

NATIONAL REGULATIONS OF PERFORMING OIL AND GAS OPERATIONS

TITLE I GENERAL RULES

Chapter I. Authority

Article 1. The Oil and Gas Law of Georgia

These Regulations are enacted under the authority of the Law on Oil and Gas, effective April 16, 1999, and all amendments or modifications thereto (the “Law”) and the Law on Normative Acts, as amended.

Chapter II. Scope and Applicability of Regulations

Article 2. Sphere of Regulations

These Regulations govern the activities and relations arising in the course of Oil and Gas Operations in Georgia, including its territorial sea and exclusive economic zone.

Article 3. Applicability of Regulations

These Regulations apply to Investors, Operating Companies, Operators, Contractors, Subcontractors, the National Oil Company, the Agency, State entities within Georgia and all other Persons who engage in the conduct or administration of Oil and Gas Operations in the territory under the jurisdiction of Georgia. Except as otherwise provided in these Regulations, these Regulations shall apply equally to all Oil and Gas Operations irrespective of whether the Contract under which they are being conducted was entered into before or after the effective date.

Article 4. Conflicts

1. In the event of a conflict between the provisions of these Regulations and the terms and provisions of a Contract or License entered into prior to the effective date of these Regulations, including but not limited to, decision making, approval procedures, dispute resolution and Joint Development, the terms and provisions of the applicable Contract and any rules and regulations in effect on the date of entering into such Contract shall apply.
2. A conflict shall not be deemed to exist merely because a Contract is silent as to any topic upon which these Regulations contain express provisions, except, as to Contracts entered into prior to the effective date of the Law, to the extent such express provisions materially affect an Investor’s rights, interests and benefits under the Contract and a License. An Operator may elect to be governed by these Regulations rather than previous rules and regulations in effect on the date of such Contract.

Article 5. Issuance of Conclusion of Consistency by the Agency

1. Where a Contract provides for the participation of the National Oil Company on a Coordination Committee for the purposes of supervision and management of the commercial and operational aspects of Oil and Gas Operations, then, so long as the State

of Georgia does not own less than 75 percent of the shares of the National Oil Company, the Agency's review and conclusion of any Plan as to its consistency with the laws of Georgia, the applicable Contract and these Regulations shall be confined to the regulatory (non-commercial and non-operational) aspects of such Plans, namely, the conservation, environmental, safety and technical aspects of such Plans in conformance with the standards, codes and practices referred to in Article 15 below. Notwithstanding the foregoing, the Agency retains the right to exercise supervision and control of those operational and commercial tasks delegated to the National Oil Company.

2. Should the State ever cease to own more than 75 percent of the shares of the National Oil Company, then the Agency shall be deemed to have assumed operational and commercial tasks under all Contracts as well as all regulatory functions not so delegated, unless otherwise provided by the Law.

Article 6. Timely Submission of Information

It is the intent of these Regulations to develop and maintain a regular and timely flow of information between the Operator and the Agency. All data, reports and information required under these Regulations shall be submitted in full at the earliest possible date consistent with International Oilfield Practice, provided, however, that all such data, reports and information required must be submitted not later than the date specified by these Regulations. The confidentiality of all such information shall be governed by the provisions of Chapter LXVIII of these Regulations.¹

Article 7. Employment of Citizens of Georgia

Operator shall make all reasonable effort to employ citizens of Georgia and to use local materials and services where such materials are competitive both in terms of cost and quality with other materials that could be imported.

Chapter III. Administration of Regulations

Article 8. Responsibility

The Agency is responsible for promulgating Regulations for the exploration, appraisal, development, production and abandonment of Oil and Gas fields according to International Oilfield Practice.

Article 9. Functions

In order to carry out its responsibilities under Article 8, the Agency shall:

- a. promulgate Regulations related to Oil and Gas Operations;
- b. act upon the requests, applications and notices submitted under these Regulations;
- c. issue written orders to govern Oil and Gas Operations and
- d. require compliance with applicable laws and these Regulations.

Article 10. Exceptions

¹ With regard to public access to information generally, see Chapter 3, Georgian General Administrative Code.

Upon the Operator's written application the Agency may grant exceptions to these Regulations in accordance with Georgian legislation upon the party requesting the exception demonstrating to the Agency that granting the exception will not present an increased risk or harm to persons, property, the environment or good conservation practices. Except in cases of emergency, exceptions must be requested in writing and may only be granted by written order.

Chapter IV. Statement of Purpose

Article 11. Purpose of Regulation

In the exercise of the responsibilities and functions under Title XIII, the Agency shall exercise its regulatory authority in a manner so that all Oil and Gas Operations conform to sound conservation practice and are conducted in a manner that will conserve, protect and develop the Oil and Gas resources of Georgia.

Chapter V. Preemption of Prior Regulations and Conflicts

Article 12. Prior Regulations

Except as provided for in Article 4 of these Regulations, upon the adoption of these Regulations all previously operative rules and regulations regarding all Oil and Gas Operations being conducted by any Operator, shall be ineffective.

Article 13. Equipment in Service Prior to the Effective Date of the Regulations

The continued use in Oil and Gas Operations of equipment placed in service prior to the effective date of these Regulations shall not be the basis for the issuance of a Notice of Probable Violation pursuant to Title XIII, provided, however, that failure to maintain such equipment in compliance with Article 16 of these Regulations or use of such equipment in a manner not in compliance with these Regulations shall be a violation subject to enforcement proceedings under Title XIII hereof.

Article 14. Effective Date

These Regulations shall become effective as provided in the relevant decree of the Head of the State Agency for Regulation of Oil and Gas Resources.¹

Chapter VI. Reference Documents

Article 15. Reference Documents

1. The standards, codes, certification and certification procedures, practices and guidance documents of internationally recognized standardization and certification bodies and agencies that have been accepted by Oil and Gas, environmental, safety and health regulators in jurisdictions including the United States of America, the United Kingdom, Canada, Australia,

¹ The Regulations became effective on January 16, 2002.

Norway, the Netherlands, Georgia or Russia may be used by an Operator in determining appropriate standards and certification for its Oil and Gas Operations.

2. Operators may use such standards, norms, and rules provided that the terms of Article 16 of these Regulations are met. In addition, such documents¹ prepared by internationally recognized groups in the fields of Oil and Gas and environment, health and safety may also be used. These groups include: International Association of Drilling Contractors (IADC), International Association of Geophysical Contractors (IAGC), International Association of Oil and Gas Producers (OGP), United Nations (UN), American Petroleum Institute (API), International Organization for Standardization (ISO), Society of Petroleum Engineers (SPE), World Petroleum Congress (WPC), International Maritime Organization (IMO), Lloyd's Register, American Bureau of Standards (ABS), Den Norsk Veritas (DNV), The Institute of Petroleum (IP) and the European Union (EU).

3. Such documents will be used for the sole purpose of assisting an Operator in its determination as to appropriate standards for the conduct of Oil and Gas Operations in accordance with the Contract and Best Available and Safest Technologies. The application of Best Available and Safest Technologies to existing Oil and Gas Operations shall also take into account practicability, economic feasibility and potential safety, health and environmental costs and benefits to the territory of Georgia.

Article 16. Oil and Gas Equipment Currently in Operation

1. The Operator may use Oil and Gas equipment that complied with relevant health, safety, environment protection and conservation requirements and norms and standards adopted in Georgia prior to the effective date of these Regulations.
2. The Agency may require the Operator to discontinue use of such Oil and Gas equipment if it reasonably determines that the equipment presents an unreasonable risk to health, safety, the environment or conservation.

Article 17. General Standard

To the extent not specifically prescribed in these Regulations or the reference standards set out in Article 15 of these Regulations, Operators shall conduct all Oil and Gas Operations as a reasonable prudent Operator would do under the same or similar circumstances, including exercising reasonable diligence in exploring for and developing Oil and Gas resources.

¹ "Documents" refers to the "rules, standards and norms" of the first sentence of the article, which in turn refers to those listed in Article 15(1) and (2).

Chapter VII. Definitions¹

“Agency” means the State Agency for Regulation of Oil and Gas Resources of Georgia, which is a State Sub-Agency with exclusive powers to conduct negotiations, issue Licenses and all relevant Permits for the conduct of Oil and Gas Operations, enter into Contracts and to supervise and control the implementation of provisions and activities provided for in Contracts and Licenses on the use of Oil and Gas resources of Georgia.

“Appraisal” means Oil and Gas Operations, together with the analysis of technical data, undertaken following a Discovery to determine whether such Discovery might be a Commercial Discovery.

“Appraisal Plan” means a documentary report prepared by an Operator pursuant to a Contract² specifying those Oil and Gas Operations which an Operator plans to conduct following a discovery of Oil and Gas for the purpose of delineating the Oil and Gas Reservoir to which a discovery relates in terms of thickness and lateral extent and estimating the quantity of recoverable Oil and Gas therein and may include geological, geophysical, aerial and other surveys and drilling of Appraisal Wells and other related wells.

“Appraisal Well” means any well drilled during implementation of an Appraisal Plan.

“Best Available and Safest Technologies” means the equipment, procedures and practices which an experienced, competent and prudent international Operator would use when engaged in a similar activity under similar circumstances and in accordance with International Oilfield Practices. Conformance to any of the applicable standards, codes and practices referenced in Article 15 of these Regulations shall be considered to be the application of Best Available and Safest Technologies.

“Calendar Year” means a period of twelve (12) calendar months according to the Gregorian calendar, starting with January 1 and ending with December 31.

“Coastal Waters” means the Black Sea and the bays, lakes, marshes, rivers and streams connected with it, extending inland to the furthest point of tidal influence and includes islands, intertidal areas, shorelines and beaches.

“Coastal Area” means Coastal Waters and uplands adjoining or near to Coastal Waters from which a discharge of Oil or Hazardous Substances from an Oil and Gas Facility might reasonably be expected to reach Coastal Waters.

“Commercial Discovery” means a Discovery of Oil and Gas, which, in the reasonable opinion of the Operator and after consideration of all relevant data and of operative, technical and economical factors, could be developed commercially by the Operator in accordance with the Contract.

¹ The term “Oil and Gas” is not defined in the Regulations. Where the term is used, the appropriate definition is that contained in the Law on Oil and Gas, “complex natural compound of hydrocarbons which may be at normal atmospheric pressure and temperature in the form of gas (associated or non-associated gas), liquid (oil, condensate) or solid state (paraffin, bitumen, gas hydrates).”

² The requirement to submit an Appraisal Plan is not restricted to Contract requirements, but applies to all Operators. See, Article 3, above.

“Conclusion of Consistency” means the Agency’s finding, following review of a Plan, that such Plan complies with all applicable laws of Georgia, with the Contract and with these Regulations.

“Conservation of Oil and Gas Resources” means prevention and minimization of Waste of Oil and Gas, protection of Correlative Rights and maximization of Ultimate Economic Recovery.

“Contract Area” means the area delineated and defined by geographical coordinates as described in a Contract and subsequently adjusted by any relinquishments or other modifications, within which an Operator is granted the exclusive rights to conduct Oil and Gas Operations.

“Contract” means a written agreement entered into between an Investor and the State for the conduct of Oil and Gas Operations.

“Correlative Rights” when used with respect to Operators of adjacent Contract Areas, means the right of each Operator to be afforded an equal opportunity to explore for, develop and produce Oil and Gas resources from a common source.

“Development Area” means an area within the Contract Area encompassing the lateral closure of an Oil and Gas Reservoir(s) outlined following Appraisal and delineated in a Development Plan.

“Development Plan” means a documentary report, prepared by an Operator pursuant to a Contract, specifying those Oil and Gas Operations which an Operator plans to conduct during the applicable period of time and may include the drilling and completion of wells to produce and recover Oil and Gas or to inject fluids or gases and the design, construction, installation, connection and initial testing of equipment, lines, systems, facilities, plants and related activities necessary for producing, taking and saving, treating, handling, storing and transporting Oil and Gas.

“Development” means all Oil and Gas Operations which are conducted pursuant to a Development Plan and may include, without limitation, the drilling and completion of wells to produce and recover Oil and Gas or to inject fluids and the design, construction, installation, connection and initial testing of equipment, lines, systems, facilities, plants and related activities necessary for producing, taking and saving, treating, handling, storing, metering and transporting Oil and Gas.

“Discharge of Oil” means any intentional or unintentional act or omission by which oil is spilled, leaked, dumped, poured or pumped onto the land surface or into water.

“Discovery” means any discovery of Oil and Gas, which has been effected in the Contract Area and may be considered by the Operator for Appraisal to ascertain whether it is a Commercial Discovery.

“Drilling Permit” means the document, other than a Contract or a License, issued by the Agency under which an Operator acquires the right to drill a specific well for the Exploration, Appraisal or Development of Oil and Gas.

“Enhanced Recovery Operations” means pressure maintenance operations, secondary and tertiary recovery, cycling and other similar recovery operations for the purpose of increasing the Ultimate Economic Recovery of Oil and Gas.

“Exploration Plan” means the documentary report, prepared by an Operator pursuant to a Contract, specifying activities related to exploration of Oil and Gas resources, which an Operator plans to conduct under a Contract or License. The Plan may include geological, geophysical, seismic, aerial and other surveys and the drilling of shot holes, core holes, stratigraphic tests and Exploratory Wells as contained in the annual work program and budget prepared by the Operator under a Contract.

“Facility” means any surface or subsurface installation or device permanently or temporarily installed which is used for production, processing, treatment or transportation of oil or gas in the conduct of Oil and Gas Operations.

“Hazardous Limit of H₂S” means a concentration equal to or greater than 250 parts per million that may cause death.

“Hazardous Substance” means an element, compound, or mixture, including oil; natural gas and gases and substances extracted from it (excluding unprocessed or unrefined naturally occurring radioactive materials); those substances that present substantial danger to humans, environment and property, either directly or through the accumulation of such substances in the environment or living creatures, as defined in Chapter 200 of the Tax Code of Georgia and on the basis of the Tax Code and Order #139, of the Minister of Environmental Protection of Georgia "On Approval of Factor of Relative Danger of Hazardous Substances Released from Stationary Sources in the Atmosphere or Water", dated November 25, 1997.

“Hot Work Permit” means the document, other than a Contract or a License, issued by the Agency under which an Operator acquires the right to conduct operations involving electric or gas welding, cutting, tapping, brazing, or similar flame or spark producing operations.

“Interested Party” means all Investors, Operators, the National Oil Company, State entities within Georgia and all other Persons who engage in the conduct or administration of Oil and Gas Operations or any other Person concerned about the economic or environmental impact of any Oil and Gas Operations in the territory under the jurisdiction of Georgia.

“International Oilfield Practice” means any principle, practice or procedure which is generally applied by the international Oil and Gas industry as good, safe, efficient and necessary in the carrying out of exploration, development or production operations and shall include, without limitation, any principle, practice or procedure which has been approved by the internationally recognized organizations and is not in conflict with the Law.

“Investor” means a physical or legal Person who is a License Holder and has entered into a Contract with the State pursuant to the Law.

“Joint Development Area” means an area within two or more Contract or License Areas encompassing the lateral closure of an Oil and/or Gas reservoir(s) that are proven to underlie and be productive in two or more Contract or License Areas and is designated as such by the Agency.

“Joint Development Plan” means a documentary report specifying those Oil and Gas Operations that an Operator plans to conduct within the Joint Development Area.

“Joint Development” means the cooperative conduct of Oil and Gas Operations by two or more Operators with respect to a continuous Oil and/or Gas reservoir(s) in a Joint Development Area.

