###### **APPROVED**

**General Director**

**\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_**

# “\_\_” \_\_\_\_\_\_\_\_\_\_\_\_ 20\_\_

# Contract procedure

# Introduction:

* 1. The objective of this Procedure is to set the unified rules and requirements to contracts conclusion with \_\_\_\_\_\_\_\_\_ Company.

# Purpose:

* 1. All relations between \_\_\_\_\_\_\_\_\_ Company and outside persons and legal entities are to be regulated by the contracts. Any relations without contracts duly concluded are inadmissible except for cases, specified in article 2.6 of this Procedure.
  2. Contract is an agreement between the parties on exchange of goods or services, under which one party is obliged to pass goods, perform works or render services within the agreed terms and on the agreed conditions, and the other party is obliged to accept and pay for such goods, works and services. Contract regulates the activities of several entities (persons or legal entities), coordinates their conduct, specifies the essence and terms of execution of obligations (responsibilities) undertaken, and at the same time restricts the right of entities in connection with execution of the planned exchange within the terms of contracts.
  3. Contracts shall be concluded only in written. Any oral agreements between the parties are inadmissible. The main condition of contract signing is that all purposes and interests of parties to the contract are mutually agreed. In case any intension pursued by one of the parties was not clearly and expressly specified in the contract when entering into transaction, such will not have a legal force and practical implementation.
  4. The contracts concluded shall state clearly and expressly all conceivable oncoming situations and specify the parties responsibilities in every such situation, assuming that the parties have defined their future, «cleared» its uncertainties, and foresee their future actions and consequences of such actions.
  5. The main types of contracts and agreements concluded by \_\_\_\_\_\_\_\_\_ Company and conditions of such include by not limited to the following:
     1. *Purchase-and-sale agreement / materials and/or equipment delivery agreement*. Under such agreement one party (supplier) shall transfer the ownership of item (goods) to the other party (customer), and customer shall accept and pay a certain amount of money (price) for the goods.
     2. *Contract agreement*. Under this agreement one party (contractor) undertakes in accordance with instructions of the other party (customer) to perform a certain work and transfer to customer the results of such work, and customer undertakes to accept the results of such work and pay for it; the contract agreement is concluded for manufacture or processing of any item or for performance of any other work and further transfer of results of such work to customer;
     3. *Service agreement*. Under such agreement one party (contractor) undertakes in accordance with instructions of the of the other party (customer) to render the certain services and transfer the results of such services to the customer, and customer undertakes to accept and pay for the results of services rendered; service agreement may be concluded for insurance cover, transportation, freight, legal advise, consulting services, banking and financial services, and etc.;
     4. *Employment agreements* – agreements between the employees and employers, under which the employee undertakes to perform work of certain specialty, with qualification and on certain position abiding the internal labor regulations, and organization undertakes to pay salary to employee and provide working conditions, envisaged by the labor laws, collective agreements and agreements between the parties.
     5. *Rent agreement* – hire/rent of transportation means, rent of equipment, rent of premises and facilities. One party under the rent agreement (lessor) undertakes to transfer to the other party (tenant) for a fee the property for temporary possession and use or for temporary use;
     6. *Financial lease agreement (leasing)*. Under this agreement the lessor undertakes to take a possession of property, designated by lessee, from a vendor designated by lessee and provide this property to lessee for temporary possession and use for entrepreneurial purposes; land and other natural objects may not be a subject matter of lease agreement.
     7. *Loan agreement*. Under this agreement one party (loaner) transfers to the other party (borrower) the ownership of money or other items, determined by generic features, and borrower undertakes to repay to loaner the same amount of money (loan amount) or equal amount of other items, received by it, of the same type and quality.
     8. *Credit agreement* – bank or other credit institution (creditor) undertakes to provide money (credit) to borrower in amounts and on terms, specified by the agreement, and borrower undertakes to repay the amount of money received and pay interest on it.
     9. *Agency agreement*. Under this agreement one party (agent) undertakes to execute legal or other actions for a fee in accordance with the instructions and at the account of other party (principal).
  6. It is allowed to purchase goods and services for the amount below 2,000 (two thousand) US Dollars per month without conclusion of contract. In such a case company employees should be governed by «Reimbursement of expenses Procedure». Purchase of goods and services for the amount above 2,000 (two thousand) US Dollars per month without contract is possible only upon written permission of the General Director of \_\_\_\_\_\_\_\_\_ Company.
  7. It is prohibited to conclude contracts with outside legal entities and persons not founded in a due course, conducting their activity not in accordance with current laws and not holding the respective permits, licenses and patents.

