;
- 2) the amount of cost of the social and economic development of the region and the development of its infrastructure.

2. A tender winner from among the applicants that submitted bids to obtain the right to subsurface use for exploration, production, combined exploration and production of minerals, except for widespread mineral deposits, shall be determined by the commission for the holding of tenders for granting the right to subsurface use.

A tender winner from among the applicants that submitted bids to obtain the right to subsurface use for exploration or production of widespread mineral deposits, shall be determined by the tender commission for granting the right to subsurface use for exploration or production of widespread mineral deposits.

3. Tender results shall be documented in a protocol, executed by all attending members of the Commission for the holding of tenders for granting the right to subsurface use (tender commission for granting the right to subsurface use for exploration or production of widespread mineral deposits).

The period for summing up the results of a tender shall not exceed fifteen days from the deadline for submission of bids. The period for summing up the results of a tender may be extended by the decision of the Commission for the holding of tenders for granting the right to subsurface use (tender commission for granting the right to subsurface use for exploration or production of widespread mineral deposits), but for not more than one month.

4. Tender results may be appealed by tender participants in accordance with the procedure established by the legislation of the Republic of Kazakhstan.

5. A contract with the tender winner shall be executed in accordance with the procedure and on conditions established by this Law.

6. Tender results shall be published in an official publication in the Kazakh and Russian languages concurrently, as well as on the official Internet-resource of the state body that conducts the tender.

53. Procedure and grounds for declaring a tender void

1. A tender for granting the right to subsurface use shall be declared by the Commission for the holding of tenders for granting the right to subsurface use (or

tender commission for granting the right to subsurface use for exploration or production of widespread mineral deposits) void to the following extent:

- 1) less than two bids have been submitted;
- 2) less than two bidders have been admitted to participate in the tender;
- 3) the only non-rejected tender proposal has remained.

2. A decision on the declaration of a tender void shall be executed in the form of a protocol of the commission for the holding of tenders for granting the right to subsurface use or the tender commission for granting the right to subsurface use for exploration or production of widespread mineral deposits.

A decision of the Commission for the holding of tenders for granting the right to subsurface use or the tender commission for granting the right to subsurface use for exploration or production of widespread mineral deposits on the declaration of a tender void shall be announced to all participants admitted to the tender.

3. The announcement on the declaration of a tender void shall be published in an official printed publication in the Kazakh and Russian languages concurrently, as well as on the official Internet-resource of the authorized body that conducts the tender.

54. Procedure and grounds for re-tendering

1. Should a tender for the granting of the right to subsurface use is declared void, the competent body or local executive bodies of a region, a city of republican significance, the capital may make one of the following decisions:

- 1) on re-tendering;
- 2) on amendment of tender documentation and re-tendering.

2. A re-tender shall be held in accordance with the procedure and terms stipulated by this Law for holding a tender.

3. To the extent that a tender is declared void due to the submission of the only tender proposal, then in re-tendering, the bidder that submitted such bid shall not pay fees for its participation in the tender or the price of the package of geological information.

4. To the extent that a re-tender is declared void due to the only non-rejected tender proposal remained, the competent body or local executive bodies of a region, a city of republican significance, the capital shall have the right to conclude a contract with the bidder that submitted such bid through direct negotiations on the terms not worse than those stated in the bid.

55. Declaring a tender void

1. A tender held in violation of the rules established by this Law may be recognized void under a decision of the court following a claim of the party concerned.

The following shall be the grounds for declaring a tender void:

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

2) establishment of the fact that the competent body or local executive bodies of a region, a city of republican significance, the capital have been provided with misleading information, which affected the determination of the tender winner;

3) changes in the participants or shareholders of the legal entity recognized as the tender winner taking place before the date of the conclusion of a contract;

4) establishment of the fact that the officials participating in the tender provided unlawful advantages to the person recognized as the tender winner over the other participants of the tender (bidders), and (or) liberalization of the terms.

2. To the extent of declaring a tender void prior to the conclusion of a contract, no contract shall be concluded. To the extent of declaring a tender void after the conclusion of a contract, the contract concluded with the tender winner it shall be declared void in a judicial procedure.

3. To the extent of declaring a tender void on the grounds stated in subparagraph (1) of paragraph 1 of this Article, the person announced the winner of such tender shall have the right to demand refunding of the signature bonus paid.

The competent body shall notify the state body administering tax and other obligatory payments to the budget in writing of the fact of declaring a tender void not through the fault of the person that was declared the tender winner.

4. The provision of subparagraph (3) of paragraph 1 of this Article shall not apply to the extent as follows:

1) execution of the transactions on alienation of shares or other securities confirming the right of ownership of shares or securities convertible into shares circulating in the organized securities market of the legal entity recognized as the tender winner;

2) transfer of interest (a share package) in the legal entity recognized as the tender winner in favor of another legal entity, provided that in any such legal entity one person directly or indirectly holds not less than ninety nine percent of interest (share packages) and that the acquirer is not registered in a tax-haven country;

3) transfer of interest (a share package) in the legal entity recognized as the tender winner, if such transfer results in the acquisition by a person of the right to directly or indirectly (through third parties) dispose of less than 0.1 percent of interest (share package) in the charter capital of the legal entity recognized as the tender winner.

Chapter 5. Granting of the right to subsurface use on the basis of direct negotiations

56. Objects of direct negotiations

1. The portions of subsurface provided for conducting of operations on exploration, production or combined exploration and production of minerals, other than widespread

mineral deposits, on the basis of direct negotiations shall be specified by the competent body, except for portions of subsurface granted for the performance of production operations with a person holding an exclusive right to receive the right to subsurface use for production in connection with a commercial discovery under an exploration contract.

Contracts shall be concluded without holding a tender on the basis of direct negotiations to the extent, established by paragraph 2 of Article 35 of this Law.

2. On the basis of direct negotiations contracts shall be concluded for granting the right to subsurface use for construction and (or) operation of underground facilities not related to exploration and (or) production:

1) facilities which are underground or embedded below the soil layer for storage of oil and gas, other than gas filling stations;

2) tunnels, underground railways, underground underpasses and engineering constructions at the depth exceeding three meters;

3) facilities intended for injection of ground water in subsurface for artificial replenishment of reserves;

4) tailings storages and sludge storages embedded below the soil layer for burial and storing of solid, liquid and radioactive waste, harmful toxic substances and discharge of waste and industrial waters into subsurface.

3. Portions of subsurface provided for subsurface use operations concerning exploration or production of widespread mineral deposits on the basis of direct negotiations shall be identified by the local executive bodies of a region, a city of republican significance, the capital.

57. Procedure and terms for holding direct negotiations

1. The persons specified by this Law shall have the right to conclude a subsurface use contract on the basis of direct negotiations.

A person applying for the right to subsurface use on the basis of direct negotiations must meet the requirements imposed on subsurface users by this Law.

2. Direct negotiations for granting the right to subsurface use for exploration, production and combined exploration and production of minerals shall be held by a working group of the competent body. The regulations of the working group and its members shall be approved by the competent body.

Direct negotiations for granting the right to subsurface use for construction and (or) operation of underground facilities not related to exploration and (or) production shall be held by a working group of the authorized body for the study and use of subsurface. The regulations of the working group and its members shall be approved by the local executive bodies of a region, a city of republican significance, and the capital accordingly.

3. To participate in direct negotiations, a person willing to conclude a contract shall give an application to the competent body in accordance with the requirements established by this chapter.

To the extent stipulated in subparagraph 4) of paragraph 2 of Article 36 of this Law, the local executive body of a region, a city of republican significance, the capital shall reserve lands for subsurface use purposes from the moment of being notified by the competent body on direct negotiations for the right to subsurface use to be held in accordance with the procedure established by the land legislation of the Republic of Kazakhstan.

4. After the receipt of the application for participation in direct negotiations by the authorized body for the study and use of subsurface, a package of geological information shall be provided to the applicant for a fee within one month from the request.

5. The competent body shall be obliged to notify the applicant of the decision either to hold or to reject holding direct negotiations within two months of the date of the receipt of the application for participation in direct negotiations.

The competent body shall notify the applicant on the date of holding direct negotiations.

6. Direct negotiations shall be held during two months following the date of the receipt of the application executed in accordance with the requirements of Article 58 of this Law. The period of direct negotiations may be extended by a decision of the competent body.

7. The provisions of this Article shall apply to local executive bodies of a region, a city of republican significance, the capital in holding direct negotiations for granting the right to subsurface use for exploration or production of widespread mineral deposits.

Footnote. Article 57 as amended by the Law of the Republic of Kazakhstan dated 10.07.2012 No 36-V (shall be enforced upon expiry of ten calendar days after its first official publication).

58. Application for participation in direct negotiations

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

1) for legal entities –name of the applicant, its location, nationality, information about state registration as a legal entity and registration with tax bodies, information about managers and 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 about the circulation of the legal entity's securities on an organized securities market specifying the total set of such securities, information about the applicant's subsidiaries;

2) for natural persons – the name and surname of the applicant, his/her legal address, citizenship, information about personal identity documents of the applicant, registration of the applicant with tax bodies, registration of the applicant as a participant of entrepreneurial activity;

3) data on managers or representatives that will represent the applicant, including the information about the body 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 right to subsurface use on the basis that they have made a commercial discovery under an exploration contract.

On the demand of the competent body or local executive bodies of a region, a city of republican significance, the capital, applicants shall additionally provide other information 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 related to exploration and (or) production must be additionally supplemented by documents containing the following data:

1) general characteristics of the facilities for burial of harmful, toxic substances, solid and liquid wastes, place of discharge of waste and industrial water including location of the facilities, period of operation, cost of maintenance, availability and location of the monitoring network concerning ground water, environment and subsurface;

2) physical characteristics of the facilities – characteristics of isolation, 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, mine-technical, special geo-technical, hydro-geological and ecological conditions of burial, storage and discharge;

3) on organizations, the activity of which results 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 with the specification of the name of the product, the technical production or process resulting in the product, its physical characteristics, full chemical composition, content of toxic components, fire and explosion safety, dissolvability, compatibility with other substances in the course of storage, basic contaminating radio nuclides, their intensity, and characteristics of the transportation system;

5) opinion of the authorized body for the study and use of subsurface;

6) opinion of the state ecological expertise.

3. An application for the right to subsurface use for production must provide:

- 1) the amount of the signature bonus;
- 2) the amount of local content in personnel, procured goods, works and services;
- 3) the amount of costs of the social and economic development of the region and development of its infrastructure.

An application for the right to subsurface use for production by a subsurface user, which is a subject of industrial and innovative activity, beside the above mentioned information, must contain a technological program, including the information about the technologies proposed to be used.

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

Footnote. Article 58 as amended by the Law of the Republic of Kazakhstan dated 09.01.2012 No 535-IV (shall be enforced upon expiry of ten calendar days after its first official publication).

59. Making decisions on the results of direct negotiations

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

2. The decision of the competent body or local executive bodies of a region, a city of republican significance, the capital following the results of direct negotiations shall be documented by a protocol of direct negotiations to be signed by all attending members of the working group.

To the extent that the right to subsurface use is granted based on the results of direct negotiations, the protocol of direct negotiations shall be signed by the authorized representative of the applicant.

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

The competent body or local executive bodies of a region, a city of republican significance, the capital shall be obliged to notify the applicant of the decision made based on the results of direct negotiations within the period of not more than ten days from the date of the signing of the protocol of direct negotiations.

3. To the extent that a decision is made to grant the right to subsurface use on the basis of direct negotiations, the contract with the applicant shall be concluded in accordance with the procedure and on the terms established by this Law, subject to the particularities provided for by this chapter.

The terms of subsurface use operations proposed by the applicant in the course of direct negotiations and accepted by the competent body or a local executive body of a region, a city of republican significance, the capital in the protocol of direct negotiations shall be mandatory included into the minutes of direct negotiations and subsequently in the contract.

60. Particularities of granting the right to subsurface use when transiting from exploration stage to production stage

1. A subsurface user that has discovered and appraised a deposit under an exploration contract shall have an exclusive right for execution of a contract for production without holding a tender on the basis of direct negotiations.

2. A person that has made a discovery and appraisal of a deposit under an exploration contract shall have the right to approach the competent body with an application for direct negotiations on the conclusion of a production contract during the term of the exploration contract or within a period of three months following the date of the completion of the exploration contract.

3. No later than two months from the date of the receipt of the application, the competent body and the subsurface user shall establish by direct negotiations the following terms of the production contract:

- 1) the amount of local content in goods, works and services and the personnel;
- 2) the amount of costs of the social and economic development of the region and development of its infrastructure.

an additional condition of the contract for production, concluded with a subsurface user, which is a subject of innovative and industrial activity, shall be the existence of technological program, including the information about the technologies proposed to be used.

4. The parties shall sign a protocol based on the results of direct negotiations. In the event that the parties fail to agree on the conditions specified in paragraph 3 of this Article, the competent body shall within three months of the commencement of direct negotiations issue a decision on rejection of the right for performing production operations.

In the event that through the fault of the applicant no contract is concluded within twenty four months following the date of the signing of the protocol of direct negotiations, the applicant shall forfeit its exclusive right to conclude a production contract, and the relevant a portion(s) of subsurface may be put up for a tender or granted on the basis of direct negotiations in accordance with the procedure provided for by this Law, subject to reimbursement of the exploration costs to such person.

5. To the extent of a decision by the competent body on rejection of the right to subsurface use for production to the applicant on the basis of direct negotiations, the relevant a portion of subsurface(s) shall, within three months, be put up for tender by the competent body in accordance with paragraph 4 of this Article.

A tender shall be held in accordance with the procedure established by chapter 4 of this Law. The necessary conditions for participation in such tender shall be the following obligations of a person claiming to conclude a contract:

- 1) obligations provided in paragraph 3 of this Article which may not be less than:

those agreed by the parties to the direct negotiations for execution of a production contract as a result of a commercial discovery;

those earlier rejected by the applicant that made and appraised a commercial discovery, as a result of direct negotiations with the competent body;

2) to take necessary measures to maintain the contract area in the condition suitable to perform production operations subject to the requirements of environmental safety and ensuring relevant safe conditions in the contract area for the population and personnel starting from the date of the determination of the tender winner until execution of a production contract;

3) to reimburse the person that has made a commercial discovery under an exploration contract for the costs of the discovery and appraisal of the a portion of subsurface subject to tendering and of maintenance of the contract area in the condition suitable for further production operations in compliance with subparagraph 2) of paragraph 11 of this Article.