“Law” means the Georgian Law “On Oil and Gas”

“License” means a License for Use of Oil and Gas Resources, a legal document issued on behalf of the State by the State Agency for Regulation of Oil and Gas Resources, which sets out the rights of the Investor to conduct Oil and Gas Operations within the Area.

“Major Environmental Incident” means (i) fires, explosions and blowouts that occurred during the conduct of Oil and Gas Operations and/or (ii) significant spills of Oil or other Hazardous Substances.

“Major Health and Safety Incident” means (i) an incident due to Oil and Gas Operations resulting in death or serious injury; or (ii) catastrophic failure of health and safety equipment used in Oil and Gas Operations, which results in a Major Environmental Incident.

“Major Workover Operations” means operations on a producing well to restore or increase production, excluding Routine Workover as defined in these Regulations, and including, without limitation, re-completion of a well to a new or additional formation, fracturing a producing formation, replacing well casing, or other downhole operation the cost of which is estimated to exceed USD100,000 or the equivalent in GEL.

“Maximum Efficient Rate” means the maximum average rate of production of Oil and Gas from a Reservoir established by the Operator in accordance with International Oilfield Practice which is sustainable and which will permit the development of such Reservoir without detriment to the Ultimate Economic Recovery, subject always to such Operator’s ability to transport and market such Oil and Gas.

“Maximum Production Rate” means the maximum average daily rate at which Oil and Gas may be produced from a specified oil well or gas well completion as set forth in an Appraisal or Development Plan.

“National Oil Company” means the State Company Saknavtobi or its successor legal entity.

“Non-reporting Company” means a stock company or other legal entity that is not required to file financial reports with a relevant securities regulatory commission.

“Offshore” means the water and the adjacent Coastal Area of the Black Sea basin of which the subsoil and seabed appertain to Georgia and are subject to its jurisdiction and control.

“Oil and Gas Field” means a combination of Oil and/or Gas Reservoirs that exist under a specific area of the earth’s surface in one or more geologic structures and that may be

connected by permeable and porous rocks throughout the producible area. It may consist of multiple layers.¹

“Oil and Gas Operations” means all Exploration, Appraisal, Development, Production and Abandonment activities, as well as those related to gathering, treatment and storage of produced Oil and Gas, carried out by the Operator in or in relation to the Contract Area according to the Contract and the License.

“Oil and Gas Reservoir” means a natural accumulation of substantial quantities of Oil and Gas in the subsoil.

“Oil and Gas Waste” means wastes generated during the conduct of Oil and Gas Operations, which are uniquely associated with and intrinsic to Oil and Gas Exploration, Development or Production Operations and include, but are not limited to, produced water, drilling fluids and drill cuttings, well completion, treatment and stimulation fluids, workover waste, sanitary waste and other substances and materials available for discharge.

“Operating Company” means a legal entity established in Georgia that performs Oil and Gas Operations in the interest of an Investor or on an Investor’s behalf in compliance with the Contract concluded between the State and the Investor.

“Operator” means an Operating Company and/or Investor.

“Person” means physical or legal person.

“Pilot Production” means the temporary production of Oil and Gas by an Operator prior to commercial Development where the purpose of such temporary Production is the preparation of a Reservoir for commercial Development. The term Pilot Production does not include production of Oil and Gas obtained during drilling operations or short-term well testing programs.

“Pipelines” means those segments of pipe complete with equipment such as pumping or compressor stations, tanks, communication systems and valves, for transporting Oil and Gas from the wellhead in the Contract Area to the junction of a trunk pipeline.

“Plan” means any Exploration Plan, Appraisal Plan or Development Plan.

“Possible Reserves” means those unproved reserves that analysis of geological and engineering data suggests are less likely to be recoverable than probable reserves. In this context, when probabilistic methods are used, there should be at least a ten percent probability that the quantities actually recovered will equal or exceed the sum of estimated proved plus probable reserves plus possible reserves.

“Preliminary Activities” means entering into contracts, ordering materials, planning, environmental impact assessment work and other similar or associated preparation activities that do not involve physical impact to the Contract Area.

¹ Although not stated in this article, a “Field,” in general oil and gas industry terms, may also include only a single Reservoir.

“Probable Reserves” mean those unproved reserves as defined from time to time by the Society of Petroleum Engineers or the World Petroleum Council on and after the effective date of these Regulations.

“Produced Water” means water that is produced from a hydrocarbon bearing formation during the extraction of Oil and Gas. It may include formation water, water that has been injected into the formation and any chemicals added downhole or during the oil/water separation process.

“Production” means every type of operation to produce Oil and Gas and operate Development wells; taking, saving, treating, handling, storing, transporting, metering, marketing and delivering Oil and Gas; injection or re-injection and every other type of operations to obtain primary or enhanced recovery of Oil and Gas; transportation, storage; and any other work or activities necessary or ancillary to such operations.

“Proved Reserves” means those quantities of petroleum that, by analysis of geological and engineering data, can be estimated with reasonable certainty to be commercially recoverable from known reservoirs and under current economic conditions, operating methods and government regulations. Proved reserves can be categorized as developed and undeveloped.

“Records” means data that is written, recorded, stored, or preserved by photographic, electronic, or other means.

“Regulations” means the whole or any part of rules and regulations adopted by the Agency and registered with the Minister of Justice.

“Reporting Company” means a stock company or other legal entity that has issued public shares of any class and is required to file financial reports with the relevant securities commission.

“Reserves” means those quantities of petroleum that are anticipated to be commercially recovered from known accumulations.

“Revenue Payer” means any Investor, Operator or other entity or person that is obligated by any Contract or law of Georgia to pay proceeds to the Government of Georgia on account of the production and/or disposition of Oil, Gas and/or associated hydrocarbons.

“Routine Workover Operations” means any of the following: Oil and Gas Operations conducted on a well with a tree installed: cutting paraffin; removing and setting wellbore equipment that can be removed by wireline operations; bailing sand; swabbing; pressure surveys; scale or corrosion treatment; caliper and gauge surveys; corrosion inhibitor treatment; removing or replacing subsurface pumps; through-tubing logging (diagnostics); wireline fishing; and setting and retrieving other subsurface flow control devices.

“Serious Injury” means an injury that prevents a person from returning to work for a time period of more than forty-eight (48) hours.

“Significant Spill” means any unauthorized discharge of oil, brine or chemical exceeding 0.5 barrels which is in, or likely to enter, water or any discharge of oil or brine onto land exceeding ten (10) barrels per incident or 0.5 barrels of chemical per incident.¹

¹ A “barrel” in this context is the “barrel” of 42 U.S. gallons, approximately 159 liters.

“Subsurface Safety Devices” means any downhole mechanical device which is designed to shut off well flow in the event of an emergency and may consist of either surface or subsurface controlled subsurface safety valves, an injection valve, a tubing valve, a tubing or annular subsurface safety device and any associated valve lock or landing nipple.

“Threshold Limit of H₂S” means the acceptable ceiling concentration of 20 parts per million for eight-hour exposure based on a 40-hour week.

“Ultimate Economic Recovery” means the maximum physical quantity of Oil and Gas that can, in the reasonable opinion of the Operator, be recovered without economic loss and with due regard for principles of conservation.

“Waste of Oil and Gas” means:

- (a) physical waste of Oil and Gas;
- (b) inefficient, excessive or improper use or dissipation of reservoir energy, including gas energy and water drive;
- (c) the locating, spacing, drilling, equipping, operating, or producing of any Oil or Gas Well(s) in a manner that causes or tends to cause reduction in quantity of Oil or Gas ultimately recoverable under prudent and proper operations or that causes or tends to cause unnecessary or excessive surface loss or destruction of Oil or Gas; or
- (d) abuse of Correlative Rights of any Operator in Joint Development of Oil and Gas Reservoir(s) due to non-uniform, disproportionate or excessive withdrawals of Oil and Gas therefrom.

“Workover Operations” mean the work conducted on wells after initial completion for the purpose of maintaining or restoring the productivity of a well.

TITLE II

PERMITTING AND BONDING

Chapter VIII. General Permitting Requirements

Article 18. Submission and Conclusion

1. With the exception of Preliminary Activities, prior to commencement of any operations described in Chapter IX, an Operator shall file an application for a permit pursuant to the provisions of these Regulations the Titles II, V, VI, VIII, IX and XI of these Regulations. Prior to initiating any such operation, An Operator must receive notification from the Agency that the application has been approved. Such approval should not be unreasonably withheld or delayed. Written communications may be sent to the Operator's principal office by mail, courier, electronic mail, fax or other method that may result in a printable copy. Oral approvals by the Agency shall be followed by prompt written confirmation to the Operator's principal office.¹ A written notification of the Agency's approval of the application for a specific permit shall constitute the permit itself.
2. The Agency may deny an application only by issuance in writing of a denial with a specific reason or reasons stated for the denial.
3. If the Agency fails to act on an application for a permit within the time period provided by these Regulations, the application shall be deemed granted and the permit deemed to be issued accordingly. Regulations that do not specify time periods shall be deemed to incorporate a five-day time period for response by the Agency from receipt of the application.

Article 19. Expiration

If work related to the activities permitted pursuant to this title is not commenced within one year from the date the permit is issued, the permit shall become null and void. Any period during which the Operator is subject to Force Majeure, as defined in its Contract, shall not count towards the time period specified herein.

Chapter IX. Specific Permitting Requirements

Article 20. Field Geophysical Permit

1. Applications for a Field Geophysical Permit shall include, where applicable, the following information:
 - (a) a written request to the Agency for a Field Geophysical Permit;
 - (b) the name and permanent address of the field geophysical contractor;
 - (c) detailed description of all planned activities according to the applicable Contract;
 - (d) for offshore operations, the vessel to be used in the operations, including the name, registry number, and registered owner;
 - (e) the expected commencement and completion dates;
 - (f) the method of exploration including the type of energy source, a description of the project and proposed acquisition and processing parameters;

¹ The probable intent is that notification should be given to the Operator's principal office in Georgia, as Operators are required to designate a person in charge of local operations by Article 224(g).

- (g) proposed location of the activity with a plat(s); the plat(s) should show geographic coordinates of the area, an easily identifiable onshore point of reference, the distance and direction from the point of reference to area of activity and the layout of the survey within the survey area;
 - (h) detailed description of the instrumentation and techniques to be used;
 - (i) the approximate number and spacing of source locations, explosive charges to be used, if applicable, and type of explosives;
 - (j) a detailed description of potential adverse effects of the proposed activity on the environment and steps to be undertaken to minimize these effects;
 - (k) provisions for compensation of private surface owners for damages caused by geophysical operations.
2. Within 15 days following submission of an application for a Field Geophysical Permit, the Agency shall analyze it and shall provide written notification of approval to the Operator if the application is consistent with an applicable Plan, the provisions of these Regulations, the applicable Contract and the Law.
 3. In the event the operation involves the use of a crew or equipment that is standing by on the Contract Area or immediately available, the Agency shall provide such notification to the Operator, either in writing or by oral instructions, within 24 hours following submission of the application.

Article 21. Well Drilling Permit

1. Applications for a Permit to drill a test, exploration, development, injection, or other well shall include the information required by Article 78 and, where applicable, the information required by Article 205 of these Regulations.
2. The Agency shall review and make a determination with respect to the application for a Permit in accordance with Article 79 of these Regulations.

Article 22. Major Workover and Completion to a New Zone Permit

1. Applications for a Major Workover and Completion to a New Zone Permit shall include the information required by Article 83.
2. The Agency shall review and make a determination with respect to the application for a Permit in accordance with Article 84 of these Regulations.

Article 23. Offshore Construction Permit

1. Applications for the construction of new Offshore platforms or for major modifications to existing Offshore platforms shall include, where applicable, the information requested in paragraphs 2, 3, 4 and 5 of Article 213 of these Regulations.
2. The Agency shall review and make a determination with respect to the application for a Permit in accordance with the provisions of Chapter XXIX and Article 214 of these Regulations.

Article 24. Abandonment Permit

1. Applications for an Abandonment Permit shall include the information required by Article 88 of these Regulations.
2. The Agency shall review and make a determination with respect to the application in accordance with Article 88 (2) of these Regulations.

Article 25. Oil and Gas Waste Injection Permit

1. Pursuant to the requirements set forth in Articles 161 and 192, Applications for an Oil and Gas Waste Injection Permit shall include the following information:
 - (a) the well name and number with a brief description of casing and tubing;
 - (b) type, volume and source of fluids to be injected;
 - (c) depth to the base of the deepest formation containing fresh, potable water or water used for hydro-therapeutic purposes and known commercial or potentially commercial geothermal resources;
 - (d) injection interval and name of the formation where fluids will be injected;
 - (e) method of injection (via tubing, casing, or other means);
 - (f) anticipated daily injection volumes and injection pressures.
2. Within thirty (30) days following submission of an application for an Oil and Gas Waste Injection Permit, the Agency shall analyze it and provide written notification of approval to the Operator if the application is consistent with an applicable Plan, the provisions of these Regulations, the applicable Contract and the Law.

Article 26. Oil and Gas Waste Disposal Permit

1. Pursuant to the requirements set forth in Articles 156 and 192, Applications for an Oil and Gas Waste Disposal Permit shall include the following information:
 - (a) type and estimated volume of Oil and Gas Waste to be disposed;
 - (b) type and name of the waste generating site;
 - (c) a plat of the area where waste will be disposed;
 - (d) description of the Waste Management Facility, if applicable, and methods of waste treatment.
2. Within thirty (30) days following submission of an application for an Oil and Gas Waste Disposal Permit, the Agency shall analyze it and provide written notification of approval to the Operator if the application is consistent with an applicable Plan, the provisions of these Regulations, the applicable Contract and the Law.

Article 27. Oil and Gas Waste Management Facility Permit

1. Applications for an Oil and Gas Waste Management Facility Permit shall include the information required in Article 158 of these Regulations.
2. Within thirty (30) days following submission of an application for an Oil and Gas Waste Management Facility Permit, the Agency shall analyze it and provide written notification of approval to the Operator if the application is consistent with an applicable Plan, provisions of these Regulations, the applicable Contract and the Law. An Operator may submit the information required by this Section as part of any Plan and a Conclusion of Consistency with respect to such Plan shall serve as the Permit.

Article 28. Gas Flaring and/or Venting Permit

1. Pursuant to the requirements set forth in Chapters XXXVIII and XXXIX of these Regulations, applications for a Gas Flaring and/or Venting Permit shall include, where applicable, the following information:
 - (a) reason for gas flaring and/or venting;
 - (b) the name and location of the area/facility where flaring/venting of the gas will take place;
 - (c) estimated duration and anticipated volumes of the gas to be flared/vented;
 - (d) BTU value and non-methane constituents of the gas to be flared and/or vented.
2. The Agency shall review and make a determination with respect to the Application for Gas Flaring and/or Venting Permit in accordance with Article 133 of these Regulations.

Chapter X. Bonding Requirements

Article 29. General Requirements

1. Except as otherwise provided in Article 4, the Agency may require an Operator to furnish a bond or bonds that guarantee compliance with the obligations under a Contract and these Regulations related to the abandonment or decommissioning of oil or gas facilities, including the abandonment of wells, removal of platforms, restoration of any lands or surface waters adversely affected by Oil and Gas Operations and clearance of equipment and facilities from the Contract Area, within the following period:
 - (a) forty-five (45) days after a proposed Plan that the Agency has concluded to be consistent, or
 - (b) one hundred and twenty (120) days after the effective date of these Regulations for any existing Contract pursuant to which a Plan has been previously concluded to be consistent.
2. The bond required by paragraph 1 of this article need not be submitted if:
 - (a) the Operator furnishes and maintains an area-wide bond in an amount agreed to by the Agency issued by a qualified surety and conditioned on the compliance with all the terms and conditions of all Contracts held by the Operator within Georgia;
 - (b) the Operator is required by its Contract to establish, or the Agency accepts the establishment of, an abandonment account in lieu of such bond pursuant to Article 31 of these Regulations; or
 - (c) the Agency accepts a third party guarantee or letter of credit in lieu of such bond pursuant to Article 32 of these Regulations.