# Requirements to contract structure:

* 1. Structure, main provisions and terms mandatory for all contracts concluded shall include the following:
     1. *Preamble* (introductory clause), containing contract name and number, place and date of signing, description of the parties, entering to contract. The following information of \_\_\_\_\_\_\_\_\_ is included into the preamble:

\_\_\_\_\_\_\_\_\_ Company, organized and acting in accordance with the laws of England and Wales, presented by its General Director [Full Name], acting on the basis of Charter»

* + 1. *Subject of the contract*, briefly describing the type of deal and rights and obligations of the parties subsequent upon the contract subject. If necessary, contract subject may be supplemented by attachments, agreed by the parties, which attachments shall form the integral part of contract and contain certain set of information, necessary for detailed specification of obligations under the contract concluded.
    2. *Monetary obligations under the contract*, i.e. price, determined by agreement between the parties. Agreement shall either fix the price, or determine the method of price calculation;
    3. *Terms of payment*, i.e. the terms and conditions of accounts settlement, currency of payment, methods and order of accounts settlement, use of certain payment instruments. Monetary obligations in the contract shall be expressed in US Dollars or any other acceptable currency. If contract is signed on terms of advance payment, the amount of advance payment shall not exceed 20 percents from the total value of contract concluded (wherever possible). If payment under the contract concluded is made by banking transfer, such contract shall include the following definition: «Each Party shall be liable for payment of all commissions and expenses, charged by its bank (banks) in connection with execution of this Contract»
    4. *Term of execution of obligations*;
    5. *Place of execution of obligations*;
    6. *Packing and marking terms* – for materials and equipment delivery contracts;
    7. *Quality guarantee* for materials delivered and services rendered. If otherwise is not specified by the parties, all materials/equipment supplied should be new, unused, and manufactured in accordance with the required standards. The materials and equipment delivered for use in drilling and/or workover operations shall be manufactured in accordance with API 5CT standards, by manufacturers holding license of API 5CT standard (by quality and design). The materials/equipment delivered should also meet the international standard ISO-9001 (by quality and design), and conform to the international standards and rules.
    8. *Guaranties of due execution of obligations*, i.e. statement on inadmissibility of unilateral waiver from execution of contract or unilateral alteration of contract terms, except for cases, specified by the contract itself, or by laws, as well as requirement to perform obligations in full, in place and within the terms, specified in the contract;
    9. *Responsibility of the parties* in case of renunciation of fulfillment of obligations undertaken and/or undue fulfillment of obligations. Upon mutual decision of the parties this responsibility includes but not limited by the following:
* *Penalty (fine, charge)* – the amount of money, specified by the agreement or by laws, to be paid by debtor to his creditor in case of non-fulfillment or undue fulfillment of obligation. If agreement concluded envisages payment of penalty, such agreement should include the following terms: «payment of penalty (fine/charge) for non-fulfillment or undue fulfillment of agreement does not release debtor from performance of obligation under the agreement, if otherwise is not specified by laws or by agreement»;
* *Indemnification for actual damage* and, at the parties' discretion, *loss of profit,* i.e. income that creditor would gain if the other party executed its obligations in a due manner. In this regard only direct damages are to be indemnified, i.e. damages that were caused directly and immediately by non-fulfillment of obligations. In case the agreement concluded envisages indemnification of actual damage or/and loss of profit, such agreement shall include the following term: «Indemnification of actual damage and/or loss of profit due to non-fulfillment or undue fulfillment of agreement shall not release the parties from their contractual obligations, if otherwise is not provided by laws or by the agreement»;
  + 1. *Insurance*. Insurance of goods against transportation risks is compulsory for materials/equipment delivery contracts in accordance with Incoterms-2000. Insurance by Contractor of its property, personnel insurance and general liability insurance is compulsory for service contracts. Insurance by Contractor of its property, transportation means, personnel, and automobile liability insurance is compulsory for Contractors providing transportation services.
    2. *Taxes.* In case the contract signed contains a clause regarding taxes, such tax clause should be in accordance with the laws of the Republic of Kazakhstan.
    3. *Circumstances of insuperable force (force-majeure circumstances)*, i.e. events that are external events for the parties to agreement, unrelated to their personalities, happening without their knowledge, unforeseen, unavoidable and inevitable from the point of view of participants to the agreement.
    4. *Consideration and resolution of conflicts and disputes*, arising in the course of contract execution between the parties hereto; resolution of disputes by means of negotiations, or, in case peaceful resolution of disputes and conflicts is impossible, submission of dispute for consideration and resolution of the Arbitration court.
    5. *Contract terms and contract termination conditions*;
    6. *Responsible persons*. Any contract shall as essential condition point on a specialist (full name and position), responsible for drafting, development and conclusion of this given contract, and on person, responsible for acceptance of works, goods and services.
    7. *Legal addresses and baking details of the parties*. Address and banking details of \_\_\_\_\_\_\_\_\_ Company:

Юридический адрес / Legal address:

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

Адрес для корреспонденции / Correspondence address:

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

Банковские реквизиты / Banking Details:

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

* 1. Compulsory terms and conditions for contracts with legal entities and persons, registered on the territory of the Republic of Kazakhstan:
     1. All legal entities and persons registered on the territory of the Republic of Kazakhstan shall as essential condition:
* Obtain legal conclusion of certified lawyer on conformity of the Contract signed to the Laws of the Republic of Kazakhstan;
* Register the Contract signed in his bank.
  + 1. «Contract term» clause should specify that contracts, concluded with legal entities and persons registered on the territory of the Republic of Kazakhstan, become valid only after such legal entity or person registers the contract in his bank.
  1. Any changes and/or alterations to contract terms and conditions should be made only in written. Any oral agreements between the parties on changes and/or alterations to contract terms are inadmissible. Changes and/or alterations, duly executed become the integral part of the contract.

# Terms and conditions:

* 1. All contracts, concluded with legal entities and persons, registered on the territory of the Republic of Kazakhstan or in the countries of the Commonwealth of Independent States (CIS), shall be executed in Russian language and translated into English language as an essential condition.
  2. All contracts, concluded with the foreign legal entities and persons, except countries of the Commonwealth of Independent States (CIS), are to be executed in English and Russian languages. Russian version of contract is required for audit by \_\_\_\_\_\_\_\_\_\_\_\_.
  3. Contracts for amount below 50,000 (fifty thousand) US Dollars in one business year may be concluded without tendering, though all proposals from independent suppliers of goods and services shall be assessed.
  4. Contracts for the amount above 50,000 (fifty thousand) US Dollars in one business year may be concluded only under a condition of conduct of tender in accordance with «Tendering procedure» Fin.01.07. In such a case contract is granted to the successful tenderer.
  5. Conclusion of contracts for amount higher than 50,000 (fifty thousand) US Dollars without conduct of tender is allowed only upon written consent of \_\_\_\_\_\_\_ General Director.

# Procedures:

* 1. When contract conclusion is required for cooperation of \_\_\_\_\_\_\_ Company with outside legal entities, a specialist liable for drafting, development and conclusion of contract may request the third legal entity to submit their variant of contract for consideration of \_\_\_\_\_\_\_. Such contract, submitted by outside legal entity should incorporate all specific conditions and requirements, outlined by a specialist liable for drafting, development and conclusion of this given contract, as well as all conditions, specified in Article 3 «Requirements to contract structure» of this Procedure. A contract received in such a way further is to be passed for consideration of Contracts Manager or other person, appointed by the General Director of \_\_\_\_\_\_\_ Company.
  2. In case a contract submitted by outside legal entity for consideration, is for some reason unacceptable, Contracts Manager of \_\_\_\_\_\_\_ or a Person, appointed by Company General Director may require the outside legal entity to revise contract and make the respective changes. If the outside legal entity may not revise contract and/or make the respective changes, Contract Manager of \_\_\_\_\_\_\_ or Person, appointed by the General Director, shall make changes at his discretion in the contract draft, submitted by outside legal entity, or draft his own variant of the contract.
  3. Contract Manager of \_\_\_\_\_\_\_ or the Person, appointed by \_\_\_\_\_\_\_ General Director, reserves the right to draft his own variant of contract on any stage of contract drafting with respective notification to outside legal entity.
  4. Contract Manager of \_\_\_\_\_\_\_ Company or Person, appointed by \_\_\_\_\_\_\_ General Director shall pass the approved variant of contract to specialist, liable for drafting, development and conclusion of contract for further approval and signing in accordance with Article 6 of this Procedure.
  5. Original of contract, duly executed and signed is to be submitted to Contract Manager of \_\_\_\_\_\_\_ Company (Person, appointed by \_\_\_\_\_\_\_ Company General Director) for registration.
  6. Contract original registered shall be passed to \_\_\_\_\_\_\_ Company archive for custody. Archivist has to maintain a log of all contract originals passed to him for custody.
  7. \_\_\_\_\_\_\_ Company archivist shall make three copies of contract and pass one copy to Accounting Manager, one copy to the head of department where a specialist liable for drafting, development and conclusion of this given contract belongs, and one copy to Contract Manager of \_\_\_\_\_\_\_ Company or Person, appointed by \_\_\_\_\_\_\_ Company General Director. Archivist shall also scan contract for further custody in electronic format on \_\_\_\_\_\_\_ Company server, access to this contract shall be possible only through \_\_\_\_\_\_\_ Company archivist.