Such reimbursement shall be a lump sum of the full amount of such costs adjusted for inflation determined on the basis of the official statistical information of the authorized body for state statistics.

The period for the reimbursement of such costs shall be established by the competent body and shall not exceed three months following the date of the execution 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 case of any dispute with respect to the amount of reimbursable costs between the tender winner and the subsurface user that has discovered and appraised the deposit under an exploration contract, such dispute shall be resolved through legal proceedings

6. A decision of the competent body on the rejection to grant the right to subsurface use on the basis of direct negotiations may be appealed in a judicial procedure.

7. If a tender conducted in accordance with paragraph 5 of this Article is considered as not having been held, the competent body and the person that has discovered and appraised the deposit under the exploration contract shall conduct direct negotiations to determine the terms specified in paragraph 3 of this Article.

Upon reaching an agreement on such terms, a protocol of direct negotiations shall be signed in the procedure established by paragraph 4 of this Article and the project documentation and a project of a contract shall be prepared.

To the extent of a failure to reach an agreement on the terms specified in paragraph 3 of this Article, the competent body and the person that has discovered and appraised the deposit under the exploration contract shall jointly determine all necessary

conditions of a repeated tender relating to the amount of the signature bonus, local content in goods, work, services and personnel, as well as the costs of the social and economic development of the region and development of its infrastructure.

8. To the extent that a repeated tender is recognized as not having been held, the person that has discovered and appraised the deposit under the exploration contract shall be entitled to demand entering into a production contract with it under the terms and conditions proposed by such person during the direct negotiations.

Whereas the competent body is obliged to enter into a production contract with such a person if a protocol of the direct negotiations is available.

9. The provisions of this Article shall be applicable to local executive bodies of a region, a city of republican significance, the capital with respect to the transition from the phase of exploration to production of widespread mineral deposits.

10. The subsurface user, discovered and appraised the deposit under an exploration contract and applied for direct negotiations on entering into a production contract, shall continue to perform the obligations under the relevant exploration contract, work program and project documents.

11. Upon termination of the exploration contract, a subsurface user that applied for direct negotiations on entering into a production contract, shall be obliged:

1) to the extent of return of a part (parts) of the contract area, conduct abandonment or temporary abandonment of subsurface use facilities in accordance with Article 111 of this Law, as well as rehabilitate the land plots and other natural sites damaged as a result of exploration up to a condition fit for their further use on the returned part (parts) of the contract area;

2) Upon the intention to perform production on the entire contract area or a part (parts) of the contract area which is (are) not subject to return, take necessary measures, prior to entering into a production contract, to maintain the contract area (or parts thereof) in a condition fit for further production operations thereon, subject to the requirements of environmental safety, and ensure safe conditions on the relevant contract area (or parts thereof) for the population and personnel.

To the extent of a failure to enter into a production contract on the basis of direct negotiations with the subsurface user that discovered and appraised the deposit under the exploration contract, its obligations to maintain the contract area (or parts thereof) in the condition suitable for further production operations shall be terminated on the date when a tender winner is determined in accordance with this Article.

12. If a subsurface user with which a production contract was executed based upon the results of a tender fails to compensate the person that discovered and appraised the deposit (deposit) for the exploration costs in accordance with paragraph 5 of this Article within the established period, such person shall be entitled to demand from the competent body immediate termination of the contract with such subsurface user or

holding a repeated tender. At the same time the person that discovered and appraised the deposit (deposit) shall be entitled to demand compensation of losses from the person which entered into a production contract, but failed to perform its obligation to compensate for the exploration costs in accordance with paragraph 5 of this Article.

13. After execution of a production contract based upon the results of direct negotiations or a tender conducted in compliance with this Article, the costs incurred by the subsurface user in accordance with subparagraph 2) of paragraph 5 and (or) paragraph 11 of this Article shall be charged to the expenses under such production contract and shall be subject to compensation in accordance with the legislation of the Republic of Kazakhstan.

Footnote. Article 60 as amended by the Law of the Republic of Kazakhstan dated 09.01.2012 No 535-IV (shall be enforced upon expiry of ten calendar days after its first official publication).

Chapter 6. Subsurface use contract

61. Types of subsurface use contracts

1. In order to perform subsurface use operations the following types of contracts shall be used for:

- 1) conducting exploration – an exploration contract;
- 2) conducting production – a production contract;
- 3) conducting combined exploration – a combined exploration and production contract;
- 4) conducting construction and (or) operation of underground facilities not related to exploration or production – a contract for the construction and (or) operation of underground facilities not related to exploration or production;
- 5) conducting the state geological studies of subsurface – a contract (agreement) on the state geological studies of subsurface.

Conclusion, implementation or termination of a contract shall be made in accordance with this Law.

2. The contract terms, other than the terms of contracts (agreement) for state geological exploration of subsurface, must be identified taking into account the provisions of model contracts for subsurface use types approved by the Government of the Republic of Kazakhstan and must include the following terms:

- 1) definitions;
- 2) purpose of the contract;
- 3) term of the contract
- 4) contract area;
- 5) ownership right to property and information;

- 6) the 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 liquidation and liquidation fund;
- 17) the protection of subsurface and environment;
- 18) safety of the population and personnel;
- 19) liability of subsurface user for violation of contract terms;
- 20) force majeure;
- 21) confidentiality;
- 22) transfer of rights and obligations;
- 23) applicable law;
- 24) dispute resolution procedure;
- 25) contract stability guarantees;
- 26) terms of suspension and termination of the contract;
- 27) language of the contract.

A contract must contain the following obligations: on the amount and terms of payment of the signature bonus; on the amount and terms of costs of the social and economic development of the region and development of its infrastructure; on local content in personnel; on the amount of allocations for training, development and re-training of employees being citizens of the Republic of Kazakhstan engaged in the performance of the contract or training of citizens of the Republic of Kazakhstan according to the list of professions agreed with the competent body; on local content in goods, work, services; on the provision of equal conditions of labour remuneration for Kazakhstan personnel compared to engaged foreign personnel, including those engaged in contract work; on the amount of expenses for scientific, research and development work in the territory of the Republic of Kazakhstan necessary for the performance of work under the contract.

A contract must contain the subsurface user's obligations with respect to transfer of property securing the process flow continuity and industrial safety, as well as the body of the competent body to transfer such property to the extent, described in paragraph 10 of Article 72 of this Law.

To the extent that a contract is concluded with respect to a portion of subsurface for which a contract was earlier terminated, the contract with a new subsurface user must contain obligations to compensate the previous subsurface user and the trustee for the costs, including the cost of the property transferred under paragraph 10 of Article 72 of this Law, as well as the obligation to pay the fee to the trustee.

Contract terms must include amounts of forfeiture (fines and penalties) for any non-performance or improper performance by a subsurface user of its obligations, including those pertaining to local content in goods, work, services and personnel, and concerning non-tax payments provided for by the contract.

A contract for production of hydrocarbons must include the obligations of the subsurface user on processing (utilization) of associated gas.

The contract may also contain other provisions.

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

4. A combined exploration and production contract shall be entered into by a decision of the Government of the Republic of Kazakhstan only with respect to subsurface use areas or deposits (deposits) of strategic significance and (or) complex geological structure.

Unless as otherwise established by the laws of the Republic of Kazakhstan:

for the period of exploration, provisions of the laws of the Republic of Kazakhstan provided for an exploration contract shall be applicable to such contract;

upon discovery and appraisal of a deposit (deposit) and approval in the established procedure of the relevant project documents based upon an exclusive right to production in connection with a commercial discovery such contract shall be amended to reflect the production stage and thereafter the laws of the Republic of Kazakhstan provided for a production contract shall be applicable to such contract.

5. Mandatory annexes to a contract except for contracts (agreements) for state geological exploration of subsurface shall be a geological or mining allotment and a work program.

6. The terms of contracts shall mandatory stipulate that the applicable law under the contracts shall be the legislation of the Republic of Kazakhstan.

7. A contract must be made in the Kazakh and Russian languages. As agreed by the parties to the contract, the text of the contract may also be translated into another language.

8. Control over the performance by subsurface users of the terms of contracts for exploration, production or combined exploration and production, other than contracts for exploration, production of widespread mineral deposits, shall be exercised by the competent body.

With regard to widespread mineral deposits, control over the performance by subsurface users of the terms of contracts for exploration or production shall be exercised by the local executive body of a region, a city of republican significance, the capital.

To the extent of a violation by the subsurface user of the terms of the contract, the competent body and with regard to contracts for exploration or production of widespread mineral deposits - the local executive body of a region, a city of republican significance, the capital by a written notice shall point to the obligation of the subsurface user to cure such violation within the established period.

9. A contract (agreement) for state geological exploration of subsurface shall be executed in accordance with the procedure established by the Government of the Republic of Kazakhstan.

Footnote. Article 61 as amended by the Law of the Republic of Kazakhstan dated 09.01.2012 No 535-IV (shall be enforced upon expiry of ten calendar days after its first official publication).

62. Preparation of a project of subsurface use contract

1. A project of subsurface use contract shall be prepared by a tender winner or a person, with whom the contract is to be concluded on the basis of direct negotiations and shall be agreed with the competent body or the local executive body of a region, a city of republican significance, the capital through negotiations.

2. A project of subsurface use contract shall be prepared on the basis of a model contract, protocol of direct negotiations or a bid by the winner and approved work program drawn-up on the basis of project documents prepared and approved in accordance with the established procedure.

The provisions of a project of subsurface use contract must meet the requirements applied by this Law to contract terms.

A project of a contract for exploration, combined exploration and production must provide for the subsurface user's obligations to prepare appraisal work project in accordance with the requirements of this Law.

3. A project of subsurface use contract shall be, prior to its signing, subject to agreement with the authorized body for the study and use of subsurface.

A project of subsurface use contract shall also be subject to the following mandatory expertise: legal, environmental, economic.

Expertise shall be conducted to check the compliance of the contract provisions with the requirements of the legislation of the Republic of Kazakhstan. The purpose of economic expertise is to check the compliance of the contract terms with the bid on the basis of which the tender was won or with the terms of direct negotiations, to appraise economic expediency and social implication of the project implementation.

Expert opinions shall be provided by relevant state bodies within their competence in accordance with the legislation of the Republic of Kazakhstan within thirty calendar days from the date of transfer to state bodies performing state expertise of the complete set of documents required for the performance of the relevant expertise.

Ecological expertise shall be made in accordance with the ecological legislation of the Republic of Kazakhstan.

Expertise results shall be documented in the form of an expert opinion which may be negative or positive. Expertise results shall be registered in the form of an expert opinion which may be negative or positive.

A person, applying for the conclusion of a subsurface use contract, shall review the project of a contract to comply with comments of the state body stated in its expert opinion.

the extent of compliance with the above comments the state body shall conduct a repeated expertise. A repeated state expertise shall also be conducted in cases of amendments to project and other documentation after the receipt of a positive opinion of the state expertise.

To the extent of disagreement with the comments of legal and (or) economic expertise a person, applying for the conclusion of a subsurface use contract, shall have the right to submit its grounded objections to the competent body or the local executive body of a region, a city of republican significance, the capital for their consideration by the conciliation commission.

The competent body or the local executive body of a region, a city of republican significance, the capital shall within ten days from the conciliation commission for consideration of the submitted objections. The conciliation commission shall include representatives of the competent body or the local executive body of a region, a city of republican significance, the capital, state bodies which submitted their comments and a person applying for the conclusion of a contract. Based on the results of the meeting the conciliation commission shall prepare recommendations reflected in the protocol. Subject to the recommendations of the conciliation commission the contract shall be submitted for repeated expertise.

4. A person applying for the conclusion of a contract shall have the right to forward a project of a contract and work program for agreement to the competent body or the local executive body of a region, a city of republican significance, the capital prior to the agreement of the project of a contract and work program by the authorized body for the study and use of subsurface and receipt of the results of necessary expertise, but not earlier than the project documents are approved in accordance with established procedure.

The competent body shall provide its agreement on a project of a contract together with a work program within one month, and the local executive bodies of a region, a

city of republican significance, the capital – within ten working days following the date of their receipt.

5. After the agreement of a project of a contract and work program with the authorized body for the study and use of subsurface, conducting of necessary expertise and elimination by the person applying for the conclusion of a contract of all remarks specified in expert opinions, the project of a contract together with the work program, with all approved project documents, with results of agreements and expertise shall be forwarded by the person applying for the conclusion of a contract for final agreement to the competent body or the local executive body of a region, a city of republican significance, the capital.

The competent body shall provide its agreement on the final version of the contract and work program no later than in two months and the local executive body of a region , a city of republican significance, the capital – no later than fifteen days following the date of submission of the documents by the person applying for the conclusion of a contract

Footnote. Article 62 as amended by the Law of the Republic of Kazakhstan dated 15.07.2011 No 461-IV (shall be enforced from 30.01.2012).

63. Work program

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

Agreement of a work program with the authorized body for the study and use of subsurface shall be made simultaneously with conducting expertise of a project of a contract. The period of approval of a work program shall be no more than one month following the date of receipt of the work program by the authorized body for the study and use of subsurface.

2. Upon the change of any indices in project documents resulting in changes in the indices of the work program, the work program must be amended accordingly.

Agreement of changes in the work program due to changes in the project documents shall be performed simultaneously with the approval of project documents by the authorized body for the study and use of subsurface. The abovementioned changes in the work program shall be introduced by executing an additional agreement to the contract between the subsurface user and the competent body or the local executive body of a region, a city of republican significance, the capital within thirty calendar days from the date of approval of the work program by the authorized body for the study and use of subsurface.

64. Prospecting work project

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

A prospecting work project must include the most efficient and intense program for studying the area, including modern and high-precision methods of prospecting and laboratory analysis studies, which must ensure rational and comprehensive study of a portion of subsurface and fully cover the entire territory of the a portion of subsurface granted for use.