Article 30. Bond Requirements

1. Any bond or other security provided under this Title II shall:
 - (a) be payable to the Agency on proof of default;
 - (b) guarantee compliance with all of the joint and several abandonment obligations of Operator and its partners or business affiliates under the Contract or Contracts.
2. Any bond or other security provided under this title shall be on a form or in a form approved by the Agency. Bonds must be issued by a surety approved by the Agency.
3. Bonds must be non-cancelable, except as provided in Article 33 of these Regulations.
4. As wells and facilities within the Contract Area are properly abandoned, the Operator may apply to the Agency for authorization to reduce the amount of the Bond.

Article 31. Abandonment Accounts

1. Pursuant to a Contract, the Operator may be required to establish a Contract specific, interest bearing abandonment account in lieu of the bond that might have otherwise been required under Article 29 of these Regulations. The account shall be opened in the joint names of the Agency and the Operator with a bank of recognized international standing. Funds in a Contract specific abandonment account shall be pledged to meet the Operator's abandonment and decommissioning obligations under the Contract. Any such abandonment account shall be funded by the Operator on a periodic basis over the life of the subject Oil or Gas Field, in an amount that, with interest, will be equal to the estimated field abandonment costs by the abandonment date.¹
2. In the event that the Agency elects to take over a well under Article 90 of these Regulations, the abandonment fund for that well shall be transferred to the Agency to be used by the Agency for such well's ultimate plugging and abandonment.
3. In the event the provisions of a Contract related to abandonment accounts conflict with the provisions of these Regulations, the provisions of the Contract shall apply.

Article 32. Guarantees and Letters of Credit

The Agency may, in its sole discretion, accept a third party or parent company guarantee or a letter of credit in lieu of any bond or bonds that may be required under Article 29 of these Regulations.

Article 33. Termination

1. When a surety requests termination of the period of liability under a bond, the Agency will terminate the period of liability and require the Operator to provide a replacement bond of equivalent value. Termination of the period of liability does not release the surety of any obligations or liabilities that accrue prior to the effected date of termination.
2. Cancellation or release of a bond may include obligations that accrue before the effective date of the cancellation if:
 - (a) the Agency determines that there are no remaining abandonment obligations; or
 - (b) the Operator furnishes a replacement bond that includes all abandonment liabilities under the bond that is to be cancelled.

Article 34. Forfeiture

1. The Agency will call for forfeiture of all or part of the bond, guarantee, or other form of security if:
 - (a) the Operator refuses, or the Agency determines that the Operator is unable, for financial or technical reasons, to comply with any material term or condition of a Contract to which it relates; or
 - (b) the Operator defaults under one of the conditions under which the bond, guarantee or other form of security was accepted.
2. The Agency will notify the Operator, the surety and any third party guarantor in writing of any determination to call for forfeiture of the bond, guarantee or other form of security. The notice will include the reason for forfeiture and the amount to be forfeited. The amount to be forfeited will be based on an estimate of the total cost of corrective action to bring the Contract into compliance. The notice will provide for the avoidance of forfeiture

¹ It is not clear from the text whether bonds or guarantees or letters of credit in lieu of bonds are required on a well by well or field wide basis. Bonds may, in any event, be required only pursuant to Contracts, which may specify the basis for bonding.

if, within ten (10) working days, the Operator, guarantor or surety agree to bring the Contract into compliance within a timeframe specified by the Agency.

3. If the Agency determines that the bond or other security is forfeited, the Agency will collect the forfeited amount and use the funds to bring the Contract into compliance and to correct any default.
4. If the amount collected under the bond or other security is insufficient to pay the full cost of corrective action, the Agency may take action to obtain full compliance with the Contract and recover from the Operator, guarantor or other owners of contractual rights in the Contract all costs in excess of the amount collected under the forfeiture.
5. If the amount collected under the forfeited bond or security exceeds the cost of taking corrective action and obtaining compliance with the terms and conditions of the Contract, the Agency will return the excess funds to the party from whom they were collected.

Article 35. Where to File

All permit applications listed in this Title II should be mailed or delivered to: The State Agency for Regulation of Oil and Gas Resources of Georgia, 45 Kazbegi Avenue, 380077, Tbilisi, Georgia.

TITLE III

EXPLORATION

Chapter XI. General Requirements

Article 36. Conduct of Operations

The Operator shall conduct all Oil and Gas Operations relating to Exploration in accordance with an Exploration Plan, which the Agency has concluded to be consistent with these Regulations and the Law.

Article 37. Standard of Care

An Exploration Plan shall be developed and implemented with due regard for, and in compliance with, International Oilfield Practice.

Chapter XII. Submission of Exploration Plan

Article 38. Submission and Conclusion of Consistency

Prior to undertaking any Exploration activities within any Contract Area, except Preliminary Activities, an Operator shall submit a proposed Exploration Plan or an amendment to an Exploration Plan for the Agency's review and conclusion as to its consistency with the Laws of Georgia, the applicable Contract, these Regulations and any standards adopted pursuant to these Regulations.

Article 39. Initial Exploration Plan

The Initial Exploration Plan under any Contract for the period from the effective date of the Contract to the end of the relevant Calendar Year shall be submitted to the Agency within sixty (60) days after the effective date of such Contract. In the event the effective date of such Contract falls in the second six months of such Calendar Year, the Initial Exploration Plan shall cover the period from the effective date to the end of the next succeeding Calendar Year.

Article 40. Annual Exploration Plan

So long as any License issued to an Operator remains in force, at least ninety (90) days prior to the beginning of each Calendar Year, the Operator shall prepare and submit to the Agency for its review and conclusion of consistency or inconsistency, additions and amendments to the Exploration Plan, setting forth the Oil and Gas Operations that the Operator proposes to carry out in the ensuing Calendar Year.

Article 41. Special Amendment to the Exploration Plan

No specific Exploration activity on the Contract Area, except Preliminary Activities, may be undertaken by an Operator without such activity first having been submitted as a part of an Exploration Plan. In the event that any proposed specific activity was not included in the Exploration Plan as last amended under Article 39 or 40 of these Regulations, a special amendment to such Exploration Plan may be submitted for the Agency's review and

conclusion of consistency or inconsistency at any time pursuant to Article 44 of these Regulations.

Chapter XIII. Plan Information

Article 42. Mandatory Information

All proposed Exploration Plans shall include, but not be limited to, those items in the following subsections (a) through (g), which are appropriate or applicable according to the planned activities for the exploration and pre-discovery phase of the Oil and Gas Operations under a License and are available to the Operator:

- (a) a description of the work to be performed during the applicable period, including the sequencing of activities, a time schedule for performance of each major activity from commencement to completion and an analysis of surface and subsurface hazards which are likely to be encountered;
- (b) an estimate of the costs to be incurred in performing each activity proposed in the Exploration Plan and a time schedule that estimates the timing of such costs, for information purposes only;
- (c) an environmental impact assessment (“EIA”)¹ as described in Article 144 of these Regulations if it has not been previously submitted;
- (d) an Environmental Protection Plan¹, including Spill Contingency Plan as described in Article 152 of these Regulations;
- (e) a description of the surface facilities to be used to support the Exploration Plan;
- (f) Oil and Gas Waste Disposal Plan as described in Article 157 of these Regulations;
- (g) identification of all known cultural heritage sites and natural monuments, archaeological monuments and similar sites that are in or near the Exploration area and are likely to be affected during implementation of the Exploration Plan.

Article 43. Technical and Geologic Information

1. All proposed Exploration Plans shall include the following technical and geologic information to the extent applicable and available:

- (a) data concerning the presence of hydrogen sulfide (H₂S) and the precautionary measures as described in Article 183 of these Regulations;
- (b) a narrative description of the geology and geophysics related to each prospect;
- (c) a description of the approximate location of each exploratory well, including surface location, bottom hole location and proposed total well depth;
- (d) structure maps drawn to the top of each prospective hydrocarbon accumulation showing the approximate surface and bottom hole location of each proposed well;
- (e) a generalized stratigraphic column from the surface to the total depth for each well location;
- (f) a plat indicating known seismic lines in the area and interpreted seismic data in the general area of each proposed exploratory well.

Chapter XIV. Conclusion of Consistency or Inconsistency

Article 44. Determination

¹ See footnotes to Chapter XLVIII.

Within 30 days of submission of a proposed Exploration Plan, or an amendment thereto, by the Operator, the Agency shall analyze it and shall render one of the following conclusions:

- (a) the Exploration Plan is consistent with the laws of Georgia, these Regulations and standards adopted pursuant to these Regulations and the applicable Contract; or
- (b) the Exploration Plan is inconsistent with these Regulations, the applicable Contract, the Law or other Georgian legislation dealing with environmental matters, safety and health requirements, or the principles of Conservation of Oil and Gas Resources, but could be brought into conformity by modification in expressly stated terms.

Article 45. Modification or Conclusion of Inconsistency

The Agency shall notify the Operator in writing of the reason or reasons for issuance of a conclusion of inconsistency under Article 44(b) of this Chapter. In the event an Exploration Plan requires modification, the Agency shall specify in writing the conditions that must be met in order for the Agency to issue a conclusion of consistency under Article 44(a) of this Chapter.

Article 46. Resubmission of Modified Plan

The Operator may resubmit a modified Exploration Plan to the Agency in the same manner as the original Exploration Plan. Only information related to the proposed modifications must be resubmitted. The Agency shall analyze such Plan as modified and issue its conclusion pursuant to Article 44 of this Chapter within 30 days of the resubmission date.

Article 47. Change of Conditions

An Exploration Plan that has been concluded by the Agency to be inconsistent with Law, Contract, these Regulations or standards, pursuant to Article 44 (b) of these Regulations, may be resubmitted without modification in the event there is a change of conditions related to the inconsistency or activity that caused it to be concluded inconsistent. The Agency shall re-analyze the same and issue its new conclusion pursuant to Article 44 of this Chapter within 30 days of the resubmission date.

Article 48. Failure to Issue Conclusion

Should the Agency fail to issue a conclusion under Article 44 of these Regulations within the prescribed 30 day period, the Exploration Plan shall be deemed to be consistent with all laws, the Contract and these Regulations and standards.

Article 49. Subsequent Permit Applications

Should the Agency issue a conclusion of consistency pursuant to Article 44 of these Regulations, such conclusion shall not affect the Agency's later consideration of any subsequent permit applications submitted by an Operator for a specific Oil and Gas Operation on the Exploration Area or identified in the Exploration Plan and such permit application shall be considered on its own merits and a decision rendered thereon in accordance with these Regulations.

Article 50. Emergency Action

In the event of emergency involving possible danger to lives, property or the environment, the Operator shall undertake all reasonable actions and incur all reasonable expense as may be required to mitigate such danger whether or not such action or expense is included in an Exploration Plan. The Operator shall promptly inform the Agency of such actions.

TITLE IV

APPRAISAL

Chapter XV. General Requirements

Article 51. Conduct of Operations

The Operator shall conduct all Oil and Gas Operations relating to Appraisal in accordance with an Appraisal Plan that the Agency has concluded to be consistent with these Regulations and the Law.

Article 52. Standard of Care

An Appraisal Plan shall be developed and implemented with due regard for, and in compliance with, International Oilfield Practice.

Chapter XVI. Submission of Appraisal Plans

Article 53. Notice of Discovery of Oil and Gas

1. Within 30 days following a Discovery of Oil and Gas, the Operator shall provide written notification to the Agency of such Discovery and shall include all pertinent available information related thereto, including a summary report analyzing such information and the particulars of any well testing program proposed to be undertaken. Where the Operator, in its sole discretion, proposes to conduct a well testing program, it should be designed to provide, where appropriate, information on the following parameters:
 - (a) producing characteristics;
 - (b) fluid composition;
 - (c) geological characteristics of the Reservoir.
2. An Operator may also elect to drill additional exploratory wells before deciding whether or not the Discovery is a Commercial Discovery or before deciding whether to undertake an Appraisal Program.

Article 54. Commerciality

After completion of any well-testing program, or after drilling of any additional exploratory wells, the Operator shall notify the Agency, without undue delay, of its determination as to whether:

- (a) the Discovery is a Commercial Discovery;
- (b) Appraisal is necessary to determine if the Discovery is a Commercial Discovery;
- (c) the Discovery is not a Commercial Discovery and Appraisal is not warranted; or
- (d) the Discovery may, together with any other Discovery within the Contract Area, be capable of constituting a Commercial Discovery.

Article 55. Submission and Conclusion

In the event of a determination under Article 54(b) of these Regulations, the Operator shall, after the technical and economic evaluation relating to such Discovery is completed, submit a

proposed Appraisal Plan without undue delay for the Agency's review and conclusion as to its consistency with the Laws of Georgia, applicable Contract, these Regulations and standards adopted pursuant to these Regulations.

Article 56. Special Amendment to the Appraisal Plan

No specific Appraisal activity, other than Preliminary Activities, may be undertaken without such activity first having been submitted as a part of an Appraisal Plan. In the event that any proposed specific activity was not included in the Appraisal Plan, a special amendment to such Appraisal Plan may be submitted for the Agency's review and conclusion of consistency or inconsistency pursuant to Article 58 of these Regulations.

Chapter XVII. Plan Information

Article 57. Mandatory Information

All proposed Appraisal Plans shall include, but not be limited to, the items in the following subparagraphs (a) through (k):

- (a) a description of the work to be performed during each phase of the Appraisal Plan, including the sequencing of activities, a time schedule for performance of each major activity from commencement to completion and an analysis of surface and subsurface hazards likely to be encountered;
- (b) a description of the approximate location of each Appraisal Well, including surface location, bottom hole location and proposed total well depth;
- (c) an estimate of the costs to be incurred in performing each activity proposed in the Appraisal Plan and a time schedule that estimates the timing of such costs, for information purposes only;
- (d) an Environmental Impact Assessment¹ as described in Article 144 of these Regulations that shall include only new or revised data;²
- (e) a Safety and Health Plan as described in Title X that shall include only new and revised data;²
- (f) an Environmental Protection Plan, including a Spill Contingency Plan¹, as described in Article 147 of these Regulations that shall include only new or revised data; (g) a general description of the facilities to be used to support the Appraisal Plan that shall include only new or revised data;²
- (h) a general description of any drilling rig and other equipment to be used, that shall include only new or revised data;²
- (i) a general description of the drilling program, including a list of drilling fluids;
- (j) an Oil and Gas Waste Disposal Plan as described in Article 157 of these Regulations;
- (k) data concerning the presence of hydrogen sulfide (H₂S) and the precautionary measures as described in Article 183 of these Regulations that shall include only new or revised data.²

Chapter XVIII. Conclusion of Consistency or Inconsistency

Article 58. Determination

¹ See footnotes to Chapter XLIII.

² i.e., data not previously submitted to the Agency.

