

Ministry of Oil and Gas of the Republic of Kazakhstan

14.07.2010 No. 14-05-4923

**LLP “Kazpolmunay”
130000, Aktau city, Mangistau Region,
Micro-district 3A, building 5**

**Notice of infringement of obligations
under Contract No. 305 dated 30th March 1999
(License series MG 309-D (oil) dated 23.05.1997)**

Pursuant to the results of the unscheduled inspection and in accordance with Article 17 of the Law of the Republic of Kazakhstan No. 291-IV “On Subsoil and Subsoil Use”, dated 24th June 2010 (hereinafter - LRK), the Ministry of Oil and Gas of the Republic of Kazakhstan shall hereby notify you about the breach of obligations under Contract No. 305, dated 30th March 1999, with respect to the exploration and production of hydrocarbon resources on Borankol field, located within the boundaries of the licensed Blocks XXIX-16-E (partially), XXIX-16-F (partially) in Mangistau Region (hereinafter - Contract), with the following violations being detected:

- no information has been provided about fulfillment of Work Programs (par. 7.2.10 of the Contract and sub-item 13 par. 1 art. 76 of LRK);
- the obligations of instruction and training of Kazakh specialists, involved in operations under the Contract, have not been fulfilled (par. 9.3 of the License and par. 7.2.11 of Contract, sub-item 12 par. 1 art. 76 of LRK);
- the obligations of payment of past costs, amounting to 114,809 thousand USD (Additional Agreement No. 6, dated 13.06.2008) have not been fulfilled;
- the obligations of payment of decommissioning costs (par. 20.5 of Contract) have not been fulfilled;
- the obligations of timely and complete payment of taxes and other obligatory payments to the budget (sub-item 16 par. 1 art. 76 of LRK) have not been fulfilled;
- unlicensed operation of main trunk oil and gas pipelines (sub-item 1 par. 1. art. 76 of LRK);
- breach of the obligations with respect to the acquisition of goods, works and services (art. 77 of LRK).

In this respect, you are obliged within 5 (five) days from the date of receipt of this Notice, i.e. until 19th July 2010, to provide explanations on reasons of non-execution of the contract terms and to provide all the necessary documents confirming the remedy of the above-mentioned violations, as well as to inform us on measures taken in order to avoid the breach of contract terms.

In case of failure to comply with the request set forth in this Notice within the above-indicated time period, the competent body has the right to terminate the Contract pursuant to par. 3 of Article 72 of LRK.

Executive Secretary

K. Safinov