A prospecting work project must contain a financial part reflecting the costs to be incurred for the work on prospecting and discovery of a deposit for the entire period of the prospecting work stage.

2. A prospecting work project shall be subject to the following mandatory expertise :

- 1) state ecological expertise;
- 2) in the sphere of industrial safety;
- 3) sanitary and epidemiological expertise.

3. The period of preparing and approval of a prospecting work project must not exceed six months of the date of the signing of the protocol of direct negotiations for the person, with which a contract is to be concluded on the basis of direct negotiations, following the date of the signing the protocol of direct negotiations, and for the person recognized as the tender winner - following the date of the announcement of the tender winner. For persons performing procurement of design work in accordance with the legislation of the Republic of Kazakhstan on state procurement or in accordance with the procurement procedure, provided for the national management holding and legal entities, fifty percent or more of the voting shares (interests) which are directly or indirectly owned by the national management holding, the period for development and agreement of project documents for production works performance may be extended on the basis a decision of the competent body or the local executive body of a region, a city of republican significance, the capital subject to the mandatory procedures, established by the legislation of the Republic of Kazakhstan on state procurement or with the procurement procedure, provided for the national management holding and legal entities, fifty percent or more of the voting shares (interests) of which are directly or indirectly owned by the national management holding.

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

The term of a prospecting work project shall be extended if the competent body extends the term of the exploration, combined exploration and production contract for conducting offshore petroleum operations in accordance with paragraph 1 of article 69 of this Law.

4. With regard to minerals other than widespread mineral deposits, a prospecting work project shall be considered by the central commission within one month following the date of the receipt of the project by the central commission, and approved by the authorized body for the study and use of subsurface within fifteen working days of the date of the receipt of the proposal from the central commission.

With regard to widespread mineral deposits prospecting work projects shall be considered by interregional commission within one month following the date of the receipt of the project by the interregional commission and approved by the territorial subdivision of the authorized body for the study and use of subsurface within fifteen working days following the date of the receipt of the proposal from the interregional commission.

5. Where changes and (or) amendments to the conditions and scope of work established by an approved prospecting work project are necessary, a project of amendments to the prospecting work project shall be prepared, which shall be considered and approved by the bodies specified in paragraph 4 of this Article.

The subsurface user may be denied the permission to introduce such amendments to the prospecting work project, unless there is a negative opinion of one of the expertise, specified in paragraph 2 of this Article.

The period for consideration and approval of amendments to an appraisal work project shall not exceed one month of the date of the receipt by the central commission or the interregional commission of the relevant amendments to the prospecting work project.

6. An approved prospecting work project shall be the basis for development and concluding a contract.

Conducting any work on prospecting of deposits without a prospecting work project approved in accordance with the established procedure and also in violation of any requirements of a prospecting work project shall be prohibited.

Footnote. Article 64 as amended by the Law of the Republic of Kazakhstan dated 15.07.2011 No 461-IV (shall be enforced from 30.01.2012).

65. Appraisal work project

1. To the extent of discovery of a deposit, the subsurface user shall be obliged to notify the competent body or the local executive body of a region, a city of republican significance, the capital thereof within thirty working days.

The competent body shall issue permission for proceeding to an appraisal work stage within one month, the local executive body of a region, a city of republican significance, the capital – within fifteen working days.

The confirmation of a discovery and the establishing of the period for its appraisal shall be performed by the competent body or the local executive body of a region, a city of republican significance, the capital based on the opinion of the authorized body

for the study and use of subsurface. A commercial discovery shall be announced by the subsurface user.

2. An appraisal work project shall be subject to the following mandatory expertise:

- 1) state ecological expertise;
- 2) in the sphere of industrial safety;
- 3) sanitary and epidemiological expertise.

3. An appraisal work project shall be developed for a period required for a complete and comprehensive appraisal and estimation of the reserves and identification of mining and geological conditions of deposit bedding, the technological parameters of recovery of minerals and economic viability of its development.

Appraisal work project must contain a financial part reflecting the costs to be incurred for the work on the study and appraisal of a deposit for the entire period of the appraisal work stage.

4. Appraisal work concerning solid and widespread mineral deposits may include a pilot production project.

Pilot production may also be performed during the production of minerals within the time periods and in amounts established in the project documents.

The scope and period of pilot production shall be identified according to the results of a preliminary expertise of subsurface.

Appraisal work concerning hydrocarbons may include a pilot production project.

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

Proposals concerning the necessity and period of pilot production shall be forwarded by the central commission to the authorized body for the study and use of subsurface.

5. With regard to minerals except for widespread mineral deposits, appraisal work project and a pilot production project shall be considered by the central commission within one month following the date of the receipt of the relevant project by the central commission and approved by the authorized body for the study and use of subsurface within fifteen working days following the date of the receipt of the proposals from the central commission.

A pilot production project shall be considered by the central commission within three months of the date of the receipt of the project by the central commission and approved by the authorized body for the study and use of subsurface within fifteen working days following the date of the receipt of the proposals from the central commission.

With regard to widespread mineral deposits, an appraisal work project and a pilot production project shall be considered by the interregional commission within one month following the date of the receipt of the relevant project by the interregional

commission and shall be approved by the territorial bodies of the authorized body for the study and use of subsurface within fifteen working days following the date of the receipt of the proposals from the interregional commission.

6 The period for preparing and approval of an appraisal work project must not exceed five months following the date of the decision on proceeding to the appraisal work stage.

7. Where alterations and (or) amendments to the conditions and scope of work established by approved projects are necessary, draft amendments to the approved projects shall be prepared, which shall be considered and approved by the bodies specified in paragraph 5 of this Article.

The subsurface user may be denied the permission to introduce such alterations and (or) amendments, if there is a negative opinion of one of the expertise, specified in paragraph 2 of this Article.

The period for considering and approval of alterations and (or) amendments to the projects must not exceed one month following the date of the receipt by the Central Commission or Interregional Commission of the relevant project of alterations and (or) amendments.

8. Conducting any work on the appraisal of deposits without an appraisal work project approved in accordance with the established procedure and also in violation of any requirements of an appraisal work project shall be prohibited.

Footnote. Article 65 as amended by the Law of the Republic of Kazakhstan dated 15.07.2011 No 461-IV (shall be enforced from 30.01.2012).

66. Project documents for production works performance

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

2. With regard to solid and widespread mineral deposits and underground water the following documents shall be prepared:

1) a project of commercial development of the deposit which shall include the time schedule of mining and production work, technical solutions ensuring the specified productivity and other associated production operations; measures ensuring the compliance with the requirements on rational and comprehensive use of minerals, personnel operational safety, protection of environment; reclamation of disturbed soils, as well as data on funding of the planned work with the breakdown by years;

2) a feasibility study.

3. With regard to hydrocarbons the following documents shall be prepared:

1) a pilot development project, prepared for the commissioning of specific deposits and formations for the purposes of testing new or earlier known technologies which

require approbation in geological and physical conditions of the deposit, and, if the approbation is positive, its general application in the deposits, terms and volumes of pilot development shall be determined by a decision of the authorized body for the study and use of subsurface;

- 2) a technological scheme of deposit development;
- 3) a commercial development project;
- 4) a feasibility study.

The pilot development project must include a section on processing and (or) utilization of associated gas. A feasibility study must include the justification of using associated gas.

4. The project documents provided by this Article shall be prepared for a period up to complete depletion of mineral reserves in the deposit, which period must not exceed twenty five years, and for deposits with major and unique mineral reserves – forty five years. The term of project documents for the performance of production work may be extended by the authorized body for the study and use of subsurface upon agreement with the central commission depending on the volume of approved mineral reserves.

Project documents provided by this Article shall be worked out with the obligatory engagement under an agreement of a design organization having necessary licenses for designing. A contract with such design organization shall provide for the obligations of the project organization on conducting the authorship supervision.

Classification of deposit reserves shall be performed in accordance with the procedure established by the authorized body for the study and use of subsurface.

5. The project documents for production operations shall be subject to the following mandatory expertise:

- 1) state ecological;
- 2) in the sphere of industrial safety;
- 3) sanitary and epidemiological;
- 4) in the sphere of rational and comprehensive use of subsurface.

Feasibility studies must be subject to mandatory economic examination.

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

persons performing procurement of design work in accordance with the legislation of the Republic of Kazakhstan on state procurement or in accordance with the procurement procedure, provided for the national management holding and legal entities, fifty percent or more of the voting shares (interests) of which are directly or indirectly owned by the national management holding, the period for development and

agreement of project documents for performing production work may be extended on the basis a decision of the competent body or the local executive body of a region, a city of republican significance, the capital, subject to the mandatory procedures established by the legislation of the Republic of Kazakhstan on state procurement or in accordance with the procurement procedure, provided for the national management holding and legal entities, fifty percent or more of the voting shares (interests) of which are directly or indirectly owned by the national management holding.

7. Deposit development projects for solid minerals shall be considered by the central commission within one month from the date of the receipt of the relevant project by the central commission and shall be approved by the authorized body for the study and use of subsurface within fifteen working days of the date of the receipt of the proposals from the central commission.

A technological scheme of development and projects for pilot development and commercial development of hydrocarbon raw materials shall be reviewed by the central commission within three months from the date of the receipt of hydrocarbon raw materials the technological scheme or projects for pilot development and commercial development by the central commission and shall be approved by the authorized body for the study and use of subsurface within fifteen working days of the date of the receipt of the proposals from the central commission.

Project documents for the development of deposits of widespread mineral deposits provided by this Article shall be reviewed by the interregional commission within one month from the date of the receipt of the relevant project by the interregional commission and shall be approved by the territorial subdivisions of the authorized body for the study and use of subsurface within five working days from the receipt of the proposals from interregional commission.

Deposit development projects with respect to underground waters at production rate of over two thousand cubic meters per day and for injecting thereof in the formation in accordance with the technological scheme of production of minerals shall be reviewed by the central commission within one month from the date of the receipt of the relevant project by the central commission and shall be approved by the authorized body for the study and use of subsurface within fifteen working days from the receipt of the proposals from the central commission.

8. To the extent of the need to make alterations and (or) amendments to the terms and scope of work established by the approved projects, the project of alterations and (or) amendments to the projects shall be prepared, reviewed and approved by the bodies specified in paragraph 7 of this Article.

The subsurface user may be denied the permission to introduce such amendments to the project documents, unless:

- 1) the proposed alterations and (or) amendments are not in compliance with the good practice of a deposit development;
- 2) the proposed alterations and (or) amendments are not in compliance with the requirements related to rational and comprehensive use of subsurface;
- 3) there is a negative opinion of one of the expertise, specified in paragraph 5 of this Article.

The period of consideration and approval of the alterations and (or) amendments to projects shall not exceed one month from the date of the receipt by the central commission, ten working days from the date of receipt by the interregional commission of the relevant project of alterations and (or) amendments.

9. Approved project documents for production operations shall be the basis for development and concluding a production contract.

10. Conducting any production operations without project documents approved in the established procedure and in violation of the requirements of such project documents shall be prohibited.

Footnote. Article 66 as amended by the Law of the Republic of Kazakhstan dated 15.07.2011 No 461-IV (shall be enforced from 30.01.2012).

67. Terms of payment of a signature bonus

1. The tender winner for the receipt of the right to subsurface use, the person with whom the contract is executed on the basis of direct negotiations as well as the person, which executed the contract, shall pay the signature bonus in accordance with the tax legislation of the Republic of Kazakhstan. The payment of the signature bonus in favor of the Republic of Kazakhstan under contracts in which the national company acts as subsurface user shall be made by its strategic partner, unless the joint operating agreement with such partner provides otherwise.

2. The control over the timely and full payment of the signature bonus shall be performed in accordance with the tax legislation of the Republic of Kazakhstan.

3. If the person announced the tender winner fails to timely pay fifty percent of the signature bonus amount, the tender commission for granting the right to subsurface use (the tender commission for granting of the right to subsurface use for exploration and production of widespread mineral deposits) shall have the right to cancel the decision on recognition of such person as the tender winner.

If the person, with whom the contract is executed on the basis of direct negotiations, fails to timely pay fifty percent of the signature bonus amount, the competent body (the local executive body of a region, a city of republican significance, the capital) shall have the right to cancel the decision on execution of a contract on the basis of direct negotiations with such person.

4. If the tender commission for granting the right to subsurface use (the tender commission for granting of the right to subsurface use for exploration and production

of widespread mineral deposits) cancels its decision on recognition of a person as the tender winner due to the failure of such person to comply with its obligation on payment of fifty percent of the signature bonus amount or if the competent body (the local executive body of a region, a city of republican significance, the capital) cancels its decision on execution of a contract on the basis of direct negotiations with a person that failed to comply with its obligation to pay fifty percent of the signature bonus amount, such person shall forfeit the right for entering into a contract.

5. The paid signature bonus shall not be returned, to the extent that contract is not entered into within the established time period through the fault of the tender winner or the person with whom the contract is executed on the basis of direct negotiations.

The competent body shall notify in writing the state body, administering tax and other obligatory payments about the failure to execute a contract through the fault of the tender winner or the person with whom the contract is executed on the basis of direct negotiations.

68. Entering into and registration of the contract

1. The subsurface use contract shall be entered into after the final agreement with the competent body of the terms of the contract, the work program on the basis of project documents approved in the established procedure, and upon obtaining the results of the mandatory expertise that allow entering into the contract.

2. The period for conclusion of an exploration contract shall not exceed eighteen months from the date of the decision of the competent body on the conclusion of the contract and signing of the protocol of direct negotiations for a person with whom the contract is entered into on the basis of direct negotiations, or from the date of the announcement of the tender results – for 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 decision of the competent body on the conclusion of the contract and signing of the protocol of direct negotiations for a person with whom the contract is entered into on the basis of direct negotiations, or from the date of the announcement of the tender results – for a person recognized as the tender winner.

The period for conclusion of a contract may be extended by the competent body if the tender winner or the person with whom the contract is executed on the basis of direct negotiations files an application to the competent body for extension of the period for conclusion of a contract with justification of the reasons for such extension

To the extent that the contract is not concluded within the established period of time through the fault of the person claiming to enter into the contract, such person forfeits the right to enter into the contract and no costs incurred by such person in acquiring the geological information, development and approving project documents,

work programs and the project of a contract shall be reimbursed. The competent body shall be entitled to put the relevant portion of subsurface for tender in the procedure established by this Law.