Within thirty (30) days of submission of a proposed Appraisal Plan by the Operator, the Agency shall analyze it and shall render one of the following conclusions:

- (a) the Appraisal Plan is consistent with the Laws of Georgia, these Regulations and standards adopted pursuant to these Regulations and the applicable Contract;
- (b) the Appraisal Plan is inconsistent with the these Regulations, the applicable Contract, the Law or other Georgian legislation dealing with environmental matters, safety and health requirements, or the principles of Conservation of Oil and Gas Resources, but could be brought into conformity by modification in expressly stated terms.

Article 59. Modification or Conclusion of Inconsistency

The Agency shall include in the notice required by Article 58 of these Regulations the reason or reasons for issuance of a conclusion of inconsistency under Article 58(b) of these Regulations. In the event an Appraisal Plan requires modification, the Agency shall specify in writing the conditions that must be met by the Operator in order for the Agency to issue a conclusion of consistency under Article 58(a) of these Regulations.

Article 60. Resubmission of Modified Plan

The Operator may resubmit an Appraisal Plan, as modified, to the Agency in the same manner as the original Appraisal Plan. Only information related to the proposed modifications must be resubmitted. The Agency shall analyze such Plan as modified and issue its conclusion pursuant to Article 58 of these Regulations within 30 days of the resubmission date.

Article 61. Change of Conditions

An Appraisal Plan that has been concluded by the Agency to be inconsistent with the Law, Contract, these Regulations or standards, pursuant to Article 58(b) of these Regulations, may be resubmitted without modification in the event there is a change of conditions related to the inconsistency or activity that caused it to be concluded inconsistent. The Agency shall re-analyze the same and issue its new conclusion pursuant to Article 58 of these Regulations within 30 days of the resubmission date.

Article 62. Amendments

By providing written notice to the Agency, the Operator may propose amendments to an Appraisal Plan, provided such amendments are consistent with the provisions of these Regulations, the applicable Contract and the Law. Any notice given pursuant to Article 62 of these Regulations shall state the reasons why, in the opinion of the Operator, an amendment is necessary or desirable. The Agency shall analyze such amendments and issue its conclusion pursuant to Article 58 of these Regulations within 30 days of the submission date.

Article 63. Failure to Issue Conclusion

Should the Agency fail to issue a conclusion under Article 58 of these Regulations within 30 days of submission, the Appraisal Plan shall be deemed to be consistent with all laws, the Contract, these Regulations and standards.

Article 64. Subsequent Permit Applications

Should the Agency issue a conclusion of consistency pursuant to Article 58 of these Regulations, such conclusion shall not affect the Agency's later consideration of any permit application for a specific activity and such application shall be considered on its own merits and a decision rendered thereon. In the event that the Operator decides to drill additional Appraisal wells and has a rig immediately available in the Exploration Area, the expedited approval process described in Article 79 of these Regulations shall apply.

Article 65. Emergency Action

In the event of emergency involving possible danger to lives, property or the environment, including cultural and historical monuments, the Operator shall undertake all reasonable actions and incur all reasonable expense as may be required to mitigate such danger whether or not such action or expense is included in an approved Appraisal Plan. The Operator shall promptly inform the Agency of such actions.

Chapter XIX. Appraisal Report

Article 66. Appraisal Report

1. Except as otherwise provided in Article 4 of these Regulations, within 90 days following completion of an Appraisal Plan, the Operator shall prepare and submit to the Agency a documentary Appraisal report on the results of the Appraisal Plan and the data related thereto, including, without limitation, the delineation of the Oil and Gas Reservoir to which the Discovery relates in terms of thickness, lateral extent and estimate of the quantity of original and recoverable Oil and Gas therein, together with a statement as to whether, in the Operator's opinion, the Discovery is a Commercial Discovery.
2. Should an Operator conclude that further Appraisal is necessary to determine if the Discovery is a Commercial Discovery, the Operator shall submit to the Agency a description of the proposed activities necessary to establish the commerciality of the Discovery. The Agency shall accord the Operator's determination that additional Appraisal work is necessary a presumption that such work is necessary and approve any such request for a period not to exceed one year; provided that additional one year extensions may be authorized if the Operator concludes that further Appraisal work is necessary and can reasonably demonstrate such necessity to the Agency;
3. The aggregate period of all such Appraisal periods shall not exceed four years. If the Agency determines that the Operator has reasonably demonstrated that further Appraisal is necessary, the Agency may approve an extension of the Appraisal Plan for a period not to exceed one year.

Chapter XX. Pilot Production

Article 67. Pilot Production

An Operator may apply to the Agency for approval to conduct Pilot Production related to a Discovery at any time Oil and Gas Operations are being conducted. Pilot Production shall be limited to a period not to exceed three years.

Article 68. Purpose

Pilot Production is justified in cases where the sustained production of Oil and Gas and gathering of accompanying data:

- (a) will assist the Operator in making a determination of commerciality under Article 54 of these Regulations;
- (b) will assist the Operator in formulating a proposed or modified Exploration, Appraisal or Development Plan; or
- (c) is otherwise deemed beneficial to both the State and the Operator.

Article 69. Submission and Approval

Prior to undertaking Pilot Production, the Operator shall submit an application to, and receive approval of the application from, the Agency.

Article 70. Information

Applications for Pilot Production shall include:

- (a) a Statement detailing the purpose of the Pilot Production and
- (b) other information that is directly related to the Pilot Production and which is otherwise required by Articles 42, 43, 57 and 97 of these Regulations.
- (c) The information requirements of this article shall include only new or revised data not previously submitted to the Agency.

Article 71. Determination

Within 30 days of submission of an application to conduct Pilot Production, the Agency shall analyze it, make an appropriate decision and notify the Operator in writing of its determination consistent with the criteria set out in Chapter XVIII of these Regulations.

Article 72. Inclusion and Compliance

Upon approval by the Agency, an application to conduct Pilot Production shall become part of the applicable Exploration, Appraisal or Development Plan. The conduct of Pilot Production shall, in all cases, be in compliance with these Regulations, the Law and any Contract.

TITLE V

DRILLING, COMPLETION, WORKOVER and ABANDONMENT

Chapter XXI. General Requirements

Article 73. Conduct of Operations

Except for Preliminary Activities, the Operator shall conduct all drilling, completion, workover and abandonment operations in accordance with these Regulations and the Law. Prior to commencement of drilling, completion, workover or abandonment operations under an Exploration, Appraisal or Development Plan, the Operator shall file with the Agency an application for a permit pursuant to Titles II and V of these Regulations. Prior to commencement of any such operations, the Operator must receive the written Permit from the Agency.³

Article 74. Standard of Care

All drilling, completion, workover and abandonment operations shall be conducted with due regard for and in compliance with, International Oilfield Practice. Whenever practical, the Operator shall use the Best Available and Safest Technologies in order to conserve natural resources, protect subsurface resources, protect the health and safety of the public and workers and protect the environment in accordance with Titles VIII, IX and X of these Regulations.

Article 75. Well Control

The Operator shall take necessary precautions to keep its wells under control at all times. Whenever practical, the Operator shall utilize the Best Available and Safest Technologies in order to enhance the evaluation of conditions of abnormal pressure and to minimize the potential for uncontrolled well flow. The Operator shall use personnel who are trained and competent and shall use and maintain equipment and material necessary to assure the safety and protection of personnel, equipment, natural resources and the environment.

Article 76. Agency's Access to the Contract Area

The Agency's representatives, with or without notice, may:

- (a) enter any Contract Area operated or controlled by any Operator;
- (b) inspect all facilities, wells and related records on the Contract Area;
- (c) make any environmental tests on any well or facility on the Contract Area at any time for the purposes of air, soil and water monitoring;
- (d) request samples from the Operator; and
- (e) witness any tests conducted by the Operator.

The Operator shall make available all wells and facilities located in the Contract Area for inspection and testing by the Agency's representatives.

³ Exceptions to the requirement for having received a written permit prior to conducting operations are found in Articles 20, 79, 84, and 88.

Article 77. Identification of Wells and Facilities at the Contract Area

1. An Operator shall clearly identify each well and Oil and Gas facility at the Contract Area as follows:
 - (a) a sign shall be posted at the entrance of each operational site of each Contract Area that shows the name of the Operator, the name of the Contract Area, the number of hectares in the Contract Area, an address for the Operator and a 24-hour contact telephone number for the Operator;
 - (b) a sign shall be posted at each well site that shows the name of the Contract Area, the name of the Operator, the well number, an address for the Operator and a 24-hour contact telephone number for the Operator; and
 - (c) a sign shall be posted at, or painted on, each oil tank and on each remotely located satellite tank that shows the name of the Contract Area, the name of the Operator, an address for the Operator and a 24-hour contact telephone number for the Operator.
 - (d) The signs and identification required by this article shall be in both the Georgian and English languages, clearly legible, in letters and numbers at least three centimeters (one inch) in height.
2. In the event the foregoing requirements are not practicable or applicable for certain Oil and Gas installations, the Operator may apply to the Agency for a waiver or acceptable substitution of the signage.

Chapter XXII. Drilling Operations

Article 78. Drilling Permit Application

1. Applications for a well Drilling Permit shall include the following information:
 - (a) a plat showing the surface and bottom hole location of the well indicated by meridians of longitude and parallels of latitude expressed to the nearest hundredth of a second;
 - (b) the area name, block number and well name and number;
 - (c) the water depth or surface elevation;
 - (d) rig name and rig type, if available;
 - (e) the anticipated spud date; and
 - (f) the proposed total measured depth and total vertical depth of the well;
 - (g) interpreted and, if appropriate, migrated seismic lines intersecting at or near each well location; and
 - (h) a section and plan view of a proposed directionally drilled or intentionally deviated well.
2. The application shall also include a well prognosis that shall include:
 - (a) a summary of well design criteria that the Operator considers relevant for well control;
 - (b) a summary of the BOP equipment program;
 - (c) a summary of the casing program;
 - (d) a summary of the location and quality of known subsurface water resources;
 - (e) a geological prognosis;
 - (f) a summary of the mud program;
 - (g) an H₂S contingency plan, if applicable and not submitted previously; and

- (h) a well designation that identifies the well as an Exploration well, Appraisal well, Development well, or other type of well and associates such well with a relevant Plan.

Article 79. Approval Procedure

Within 15 days following submission of an application for a Drilling Permit, the Agency shall analyze it and shall provide written notification of approval to the Operator if the application is consistent with a relevant Plan, these Regulations, the applicable Contract and the Law. With respect to well locations that have previously been specifically identified in a relevant Exploration, Appraisal or Development Plan and in the event the operation involves the use of a drilling rig that is standing by in the Contract Area, the Agency shall provide such notification to the Operator, either in writing or by oral instruction, followed by a written permit with all due expediency, within 24 hours following submission of the application. An application for Drilling Permit shall serve as the proposed amendment to any relevant Plan and approval of such application shall jointly act also as the conclusion of consistency regarding such Plan as set forth in Chapters XIV, XVIII and XXIX.

Article 80. Casing and Cementing

1. The Operator shall case all wells with a sufficient number of strings of casing and use a sufficient quality and quantity of cement on each string of casing in a manner necessary to prevent release of fluids from any stratum through the wellbore, prevent communication between separate strata, protect underground sources of fresh, potable water or water used for hydro-therapeutic purposes and geothermal resources from contamination, support unconsolidated sediments and otherwise provide a means of control of the formation pressures and fluids.
2. The Operator shall ensure that casing is designed to withstand the anticipated stresses imposed by tensile, compressive and buckling loads, burst and collapse pressures, thermal effects and combinations thereof in accordance with the casing program summary included in the well prognosis as required by Article 78 of these Regulations. In accordance with Article 15 of these Regulations, safety factors in the casing program design shall be of sufficient magnitude to provide well control during drilling and to assure safe operations for the life of the well.
3. If there are indications of inadequate cementing, the Operator shall evaluate the adequacy of the cementing operations in accordance with International Oilfield Practice. If the evaluation indicates inadequate cementing to the extent that the requirements of Paragraph 1 of this article are unlikely to be achieved, the Operator shall re-cement or take other remedial action as required according to International Oilfield Practice.
4. The Operator shall conduct pressure integrity and durability tests with respect to each casing string and, if applicable, with respect to liners in accordance with International Oilfield Practice. In the event of an abnormal pressure decline or other indication of a leak or improper seal, the casing shall be re-cemented, repaired, or an additional casing string run and the casing pressure tested again or the Operator shall pursue an alternative procedure approved by the Agency. Additional remedial action shall be taken until a satisfactory pressure test is obtained.
5. The Operator shall submit a Completion Report to the Agency within 30 days after well completion operations. The Completion Report shall include the following information where applicable:
 - (a) the well name and number with a brief description of the completion operations conducted, including data regarding surface pressure, the type and weight of

- completion fluids used, the method, type and density of perforations and formation treatments;
- (b) a schematic drawing of the well that depicts the size and specifications of the wellhead, tree and related equipment, the location of producing zone(s) and the surface and subsurface well casing and other completion equipment used including the size and dimensions of all tubing installations, the amount, quality and location of cementation;
- (c) a partial electric log showing the zone(s) of completion; and well test data, including the amount of oil, gas and water produced during the test period, together with the calculated gas-oil ratio and the flowing tubing pressure.

Article 81. Blowout Prevention Systems

1. Blowout Prevention Systems and system components (BOP) shall be designed, installed, used, maintained and tested to assure well control.
2. The rated working pressure of any BOP component shall exceed the anticipated wellhead pressure to which it may be subjected.
3. A BOP system shall consist of an appropriate number of hydraulically operated preventers equipped with either pipe, blind or blind-shear rams, and shall be arranged in the stack to assure well control under anticipated conditions. The BOP system may also include an annular (bag-type) preventer.
4. BOP pressure testing shall be conducted at all customary intervals prior to and during drilling operations in accordance with International Oilfield Practice. Prior to conducting high pressure tests, BOPs shall be subjected to 100 bars low pressure test. BOPs shall then be subjected to a high pressure test with water to the casing/wellhead pressure. Subsequent pressure tests shall be to the maximum anticipated wellhead pressure. Annular type BOPs shall be tested to 70 percent of its rated working pressure.

Article 82. Mud Program

1. The quantities, characteristics, use and testing procedures of drilling mud and the related drilling procedures shall be designed and implemented to prevent the loss of well control and to safeguard hole conditions necessary for proper evaluation of the formation. Drilling mud shall be properly conditioned and circulated in accordance with International Oilfield Practice. The Operator shall maintain inventories of mud, mud materials and additives at the drill site sufficient, in compliance with Article 15, to maintain well control at all times.
2. Mud analysis and monitoring equipment shall be maintained on the drilling rig at all times and mud tests shall be performed as conditions warrant. Mud testing shall be conducted in accordance with International Oilfield Practice and shall include mud density, viscosity, gel strength and such other tests as the Operator deems necessary. A mud-gas separator and degasser shall be installed in the mud system after the setting of surface casing. This equipment shall be maintained for use throughout the further drilling of each well.

Chapter XXIII. Major Workover and Completion to a New Zone Operations

Article 83. Permit Application

1. Applications for a Major Workover and Completion to a New Zone Permit shall include the following information:

- (a) the well name and number with a brief description of the Workover procedures including a statement of the expected surface pressure and the type and weight of workover fluids;
 - (b) when changes in existing subsurface equipment are proposed, a schematic drawing of the well showing the zone proposed for workover and a description of the workover equipment to be used; and
 - (c) when the Workover or completion is in a zone known to contain H₂S, the information required in Article 183 of these Regulations.
2. If completing to a new zone is proposed, an Operator should submit the following additional information:
 - (a) the reason for abandonment of the previously producing zone including supporting data; and
 - (b) a statement of anticipated or known pressure for the new zone.
3. A Workover Permit is not required for Routine Workover Operations.