# Right of signature:

* 1. Only \_\_\_\_\_\_\_ Company General Director has the right of final signature on all contracts, concluded by the Company, without limitations.
  2. All contracts submitted to \_\_\_\_\_\_\_ Company General Director for signature should be initialed by Vice-General Director for Finance of \_\_\_\_\_\_\_ Company.
  3. Contracts related to financial activities, shall be initialed by Vice-General Director for Finance of \_\_\_\_\_\_\_ Company before final signature by \_\_\_\_\_\_\_ Company General Director.
  4. Contracts related to company administrative activities should be initialed by Vice-General Director for Administrative tasks of \_\_\_\_\_\_\_ Company before initialing by Vice-General Director for finance and final signature by \_\_\_\_\_\_\_ Company General Director.
  5. Contracts relating to production activities of the Company should be initialed by \_\_\_\_\_\_\_ Project Manager before initialing by Vice-General Director for finance and final signature by \_\_\_\_\_\_\_ Company General Director.
  6. All contracts shall be initialed by specialists liable for drafting, development and conclusion of contract and by their immediate managers and Contract Manager of \_\_\_\_\_\_\_ Company or Person, appointed by the General Director of \_\_\_\_\_\_\_\_\_ before initialing by Vice-General Director for finance and final signature by \_\_\_\_\_\_\_\_\_ Company General Director.

# Company stamp:

* 1. The Company seal is affixed on contract only after it is signed by Vice-General Director for finance and General Director of \_\_\_\_\_\_\_\_\_ Company. \_\_\_\_\_\_\_\_\_ Vice-General Director for Finance is responsible for stamping of contracts signed and registered, and for custody of stamp.