3. A contract shall be subject to mandatory registration with the competent body and shall come into force upon their registration.

The competent body shall maintain a register of state registration of contracts and shall ensure the keeping of the contract.

Alterations and amendments to the contract shall also be subject to mandatory registration with the competent body by making the relevant entries in the register of state registration of contracts. Alterations and (or) amendments to the contract shall be deemed effective only upon their registration.

4. A copy of the contract, upon its registration with the competent body, must be delivered to the authorized body for the study and use of subsurface, to the authorized body for environment protection and to the central authorized body for administration of the budget.

5. The conclusion of a contract shall be the basis for registration of a land plot with the local executive bodies of a region, a city of republican significance, the capital within thirty working days after the date of an application of the subsurface user, except for cases of forced withdrawal of land plots (the right to subsurface use) for state needs in accordance with the land legislation of the Republic of Kazakhstan.

Land plots that are owned or held under the land use right 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 subsurface user, with disturbance of the land surface during the period of the actual use of the land plot.

6. Conclusion and registration of contracts for exploration and production of widespread mineral deposits shall be performed by local executive bodies of a region, a city of republican significance, the capital.

69. Term of the contract

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

The term of an exploration contract for offshore petroleum operations may be extended by the competent body for a period of up to two years, if six months prior to the expiration of the contract term, the subsurface user files an application to the competent body for extension of the contract term with justification of the reasons for such extension.

To the extent of discovery of a deposit, the subsurface user shall be entitled to extend the exploration contract for a period which is required for its appraisal.

An application for extension of the contract for the appraisal of a commercial discovery shall be considered within one month after its receipt by the competent body or the local executive body of a region, a city of republican significance, the capital.

2. A production contract shall be concluded for a term established by the project for production operations.

The term of a production contract shall be extended by the competent body or the local executive body of a region, a city of republican significance, the capital, provided that the subsurface user is not in violation of its contractual obligations and applied for such extension of the contract to the competent body or the local executive body of a region, a city of republican significance, the capital no later than six months before the termination of the operations, providing grounds for such extension. An application seeking extension of a contract shall be considered within two months after the date of its receipt by the competent body.

3. Relevant alterations and (or) amendments shall be made to the contract provided that the term of the contract is changed.

70. Territorial scope of a contract

1. Within a contract area, there may be one or several a portion of subsurface, either adjacent to one another or separate. A portion of subsurface (portions of subsurface) allocated within a contract area may be limited to a certain depth.

2. To the extent that two or more subsurface users conduct subsurface use operations under different contracts within one contract area, the procedure for conducting operations within the contract area shall be established by an agreement between such subsurface users.

To the extent that the subsurface users conducting subsurface use operations under different contracts within one contract area fail to come to an agreement on this matter, the subsurface user which conducts operations for exploration or production of minerals under a contract concluded with the competent body shall have the right to establish the procedure for conducting operations in the contract area.

The subsurface user which conducts operations for exploration or production of widespread mineral deposits under a contract concluded with the local executive body of a region, a city of republican significance, the capital shall be obligated to observe the procedure for conduct of operations in the contract area established by the subsurface user which conducts operations for exploration or production of minerals under a contract concluded with the competent body.

To the extent that two or more subsurface users conduct subsurface use operations within one contract area under different contracts concluded with the competent body, the subsurface user with which the contract was concluded earlier shall have the right to establish the procedure for conducting operations in the contract area.

The subsurface user with which the contract was concluded later shall be obligated to observe the procedure for conduct of operations in the contract area established by the subsurface user with which the contract was concluded earlier.

The procedure for conduct of subsurface use operations within one contract area established in accordance with this paragraph shall be agreed with the authorized body for the study and use of subsurface.

3. If conducting subsurface use operations in a portion of subsurface is impossible or difficult or may result in excessive costs for the subsurface user without granting him an easement for the adjacent or other a portion of subsurface, the person interested in obtaining an easement (applicant for an easement) shall have the right to apply to a subsurface user whose portion of subsurface shall be subject to the creation of an easement, with a proposal to execute an agreement on creation of an easement.

If an applicant for an easement and the subsurface user fail to agree on the possibility of creation of an easement or on the terms of an easement agreement, the person concerned may apply to court.

An easement shall be subject to registration with the competent body and in the case when a portion of subsurface is provided for the performance of operations for exploration and production of widespread mineral deposits – with the local executive body of a region, a city of republican significance, the capital.

Creation of an easement shall be prohibited to the extent when such creation may cause a threat to the life and health of people or the environment and also when it makes it impossible to carry out exploration and (or) production in the a portion of subsurface.

Upon creation of an easement for a portion of subsurface, the easement holder shall be obliged to compensate the subsurface user for any losses related to the easement, unless provided otherwise by the easement agreement or laws of the Republic of Kazakhstan.

An agreement on creation of an easement or decision of the court may provide for payment for the easement due from the easement holder to the subsurface user.

An agreement on creation of an easement or decision of the court may provide for payment for the easement due from the easement holder to the subsurface user.

An easement may not be an independent subject of transactions, including sale and purchase transactions and pledge. An easement may pass to other persons only together with the right to secure which such easement was created. An easement shall survive in the case of transfer of the right to subsurface use or devolution of the right to subsurface use by universal succession with regard to a portion of subsurface encumbered by an easement to another person.

Creation of an easement for a part of a portion of subsurface shall be the basis for emergence of an easement for the land plot in accordance with the land legislation of the Republic of Kazakhstan when obtaining such easement is necessary.

4. If in the course of exploration or production of minerals it is revealed that the geographical borders of a discovery or a deposit/deposit (whether onshore or offshore) extend beyond the boundaries of the contract area specified in the geological or mining allotment, the issue of its expansion shall be resolved by the competent body or the local executive body of a region, a city of republican significance, the capital for the performance of exploration or production of widespread mineral deposits through amendment of the terms of the contract without holding a tender in accordance with the procedure and within the terms established by this Law for agreement of the project of a contract and its execution unless his territory is free from subsurface use.

5. The conditions and procedures for the return of a contract area shall be established by this Law and the contract.

6. Return of parts of a contract area shall be performed by reissue of the geological allotment, excluding the parts of the contract area that are subject to return from the relevant geological allotment.

71. Alterations and (or) amendments to the contract

1. Unless otherwise stipulated by this Law, alterations and (or) amendments to a contract shall be acceptable upon mutual agreement of the parties.

2. Alterations and (or) amendments of 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 laws of the Republic of Kazakhstan and the contract.

3. To the extent that actions of a subsurface user in the course of subsurface use operations in relation to portions of subsurface (deposits) having strategic value lead to a change in the economic interests of the Republic of Kazakhstan which poses a threat to the national security, the competent body may demand an amendment to be made to the contract, including an earlier concluded contract, in order to restore the economic interests of the Republic of Kazakhstan.

72. Termination of the contract

1. A contract shall terminate upon expiration of its term unless the parties agree to extend the contract term in the procedure established by Article 69 of this Law.

2. An early termination of a contract shall be allowed upon the agreement between the parties, as well as to the extent stipulated by this Law upon the request of a party.

3. The competent body may unilaterally terminate a contract before its expiration in the following cases:

1) when the subsurface user within the set period does not cure more than two violations of the obligations established by the subsurface contract or project documents;

2) when the subsurface user transfers its right to subsurface use and (or) objects related to the right to subsurface use in cases, specified in paragraphs 1 and 3 of Article 36 of this Law, without the permission of the competent body, except for cases when such permission is not required under paragraph 5 of Article 36 of this Law.

A violation of the contract terms that was fully cured by the subsurface user within the term set in the notice from the competent body shall not be a basis for early unilateral termination of the contract.

4. To the extent provided in paragraph 3 of Article 71 of this Law, the competent body may unilaterally terminate the contract in the following cases:

1) within a period of up to two months after the receipt of a notice from the competent body, informing of an alteration and (or) amendment to the contract, the subsurface user fails to confirm its permission in writing to the conduct of negotiations to alter and (or) amend the contract terms or if it refuses to conduct them;

2) within a period of up to four months after the receipt of the subsurface user permission to negotiate an alteration and (or) amendment to the contract, the parties fail to reach an agreement on the amendment to the contract;

3) within a period of up to six months after the date of achievement of a coordinated decision on the restoration of the economic interests of the Republic of Kazakhstan, the parties fail to sign alteration and (or) amendment to the contract.

5. By the decision of the Government of the Republic of Kazakhstan the competent body may unilaterally terminate a contract, including a contract executed earlier in the case when the actions of the subsurface user in conducting subsurface use operations with regard to a portion of subsurface, deposits of strategic significance result in a change in the economic interests of the Republic of Kazakhstan creating a threat to the national security.

To the extent of unilateral termination of a contract on the said basis the competent body shall notify the subsurface user thereof not later than two months prior to such termination.

6. The local executive body of a region, a city of republican significance, the capital shall have the right to unilaterally terminate a contract for exploration or production of widespread mineral deposits to the extent of failure by the subsurface user within the time period set in the notice of the competent body to cure more than two violations of the obligations established in the subsurface contract or project documents.

A violation of the contract terms that was fully cured by the subsurface user within the term set in the notice of the local executive body of a region, a city of republican significance, the capital shall not be the grounds for early unilateral termination of the contract.

7. If as a result of price changes, existing in the market as well as other circumstances beyond the control of the subsurface user, the actual costs of the subsurface user become less than those, taken into account upon execution of the contract, the approval of the work program and project documents but at the same time the physical volume of the obligations of the subsurface user, provided by the contract, work program and project documents, is fully performed, such reduction of the actual costs of the subsurface user shall not be a violation of the contract terms and the grounds for early unilateral termination of the contract.

8. A subsurface user shall have the right to demand early termination of its contract in a judicial proceeding or unilaterally repudiate the contract on the bases set forth in the contract.

9. Termination of a contract shall not release the subsurface user from its obligations to relinquish the contract area to the state and to liquidate the consequences of its subsurface use operations in accordance with the requirements of the legislation of the Republic of Kazakhstan.

10. Upon early termination of a contract by the competent body, the national company shall accept the contract area under its trust management. The facilities and equipment, ensuring continuity of the technical processes and industrial safety, shall be transferred by the former subsurface user for temporary possession and use by the national company for a term until the transfer of such property to a new subsurface user. To the extent of absence of the former subsurface user or if the former subsurface user evades the transfer of the property to the national company the competent body shall act as its attorney with respect to such property.

The competent body shall be obliged to tender the portion of subsurface provided by the contract or to conduct direct negotiations.

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

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

1) the fact is established that the decision on the termination of the contract was taken on the basis of inaccurate information, which significantly influenced the decision on the termination of the contract, including to the extent that, as of the date of the decision to terminate the contract the subsurface user, for a valid reason, had no documents confirming the performance of its contractual obligations;

2) certain reasons are established and confirmed which are beyond the control of the subsurface user and which resulted in a failure to perform, or duly perform under

the contract, including Force Majeure, that is, emergency circumstances that are insurmountable given the existing conditions (natural calamities, hostilities, etc.) that directly affected the failure to perform, or duly perform under the contract.

2. An appeal received from the person whose contract was terminated, or an independent establishment by the competent body of the grounds for contract renewal within six months from the date of the decision on the termination of the contract at the initiative of the competent body shall be the basis for the consideration by the competent body of the issue of renewal of the contract that was earlier terminated at the initiative of the competent body.

3. A decision of the competent body to renew a contract and to cancel an earlier decision to terminate the contract at the initiative of the competent body shall be taken within one month after the receipt of an appeal from the person the contract with whom was terminated, or after the establishment by the competent body of the circumstances set forth in paragraph 1 of this Article.

4. If a decision to renew an exploration, production, combined exploration and production contract and to cancel an earlier decision on the termination of the contract at the initiative of the competent body is taken on the bases set forth in paragraph 1 of this Article, the competent body and the subsurface user shall, within three months after the date of such decision, agree and sign in the established procedure an additional 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 liability issues. Following a decision of the competent body, the period for approval of and signing an additional agreement to the contract which is stipulated in this paragraph may be extended.

5. A decision of the competent body to renew an exploration or production contract and to cancel an earlier decision on the termination of the contract at the initiative of the competent body shall be notified to the person the contract with whom was earlier terminated within ten working days after its adoption and shall form the basis for renewal by the subsurface user of the activities under the contract before the signing of an additional agreement to the contract in accordance with paragraph 4 of this Article.

6. The provisions of this Article shall apply if the local executive body of a region, a city of republican significance, the capital resolves to renew the contract for exploration or production of widespread mineral deposits.

74. Declaring a contract void

1. The grounds for declaring a contract void shall be as follows:

- 1) declaring the tender for granting the right to subsurface void;
- 2) the absence of mandatory terms established by this Law in the contract;

3) it is established that the competent body or the local executive body of a region, a city of republican significance, the capital was knowingly provided with inaccurate information, which influenced its decision to conclude the contract with such person;

4) other grounds, stipulated by the laws of the Republic of Kazakhstan.

2. A contract, declared void shall entail no legal consequences, except for those relating to its voidness, and shall be invalid since the moment of its execution.

Declaring a contract void shall not release the subsurface user from its obligations to relinquish the contract area to the state and to eliminate the effects of its subsurface use operations in accordance with the requirements of the legislation of the Republic of Kazakhstan.

3. Declaring a contract void in a judicial proceeding or termination of a contract on the basis of which the right to subsurface use was transferred and reissued shall entail the voidness of the alterations and amendments to the contract that were adopted in connection with such transfer of the right to subsurface use, but not of the contract itself.

4. Declaring a contract void shall entail the voidness of all subsequent transactions the subject of which is the right to subsurface use granted on the basis of such contract.

Chapter 7. Rights and obligations of a subsurface user

75. Rights of a subsurface user

The subsurface user shall have the right:

1) to take at actions its own discretion relating to subsurface use within the contract area allocated to it, in accordance with the terms and conditions provided by the contract;

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

3) to construct within the contract area and, where necessary, on other land plots allocated to the subsurface user in accordance with the established procedure, industrial and social sector facilities which are required for the performance of work, and to use facilities and utility systems of general use both within and outside of the contract area on the basis of contracts;

4) to initiate negotiations on extension of the contract term;

5) to retain contractors for the performance of certain types of work relating to subsurface use operations;

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

7) to terminate subsurface use operations on the conditions established by this Law or the contract.