Article 84. Approval Procedure

Within 15 days following submission of an application for a Major Workover and Completion to a New Zone Permit, the Agency shall analyze it and shall provide written notification of approval to the Operator if the application is consistent with a Plan, these Regulations, the applicable Contract and the Law. In exceptional circumstances where earlier application could not have been made and where the operation involves the use of a drilling rig, workover rig, coil tubing unit, snubbing unit or wireline unit that is standing by in the Contract Area, the Agency shall provide written or oral notification of approval to the Operator within 24 hours following submission of the application.

Chapter XXIV. Tubing and Wellhead Equipment

Article 85. Tubing

1. The Operator shall:
 - (a) ensure that all tubing has the necessary strength and pressure integrity and is otherwise suitable for its intended use; and
 - (b) conduct integrity testing in the event of prolonged operations.
2. All wells shall be completed with tubing installed unless an exception to such requirement has been approved by the Agency.

Article 86. Wellhead Equipment

1. The Operator shall:
 - (a) ensure that wellheads are equipped for pressure monitoring and that such monitoring occurs on a regular basis; and
 - (b) ensure that the wellhead, tree and related equipment have a pressure rating that is greater than the applicable shut-in tubing pressure.
2. The wellhead, tree and related equipment have to be designed, installed and maintained to achieve full pressure control.

Chapter XXV. Abandonment Operations

Article 87. Abandonment Obligation

1. The Operator must plug and abandon all well bores, remove all facilities and clear the Contract Area of all obstructions created by the Operator during the conduct of Oil and Gas Operations and reclaim all onshore sites from which facilities were removed. This obligation:
 - (a) accrues to the Operator when Oil and Gas Operations are commenced, any facility is installed, construction work is undertaken or any obstruction is created; and
 - (b) becomes the joint and several responsibility of all Investors, Operating Companies and the National Oil Company when the obligation accrues.
2. The Operator shall plug and abandon all wells in a manner to assure downhole isolation of hydrocarbon zones and protection of freshwater aquifers. No production well that is mechanically capable of producing shall be abandoned until the Operator has determined that the well has no future value or alternate use.

Article 88. Abandonment Permit Application and Approval Procedure

1. Applications for an Abandonment Permit shall include the following information:
 - (a) the well name and number with a statement detailing the reason for abandonment including supportive well logs and test data;
 - (b) a schematic and brief description of the abandonment procedures including data on plugs, cementing procedures, casing removal and other pertinent information; and
 - (c) a description of the facilities to be abandoned, together with a reclamation plan for all onshore sites from which the facilities are to be removed.
2. Within 30 days or such other period of time as the Agency and Operator may agree following submission of an application for an Abandonment Permit, the Agency shall analyze it and shall provide written notification of approval to the Operator if the application is consistent with a Plan, these Regulations, the applicable Contract and the Law. In the event the operation involves the use of a drilling rig, workover rig, coil tubing unit or wireline unit that is standing by in the Contract Area, the Agency shall provide such notification to the Operator, either in writing or by oral instruction, followed by a written order with all due expediency, within 24 hours following submission of the application.

Article 89. Temporary Well Abandonment

Upon application and approval by the Agency pursuant to Article 88 of these Regulations, an Operator may elect to temporarily abandon a well. In order to maintain the temporarily abandoned status of a well, the Operator shall, at the end of each Calendar Year, submit a report to the Agency describing plans to work over the well, permanently abandon the well, or otherwise justify its temporarily abandoned status.

Article 90. Assumption of Relinquished Area

1. If the Operator proposes to permanently plug and abandon a well and/or abandon any other facilities, the Agency may, within the time requirements set forth in Article 88(2) of these Regulations or other period of time as the Agency and the Operator may agree, elect to take over the wellbore and/or such facilities, exclusive of any related surface equipment which the Operator elects to retain. If the Agency elects to take over the wellbore and/or such facilities, the Operator shall be deemed to have relinquished free of cost all of its interest in the wellbore, that well's abandonment account and/or such facilities. The Agency shall thereafter bear all cost and liability of operating, plugging and abandoning such wellbore

and/or such facilities in accordance with these Regulations. The Operator shall not be charged with any such costs and liabilities, other than the release of a subject well abandonment account.

2. Application of this article shall not affect the Operator's exclusive right to conduct Oil and Gas Operations in the Contract Area during the term of a License.
3. An Operator shall establish and fund a well abandonment account sufficient to cover the estimated costs of well abandonment and/or facilities abandonment. In the event that the Agency elects to take over a well and/or facility pursuant to this article, the abandonment account for that well shall be transferred to the Agency to be used for such well's and/or facility's ultimate abandonment and/or plugging. The abandonment accounts for different wells and facilities may be merged and maintained as a single account, provided however, that the necessary funds for abandonment of any specific well or facility should be identifiable through accounting records.

TITLE VI

DEVELOPMENT OPERATIONS

Chapter XXVI. General Requirements

Article 91. Conduct of Operations

Operator shall conduct all Oil and Gas Operations relating to Development in accordance with a Development Plan that the Agency has concluded to be consistent with these Regulations and the Law.

Article 92. Standard of Care

A Development Plan shall be developed and implemented with due regard for, and in compliance with, International Oilfield Practice.

Chapter XXVII. Submission of Development Plan

Article 93. Submission and Conclusion

Except as otherwise provided in Articles 4 and 5 of these Regulations, prior to undertaking any activities within any Contract Area, except Preliminary Activities, an Operator shall submit a proposed Development Plan for the Agency's review and conclusion as to its consistency with the laws of Georgia, the applicable Contract, these Regulations and any standards adopted pursuant to these Regulations.

Article 94. Initial Development Plan

1. The Initial Development Plan under any Contract shall be submitted to the Agency within 180 days following the earliest to occur of:
 - (a) notification that a Discovery is a Commercial Discovery under the applicable Contract; or
 - (b) the submission of an Appraisal report indicating that a Discovery is a Commercial Discovery. The 180 day submission deadline shall apply unless a Contract expressly provides otherwise. Four identical copies of the Development Plan should be submitted for the Agency's consideration, consultation and action.
2. Except as otherwise provided in Article 4 of these Regulations, if the date of submission of the Initial Development Plan to the Agency falls in the first six months of the Calendar Year, then the Initial Development Plan shall cover the period from the date of submission of such Plan to the end of that Calendar Year. If the date of submission of the Development Plan falls in the second six months of the Calendar Year, then the Initial Development Plan shall cover the period from the date of submission of such Plan to the end of the next succeeding Calendar Year.

Article 95. Annual Development Plan

So long as any License issued to an Operator remains in force, then at least 90 days prior to the beginning of each Calendar Year, the Operator shall prepare and submit to the Agency for its review and conclusion of consistency or inconsistency, additions and amendments to the

Development Plan, setting forth the Oil and Gas Operations that the Operator proposes to carry out in the ensuing Calendar Year.

Article 96. Special Amendment to the Development Plan

No specific development activity may be undertaken by an Operator without such activity first having been submitted as a part of an applicable Development Plan. In the event that any proposed specific activity was not included in the Development Plan, a special amendment to such Development Plan may be submitted for the Agency's review and conclusion of consistency or inconsistency at any time pursuant to Article 98 of these Regulations.

Chapter XXVIII. Plan Information

Article 97. Plan Information

1. Unless the Contract requires otherwise, all proposed Development Plans shall include, but not be limited to, those items in paragraphs 2, 3 and 4 of this article.
2. Reservoir Description:
 - (a) a designation of the Development Area;
 - (b) geological interpretation of each field and each productive Reservoir;
 - (c) seismic interpretation and structural configuration of each field and each productive Reservoir;
 - (d) petrophysical description of Reservoir characteristics incorporating log, core and well test data;
 - (e) formation fluid properties including results from any gas condensate studies;
 - (f) expected Reservoir drive mechanism; and
 - (g) estimates of recoverable and original hydrocarbons in place including a description of the cause and degree of uncertainty in the estimate.
3. Development and Production:
 - (a) a description of the alternative development, production and control (engineering studies of reservoir development) techniques that the Operator considered and justification for the selected techniques;
 - (b) a description of the proposed development including a description of the work to be performed during each phase of the Development Plan, the sequencing of activities and a time schedule for performance from commencement to completion and the rationale for choosing which Reservoir(s) to produce Oil and Gas from and the demonstration that such choice is consistent with the requirements of Title VIII of these Regulations for achieving the Ultimate Economic Recovery of Oil and Gas resources;
 - (c) a description of the proposed drilling, completion and production program including the surface and bottom hole location of each Development well, proposed total depth, completion techniques, production techniques, density of well development and the rationale for commingling of production from different Reservoirs;¹
 - (d) a description of the proposed drilling, production, treatment, gathering and storage facilities including the drilling rig, operational structures and other major equipment;
 - (e) estimates of well productivity, production forecasts and other indicators of development (e.g. estimates of water cut, forecast of formation pressure changes, water drive dynamics, etc.) based on the Maximum Efficient Rate principle and taking any expected well conditions into account;

¹ If completion in more than one Reservoir is proposed.

- (f) proposals with regard to the transportation and delivery of Oil and Gas Resources to delivery point(s) and/or onshore or offshore terminal point of export;
 - (g) a description of the proposed method of abandonment; and
 - (h) an estimate of the costs to be incurred in performing each activity under the proposed Development Plan and a time schedule that estimates the timing of such costs, for information purposes only.
4. Safety and Environment:
- (a) an Environmental Impact Assessment¹ as described in Article 144 of these Regulations which shall include only new or revised data;²
 - (b) an Environmental Protection Plan, including a Spill Contingency Plan as described in Articles 147 and 152 of these Regulations that shall include only new or revised data;²
 - (c) data concerning the presence of hydrogen sulfide (H₂S) and the precautionary measures as described in Article 183(2) of these Regulations;
 - (d) a Safety and Health Plan that shall include only new or revised data;²
 - (e) Oil and Gas Waste Disposal Plan as described in Article 157 of these Regulations that shall include only new or revised data;²
 - (f) proposals for necessary infrastructure developments.

Chapter XXIX. Conclusion of Consistency or Inconsistency

Article 98. Determination

Within 60 days of submission of a proposed Development Plan by the Operator, the Agency shall analyze such proposed Development Plan and shall render one of the following conclusions:

- (a) the Development Plan is consistent with the laws of Georgia, these Regulations and standards adopted pursuant to these Regulations and the applicable Contract; or
- (b) the Development Plan is inconsistent with the provisions of these Regulations, the applicable Contract, the Law or other Georgian legislation dealing with environmental matters, safety and health requirements, or the principles of Conservation of Oil and Gas Resources, but could be brought into conformity by modification in expressly stated terms.

¹ See notes to Chapter XLIII.

² i.e., not previously submitted to the Agency.

Article 99. Modification or Conclusion of Inconsistency

The Agency shall include in the notice required by Article 98 of these Regulations the reason or reasons for issuance of a conclusion of inconsistency under Article 98(b) of these Regulations. In the event a Development Plan requires modification, the Agency shall specify, in writing, the conditions that must be met by the Operator in order for the Agency to issue a conclusion of consistency under Article 98(a) of these Regulations.

Article 100. Resubmission of Modified Plan

The Operator may resubmit a Development Plan, as modified, to the Agency in the same manner as the original Development Plan. Only information related to the proposed modifications needs to be resubmitted. The Agency shall analyze such Plan as modified and issue its conclusion pursuant to Article 98 of these Regulations within 30 days following the resubmission date.

Article 101. Change of Conditions

A Development Plan that has been concluded by the Agency to be inconsistent with the Law, Contract, these Regulations or standards pursuant to Article 98(b) of these Regulations may be resubmitted without modification in the event there is a change of conditions related to the inconsistency or activity that caused it to be concluded inconsistent. The Agency shall re-analyze the same and issue its new conclusion pursuant to Article 98 of these Regulations within 30 days following the resubmission date.

Article 102. Revision of Development Area

If, subsequent to the designation of a Development Area, as approved by the Agency, the extent of the area encompassing the Commercial Discovery is reasonably expected to be greater than the original Development Area, the Operator shall submit to the Agency the description of such larger area and such description shall be reviewed for approval by the Agency and, if approved, such revised area shall be designated as the Development Area.

Article 103. Failure to Issue Conclusion

Should the Agency fail to issue a conclusion under Article 98 of these Regulations within the prescribed 60 day period, the Development Plan shall be deemed to be consistent with all laws, the Contract, these Regulations and standards.

Article 104. Subsequent Permit Applications

Should the Agency issue a conclusion of consistency pursuant to Article 98 of these Regulations, such conclusion shall not affect the Agency's later consideration of any applications for a permit for a specific activity and such application shall be considered on its own merits and a decision rendered thereon.

Article 105. Divergence from Development Plan

The Operator has the responsibility for undertaking Development in accordance with a Development Plan that the Agency has concluded to be consistent pursuant to Article 98(a) of these Regulations. The Operator shall promptly notify the Agency when significant and material deviations from such Development Plan occur. In the event a significant and material deviation occurs, the Operator shall propose amendments to the applicable Development Plan pursuant to Article 96 of these Regulations.

Article 106. Emergency Action

In the event of an emergency involving possible danger to human lives, property or the environment, including cultural and historic monuments, the Operator shall undertake all reasonable actions and incur all reasonable expense as may be required to mitigate such danger whether or not such action or expense is included in a Development Plan. The Operator shall promptly inform the Agency of such actions and expenses incurred.

Chapter XXX. Joint Development

Article 107. Applicability

In the absence of any provisions in the Contract relating to Joint Development and subject to Article 5, the Agency may approve, or in certain cases require, the Joint Development of Oil and Gas.

Article 108. Voluntary Joint Development

1. The Agency may approve an application for Joint Development of an Oil and Gas reservoir(s) if Joint Development:
 - (a) is likely to promote or expedite Oil and Gas Operations;
 - (b) is likely to conserve natural resources or protect the rights of adjacent Operators with respect to a common Oil and Gas Reservoir; or
 - (c) otherwise meets the requirements of Article 109 of these Regulations.
2. Prior to undertaking any Joint Development activities, an application for Joint Development must be submitted to and approved by, the Agency pursuant to these Regulations, including, without limitation, the provisions of these Regulations, Title VI applicable to Development Plans and the applicable provisions of these Regulations, the Law and any Contract.
3. A Joint Development Plan shall be submitted to the Agency as soon as reasonably practical following a joint determination by the Operators that the requirements of Article 108 of these Regulations have been met.
4. All proposed Joint Development Plans shall include, where applicable, the following:
 - (a) the information required in Chapter XXVIII to the extent such information has not been previously delivered to the Agency;
 - (b) a copy of the proposed joint development agreement and joint development operating agreement;
 - (c) a map which reflects the proposed Joint Development Area and details the participation of separately owned or operated tracts in the Joint Development Area; and

- (d) such other information as may be necessary to show that the proposed Joint Development Plan meets the requirements of Article 108 of these Regulations.