# Responsibility:

* 1. \_\_\_\_\_\_\_\_\_ Contracts Manager or Person, appointed by \_\_\_\_\_\_\_\_\_ Company General Director is liable for conformance of contracts concluded to requirements of this Procedure. He shall also keep a log of contracts concluded (Contracts Database) and submit to the Vice-General Director for Finances of \_\_\_\_\_\_\_\_\_ a monthly report on status of contracts signed.
  2. Assistant to General Director is liable for observance and assessment of terms of insurance of \_\_\_\_\_\_\_\_\_ Company activities, and observance of commercial terms of all contracts concluded.
  3. Administrative contract. Vice-General Director for Administration of \_\_\_\_\_\_\_\_\_ Company is generally liable for execution of administrative contracts. Vice-General Director for Administration of \_\_\_\_\_\_\_\_\_ Company in his turn shall appoint a specialist, liable for drafting, development and conclusion of contract in every given case.
     1. Materials and logistics Manager shall be liable for observance and assessment of terms of materials/equipment accounting, storage and control in contracts concluded; commercial terms for timely acquisition, delivery and dispatch of materials/equipment; delivery and dispatch of equipment rented; all customs matters. Materials and logistics Manager shall also be liable for conformance of contracts concluded to the requirements of «Materials acquisition and accounting Procedure» and «Tender Procedure» within his powers, specified in the job description.
     2. IT Manager shall be liable for observance and assessment of terms of use of information technologies in contracts signed, as well as conformance of contracts concluded with the requirements of «Regulation on use of information technologies». IT Manager shall also be liable for timely drafting, development and concluding of contracts for rent of materials/equipment, referred to information technologies. Regarding to contracts for purchase of materials/equipment referred to the information technologies – IT Manager is responsible for conformance of the equipment and materials purchased, and terms of delivery of such, to technical conditions and requirements.
     3. Human resource Inspector shall be liable for drafting, development and conclusion of labor agreements, agreements for training and advanced training, assist in drafting and development of personnel insurance agreements, observe and assess the contract terms relating to personnel, as well as conformance of contracts concluded to labor law of the Republic of Kazakhstan.
     4. Archivist shall be liable for custody of contracts originals and keeping of log of all original contracts passed for custody. Archivist shall also be responsible for timely and due execution of obligations specified in article 5.7 of this Procedure.
  4. Financial contracts. Vice-General Director for finance of \_\_\_\_\_\_\_\_\_ Company shall carry general responsibility for preparation and execution of loan agreement and credit agreements, contracts for provision of legal, consultancy, insurance (including medical insurance and evacuation) services, banking and/or other financial services. Vice-General Director for finance of \_\_\_\_\_\_\_\_\_ Company shall appoint a specialist, liable for drafting, development, signing and execution of contract in every given instance. Vice-General Director for finance of \_\_\_\_\_\_\_\_\_ Company shall also carry responsibility for observance and assessment of financial terms in all contracts concluded, as well as for conformance of contracts concluded to the budget approved.
     1. Strategic Planning Manager shall be liable for assessment and adherence to auditing terms, taxation and accounting terms in the contracts concluded.
  5. Production contracts. Project Manager of \_\_\_\_\_\_\_\_\_ Company shall carry general responsibility for preparation and execution of production contracts. Project Manager of \_\_\_\_\_\_\_\_\_ Company shall appoint specialist, liable for drafting, development, signing and execution of contract in every given instance.
     1. Drilling Manager shall be liable for assessment and observance of all technical conditions in contracts relating to wells drilling and workover. Drilling Manager shall also be liable for timely drafting, development and conclusion of contracts for rent of materials / equipment relating to drilling and/or workover. What concerns to materials / equipment purchase contracts relating to drilling and/or workover – responsible for conformance of equipment and materials purchased and terms of delivery to technical conditions and requirements.
     2. Civil Constructions Manager shall be liable for assessment and observance of technical conditions in connection with design and construction of field sites. Civil Constructions Manager shall also be responsible for timely development, preparation and conclusion of contracts for materials/equipment rent, relating to design and construction of fields. What concerns materials/equipment purchase contracts – responsible for conformance of equipment and materials purchased, and terms of delivery to technical terms and conditions.
     3. Chief Geologist shall be liable for observance and assessment of technical conditions in contracts relating to geology. Chief Geologist shall also be liable for timely development, preparation and conclusion of contracts for rent of materials/equipment, relating to geology. What concerns materials/equipment purchase and/or storage contracts referring to geology – responsible for conformance of equipment and materials purchased and/or stored, and terms of delivery to technical terms and requirements.
     4. Production Manager shall be liable for observance and assessment of technical terms, referring to operation of production facilities. Production Manager shall also be liable for timely drafting, development and conclusion of contracts for rent of materials/equipment, referring to operation of production facilities. What concerns to materials/equipment purchase contracts in regards of production activities – liable for conformance of equipment and materials, and terms of delivery to technical terms and conditions.
     5. Ecologist shall be liable for observance and assessment of all Environment Protection requirements in contracts concluded. Ecologist shall also be liable for timely drafting, development and conclusion of contracts relating to Environmental Impact Assessment and Environmental Impact Statement.
     6. Health and Safety Engineer is liable for observance and assessment of all Health and Safety requirements in contracts concluded, as well as contracts for Health and Safety training of production personnel in special institutions of the Republic of Kazakhstan.
  6. Company Departments Managers are responsible to their immediate principals for timely conduct of negotiations, drafting, development and signing of contracts in their sphere of activities.
  7. All persons responsible shall initial all contracts concluded.

# Exceptions

Any exceptions from this Policy are possible only upon written permission of \_\_\_\_\_\_\_\_\_ Company General Director.

# Reporting

Contracts Manager of \_\_\_\_\_\_\_\_\_ Company or Person, appointed by \_\_\_\_\_\_\_\_\_ General Director shall submit to the Vice-General Director for finance of \_\_\_\_\_\_\_\_\_ Company a monthly report on status of contracts concluded in the reported period.

# Effective date

10 November 2005

# Revision date

This Procedure should be revised once in five years or earlier upon decision of \_\_\_\_\_\_\_\_\_ Company General Director.

# Supervisor

Vice-General Director for finance

Prepared:

Assistant to General Director

Agreed:

Vice-General Director for finance

Agreed:

Vice-General Director for administration

Agreed:

Operations Director