76. Obligations of a subsurface user

1. A subsurface user shall be obliged:

1) to perform subsurface use operations in accordance with the contract and the legislation of the Republic of Kazakhstan and comply with the requirements established by the legislation of the Republic of Kazakhstan for subsurface use operations;

2) to ensure the safety of human life and health and environmental safety in the conducting subsurface use operations;

3) to use the contract area only for the purposes stipulated by the contract;

4) to choose the most efficient methods and technologies for the conducting subsurface use operations, which shall be based on good subsurface use practice;

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

6) to observe the terms of the Memorandum of understanding related to the implementation of the Extractive Industry Transparency Initiative in the Republic of Kazakhstan, except for contracts for ground waters and widespread mineral deposits;

7) to observe the provisions of project documents and technological schemes relating to the performance of subsurface operations that are agreed in the procedure established by the legislation of the Republic of Kazakhstan and that ensure the safety of the life and health of the personnel and the population, as well as the rational and comprehensive use of subsurface and environmental protection;

8) not to prevent other persons from moving freely within the contract area and use facilities and utility systems of general use unless it is connected with special security conditions and unless such activities interfere with its subsurface use operations;

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

10) to retain mandatorily Kazakhstan performers of work and providers of services in subsurface use operations, including the use of air, rail, water and other modes of transport, provided that such services comply with the standards, and price and qualitative characteristics of homogeneous work and services performed or provided by non-residents of the Republic of Kazakhstan;

11) to give preference to Kazakhstan personnel in the conducting subsurface use operations;

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

12-1) to finance annually scientific research, scientific technical and (or) design and experimental works, performed by Kazakhstan producers of goods, works and services, in the amount and at least one percent of total annual income from contractual activity.

The performance of the obligation on financing of scientific research, scientific technical and (or) design and experimental works shall be the actual costs incurred by a subsurface user for the abovementioned works, related to the activity within the scope of the subsurface use contract, as well as with the activity, not related to the subsurface use contract, targeted to derivation of high-value added production (extractions), studies of ecology, labour safety, accident prevention, energy supply within the framework of production activity (technological cycle) and expenditures for financing of scientific researches, performed by the subjects of scientific and (or) scientific – technical activity in accordance with the Law of the Republic of Kazakhstan “On science”, and the elements of industrial and innovative infrastructure in accordance with the Law of the Republic of Kazakhstan “On state support of industrial and innovative activities”.

the provisions of this subparagraph shall not apply to the following types of contracts:

for exploration and (or) production of widespread mineral deposits;

for exploration and (or) production of underground waters;

for exploration and (or) production of therapeutic muds;

for construction and (or) operation of underground facilities, not related to exploration and (or) production;

13) to provide the competent body or the local executive body of a region, a city of republican significance, the capital with information about the implementation of the work program;

14) to provide the officials of the controlling bodies of the Republic of Kazakhstan with necessary documents, information and unimpaired access to workplaces in the performance of their official duties and timely eliminate any violations revealed by them;

15) to submit geological reporting documents on the results of its activities in the contract area to the authorized body for the study and use of subsurface;

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

17) annually no later than 1st of February of the year planned for procurement or not later than sixty calendar days from the date of the registration of the subsurface contract, to submit to the competent body an annual program for the procurement of goods, works and services for the following year in the forms and procedure approved by the Government of the Republic of Kazakhstan;

18) annually no later than 1st of February or not later than sixty calendar days from the date of the registration of the subsurface contract, to submit to the competent body a medium-term and long-term programs, in the forms and procedure approved by the Government of the Republic of Kazakhstan, for the procurement of goods, works and services for the forthcoming periods;

19) each quarter, no later than on the fifteenth day of the month following the reporting period, to submit to the competent body reports on procured goods, works and services and on performance of obligations related to local content in the personnel in the form and procedure approved by the Government of the Republic of Kazakhstan;

20) each quarter, no later than on the fifteenth day of the month following the reporting period, to submit to the competent body reports, in the form and procedure approved by the Government of the Republic of Kazakhstan, on the performance of the obligations related to the amount of expenses, allocated for training, advanced-training and re-training of employees – citizens of the Republic of Kazakhstan, retained for the performance of the contract or training of citizens of the Republic of Kazakhstan under the list of professions agreed with the competent body;

21) annually no later than on the fifteenth day of the month following the reporting period, to submit to the competent body a report on the performance of the obligations related to local content in the personnel;

21-1) each quarter, no later than on the fifteenth day of the month following the reporting period, to submit to the competent body reports, in the form and procedure approved by the Government of the Republic of Kazakhstan, on fulfillment the obligations on financing of scientific research, scientific-technical and (or) design and experimental works;

22) to submit reporting documents, which shall be confirmed by an audit report, in compliance with the requirements set forth in the Extractive Industry Transparency Initiative and in accordance with the procedure approved by the Government of the Republic of Kazakhstan;

23) unless as otherwise established by the contract, to disclose information about the content of subsurface use operations to third parties, as necessary, only upon the common permission of the parties, except for the information specified in paragraph 3 of Article 78 of this Law;

24) to preserve historic and cultural sites;

25) to restore land plots and other natural sites disturbed as a result of subsurface use operations to a condition suitable for their further use in accordance with the legislation of the Republic of Kazakhstan;

26) to forecast the environmental consequences of its activities at a design stage;

27) to conclude a contract on mandatory ecological insurance;

28) to include in its balance sheets all pre-existing wells within the contract area and monitor them;

29) to ensure organization of monitoring of the condition of the subsurface and control over the development of the deposit;

30) to notify the competent body about executed transactions for alienation of the right to subsurface use to affiliates and other persons as well as interests in the charter capital of the subsurface user or shareholdings within a five day period from the date of the execution of a transaction;

31) to register in the register of goods, works and services, used for the conducting subsurface use operations and producers thereof, except for the persons specified in paragraph 7 of Article 77 of this Law;

32) to the extent of alterations and (or) amendments to the annual program of procurement of goods, works and services, to submit within five working days information about such alterations and (or) amendments to the competent body in the forms and procedure approved by the Government of the Republic of Kazakhstan;

33) at the request of the competent body within the time period established by it, to submit data, information and documentation pertaining to the performance by the subsurface user of its contract obligations;

34) to conduct clerical work, including internal documentation and set forth transactions executed in writing in the Kazakh and Russian languages and to enclose translations into other languages, if necessary.

2. A contract may also provide other obligations of the subsurface user not contradicting the legislation of the Republic of Kazakhstan.

Footnote. Article 76 as amended by the Law of the Republic of Kazakhstan dated 09.01.2012 No 535-IV (shall be enforced upon expiry of ten calendar days from its first official publication).

77. Procurement of goods, works and services in the course of subsurface use operations

1. Procurement of goods, works and services in the course of subsurface use operations shall be performed, including by contractors, by using one of the following methods:

- 1) an open tender;
- 2) from one source;
- 3) price proposals;
- 4) through the system of electronic procurements;
- 5) through commodity exchanges.

2. The procedure for the procurement of goods, works and services in the course of subsurface use operations shall be established by the Government of the Republic of Kazakhstan.

3. The procurement of goods, works and services in the course of subsurface use operations shall be performed by using the methods, specified in subparagraphs 1), 2), 3) and 4) of paragraph 1 of this Article, with mandatory application of the register of goods, works and services, used in the course of subsurface use operations, and their producers, to with application by subsurface users of other systems of e-procurement, allocated in Kazakhstan segment of the Internet network, which operation is synchronized with the work of the register of goods, works and services, used in the course of subsurface use operations, and their producers, in accordance with the procedure, approved by the Government of the Republic of Kazakhstan.

4. In the procurement of goods, works and services through the methods, specified in subparagraphs 1), 2), 3) and 4) of paragraph 1 of this Article, the tender announcement, the protocol of the opening of the tender applications, admission for participation in the tender, summarizing of the results shall be subject to placement in the register of goods, works and services used in the course of subsurface use operations and their producers, the announcements on procurement and its results shall be mandatorily published in periodicals, that are published at least three times a week and circulated within the territory of the Republic of Kazakhstan in the Kazakh and Russian languages.

5. Subsurface users and their contractors, as well as persons authorized by subsurface users to procure goods, works and services in the course of subsurface use operations in the Republic of Kazakhstan, shall perform procedures related to the acquisition of goods, works and services by using any of the methods specified in paragraph 1 of this Article in the territory of the Republic of Kazakhstan.

6. The costs of the procurement of goods, works and services used in the course of subsurface use operations based on the results of a tender held outside of the Republic of Kazakhstan or acquired in violation of the established by the Government of the Republic of Kazakhstan procedure for procurement of goods, works and services in the course of subsurface use operations shall be excluded from the costs considered by the competent body as performance by the subsurface user of its contract obligations.

7. The requirements of this Article shall not apply to:

1) subsurface users conducting operations for exploration or production of widespread mineral deposits;

2) subsurface users performing procurement of goods, works and services in accordance with the legislation of the Republic of Kazakhstan on state procurement;

3) legal entities holding the right to subsurface use whose fifty percent of shares (participating interests) or more is directly or indirectly owned by the national management holding.

Footnote. Article 77 as amended by the Law of the Republic of Kazakhstan dated 01.02.2012 No 551-IV (shall be enforced upon expiry of ten calendar days after its first official publication).

78. Support for Kazakhstan producers

1. In the conducting subsurface use operations in the Republic of Kazakhstan, the subsurface user and its contractors shall in accordance with the requirements of this Law procure goods, works and services from Kazakhstan producers, provided that such producers meet the requirements of project documents and the legislation of the Republic of Kazakhstan on technical regulation.

2. The organizer of the tender for procurement of goods, works and services 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. Information related to the performance of contract obligations with respect to local content, planning and performance by the subsurface user of the procurement of goods, works and services as well as the costs of training of Kazakhstan specialists and costs of social and economic development of the region and its infrastructure is not confidential.

Footnote. Article 78 as amended by the Law of the Republic of Kazakhstan dated 09.01.2012 No 535-IV (shall be enforced upon expiry of ten calendar days after its first official publication).

79. Implementation of obligations on development and use of high technologies, new and processing production facilities, main and other pipelines, construction and joint use of infrastructural and other objects

Implementation of obligations on development and use of high technologies, new and processing production facilities, main and other pipelines, construction and joint use of infrastructural and other objects by a subsurface user shall be performed in accordance with the provisions of the subsurface use contract.

80. Obligations of a subsurface user upon termination of subsurface use operations

1. Upon termination of subsurface use operations, all production facilities of the subsurface 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 consequences of the activity of subsurface users shall be liquidated in accordance with the procedure established by the legislation of the Republic of Kazakhstan.

2. To the extent of termination of exploration or production, as well as of the construction and (or) operation of underground facilities not related to exploration and (or) production, the subsurface user shall be obliged to transfer to the authorized body for the study and use of subsurface all documents and other physical carriers of geological information.

81. Ownership of the equipment and other property of a subsurface user

1. The issues of transfer of title to the equipment and other property, except for money, securities and non-industrial property used by the subsurface user for conducting exploration or production, shall be established in the contract, unless as otherwise provided by this Law.

2. Regardless of any transfer of title to equipment and other property to the Republic of Kazakhstan, the subsurface user shall preserve the obligation to dismantle or remove such equipment and other property from the contract area at its own expense during the term of the contract, as well as within one year after the expiration of the contract, except for the cases of transfer of such equipment or other property to another entity in accordance with the notice in writing of the competent body or where otherwise is established in the contract.

3. The dismantling and removal of equipment and other property from the contract area, regardless of the ownership of such equipment and other property shall be performed in a manner which shall be safe for human life and health and for the environment, and in compliance with the legislation of the Republic of Kazakhstan.

Chapter 8. Petroleum operations

82. Terms of conducting petroleum operations

1. A subsurface 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 established by the contract.

2. A subsurface user shall be obliged to be guided by good practice of deposit development and by the requirements of approved project documents in conducting exploration or production.

3. A subsurface user conducting exploration shall have the right to conduct pilot production of deposit reserves.

The conditions and the period of pilot production shall be established by the authorized body for the study and use of subsurface.

4. Petroleum reserves of a deposit, as well as petroleum recoverability level, shall be subject to state expertise of the subsurface and to approval by the State commission for mineral reserves of the Republic of Kazakhstan.

83. Exploration and pilot production of raw hydrocarbon deposits

1. Exploration shall include deposit 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 work

project, which shall contain arguments supporting the quantity and location of wells and dates of their drilling, as well as the tasks to be achieved and the sequence and volume of necessary studies.

2. BIn the course of exploration at oil and gas and oil deposits, production testing of wells shall be performed in accordance with a pilot production project design, approved in the procedure established by this Law.

3. Conducting the pilot production without a pilot production project, approved in accordance with the established procedure, or in violation of the requirements set forth in such pilot production design shall be prohibited.

84. Industrial development of raw hydrocarbon deposits

1. A deposit or accumulation of hydrocarbons, the operation of which in accordance with the accepted development method is recognized as profitable for the entire term of its implementation shall be recognized as an object of commercial development.

2. Conducting of the development of hydrocarbon deposits shall be performed in accordance with the uniform rules for rational and comprehensive use of subsurface in exploration and production of minerals, approved by the Government of the Republic of Kazakhstan.

3. Commencement of commercial development of a hydrocarbon deposit (accumulation) shall be allowed, if:

1) exploration operations for the oil deposit have been performed, and where necessary, pilot production of deposits or pilot development of the selected blocks of the deposit have been performed, and for a gas deposit - pilot production of the deposit has been performed;

2) state expertise 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 agreed with the authorized body for industrial safety;

4) project documents for the commercial development have been approved in the established procedure.

4. Commercial development of a deposit shall be performed in accordance with the approved pilot development project, the development technological scheme, and the commercial development project.

5. During the performance of the commercial development of a hydrocarbon deposit, subsurface users shall be obliged to ensure full, systematic and high quality conduct and maintenance of geological surveys and surveyor's observations and corresponding documentation, safe keeping.