Article 109. Compulsory Joint Development

1. The Agency may, either on its own initiative or upon the application of an Operator, require Joint Development of a single, continuous and common Reservoir if:
 - (a) Joint Development is required to conserve natural resources or protect the rights of adjacent Operators with respect to such Reservoir and
 - (b) the Oil and Gas accumulation in such Reservoir extends across the boundary of a Contract Area or License into the area that comprises a separate Contract Area or License.
2. The Agency shall provide a written notice of the proposed Joint Development to all interested Operators. The Operators shall have 180 days after receipt of such notification to submit a voluntary Joint Development Plan to the Agency pursuant to Article 108 of these Regulations. If the interested Operators and Contractors fail to submit a voluntary Joint Development Plan within the specified time period, the Agency may provide all such parties with written notice of its intent to proceed under paragraphs 3, 4, 5 and 6 of this article and shall invite the Operators affected to submit proposed Joint Development Areas for its consideration. The Agency may refer the matter to an Independent Dispute Resolution Representative who shall proceed as set forth in Chapters LXX and LXXI of these Regulations, or if all Operators agree, the Agency may proceed to hold a hearing as set forth hereinafter in this Chapter XXX.¹
3. Any hearings of the Agency related to the proposed Joint Development shall be held at the principal office of the Agency in Tbilisi, or at such other place in Tbilisi as designated by the Agency. The hearing shall commence on the date and at the time designated in the notice of proposed Joint Development. A transcript may be made of the hearing and shall be made available for any interested Operator.
4. Each such hearing shall be called to order by the Agency stating the purpose and scope of the hearing and identifying the issues upon which testimony will be heard. Every person wishing to enter a formal appearance at the hearing, including those who have complied with the 15-day requirement of this paragraph 4,² shall state his or her name and address and shall identify the entity that he or she represents. Thereafter, such person shall be deemed a party of record³ and shall be afforded a reasonable opportunity to present evidence, either in writing, orally or in the form of exhibits, that is related to the proposed Joint Development Area. If a party of record intends to offer written evidence or exhibits in testimony, such testimony or exhibits shall be filed with the Agency and provided to all interested parties¹ not less than 15 days prior to the hearing.

¹ It is not clear from the text whether there is actually a distinction between referring a Joint Development for hearing under the general dispute resolution procedures set out in Chapters LXX and LXXI and the hearing described in paragraphs 3, 4, 5, and 6 of this article, especially in view of the reference to a proposal for decision in paragraph 5. In typical practice in the United States, all proposals for Joint Development (or similar procedures requiring regulatory approval) are the subject of a hearing prior to action by the regulatory body, even if the Operators and other interested parties are in agreement.

² See last sentence of the paragraph.

³ This provision is not intended to make any person who offers evidence a party to the proceeding entitled to appeal or otherwise contest the proceeding, but only entitled to receive notices and participate in the hearing.

¹ The use of the term "interested parties" here is not the same as "Interested Parties" contained in Chapter VII of the Regulations ("Definitions"), but instead describes parties who have some property or other direct interest in the Contract Areas affected by the Joint Development proposal under consideration.

5. Within 60 days following conclusion of its own hearing or, the proposal for decisions issued under Article 261 of these Regulations, the Agency shall analyze the testimony presented at the hearing and shall issue a determination that accomplishes one of the following:
 - (a) adopts the proposed Joint Development Area as submitted by one of the Operators;
 - (b) adopts a version of the proposed Joint Development Area modified to take into account testimony presented at the hearing;
 - (c) makes a determination that no further action will be taken with respect to compulsory Joint Development.
6. Within 180 days following a determination pursuant to paragraph 5 (a) or (b) of this article, the affected Operators shall jointly prepare and submit a Joint Development Plan to the Agency.
7. In the event of a conflict between this article and the terms of a Contract entered into prior to the effective date of these Regulations, an Operator may elect to proceed under the terms and provisions of the applicable Contract.
8. An Operator may, at any time, elect to relinquish the area subject to Joint Development and such area shall then be withdrawn from the Contract.
9. In the event an Operator:
 - (a) fails to comply with a determination made pursuant to paragraph 5 or paragraph 7 of this article, or
 - (b) fails to relinquish the area subject to Joint Development pursuant to paragraph 8 of this article,the Agency may revoke the License issued for such area and the area will be withdrawn from the Contract.

TITLE VII

OPERATION OF PRODUCTION WELLS AND FACILITIES

Chapter XXXI. General Requirements

Article 110. Conduct of Operations

1. The Operator shall conduct all production operations in accordance with these Regulations and the applicable provisions of these Regulations and the Law.
2. All production operations shall be conducted with due regard for, and in compliance with, International Oilfield Practice. The Operator shall use the Best Available and Safest Technologies in order to achieve conservation of Oil and Gas, protect the environment and protect the health and safety of the public and workers.

Chapter XXXII. Production Safety Systems

Article 111. General Requirements

1. Production safety systems shall be designed, installed and operated in a manner to assure protection of the health and safety of the public and workers.
2. The documents referenced in Article 15 of these Regulations shall be used to determine an appropriate standard for the design, installation and operation of Subsurface Safety Devices and surface production facilities.

Article 112. Subsurface Safety Systems and Surface Facilities

1. In high risk areas, such as offshore wells and wells with dangerous concentrations of H₂S and CO₂, all tubing installations open to hydrocarbon bearing zones shall be equipped with Subsurface Safety Devices according to International Oilfield Practice, unless the Operator demonstrates to the Agency that the well is incapable of natural flow to the surface or seabed.
2. All surface production facilities including, without limitation, separators, treaters, compressors, headers and flow lines shall be designed, installed and operated in a manner to assure protection of the environment, the health and safety of the public and workers and to prevent unauthorized disposal of Oil and Gas Waste.

Article 113. Pressure Testing

Where applicable, the Operator shall conduct pressure integrity and non-destructive tests with respect to all production equipment in accordance with International Oilfield Practice. In the event of indication of a leak or improper seal, the equipment shall be repaired, replaced or abandoned at the Operator's discretion. Additional remedial action shall be taken until a satisfactory pressure test is obtained.

Article 114. Corrosion Mitigation

The Operator shall use effective means of mitigating, monitoring and controlling corrosion caused by corrosive gases (H₂S and CO₂) in both the downhole and surface portions of a production system. The Operator shall take specific corrosion monitoring and mitigation measures in areas of unusually severe corrosion where accumulation of water and/or higher concentrations of corrosive gases exist.

Chapter XXXIII. Production Rates

Article 115. Maximum Efficiency and Production Rates

1. Oil and Gas Reservoirs shall not be produced in excess of the Maximum Efficient Rate as defined and averaged in a relevant Plan or modification thereto.
2. An initial Maximum Production Rate for each well shall be proposed in any relevant Plan by the Operator taking into account such factors as limitations imposed by well and surface equipment, sand production, gas-oil and water-oil ratios, location of perforated intervals, prudent operating practices and the Operator's ability to transport and market any produced Oil and Gas. Wells shall not be produced in excess of the Maximum Production Rate. Subject to Article 5 of these Regulations, a revised Maximum Production Rate may be periodically proposed by the Operator and submitted to the Agency for approval. The mathematical sum of all of the Maximum Production Rates may exceed the Maximum Efficient Rate as defined in paragraph 1 of this article.

Chapter XXXIV. Downhole Commingling

Article 116. Application

An Operator may apply to commingle hydrocarbons produced from different Reservoirs within a common wellbore. Applications for downhole commingling shall include the following information:

- (a) geologic and reservoir engineering data;
- (b) a schematic diagram of well equipment and completion techniques;
- (c) other pertinent well information; and
- (d) a description of measures to be taken to prevent Waste of Oil and Gas.

Article 117. Approval

Except as otherwise provided in Article 5 of these Regulations, applications shall be approved when the commingled production will not reduce the Ultimate Economic Recovery of Oil and Gas from any Reservoir(s) so produced but, instead, will promote the conservation of Oil and Gas. Such Applications may be disposed of by approval of the Agency without hearing or upon hearing pursuant to Title XIII of these Regulations.

Article 118. Standard of Care

All commingled production operations shall be conducted with due regard for International Oilfield Practice. Whenever economically practicable, multiple completion wells should

provide an opportunity for stopping production from each separate Completion and for the testing and measurement of production from each separate Reservoir.

Chapter XXXV. Production Measurement

Article 119. General Requirement

Measurement systems and associated equipment shall be designed, installed and operated in a manner to assure accurate and complete measurement of Oil and Gas produced at the Contract Area for the purpose of assuring compliance with the Law, these Regulations and the applicable Contract.

Article 120. Conclusion of Consistency

Except as otherwise provided in Articles 4 and 5 of these Regulations, the Operator shall not commence production of Oil and Gas unless the Agency has concluded that the measurement system and associated equipment are consistent with the applicable Contract, these Regulations and the Law. The Plan submitted for a conclusion of consistency shall contain information sufficient to demonstrate that the system and associated equipment meets the requirements of the standards incorporated by reference pursuant to Title I of these Regulations.

Article 121. System Components

Liquid hydrocarbon measurement systems at the measurement point shall include, at a minimum, the following components:

- (a) a meter equipped with a nonreset totalizer;
- (b) a calibrated mechanical displacement prover, master meter or tank prover;
- (c) a proportional-to-flow sampling device that is pulsed by the meter output; and
- (d) a temperature measurement or temperature compensation device.

Article 122. System Design

Sales meter facilities shall be designed to:

- (a) prevent reversal of flow through the meter;
- (b) protect meters subjected to pressure pulsation or surges;
- (c) prevent meters from being subjected to shock pressures greater than the maximum working pressure;
- (d) prevent bypassing of the meter and
- (e) provide explosion proof electrical equipment.

Article 123. System Maintenance

Sales meter facilities shall be maintained to ensure the following:

- (a) meters are operated within the gravity range specified by the manufacturer;
- (b) meters are operated within the manufacturer's specifications for maximum and minimum flow rates for linear accuracy; and

- (c) meters are recalibrated when changes in metering conditions, such as changes in pressure, temperature, density, viscosity, pressure and flow rate, may affect the meters' performance.

Article 124. Testing and Calibration

The Operator shall prove and calibrate all measurement systems and associated equipment at regularly scheduled intervals or upon the reasonable written request of the Agency. All such testing shall be conducted in accordance with International Oilfield Practice and the standards incorporated by reference pursuant to Title I. A representative from the Agency shall be invited to witness all such testing and the test results shall be made available to the Agency for review. Should the Agency decide to perform an independent calibration of measurement systems and associated equipment in the presence of the Operator, all the cost and expenses associated with the above activities will be covered by the Agency.

Chapter XXXVI. Underground Gas Storage

Article 125. General Requirement.

The re-injection and underground storage of gas shall be accomplished in a manner that assures the protection of subsurface resources and the prevention of Waste of Oil and Gas.

Article 126. Project Approval

1. Except as otherwise provided in Article 5 of these Regulations, the Operator shall not commence any subsurface re-injection or storage project unless the Agency has approved the project.
2. An application for approval shall contain information sufficient to demonstrate that the project is required in order to:
 - (a) increase the Ultimate Economic Recovery of Oil and Gas;
 - (b) prevent the unreasonable flaring of associated gas;
 - (c) meet the requirements of seasonal fluctuations in gas demand;
 - (d) provide economic benefit to both the Operator and the Agency; or
 - (e) is required in order to achieve other conservation measures approved by the Agency.

Article 127. Project Information

In addition to the data required under Article 126 of these Regulations, any application for a subsurface re-injection or storage project shall include the following:

- (a) geologic information related to the project including characteristics of the cap rock¹, such as lateral extent, average thickness and threshold pressure;
- (b) Oil and Gas reserves of storage zones prior to the start of injection operations;
- (c) a list of proposed surface and subsurface safety devices, tests and precautions to be taken to ensure the safety of the project;
- (d) the proposed water disposal method; and

¹Because information concerning only "the characteristics of the cap rock" would be insufficient to evaluate an underground gas storage proposal, and items such as "average thickness and threshold pressure" are relevant to Reservoir characteristics rather than "cap rock," the probable intent of this paragraph is to require submission of all geologic data relevant to the project, including both Reservoir and "cap rock" characteristics. The wording is presumably the result of a typographical error in the Georgian original.

(e) an inventory of all wells previously drilled into, or through, the project area.

TITLE VIII

CONSERVATION OF OIL AND GAS RESOURCES

Chapter XXXVII. General Requirements

Article 128. Conduct of Operations

1. The Operator shall conduct all Oil and Gas Operations in accordance with an applicable Exploration, Appraisal or Development Plan, and the applicable provisions of these Regulations and the Law.
2. All relevant Plans shall be developed and implemented with due regard for, and in compliance with, International Oilfield Practice, together with the goals of Conservation of Oil and Gas Resources, protection of the health and safety of the public and workers and protection of the environment including, but not limited to, the prevention of pollution of underground sources of fresh water or water used for hydro-therapeutic purposes, or water used for industrial purposes and the protection of known and discovered sacred sites and cultural resources.

Article 129. Plan Requirements

Relevant Plans shall provide for well location and spacing that, to the maximum extent possible, supports the conservation of natural resources, the production of oil or gas at the Maximum Efficient Rate and the avoidance of the drilling of unnecessary wells. Wherever practicable, said Plans shall provide for the use of the Best Available and Safest Technologies, and shall provide for the reliable estimate of oil in place and economically recoverable Reserves. Relevant Plans shall also specifically require that Oil and Gas Operations comply with all requirements of environmental protection as set forth in Title IX of these Rules and in other applicable laws of Georgia.

Chapter XXXVIII. Gas Flaring and Venting

Article 130. General Requirements

1. Except as otherwise provided in Article 4 of these Regulations, an Operator may flare or vent oil-well gas or gas-well gas without receiving prior approval from the Agency only in the three (3) following cases:
 - (a) when gas vapors are flared or vented in small volumes from storage vessels or other low-pressure production vessels and cannot be economically recovered;
 - (b) within the conditions set forth in paragraph 2 of this article during an equipment or pipeline upset, malfunction or shut-down or for other reasons to relieve system pressures; or
 - (c) during the unloading or cleaning of a well, drill-stem testing, production testing, wireline intervention, coiled tubing work, equipment repair, regular maintenance work, stimulation or other well-evaluation testing, oil-well gas flaring or venting will be allowed for a reasonable period of time in compliance with International Oilfield Practice. The Agency may allow less time to prevent air pollution or more time if the Operator needs additional time to evaluate Reservoir parameters.

2. Except as otherwise provided in Article 4 of these Regulations, the Operator must comply with the following conditions:

- (a) The Operator must not flare or vent oil-well gas for more than 48 continuous hours unless the Agency approves. The Agency may specify a limit of less than 48 hours to prevent air pollution.
- (b) The Operator must not flare or vent gas from a facility for more than 144 cumulative hours during any calendar month unless the Agency approves.
- (c) The Operator must not flare or vent gas-well gas beyond the time required to eliminate an emergency unless the Agency approves.

Article 131. Notice of Flaring or Venting

An Operator shall notify the Agency of any natural gas flaring or venting. Notice shall be given prior to flaring or venting when flaring or venting can be reasonably anticipated, or as soon as possible, but in no event more than 24 hours after the flaring or venting has occurred. The gas burned to maintain a pilot flare during offshore Oil and Gas Operations shall be exempted from the above requirements.

Article 132. Low Pressure Gas Flaring

The Agency may approve continuous flaring of small volumes of low pressure gas if required for economic reasons.

Chapter XXXIX. Approval Procedure

Article 133. Determination

1. The Agency declares that the flaring or venting of oil-well gas is a wasteful practice and is harmful to the environment. Upon application, the Agency shall issue a permit allowing the Operator to flare or vent oil-well gas for up to one year upon a showing of one of the following reasons:
 - (a) The Operator has initiated an action that, when completed, will eliminate flaring and venting; or
 - (b) The Operator has submitted an evaluation supported by engineering, geologic and economic data indicating that either:
 - (i) in the reasonable opinion of the Operator the Oil and Gas produced from the well(s) will not economically support the facilities necessary to save and/ or sell the gas;
 - (ii) there is insufficient supply of daily produced gas to market; or
 - (iii) in the reasonable opinion of the Operator there is no commercially viable market for the gas.
2. Within the 30 day period immediately prior to the expiration of any permit for the flaring or venting of oil-well gas based on one of the reasons listed in paragraph 1 of this article, the Agency may (one or more times) grant an extension of such permit based upon a new showing of one or more of the reasons listed in paragraph 1 of this article. Any such extension may not be granted for more than one year at a time.