6. Commercial development or pilot development without relevant project documents approved in the established procedure, as well as violation of the requirements set forth in the project documents, shall be prohibited.

7. The performance of any operations related to commercial development without conducting monitoring of the condition of the subsurface and exercising control over the development of the deposit shall be prohibited.

8. A contract for production of natural gas may establish that the competent body shall have no right to require and the subsurface user shall not be obliged to commence production of natural gas prior to the execution of transactions on delivery of natural gas from the discovered deposit. Therewith, the term of the contract shall be interrupted until the date of the execution of relevant transactions on delivery of natural gas from the discovered deposit of natural gas, unless as otherwise provided by the contract.

To the extent that a subsurface user within the period of one year has not executed any transactions on delivery of natural gas, the competent body shall have the right to require that the subsurface user execute a contract for delivery of the subsurface user's natural gas with a third party on reasonable terms, including for the purpose of subsequent resale of the delivered gas to domestic or foreign consumers, provided that the third party agrees to execute a transaction with the subsurface user. To the extent that the subsurface user and such third party designated by the competent body fail to come to an agreement on this matter, they shall have the right to demand resolution of this dispute in a judicial proceeding.

85. Flaring of associated gas and (or) natural gas

1. Flaring of associated gas and (or) natural gas shall be prohibited, except to the extent of:

1) a threat of or occurrence of an emergency situation, a threat to the life of the personnel or health of the population and the environment;

2) during testing of well facilities, pilot production of deposits;

3) during technologically unavoidable flaring of gas in the course of: commissioning of technological equipment, operation of technological equipment; maintenance and repair of technological equipment.

2. In cases provided by subparagraph 1) of paragraph 1 of this Article and related to any failures (deviations) in the operation of technical equipment throughout the whole technological complex of operations related to production, collection, preparation and transportation of oil and gas, provided by the approved technological regulations, damaging of mechanisms, equipment and structures, associated and (or) gas flaring shall be allowed without permission.

Therewith the subsurface user shall be obliged within 10 days to provide a written notice of such flaring to the authorized bodies for oil and gas, subsurface study and use, protection of the environment.

Such notice shall contain the reasons why such flaring of associated and (or) natural gas occurred as well as information about the volumes of the flared gas.

3. To the extent, specified in subparagraphs 2) and 3) of paragraph 1 of this Article, flaring of associated gas and (or) natural gas shall be allowed upon the permission of the authorized body for oil and gas, agreed with the authorized bodies for the study and use of subsurface, for environmental protection and industrial safety, provided that the subsurface user observes the project documents within the limits of the standards and volumes calculated in accordance with the methodology approved by the Government of the Republic of Kazakhstan.

The procedure for issuance of permissions for flaring of associated gas and (or) natural gas shall be established by the Government of the Republic of Kazakhstan.

4. Flaring of gas during testing of well facilities shall be allowed in accordance with the approved project for a period not exceeding three months for each well object.

Flaring of gas during pilot production of deposits may be allowed for an aggregate time period, not exceeding three years.

5. Flaring of gas during commissioning of technological equipment shall be allowed during the period related to such commissioning work.

Flaring of gas during maintenance and repair work shall be performed within the regulated volumes, exceeding the volumes of technologically unavoidable flaring of gas during operation of equipment.

The RCLI's Note!

Paragraph 6 is stipulated to be excluded by the Law of the Republic of Kazakhstan dated 13.01.2012 No 542-IV (shall be enforced from 01.01.2015).

6. Paragraph 1 of this Article shall not apply to subsurface users performing petroleum operations under subsurface use contracts concluded prior to 1 December 2004, until the expiration of the periods of implementation of the programs for utilization of associated gas and (or) natural gas, if they were approved by (agreed with) a state body prior to 1 December 2004 or agreed with the competent body and the authorized body for environmental protection prior to 1 July 2006.

Footnote. Article 85 as amended by the Law of the Republic of Kazakhstan dated 10.07.2012 No 36-V (shall be enforced upon expiry of ten calendar days after its first official publication).

86. Utilization and processing of associated and (or) natural gas

1. The commercial development of oil and gas deposits without processing and (or) utilization of associated and (or) natural gas shall be prohibited.

2. In order to ensure environmental safety, a subsurface user producing hydrocarbons shall take actions aimed at minimizing environmental damage, minimizing the volume of flaring of hydrocarbon gas, and at rational and comprehensive use of natural gas, including its processing.

3. Unless as otherwise provided in the contract, associated gas is the property of the state.

4. Obligations to process natural gas under contracts concluded prior to the enforcement of this Law shall be formalized in a separate agreement between the subsurface user and the competent body and shall be an annex to the contract for the production, combined exploration and production of hydrocarbons.

5. It shall be allowed at certain deposits where processing of associated gas is inexpedient, to utilize it without processing, by using it for technological needs, pumping it into a reservoir to increase intrastate pressure, as well as to reinject it into the reservoir for storage, following a decision of the authorized body for oil and gas, upon agreement with the authorized bodies for the study and use of subsurface and for environmental protection.

6. Project documentation for commercial development of a hydrocarbon deposit shall include, on a mandatory basis, a section on associated gas processing (utilization).

7. In order to achieve rational use of associated gas as an important strategic resource of the state, subsurface users producing hydrocarbons and the authorized body for oil and gas may jointly perform the implementation of projects on the use of associated gas.

8. Subsurface users shall provide programs for the development of processing of associated gas, which are subject to approval by the authorized body for oil and gas and subject to agreement with the authorized bodies for the study and use of subsurface and for environmental protection, and which shall be updated every three years, for the purposes of rational use of associated gas and in order to decrease its harmful environmental impacts by reducing the volumes of its flaring or by reinjection into the reservoir (utilization).

Reports on the completion of programs shall be sent by a subsurface user annually to the authorized bodies for oil and gas, for environmental protection and for the study and use of subsurface.

9. Paragraph 1 of this Article shall not apply to subsurface users performing petroleum operations under subsurface use contracts concluded prior to 1st of December 2004, until the expiration of the periods of implementation of the programs for utilization of associated gas and (or) natural gas, if they were approved by (agreed with) a state body prior to 1st of December 2004 or agreed with the competent body and the authorized body for environmental protection prior to 1st of July 2006.

87. Measures for prevention of accidents and other dangerous situations in the course of conducting the petroleum operations

1. A subsurface user performing petroleum operations in accordance with this Law shall undertake all necessary measures 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 practice of deposit development and the legislation of the Republic of Kazakhstan.

2. A subsurface user shall develop programs of measures for preventing accidents and other dangerous situations in the course of petroleum operations as well as in the construction and operation of oil and gas pipelines, and shall have them approved as a part of project documents.

88. Raw hydrocarbon deposit construction

1. The construction of necessary deposit objects and other infrastructure objects required for production, treatment, storage and transportation of hydrocarbons from the place of production and storage to the place of transfer to the main pipelines and (or) other mode of transportation shall be performed in accordance with project documents, which shall be approved in accordance with the established procedure.

2. When designing and constructing hydrocarbon deposit construction objects, necessary measures for safe operation of such facilities, and for localization and minimization of the consequences of possible emergencies shall be taken.

3. When building of deposit construction facilities, the sequence of their commissioning as established by the project document shall be observed, so that it does not result in amendment of the project indices in the adopted technological variation of the development of the deposit and in violation of industrial and environmental safety requirements.

89. Particularities of exploration and production at border deposits

1. If, as a result of conducted exploration or production, the subsurface user discovers that the deposit is a border deposit, the subsurface user shall immediately notify about it the competent body.

2. If no relevant international treaties of the Republic of Kazakhstan have been signed with the state on the territory or under the jurisdiction of which a part of such border deposit is located, the competent body may demand suspension of exploration and production at the border deposit until a relevant agreement with that state is reached. In such event, the contract shall be deemed to be interrupted until the time the competent body gives its permission to renewal of exploration and production.

3. The rules of this Law and other legislation on subsurface and subsurface use of the Republic of Kazakhstan shall apply to relations involving exploration and

production at border deposits to the extent not contradicting the international treaties to which the Republic of Kazakhstan is a party.

The procedure for, and the terms of conducting exploration and production at border deposits which are established in the international treaties ratified by the Republic of Kazakhstan shall prevail over the rules of this Law.

90. Exploration or production at the deposit as a single object

1. To the extent that a part of the deposit at which the subsurface user performs its exploration or production operations is located within the boundaries of the contract area of another subsurface user, such subsurface users shall be obliged at their option:

1) to transfer their rights for exploration and (or) production in compliance with the procedures for such assignment that are established for transfer of the right to subsurface use, in such a manner that only one subsurface user having the right to conduct exploration and (or) production at the given deposit remains there, or several subsurface users having the right to use subsurface partially on the basis of one contract;

2) to enter into a contract for combined exploration and production at the deposit as a unified whole, upon making relevant amendments to project documents and upon preliminary agreement of such contract with the competent body.

2. To the extent that the subsurface users fail to comply with paragraph 1 of this Article, the competent body shall have the right to demand in a judicial procedure that such subsurface users enter into a contract for joint exploration and production at the deposit (as a single object). When a contract for joint exploration and production is executed, a single work program for the entire deposit shall be developed, which shall be subject to mandatory agreement with the authorized bodies for the study and use of subsurface and for environmental protection.

3. Subsurface users conducting unit exploration and 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.

91. Safety requirements for conducting petroleum operations and oil transportation

1. Safety in the course of petroleum operations and petroleum transportation shall be ensured through compliance with the established requirements, implementation of a package of organizational 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 threatened accidents.

2. Subjects of technical regulation shall be petroleum and its life-cycle processes.

3. Equipment and other property used by the subsurface 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 condition of operation 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 supplied to oil refineries for refining shall comply with the safety regulations established by the legislation of the Republic of Kazakhstan.

6. A package of safety measures for performing petroleum operations and oil transportation shall be provided with a relevant project document approved in accordance with the established procedure.

92. Construction of wells

1. All well construction and commissioning operations shall be performed in accordance with well construction programs. Well construction programs shall be subject to agreement with the authorized body for industrial safety.

2. Well construction programs shall be approved by the competent body in case of construction of wells:

1) with the hydrogen sulphide content in the gas exceeding six percent of the volume;

2) onshore, with a depth of more than five thousand meters;

3) offshore, with a depth of more than four thousand meters;

4) with the wellhead pressure of more than thirty five megapascals.

For other types of wells, a construction project shall be approved by the subsurface user.

3. Wells construction projects shall be developed subject to special requirements for preparing well construction programs to be approved by the competent body.

Chapter 9. Conducting offshore petroleum operations and in inland water bodies

93. General terms of conducting offshore petroleum operations and in inland water bodies

1. A subsurface user conducting offshore petroleum operations shall perform them in such a manner so as not to impede or damage marine navigation, fishery or any other lawful activity which is usually conducted in a particular part of the sea.

2. Subsurface users conducting offshore petroleum operations shall be guided by the best marine environment protection practice.

3. A mandatory condition of tenders for granting the right to subsurface use to conduct offshore petroleum operations shall be shared participation of the national company as a subsurface user of at least fifty percent in a respective contract.

The right to use the sea bottom for conducting petroleum operations on it shall be granted in accordance with a permission issued by the central authorized body for the management of land resources.

4. A subsurface user conducting offshore petroleum operations shall be liable for any harm caused to the environment and natural persons or legal entities to the extent of marine pollution resulting from the offshore petroleum operations conducted, notwithstanding the presence of guilt, unless it proves that such harm arose due to insuperable force or intent of the affected person.

5. A subsurface user conducting offshore petroleum operations shall develop special programs for prevention of marine pollution and shall have them approved as part of project documents.

These programs shall include measures on:

- 1) internal control over conducted petroleum operations;
- 2) training of personnel;
- 3) taking wells under control, supply of equipment and materials required in emergency and other dangerous situations, and to the extent of marine pollution;
- 4) involving other organizations specializing in elimination of accidents in the sea and their consequences.

6. To the extent of marine pollution despite the precautions taken by a subsurface user conducting offshore petroleum operations in accordance with a special program for prevention of accidents and other dangerous situations, such subsurface user shall take all possible measures to eliminate the marine pollution or reduce its level by using all means available for that.

7. A subsurface 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 person, provided that such representatives of state bodies are authorized to perform those inspections in accordance with the legislation of the Republic of Kazakhstan. 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 subsurface user conducting offshore petroleum operations.

8. A subsurface user conducting offshore petroleum operations shall not commence the construction or deployment of an offshore facility without obtaining the written permission thereto from the competent body. In order to obtain such permission, the subsurface user shall be obliged to file an application with the competent body before the commencement of the planned deployment or construction of an offshore facility. Such application shall include a description, timing and location of the planned offshore facility or of the work to be performed for the purpose of constructing such offshore facility. The competent body shall consider the application of the subsurface

user conducting offshore petroleum operations and issue a relevant decision no later than thirty working days after the submission of such application.

The rules established in this Article shall apply to natural persons and legal entities performing work and (or) providing services for state offshore geological subsurface studies.

9. The provisions of this Law established for offshore petroleum operations shall apply to petroleum operations in inland water bodies.

10. Particularities of conducting offshore petroleum operations shall be provided for in project documents, which shall be approved in the established procedure.

94. Conducting of petroleum operations within a safety zone

1. A subsurface user conducting petroleum operations within a safety zone shall conduct them in such a manner as to exclude or minimize any marine pollution in case the water level rises.

2. A subsurface user conducting petroleum operations within a safety zone must develop special programs for the prevention of marine pollution and have them approved as part of the project documents. These programs shall include measures on:

- 1) urgent conservation of exploration or production facilities with a due level of their protection against the marine environment;
- 2) removal from the flooded area of the stored petroleum, materials, drilling mud and other substances which may damage the environment;
- 3) localizing pollution focuses and cleaning water to the extent of marine pollution;
- 4) enabling lawful use of the sea and for other business activities by third parties.

95. Terms of conducting offshore explorations and production

1. A subsurface user conducting offshore exploration shall have the right to commence drilling of prospecting and exploration wells only to the extent when all necessary geophysical and seismic studies in the contract area are completed.

2. The drilling of a prospecting, exploration, or production well, or any other well without the written permission from the competent body shall be prohibited, except for drilling of 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 subsurface user shall be obliged to notify the competent body in writing of the commencement of 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 body shall issue its permission to the drilling of a well provided that the subsurface user or a contractor engaged by such subsurface user has an appropriate license for drilling operations; that the subsurface 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 on the well-drilling project has

been issued by the state environmental expertise; and that the permission has been issued by the state body for the construction or deployment of the offshore facility in question. The application shall include or be enclosed appropriate documents confirming the facts stated in the application.

4. Injection of associated gas or natural gas to maintain the intrastratal pressure shall be prohibited unless there is a written permission thereto issued by the competent body. The competent body may issue such permission provided that no other method of maintaining intrastratal 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 environmental examination committee with regard to the project, describing such injection, has been issued by the authorized body in the sphere of environmental protection.

5. A subsurface user conducting offshore exploration and production shall have, either at the offshore facility or within thirty-minute accessibility, appropriate equipment, materials and substances in the quantities required for conducting sea cleanup operations. The standards and requirements with regard to materials, substances, their quantities and availability shall be established by Government of the Republic of Kazakhstan.

6. Programs for the prevention of offshore accidents and other dangerous situations in conducting exploration and production, which shall be approved pursuant to this Law, shall contain certain measures of immediate localization of pollution focus and cleaning of the sea if its pollution occurs.

Footnote. Article 95 as amended by the Law of the Republic of Kazakhstan dated 10.07.2012 No 36-V (shall be enforced upon expiry of ten calendar days after its first official publication).

96. Construction and operation of offshore oil and gas pipelines

1. A subsurface user performing construction and operation of offshore oil and gas pipelines may not commence construction, mounting or installation of oil and gas pipelines without the written permission of the competent body. Such permission shall be issued in accordance with the general procedure established by paragraph 8 of Article 93 of this Law.

2. Compliance with the requirements and standards ensuring the safety of the conducted operations for human life and health and for the environment shall be provided in the course of the construction and operation of offshore oil and gas pipelines.

3. Particularities of the construction and operation of offshore oil and gas pipelines shall be provided for in design documents approved in accordance with the established procedure.

97. Prohibition of construction and operation of offshore storages and reservoirs of petroleum

1. Construction and operation of offshore storages and reservoirs of petroleum shall be prohibited.

2. Storage and safekeeping of petroleum at offshore facilities shall be prohibited, except for temporary (not more than twenty days) storage of petroleum when such petroleum is transported by tankers directly from the offshore facilities.

98. Artificial islands, dams, constructions and installations

1. The Government of the Republic of Kazakhstan shall have the right to permission and regulate creation, operation and use of artificial islands, dams, constructions and installations intended for offshore petroleum operations, for scientific research and for any other purposes, under the condition of protection and conservation of the natural environment.

2. Conservation zones shall be established around artificial islands, dams, construction and installations, extending for five hundred meters from each point of their outer edge. The islands, dams, structures and facilities, as well as conservation zones surrounding them, shall be located in the places where they cannot hinder operations on the traditional marine routes that are important for international navigation and fishery.

3. Organizations responsible for maintenance and operation of artificial islands, dams, constructions and installations shall provide for their security as well as for the availability of appropriate means for warning of their location.

4. Organizations responsible for maintenance and operation of artificial islands, dams, structures and installations shall provide for their security as well as for the availability of appropriate means for warning of their location.

5. The creation, operation and use of artificial islands, dams, units and installations, as well as other facilities related to petroleum operations shall be performed in accordance with the rules approved by the Government of the Republic of Kazakhstan.

99. Discharge and burial of waste in the course of offshore petroleum operations

1. The performance of discharge into the sea and burial on the sea bottom of waste in the course of offshore petroleum operations shall be prohibited.

2. Industrial and other waste waters may be discharged into the sea only upon the permission and under control of state controlling bodies, under the condition of their purification up to the established standards.

100. Marine scientific research

1. Marine scientific research may be performed only upon the notification of the competent body. The procedure for the performance of marine scientific research shall be approved by the Government of the Republic of Kazakhstan.

2. Marine scientific research may be performed both by Kazakhstan and foreign natural persons and legal entities, as well as by foreign government organizations and competent international organizations.

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 performing the legal use of the sea;

2) marine scientific research shall be performed by using 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 permission of the Government of the Republic of Kazakhstan.

Footnote. Article 100 as amended by the Law of the Republic of Kazakhstan dated 10.07.2012 No 36-V (shall be enforced upon expiry of ten calendar days after its first official publication).

101. Measurement of produced petroleum

1. Measurement and weighing of petroleum produced in the contract area shall be performed by the subsurface user in accordance with the rules approved by the Government of the Republic of Kazakhstan.

2. The subsurface user shall systematically, at time intervals determined in accordance with the established procedure and with the participation of a representative of the competent body, conduct tests of the equipment and devices used for weighing and measurement of petroleum.

3. When it is revealed in a test or inspection 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 transport

Footnote. Chapter 10 was excluded by the Law of the Republic of Kazakhstan dated 22.06.2012 No 21-V (shall be enforced upon expiry of ten calendar days after its first official publication).

Chapter 11. Protection of subsurface and environment, rational and comprehensive use of subsurface, safety of the population and personnel

107. Tasks of the protection of subsurface and environment, rational and comprehensive use of subsurface

The protection of subsurface and environment, rational and comprehensive use of subsurface shall include a system of legal, organizational, economic, technological and other measures aimed at:

- 1) protection of the life and health of the population;
- 2) rational and comprehensive use of subsurface resources;
- 3) preservation of natural landscapes and reclamation of disturbed land and other geomorphological structures;
- 4) preservation of properties of the energy state of the upper parts of subsurface for the purpose of prevention of earthquakes, landslips, flooding, and soil subsidence;
- 5) ensuring preservation of the natural state of water bodies.

108. General environment requirements

At all stages of subsurface use, including forecasting, planning, and designing, the environmental requirements established by the environmental legislation of the Republic of Kazakhstan shall be complied with on the priority basis.

109. Ecological basis for conducting subsurface use operations

1. The ecological basis for conduction subsurface use operations shall be formed by the positive opinions of state environmental and sanitary-epidemiological experts of subsurface use contracts, project documentation and ecological permission.

2. Subsurface users shall be obliged to present for state environmental and sanitary-epidemiological expert reviews all pre-project and project documentation, which shall include environmental impact assessment concerning the proposed activities and incorporate an "Environmental protection" section.

110. Requirements for rational and comprehensive use of subsurface use and protection of subsurface

1. The requirements for rational and comprehensive use of subsurface and protection of subsurface shall be as follows:

1) ensuring the completeness of the advanced geological study of subsurface for a reliable appraisal of the size and structure of mineral reserves, deposits and portions of subsurface allocated for the conducting subsurface use operations, including for the purposes not related to production;

2) ensuring rational and comprehensive use of subsurface resources at all stages of subsurface use operations;

3) ensuring the completeness of the extraction of minerals from subsurface without selective development of rich areas;

4) reliable recording of the reserves of basic and associated minerals and components, both extracted and depleted in subsurface, including products of processing of mineral raw materials and production waste resulting from the development of the deposits;

5) exemption of correction of the reserves of the minerals included in the state register, based on the results of primary processing;

6) prevention of accumulations of industrial and domestic waste in water catchment areas and in places where the underground waters flow that are used for drinking purposes or for industrial water supply;

7) protection of subsurface from watering, fire and other elements complicating the operation and development of deposits;

8) prevention of subsurface pollution, especially during underground storage of oil, gas or other substances and materials, burial of harmful substances and waste;

9) compliance with the established procedure for the suspension and termination of subsurface use operations, and conservation and liquidation of facilities related to the development of deposits;

10) ensuring compliance with environmental and sanitary-epidemiological requirements during the storage and placement of waste;

11) using petroleum gas to the maximum extent, by processing it to obtain strategically important energy carriers or primary resources for the petrochemical industry, reducing to a minimum any damage to the environment.

2. Subsurface users shall ensure compliance with the requirements for rational and comprehensive use of subsurface and protection of subsurface as stipulated by paragraph 1 of this Article, when planning their operations related to the use of subsurface, geological studies, and exploration and development of mineral deposits.

111. Liquidation and conservation of subsurface use objects

1. Subsurface use objects where operations related to the state geological exploration of subsurface, exploration and production, including exploration and production of underground water, therapeutic mud, exploration of subsurface for discharge of waste waters as well as construction and (or) operation of underground facilities not related to exploration and (or) production are or were conducted, except for technological units of a subsurface use object (blocks, panels, workings, oil and gas wells of various designation) shall be subject to liquidation or conservation in case of termination of subsurface use operations, as well as in case of full development of mineral reserves in accordance with the project documents and the work program.

2. In case of termination of subsurface use operations, the subsurface user shall promptly proceed with operations on liquidation or conservation at the subsurface use object. To the extent that there is a need to take an urgent decision on termination of production, the subsurface user shall perform a package of measures ensuring preservation of the facilities prior to the commencement of their liquidation or conservation.

3. Liquidation or conservation of subsurface use objects shall be performed in accordance with liquidation or conservation project documentation, which shall be

developed by a design organization having an appropriate license for the performance of operations and provision of services in the sphere of environmental protection and which shall be agreed with the authorized bodies for environmental protection, for the study and use of subsurface, in the deposit of industrial safety, the sanitary-and-epidemiological service, and land management bodies and which shall be approved by the subsurface user financing the work associated with the designing and implementation of the project, on the basis of the rules for the liquidation and conservation of subsurface use objects, approved by the Government of the Republic of Kazakhstan.

4. Operations on liquidation or conservation of subsurface use objects shall be deemed to be completed upon the signing of an act of the acceptance of work on the liquidation or conservation of the subsurface use object, by a commission created by the competent body and consisting of representatives from the authorized bodies for environmental protection, industrial safety, sanitary-and-epidemiological service, study and use of subsurface, the body for the management of land resources and local executive bodies of a region, a city of republican significance, the capital.

5. After the receipt of the work acceptance protocol on the liquidation or conservation of a subsurface use object, approved by the authorized body for environmental protection, the geological, surveyor's and other documentation shall be replenished as of the time of the completion of the work and shall be provided for keeping to the authorized body for the study and use of subsurface in accordance with the established procedure.

6. Financing of operations related to the liquidation or conservation of an object shall be performed at the expense of funds of the liquidation fund. The subsurface user shall make deductions to the liquidation fund into a special deposit account in any bank in the territory of the Republic of Kazakhstan.

On subsurface use contracts, concluded and the effect of which is not terminated prior to 1st of January 2009, on which a subsurface user started to make contributions to the liquidation fund, and brought them to the deductions in the tax period prior to 1st of January 2009 in accordance with the tax legislation of the Republic of Kazakhstan, the amount of the mentioned contributions shall be placed at a special deposit account in the territory of the Republic of Kazakhstan. This amount of contributions, subject to placement at the special deposit account, shall be reduced to the amount, used by the subsurface user at the expense of the funds of such liquidation fund for liquidation of the effects of deposit development in accordance with the program of liquidation of the effects of deposit development approved by the authorized body for the study and use of subsurface.

In such event, the subsurface user shall use the liquidation fund with the permission of the competent body, which permission shall be agreed with the authorized body for

the study and use of subsurface. Provisions regarding the procedure for forming the liquidation fund, the amount of deductions to the liquidation fund, and the periodicity of such payments shall be stipulated by the contract.

Footnote. Article 111 as amended by the Law of the Republic of Kazakhstan dated 26.12.2012 No 61-V (shall be enforced from 06.07.2010).

112. Portions of subsurface of special environmental, scientific, historical-cultural and recreational value

1. Portions of subsurface having special environmental, scientific, historical-cultural and recreational value shall be referred to objects of the state-owned natural preserve stock 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 objects.

2. The particularities of the protection and use of portions of subsurface having special environmental, scientific, historical-cultural and recreational value shall be established in the legislation of the Republic of Kazakhstan on specially protected natural territories.

3. Portions of subsurface having special environmental, scientific, historical-cultural and recreational value may not be alienated for any other needs.

4. To the extent of discovery of a geological, geomorphological or hydrogeological site having special environmental, scientific, historical-cultural and recreational value, subsurface users must terminate the operations in the relevant area and notify about it the authorized body for the study and use of subsurface and the authorized body for environmental protection.

113. Terms of building on areas of commercial mineral occurrence

1. Designing and construction of settlements, industrial complexes and other business objects shall only be allowed upon the receipt of an opinion from the authorized body for the study and use of subsurface concerning the absence or insignificance of minerals in the subsurface underneath the plot intended for building.

2. Building on areas of commercial mineral occurrence as well as deployment of underground facilities in places of their occurrence shall be allowed with the permission of the authorized body for the study and use of subsurface and the authorized body in the sphere of industrial safety, provided that the possibility for recovery of minerals is ensured or economic expedience of the development is proved.

3. An unauthorized building on areas of commercial mineral occurrence shall be terminated without compensation of the incurred costs and the costs of re-cultivation of land in the contract area and of dismantling of the constructed objects.

114. Conducting petroleum operations offshore, in inland water bodies, environmental emergency zones, and in specially protected natural areas

1. A general decision on the possibility of the conducting petroleum operations offshore, in inland water bodies, in environmental emergency zones and in specially protected natural areas shall be made by the President of the Republic of Kazakhstan following a proposal of the Government of the Republic of Kazakhstan on the basis of the opinion of a state environmental expertise.

2. The procedure for the performance of petroleum operations offshore, petroleum operations in inland water bodies, environmental emergency zones, and in specially protected natural areas shall be approved by the Government of the Republic of Kazakhstan.

3. During the operation of deposits, oil transportation in offshore nature reserve areas shall be performed through pipelines in accordance with the requirements established by environmental legislation of the Republic of Kazakhstan.

115. Ensuring safe subsurface use conditions for population and personnel

1. A subsurface user must ensure compliance with the rules and regulations for the safety of operations which are stipulated in legislation as well as ensure the implementation of measures to prevent and eliminate accidents, casualties and occupational diseases.