Article 134. Burning of Produced Liquid Hydrocarbons

Except as otherwise provided in Article 4 of these Regulations, an Operator may burn produced liquid hydrocarbons only if the Agency approves. To burn produced liquid hydrocarbons, the Operator must demonstrate that the amounts burned would be minimal, or that the alternatives are infeasible or pose a significant risk that may harm offshore personnel or the environment. Alternatives to burning liquid hydrocarbons may include storing or re-injecting them into a producible zone. These volumes exclude liquids burned as fuel for processing oil or gas.¹

Article 135. Flaring and Venting of Gas Containing Hydrogen Sulfide (H₂S)

The Agency may, for safety or air pollution purposes, further restrict the flaring of gas containing H₂S. Venting of gas containing H₂S is not allowed except for life threatening situations or minor releases during maintenance, malfunctions or disruptions and repair activities that do not result in the atmospheric concentration of H₂S of 20 parts per million or higher anywhere at the well site.

Chapter XL. Reporting Requirements

Article 136. Records

The Operator must prepare records to be submitted every three months to the Agency detailing gas flaring or venting and liquid hydrocarbon burning for each facility. The records must include, at a minimum:

- (a) daily estimated volumes of gas flared or vented and liquid hydrocarbons burned;
- (b) estimates of the number of hours of flaring, venting, or burning on a daily basis;
- (c) reasons for flaring, venting, or burning if due to the reasons not specified in Article 130 of these Regulations or not exempt by special permission from the Agency;
- (d) and estimated volumes of flared and vented gas containing H₂S and its concentration in the flared gas.

Chapter XLI. Enhanced Recovery Projects

Article 137. General Requirement

The Operator shall consider, based upon available data, the timely commencement of Enhanced Recovery Projects when such operations are likely to increase the Ultimate Economic Recovery of Oil and Gas. Enhanced Recovery Projects shall be designed and operated in a manner to assure protection of any Oil and Gas Reservoirs and underground sources of fresh potable water or water used for hydro-therapeutic purposes that may exist.

Article 138. Project Approval

¹ The meaning of the last sentence is not clear. However, consistency with the goal of maximizing return to the State would lead to the interpretation that the requirements of Articles 220, 229 and 230, when read together, only permit an Operator to use liquid hydrocarbons as fuel on the Contract Area for producing or processing oil and gas produced from the Contract Area. Other uses would require Agency approval.

Except as otherwise provided in Article 5 of these Regulations, the Operator shall not commence any Enhanced Recovery Project unless the Agency has approved the project. The application for approval shall contain information sufficient to allow the Agency to fully evaluate the possible effects of the project upon any Oil and Gas Reservoirs or underground sources of fresh, potable water or water used for hydro-therapeutic purposes.

Article 139. Project Information

The application for any Enhanced Recovery Project shall include, without limitation, the following:

- (a) a description and statement of purpose for the proposed project, including an estimate of the project's effect on the Ultimate Economic Recovery of Oil and Gas and
- (b) a plat of the affected area showing the location of all wells including proper well designations and
- (c) where applicable, the requirements listed in Chapter XLVIII of these Regulations.

Article 140. Reporting and Monitoring Requirements

1. The Operator shall provide periodic reports of the volume of oil, gas, or other substances injected or produced during the Enhanced Recovery Project as required by Title XII.
2. Where applicable, the Operator shall monitor Enhanced Recovery Projects in a manner consistent with the requirements of paragraph 5 of Article 162 of these Regulations.

TITLE IX

ENVIRONMENTAL PROTECTION

Chapter XLII. General Requirements

Article 141. Goals and Policies

In furtherance of the recognized goals and policies of Georgia to secure the rational and effective use of Oil and Gas resources, to restore and preserve ecosystems and bioresources, to enhance the living conditions and health of the population, to preserve natural monuments and cultural heritage sites, the Agency declares that it will require Operators to conduct all Oil and Gas Operations in compliance with the Law in a manner calculated to foster and promote such goals and policies.

Article 142. Conduct of Operations

The Operator shall conduct all Oil and Gas Operations in accordance with an Exploration, Appraisal or Development Plan and these Regulations. Any such relevant Plan shall be developed in accordance with the existing environmental laws.

Chapter XLIII. Environmental Impact Assessment¹

Article 143. Environmental Impact Assessment and Environmental Protection Plan.

1. As part of an application for a Permit or relevant Plan, an Operator shall prepare and submit to the Agency both documents:
 - (a) an Environmental Impact Assessment (“EIA”) containing an analysis of the potential environmental impacts that may result from the proposed Oil and Gas Operations and
 - (b) an Environmental Protection Plan (“EPP”) that identifies the measures the Operator proposes to undertake to prevent adverse environmental impacts, including replanting and reclamation of that part of the Contract Area where Oil and Gas Operations were conducted as required.
2. The Initial EIA and EPP submitted in the application for any Permit for Oil and Gas Operations or a Plan will be the basis for all future EIA and EPP revisions. Such revisions shall only include new or revised data not previously addressed by the initial EIA and EPP or subsequent revisions.
3. The intent of this section is not to require an amendment to an EIA or EPP on account of every application for a permit for Oil and Gas Operations, but to require amendments only where there has been a significant change in a relevant Plan, such as, for example, changes in the location of Oil and Gas Operations or technical parameters of drilling or other operations.

¹ The Environmental Impact Assessment and related Environmental Protection Plan, as used in this title and throughout the Regulations, is a planning and evaluation document to be used by the Agency in determining the consistency or inconsistency of a proposed Plan. Although the EIA and EPP may serve as the basis for the application for the environmental permit required for many oilfield operations under the Georgian “Law on Environmental Permit,” it is not the same as, nor a substitute for, the environmental impact assessment to be submitted to the Ministry of Natural Resources Protection under that law. Under current practice (as of February 2002), the Agency submits the EIA required by the statute to the Ministry, obtains the Ministry’s conclusion, and issues or declines to issue the environmental permit based on that conclusion. For the types of activities requiring an environmental permit, see Chapter III, Article 4, of the law “On Environmental Permit.”

Article 144. Environmental Impact Assessment Information

All proposed EIAs shall include, but not be limited to:

- (a) a baseline study of the environmental conditions of the Contract Area, for initial EIAs only;
- (b) a survey and an assessment of the effects on environment, cultural heritage sites and natural monuments expected to occur as a result of the implementation of Oil and Gas Operations under the relevant Plan or Permit;
- (c) a map of the oilfield construction sites showing the borders of protection zones and preserves and the protection zones;
- (d) where applicable, the engineering and design relevant¹ geological and tectonic characteristics of the area, including identification of those rock strata, that may potentially cause structural instability for construction of roads, dams, buildings, platforms, pipelines, and other facilities;
- (e) for onshore operations, a study of impacted parts of the Contract Area where a pit is to be made to determine whether shallow aquifers are present and should be protected;
- (f) identification of specific and cumulative impacts that may occur both onshore and offshore for each major element of the environment, including magnitude and duration; and
- (g) a description and analysis of the potential impact on the environment of the following:
 - (i) emissions, water and waste discharges;
 - (ii) surface, groundwater and seawater availability and water quality, including water supply for the applicable Oil and Gas Operations to be undertaken;
 - (iii) soil, karst caverns and sea bed characteristics for offshore operations and, for onshore operations, natural, topographical and ecological features such as flood plains, wetlands, coastal zones, national forests and special protected territories;
 - (iv) flora and fauna, including protection of endangered species;
 - (v) health and distribution of the population in, and adjacent to, planned operations using five years of historical data, if available, from at least two identified and different sources;
 - (vi) any other relevant characteristics that may be reasonably required by the Agency based on prior knowledge of a specific site.

Article 145. Adequacy of Environmental Impact Assessment

1. Within 30 days of submission of an EIA and EPP as a part of an application for a permit or submission of a Plan, the Agency shall issue a finding as to whether the EIA is complete and adequate. An application for a permit or a Plan shall not be deemed to be filed until a finding of adequacy of the EIA has been issued by the Agency. For any EIA the time period required for the Agency to issue a finding of completeness and adequacy may, by issuance of a notice that additional time is required, be extended to 90 days to be consistent with the existing environmental legislation.
2. Should the Agency fail to issue a finding of completeness and adequacy of an EIA under paragraph 1 of this article within the prescribed 90 day period, such EIA shall be deemed to be complete and adequate.

Article 146. Environmental Protection Plan Information

All Environmental Protection Plans shall include the following:

¹ This term is an approximation of the wording in the official Georgian text, the literal translation of which is “engineering.”

- (a) comprehensive program for mitigating and monitoring potential impacts to air, water, soil resources, flora, fauna and for control of Oil and Gas Waste;
- (b) Spill Contingency Plan;
- (c) a plan for the storage, transportation, treatment, neutralization and disposal of Oil and Gas Waste and other kinds of waste;
- (d) procedures for site abandonment at the end of Oil and Gas Operations;
- (e) procedures for reporting discovered cultural heritage sites and natural monuments;
- (f) any other relevant elements reasonably requested by the Agency to cover special situations regarding environmental protection.

Article 147. Approval of Environmental Protection Plan

1. Within 30 days of submission of an EIA and EPP as a part of an application for a permit or submission of a Plan or determination of the adequacy of an EIA, whichever is later, the Agency may approve an EPP:
 - (a) without modification, if the EIA, considered together with the EPP, indicates that the proposed Oil and Gas Operations will not significantly affect the quality of the environment, cultural heritage sites or natural monuments;
 - (b) with modifications, provided that changes have been made in the EPP or proposed Oil and Gas Operations that would reduce adverse environmental impact to levels deemed by the Agency to be acceptable; or,
 - (c) reject an EPP as insufficient for specifically stated reasons to adequately protect the environment against significant adverse impact.
2. For any EPP the time period required for the Agency to issue an approval may, by issuance of a notice that additional time is required, be extended to 90 days to be consistent with the existing environmental legislation.
3. Should the Agency fail to issue an approval of an EPP under paragraph 2 of this article within the prescribed 90 day period, such EPP shall be deemed to be approved and consistent with a relevant Plan and the Law.

Article 148. Public Involvement

Any member of the public may obtain information concerning any pending Environmental Impact Assessment, including any relevant findings of completeness and adequacy, by contacting the Agency. The Agency shall specify a time period within which the public may submit written comments. The Agency may also hold a public hearing if, in its own discretion, it determines that such would serve the public interest.

Chapter XLIV. Monitoring Plan

Article 149. Monitoring Plan.

1. A required element of any EPP is a monitoring plan for obtaining comprehensive current information on applicable environmental parameters and on the magnitude of potentially significant environmental impacts foreseeable as a result of the proposed Oil and Gas Operations. Applicable environmental parameters shall continue to be monitored throughout the entire duration of Oil and Gas Operations.
2. In furtherance of the environmental protection goals as set forth throughout these Regulations, environmental components to be monitored may include the following, as recommended by an EPP:

- (a) air quality;
- (b) surface, ground and sea water quality;
- (c) soil and sea bed sediments;
- (d) flora and fauna, including species endangerment;
- (e) survey for cultural heritage sites and natural monuments;
- (f) energy usage; and
- (g) disposal of Oil and Gas Waste and other waste.

Chapter XLV. Spill Contingency Plan

Article 150. Submission of the Plan

As part of an Environmental Protection Plan, an Operator shall submit a Spill Contingency Plan concerning any Oil and Gas Operations that could potentially result in a spill. Any Plan submitted should be in conformity with the National Coastal Zone Management Plan.¹

Article 151. Plan Modifications

A Spill Contingency Plan shall be reviewed annually and updated as necessary by the Operator or when reasonably required by the Agency. All modifications to the Spill Contingency Plan that might materially affect the Operator's response capabilities shall be submitted and approved pursuant to Chapters XIV, XVIII and XXIX of these Regulations.

Article 152. Plan Information

A proposed Spill Contingency Plan shall include the following, if applicable:

- (a) a map of the Contract Area showing the location of proximal population centers, special ecological zones and protected natural territories, potential storage and disposal sites for contaminated fuel, Oil and Gas Waste and chemicals, and shoreline docking and refueling locations;
- (b) a range of worst case spill scenarios that may conceivably arise during Oil and Gas Operations, including the type of failure, volume, rate direction of flow and containment locations, containment, dispersal or removal;
- (c) the identification, location and general inventory of spill response equipment, support vessels and a list of trained personnel available for initiating response and procedures to be employed in responding to continuous oil discharges and spills of short duration and for reporting spills to the Agency;
- (d) description of simulated training exercises used by the Operator to verify response times from equipment and personnel locations to each facility of the Operator where spills are most likely to occur or when special ecological conditions exist;
- (e) a written dispersant plan including a list of dispersants that may be used, if applicable, and an assessment of their effectiveness when applied to different situations and a summary of their toxicity, chemical composition and properties if available;
- (f) a procedure for inspecting oil spill response facilities, supplies and equipment, along with the manner of record keeping of these inspections;

¹ The reference to the National Coastal Zone Management Plan is erroneous, and should instead refer to the National Oil Spill Contingency Plan. At the time the Regulations went into effect, a National Oil Spill Contingency Plan was being developed. The requirement for consistency with the national plan is intended to become effective upon the adoption of the national plan.

- (g) a list of names, company positions or job responsibilities, addresses, phone and facsimile numbers and electronic mail address of responsible employees of the Operator;
- (h) appropriate containment and /or diversionary structures or equipment to prevent discharged oil from escaping further to surface waters or on the land surface, including containment for storage tanks and equipment;
- (i) the telephone number of the Operator's spill response coordinator and other persons who will act as coordinator in the absence of the spill response coordinator;
- (j) the procedure to be used by the Operator to ensure at least one person trained in appropriate spill response is at a facility at all times to avoid delay in initial response and notification;
- (k) a list of local and State personnel, provided by the Agency after approval of the Spill Contingency Plan, including their phone numbers, who will participate in on-scene investigation and observe spill clean-up activities, as well as coordinate with any relevant State entities; and
- (l) any other relevant requirement reasonably requested by the Agency relating to Spill Response.

Article 153. Notice of a Significant Spill

1. The Operator shall, as soon as is practicable but in no event later than 24 hours of discovery of any Significant Spill, provide an oral or written notice to the Agency. Oral notices shall be followed by prompt written notices to the Agency.
2. The notice of a Significant Spill shall contain the following information:
 - (a) the location(s) of the spill(s) by well number or geographical coordinates;
 - (b) the estimated volume of spillage and the nature of the spillage (oil, produced water, acid, or other solid or liquid materials that are identified as having a negative impact on the environment);
 - (c) the status of the Operator's response at the time of first notice.
3. In addition to the notice of a Significant Spill required in paragraph 2 of this article, the Operator shall submit periodic monitoring reports to the Agency concerning Significant Spills until it is determined that a harmful quantity of oil or other dangerous substances is no longer present.
4. Significant Oil Spill monitoring reports shall be submitted on a weekly basis or at less frequent intervals as agreed upon by the Agency depending on the seriousness of the spill.