2. Conducting subsurface use operations if they are dangerous for the life and health of people shall be prohibited.

3. State control over the compliance with the rules and regulations for industrial safety and industrial sanitation in conducting subsurface use operations shall be performed by the authorized body for industrial safety and the authorized body for sanitary and epidemiological supervision.

4. The following shall be the main requirements for ensuring the safety of subsurface use operations:

1) admitting to operations persons with special training and qualifications, and to manage mining operations - persons having an appropriate special educational background;

2) providing the persons engaged in mining and drilling operations with special clothes and means of natural person and collective protection;

3) providing the persons engaged in mining and drilling operations with special clothes and means of natural person and collective protection;

4) reporting and proper storage and use of explosive substances and explosives as well as their accurate and safe use;

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 putting of risk zones on mining operations maps;

6) systematic monitoring of the condition of the mining atmosphere, the content of oxygen, harmful and explosive gases and dusts in it;

7) timely replenishment of technical documentation and accident elimination plans with information specifying the boundaries of the safe operation zones;

8) compliance with the designed systems for the development of deposits of solid minerals, plans and technological schemes for the development and deposit construction of oil, gas and underground water deposits;

9) implementation of special measures for the forecasting and prevention of sudden discharges of gas, floods of water, minerals and rocks, as well as quakes of rocks.

5. To the extent that an immediate threat emerges to the life and health of employees, officers of the subsurface users shall immediately suspend operations and provide for the transportation of the people to a safe place.

6. In the event that an immediate threat emerges to the life and health of the population in a subsurface use impact zone, the managers of the relevant organizations shall immediately inform about it the local executive bodies.

7. If a threat to the health and life of people arises in a zone affected by subsurface use operations, the subsurface user shall suspend its operations and shall have no right to resume subsurface use operations without creating safe conditions for the health and life of the people and without preventing the threat that arose. Where it is impossible to take other steps for the prevention of such threat, the subsurface user shall have the right to resume subsurface use operations only after relocating the population from the risk areas affected by subsurface use operations.

8. Professional emergency rescue service departments shall provide services to subsurface users on a contractual basis in accordance with rules approved by the Government of the Republic of Kazakhstan.

Chapter 12. State control over subsurface protection, study and use

116. State control over subsurface protection

1. State control over subsurface protection shall be exercised by the authorized body for environmental protection.

2. The task of the state control over subsurface protection shall be to ensure control over compliance by subsurface users with the subsurface and subsurface use legislation of the Republic of Kazakhstan as it relates to the prevention of subsurface pollution in the course of subsurface use operations and a decrease in harmful environmental impacts of subsurface use operations.

3. State control over subsurface protection shall include:

1) state monitoring of the protection of subsurface;

2) control over compliance with licensing and contractual terms relating to the protection of subsurface;

3) control over burial of harmful substances, radioactive waste and discharge of waste water into subsurface;

4) control over the prevention of subsurface pollution, flooding, fire and technogenic processes damaging deposits and other environmental objects;

5) control over conservation and liquidation of subsurface use facilities;

6) control over the performance of measures aimed at preventing emergency or other hazardous situations in the course of subsurface use operations;

7) control over compliance with environmental standards and rules when using subsurface 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.

117. State control over the study and use of subsurface

1. The authorized body for the study and use of subsurface shall exercise state control over the study and use of subsurface.

2. The task of the state control over the study and use of subsurface shall be to ensure control over compliance by subsurface users with the subsurface and subsurface use legislation of the Republic of Kazakhstan during prospecting for and appraisal of deposits, rational and comprehensive use of mineral raw materials in the course of production, geological studies and appraisal of portions of subsurface for construction and operation of underground facilities not related to production.

3. State control over the study and use of subsurface shall include:

1) control over the geological study and use of subsurface, ensuring the opening up, preparation and completeness of the extraction of reserves and ruling out selective development of rich a portion of subsurface, and over compliance with solutions set forth in the engineering designs for the development of deposits;

2) control over reliability of the record of mineral reserves recoverable and depleted in the subsurface, and of their losses in the course of production.

118. State control over the conducting subsurface use operations

1. State control over the conducting subsurface use operations shall be exercised by state bodies (within their competence) in accordance with the legislation of the Republic of Kazakhstan. Officers of these bodies that conduct inspections shall ensure keeping of commercial secrets.

2. State control over the conducting subsurface use operations shall be exercised in the form of inspections and in other forms.

3. Inspections shall be performed in accordance with the Law of the Republic of Kazakhstan "On State Control and Supervision in the Republic of Kazakhstan". Other forms of state control shall be exercised in accordance with this Law.

Footnote. Article 118 as amended by the Law of the Republic of Kazakhstan dated 06.01.2011 No 378-IV (shall be enforced upon expiry of ten calendar days after its first official publication).

Chapter 13. State subsurface fund

119. Recording the condition of the state subsurface fund

1. The state subsurface stock includes the subsurface of the Republic of Kazakhstan
2. The following shall be performed in order to ensure efficient use of the state subsurface stock:
 - 1) state monitoring of the subsurface;
 - 2) state expertise of the subsurface;
 - 3) the state storage of geological information;
 - 4) maintenance of the state register of mineral reserves;
 - 5) maintenance of state cadastres of:
deposits and occurrences of minerals;
burials of harmful substances, radioactive waste and discharge of waste waters into the subsurface;
technogenic minerals formations.
3. Geological reporting on the condition of the subsurface which is based on the materials of prime records shall be submitted by subsurface users in accordance with the special forms approved by the Government of the Republic of Kazakhstan.

120. State monitoring of subsurface

1. State monitoring of the subsurface means a system of observations of the condition of the subsurface to ensure efficient use of the state subsurface stock and timely identification of its changes, and the assessment, prevention and elimination of consequences of negative processes.
2. The procedure for conducting the state monitoring of the subsurface shall be established by the Government of the Republic of Kazakhstan.

121. State expertise of subsurface

1. For the purposes of creating conditions for rational and comprehensive use of the subsurface, establishing fees for subsurface use and establishing boundaries of portions of subsurface allocated for use, the mineral reserves in explored deposits shall be subject to state expertise.
2. A subsurface user having the right to subsurface use to carry out production shall have the right to commence production only after conducting a state expertise of

mineral reserves. An opinion of state experts on the economic feasibility of the development of the explored mineral reserves shall be the basis for their state recording

3. A state expertise may be performed at any stage of the geological study of a deposit/deposit, provided that the geological materials submitted for the state expertise 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 conditions of production.

4. Geological information about portions of subsurface which are suitable for construction and operation of underground facilities not related to exploration and (or) production shall also be subject to state expertise. Such portions of subsurface may be granted for use only upon the state expertise of geological information.

5. State expertise of the subsurface shall be performed by the State commission for mineral reserves of the Republic of Kazakhstan and by inter-regional commissions for mineral reserves.

6. Organization of the activity of the State commission for mineral reserves of the Republic of Kazakhstan and inter-regional commissions for mineral reserves, their membership, rules of procedure and records management shall be as established by the regulations on the State commission for mineral reserves of the Republic of Kazakhstan and inter-regional commissions for mineral reserves approved by the Government of the Republic of Kazakhstan.

122. State register of mineral reserves

1. The state register of mineral reserves shall be maintained by the authorized body for the study and use of subsurface for the purposes of recording the state 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 the extent to which each type of minerals has been studied, for each commercial discovery, as well as about their location, extent of their commercial use, production, losses and the availability to the industry of explored mineral reserves.

3. The 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 body for the study and use of subsurface shall provide state bodies with information about the state register of mineral reserves in accordance with the procedure established by the Government of the Republic of Kazakhstan.

123. State cadastre of deposits and occurrences of minerals

1. The state cadastre of deposits and occurrences of minerals shall be maintained by the authorized body for the study and use of subsurface for the purposes of ensuring the development of industry (sectoral) and regional programs for the geological study

of subsurface, comprehensive use of deposits, as well as for the resolution of other tasks.

2. The state cadastre of deposits and occurrences of minerals shall include information about each deposit, describing the quantity and quality of the main minerals and those accompanying them and of components contained therein, and mine engineering, 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 procedure for maintaining the state cadastre of deposits and occurrences of minerals shall be established by the Government of the Republic of Kazakhstan.

124. State cadastre of burials of harmful substances, radioactive waste and discharges of waste water into subsurface

1. The state cadastre of burials of harmful substances, radioactive waste and discharges of waste water into subsurface shall be organized by the authorized body for environmental protection 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 subsurface.

2. The state cadastre of burials of harmful substances, radioactive waste and discharges of waste water into the subsurface shall contain information describing the type and form of buried substances and discharged water, setting forth their quantity and quality parameters, and mine engineering, special engineering geological, hydrogeological and ecological conditions of the burial or discharge.

3. The procedure for maintaining the state cadastre of burials of harmful substances , radioactive waste and discharges of waste water into the subsurface shall be established by the Government of the Republic of Kazakhstan.

125. State cadastre of technogenic mineral formations

1. The state cadastre of technogenic mineral formations shall be maintained by the authorized body for the study and use of subsurface in accordance with the procedure approved by the Government of the Republic of Kazakhstan.

2. The state cadastre of technogenic mineral formations shall contain information about stored items, characterizing the type and form of the technogenic mineral formations and setting forth their quantity and quality parameters, and mine engineering and ecological conditions of storage.

Chapter 14. Liability for violations of the legislation of the Republic of Kazakhstan on subsurface and subsurface use

126. Liability for violations of the legislation of the Republic of Kazakhstan on subsurface and subsurface use

1. A violation of the legislation of the Republic of Kazakhstan on subsurface and subsurface use shall entail liability established by the laws of the Republic of Kazakhstan.

2. Transactions related to subsurface use which are consummated in violation of the requirements set forth in the legislation of the Republic of Kazakhstan shall be void

Persons guilty of the consummation of such transactions shall bear administrative or criminal liability in accordance with the laws of the Republic of Kazakhstan.

127. Compensation of damage (harm) caused by the violation of the legislation of the Republic of Kazakhstan on subsurface and subsurface use

1. Persons that caused harm as a result of violation of the requirements of the legislation of the Republic of Kazakhstan on subsurface and subsurface use shall compensate the inflicted harm, unless they prove that such harm resulted from insuperable force or 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 by violation of the requirements for efficient use of subsurface shall be determined by the authorized body for the study and use of subsurface jointly with the subsurface users, in accordance with the procedure established by the Government of the Republic of Kazakhstan.

3. The amount of damage caused by violation of the requirements for the protection of subsurface shall be determined by the authorized body for environmental protection in accordance with the environmental legislation of the Republic of Kazakhstan.

128. Resolution of disputes

1. Disputes related to the performance, amendment and termination of contracts shall be resolved through negotiations.

2. If a dispute related to the performance, amendment or termination of a contract may not be resolved in accordance with paragraph 1 of this Article, the parties shall have the right to resolve such 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

129. Transitional provisions

1. This Law shall apply to the relations arising after its enactment, except for to the extent provided by paragraph 3 of this Article.

2. Subsurface users, signed subsurface use contracts with the competent body in the conditions when project documents were unavailable, shall be obliged to their

development and approval in accordance with the established procedure within a period which not exceed twenty four months following the enforcement of this Law and shall, no later than thirty months following the enforcement of this Law, submit work programs under exploration and production contracts on the basis of project documents to the authorized body for the study and use of subsurface for approval.

3. As for subsurface use contracts earlier executed with state bodies of the Republic of Kazakhstan, the parties shall be guided by the requirements established by this Law with respect to the uniformity of terminology, submission of information about Local content in personnel, Local content in goods, work, services calculated in accordance with the uniform methodology for the calculation of Local content by organizations procuring goods, works and services, planned and actual procurement of goods, work and service in accordance with the procedure and in the forms approved by the competent body.

4. The 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 licensing body - the Government of the Republic of Kazakhstan, in relation to the earlier issued and valid licenses for subsurface use, shall be assigned to the competent body.

6. Subsurface users conducting production under one contract for performing petroleum operations executed prior to 1st of January 2004 from several deposits of hydrocarbons, part of which is included in the list of high-viscosity, flooded, intermittent or worked-out deposits approved by the Government of the Republic of Kazakhstan in accordance with the tax legislation of the Republic of Kazakhstan, shall have the right to apply to the competent body requesting execution of a separate production contract with respect to such deposit(s). Such contract may be executed for a term remaining until the expiry date of the initial contract.

Footnote. Article 129 as amended by the Laws of the Republic of Kazakhstan dated 09.01.2012 No 535-IV (shall be enforced upon expiry of ten calendar days after its first official publication); dated 20.02.2012 No 567-IV (shall be enforced from 05.07.2010).

130. Procedure of enforcement of this Law

1. This Law shall enter into force upon expiry of ten calendar days after its first official publication, except for 3 of Article 77, that shall be enforced from 1 October 2010.

2. To declare to be no longer in force the following laws of the Republic of Kazakhstan:

1) the Law of the Republic of Kazakhstan dated 28 June 1995 "On petroleum" (Bulletin of the Parliament of the Republic of Kazakhstan, 1995, No 11, Article 76; Bulletin of the Parliament of the Republic of Kazakhstan, 1997, No 11, Article 150;

1999, No 21, Article 787; 2003 г., No 6, Article 34; No 11, Article 56; 2004, No 22, Article 131; No 23, Article 142; 2005, No 16, Article 70; 2006, No 16, Article 99; No 24, Article 148; 2007, No 2, Article 18; No 3, Article 22; No 8, Article 52; No 9, Article 67; No 19, Article 148; 2008, No 23, Article 114; No 24, Article 129; 2009, No 2-3, Article 18);

2) The Law of the Republic of Kazakhstan dated 27 January 1996 "On subsurface and subsurface use" (Bulletin of the Parliament of the Republic of Kazakhstan, 1996, No 2, Article 182; 1999, No 11, Article 357; No 21, Article 787; 2003, No 11, Article 56; 2004, No 22, Article 131; No 23, Article 142; 2005, No 16, Article 70; 2006, No 3, Article 22; No 16, Article 99; No 24, Article 148; 2007, No 1, Article 4; No 3, Article 22; No 22, Article 170; 2008., No 23, Article 114; 2009, No 2-3, Article 18; No 18, Article 84; No 24, Article 133; 2010, No 5, Article 23).

The President of the
Republic of Kazakhstan

N. Nazarbayev