Article 154. Spill Response and Cleanup Procedures

1. The Operator shall take immediate measures to contain and clean any spill after its discovery according to an approved Spill Contingency Plan, especially the spillage of oil in to any water body, coastal or inland drainages of Georgia after discovery of such spill.
2. The Agency shall allow the Operator to take immediate measures to contain and clean any spill, unless it is determined that the Operator is unable to implement the Spill Contingency Plan approved by the Agency or an alternate plan that addresses the special conditions at the spill site. In the event of a determination of an Operator's inability to act, the Agency may step in and implement an appropriate Spill Contingency Plan.
3. The Operator may use alternate procedures for containment, mitigation or cleanup, including chemicals, absorbents and other materials, if the alternate procedure meets the objectives of the Spill Contingency Plan.

Chapter XLVI. Oil and Gas Waste Management

Article 155. General Requirements

1. An Operator shall store, transport and dispose of all Oil and Gas Waste and other waste in such a manner as not to cause damage to life, health, property, underground or surface sources of fresh, potable water or water used for hydro-therapeutic purposes, cultural heritage sites and natural monuments, or endanger the well being of the employees of the Operator or the public.
2. Where practicable, the Operator should take measures to recycle Oil and Gas Waste.

Article 156. Oil and Gas Waste Disposal Plan

Prior to undertaking any Oil and Gas Operations, the Operator shall submit an Oil and Gas Waste Disposal Plan as a part of the Environmental Protection Plan to the Agency for approval. No disposal of Oil and Gas Waste shall take place unless an Operator obtains an Oil and Gas Disposal Permit from the Agency pursuant to Articles 27 and 192 of these Regulations.

Article 157. Plan Information

A proposed Oil and Gas Waste Disposal Plan shall include the following:

- (a) a description of procedures for controlling and disposing of all Oil and Gas Waste that is likely to be generated within each relevant Plan or Permit Area;
- (b) a description of all Oil and Gas Wastes and their estimated quantities to be treated, transported, handled, stored and disposed of during proposed Oil and Gas Operations and the type of facilities to be used for each activity, including a brief flow diagram of the treatment, neutralization processes and description of the methods used;
- (c) Oil and Gas Waste Site Abandonment Plan as described in Article 160 of these Regulations; and
- (d) any other relevant requirement reasonably requested by the Agency relating to disposal of Oil and Gas Waste or other kind of waste.

Article 158. Oil and Gas Waste Management Facility

1. The Operator may establish a centralized Oil and Gas Waste management facility for the treatment, disposal, recycling or beneficial re-use of Oil and Gas Waste. Such a centralized Oil and Gas Waste management facility may include components such as land treatment or land application sites, pits and recycling equipment.
2. The Operator may apply to the Agency for a permit to use such centralized Oil and Gas Waste management facility for a disposal of Oil and Gas Waste generated on other Contract Areas.

Article 159. Application Content

As a part of a relevant Plan, an Application for an Oil and Gas Waste management facility shall contain the following information:

- (a) the name, address, phone and fax number of the Operator and a designated contact person;

- (b) a site plan covering the area of the proposed Oil and Gas Waste management facility showing drainage patterns and any diversion or containment structures and facilities such as roads, fencing, tanks, pits, buildings and other construction details;
- (c) for each type of Oil and Gas Waste, the amounts to be received and managed by the facility on a quarterly basis; and characteristics of each waste type;
- (d) an operating plan, including, but not limited to, a description of the method of treatment, anticipated loading volumes, type of nutrients and soil amendments to be applied, sampling, inspection and maintenance procedures, emergency response, record keeping, site security and final disposition of waste;
- (e) ground water monitoring, if applicable.

Article 160. Oil and Gas Waste Site Abandonment

1. The Operator shall submit an Oil and Gas Waste Site Abandonment Plan for all Oil and Gas Waste treatment and disposal facilities that it used, constructed, operated or located within the Contract Area and submit it to the Agency for approval as part of an Oil and Gas Waste Disposal Plan.
2. All Oil and Gas Waste Site Abandonment Plans shall include the following:
 - (a) a description of methods to be used to restore all excavated areas to the original topography where applicable;
 - (b) a description of the method to be used to abandon any injection wells used for Oil and Gas Waste disposal including those used at offshore facilities;
 - (c) methods to be used to guarantee safe transfer of any remaining untreated or disposed Oil and Gas Waste to other facilities under the Operator's or State's responsibility;
 - (d) any other relevant requirement reasonably requested by the Agency relating to site abandonment.
3. The Operator shall notify the Agency at least 30 days prior to planned abandonment of an Oil and Gas Waste Site so that inspection can be made if the Agency so desires.

Article 161. Oilfield Pits

1. Pits used for conduct of Oil and Gas Operations shall be constructed and operated to prevent communication with surface or ground water or contamination of soil resources through seepage.
2. Pits should be constructed with due regard to International Oilfield Practice and to ensure:
 - (a) sufficient size for adequate storage until closure, taking into consideration historical precipitation patterns;
 - (b) such depth that the bottom does not penetrate ground water or such that the pit contents do not adversely impact ground or surface water;
 - (c) that berm height, slope and materials are structurally sound and the pit integrity is not compromised by terrain or breached by heavy rains, winds, seepage, or other natural forces;
 - (d) adequate design if a salt section is anticipated or oil-based muds are used during a drilling program;
 - (e) where applicable, adequate fencing, netting, caging and/or any other method to secure a pit to protect the public, domestic animals and/or wildlife.
3. The Agency declares that the use of alternatives to production pits such as process modification or above ground tanks are encouraged and can generally have less adverse impact on environment.
4. All production pits such as pits used for skimming, settling, storage and/or evaporation of produced water shall be adequately lined with natural or synthetic materials that are

compatible with expected pit contents. Liners are not required if the Operator demonstrated through natural clay testing that the soil in a pit is impermeable.

5. The Agency may require the Operator to line reserve pits used for storage of additional drilling fluids, disposal of wastes generated during drilling operations and initial completion procedures and workover pits used for containment of liquids during the performance of remedial operations of a producing well if the Agency determines that there is a potential for adverse impact to surface or ground water or any environmentally sensitive area.
6. Special purpose pits such as blowdown and basic sediment pits, with exception of emergency pits constructed during initial response to spills, or flare pits where there is no risk of condensate accumulation, shall be lined.
7. An Operator shall conduct inspections and monitoring at regular intervals or as necessary to ensure that pits meet all operating and structural integrity requirements and to ensure that pit contents do not adversely impact ground or surface water.

Article 162. Oil and Gas Waste Injection

1. All injection wells used by the Operator to inject Oil and Gas Waste generated during conduct of Oil and Gas Operations into the subsurface saline or brackish formations or producing reservoirs shall be maintained in compliance with the Oil and Gas Waste injection program included, where applicable, as a part of a relevant Plan.
2. The Oil and Gas Waste injection program shall ensure that all wells are designed, constructed, cased, cemented and maintained with due regard to International Oilfield Practices and to protect adequately underground and surface sources of fresh, potable water or water used for hydro-therapeutic purposes. No injection of Oil and Gas Waste shall take place unless an Operator obtains an Oil and Gas Waste Injection Permit from the Agency pursuant to Article 26.
3. The Oil and Gas Waste injection program shall include the following:
 - (a) the name, description and depth of the formation into which Oil and Gas Waste is to be injected;
 - (b) description and depth of all underground sources of fresh, potable water and water for hydro-therapeutic use that may be affected by the proposed operation;
 - (c) where practicable, a chemical analysis of the water in the injection formation and the fracture pressure or fracture gradient of the injection formation;
 - (d) a base plat covering the area of the proposed Oil and Gas Waste injection well(s) showing the location of each proposed well, the purpose of the well, i.e. disposal or injection and the location of all Oil and Gas wells;
 - (e) where practicable, a resistivity log, run from the bottom of the surface casing to total depth of the disposal/injection well or wells;
 - (f) a full description of the casing in the Oil and Gas Waste injection well(s) with a schematic drawing showing all casing strings with cement quality and tops;
 - (g) a diagram of the surface facility showing all pipelines and tanks associated with the system;
 - (h) a listing of all sources of fluid, by well, to be injected;
 - (i) the estimated minimum and maximum amount of fluid to be injected daily with anticipated wellhead injection pressures;
 - (j) any other relevant requirement reasonably requested by the Agency relating to Oil and Gas Waste injection.
4. An Operator shall carry out a pressure integrity test in each Oil and Gas Waste injection well every two years. The results of these tests shall be reported to the Agency. The

Operator shall notify the Agency one week prior to conducting the periodic test to allow the Agency to attend and witness the test, if it so desires.

5. In lieu of a pressure integrity test, an Operator shall monitor the pressure in the casing, tubing and annulus during injection operations and record it on a monthly basis. The Operator shall report this information annually to the Agency.
6. An Operator shall report any significant changes in the operating wellhead injection pressures or other monitoring data, required in paragraph 5 of this article, that might indicate a defect in pressure integrity, to the Agency within 24 hours of discovery along with a description of actions being taken by the Operator to correct the problem.

Article 163. Produced Water Discharge

1. Prior to disposal of produced water the Operator shall treat it to prevent oil and condensate from entering a pit or offshore environment.
2. Produced water may be disposed of as follows:
 - (a) injection into a well according to the requirements set forth in Article 162 of these Regulations;
 - (b) evaporation/percolation in a properly permitted lined or unlined pit according to the requirements set forth in Article 161;
 - (c) disposal at a permitted Oil and Gas Waste management facility as described in Articles 158 and 159;
 - (d) for produced waters with less than 5,000 mg/l TDS disposal by road spreading on the Contract Area roads outside sensitive areas when authorized by the Agency. Road spreading shall not result in pooling or runoff of Produced Water and the adjacent soils shall meet concentrations allowed by the environmental legislation of Georgia;
 - (e) disposal into the Black Sea according to the requirements set forth in Articles 190, 191 and 192.
3. Water produced during Oil and Gas Operations may be reused for Enhanced Recovery, drilling and other purposes in a manner consistent with the International Oilfield Practice and in consideration of water quality standards under the existing environmental legislation of Georgia.

Chapter XLVII. Support Operations

Article 164. General Requirements

The Operator shall develop a plan and set of procedures regarding environmental protection measures at those Oil and Gas Operations support facilities that it may construct or operate.

Article 165. Pipeline Maintenance and Monitoring

The Operator shall conduct pipeline testing on those pipeline facilities it may construct or operate, with due regard to International Oilfield Practice, maintain a corrosion control program and provide reliable shut down and emergency alarm systems.

Article 166. Oil Tanker Operations

1. All tankers used by an Operator to carry Oil and Gas from offshore and Coastal Area oil facilities shall be operated, where feasible, in accordance with the International Maritime

Code for Safe Vessel Operations and Prevention of Contamination of the Marine Environment.

2. Each Operator shall provide the Agency with the name of tankers planned for use by such Operator for the Agency's concurrence as to their suitability. The Agency may reject the use of an individual tanker if it is documented that such tanker has been involved in a serious maritime pollution incident and there is a likely possibility of a repeat occurrence of such incidents.

Article 167. Hydrocarbon Storage

All Operators of onshore and Coastal Area storage facilities shall:

- (a) place all storage tanks inside impermeable dikes capable to hold the contents of the largest tank and to prevent oil spill migration to drainage waters connected with surface, ground water or subsoil water and
- (b) maintain a minimum inventory of appropriate spill response equipment as required by the Agency.

Article 168. Chemical Warehousing

All Operators of onshore and Coastal Area chemical warehousing facilities shall:

- (a) store hazardous chemicals that require special handling or are toxic to humans (acids, detergents, etc.) in safe facilities with limited access;
- (b) record the general quantity of all such chemicals; and
- (c) mark points of storage of chemicals and their qualities on special maps. Such maps shall be posted in a conspicuous location readily accessible to emergency response authorities and shall also be provided to such authorities.

Chapter XLVIII. Air Quality Control

Article 169. Program Information

The Air Quality Monitoring Program shall be a part of the Environmental Protection Plan and shall include, where applicable, the following:

- (a) description of facilities, their size and number of sources and quantities of emission planned for each facility and their operational status;
- (b) identification of all emission points and sampling frequency;
- (c) parameters to be monitored;
- (d) technologies and equipment used to decrease the amount of emission or reclaim purged gas during Oil and Gas Operations;
- (e) an estimate of emissions released through flaring or venting;
- (f) any other relevant requirement reasonably requested by the Agency relating to air quality monitoring.

Chapter XLIX. Location of Cultural Heritage Sites and Natural Monuments

Article 170. General Requirements

The Operator shall use reasonable efforts for the early detection of cultural heritage sites and natural monuments that may be of interest to Georgia and incorporate reporting procedures into each relevant Plan.

Article 171. Notification

The Operator shall notify the Agency within 48 hours of the discovery of any of the following sites or evidence of ancient human activity:

- (a) rare geological, rock or mineral formations and structures;
- (b) meteorites;
- (c) extraordinary paleontological remains, both vertebrate and invertebrate; and
- (d) cultural heritage sites, natural monuments and other objects that represent significant scientific or cultural interest.

Article 172. Subsurface Discoveries

If mineral deposits that may have commercial value are encountered during conduct of Oil and Gas Operations, the Operator shall:

- (a) inform the Agency of such encounters;
- (b) collect cutting samples and determine their depth below surface; and
- (c) submit such samples to the Agency, however, the Agency shall not suspend Oil and Gas Operations.¹

Article 173. Surface Excavations

1. The Agency may suspend an Operator's construction or excavation activities for a reasonable time period on locations directly impacting discoveries in the Contract Area, if any discoveries specified in Article 171 of these Regulations are made, until the Agency receives the results of an expert evaluation of such discovery.
2. Within 30 days of notification of a discovery, the Agency shall perform an expert evaluation of the discovery and notify the Operator if the discovery requires any modifications to the relevant Plan. Such modifications may include:
 - (a) relocating the surface facility to a location outside the discovery area;
 - (b) incorporating closer surveillance for additional discoveries during further development of the construction of pipelines, excavations or storage areas.
3. The Agency shall be responsible for providing the Operator with an inventory of all known locations of items specified in Article 171 of these Regulations when requested by an Operator prior to submission of a Plan or upon issuance of conclusion of its consistency.

Article 174. Offshore Requirements

The Operator shall be responsible for informing the Agency about the location of monuments or cultural objects discovered on the Contract Area during the process of developing offshore facilities or transportation routes.

Chapter L. Environmental Training

Article 175. General Requirements

¹ Due to such mineral discoveries.

Each Operator shall develop and implement an Environmental Training Program that may include training appropriate persons in the following:

- (a) the Operator's environmental policy, objectives and procedures;
- (b) environmental regulations for Georgia;
- (c) technical environmental training in the management of air quality, water quality, waste, hazardous material handling;
- (d) training relative to the Operator's Environmental Protection Plan;
- (e) training relative to the Operator's Spill Response Plan;
- (f) training relative to the principles of quality control and quality assurance as it applies to investigations, monitoring, sample collection, transportation and analysis. Such training activities may be done by outside sources at the choice of the Operator;
- (g) any other relevant requirement reasonably requested by the Agency relating to environmental training.

Article. 176 Training Records

The Operator shall maintain appropriate training records that summarize all training activities. Documentation and records of training activities shall be available for inspection by the Agency during business hours.

TITLE X

SAFETY and HEALTH

Chapter LI. General Requirements

Article 177. Conduct of Operations

1. The Operator shall conduct all Oil and Gas Operations in accordance with an applicable Safety and Health Plan, these Regulations, the Law and other applicable laws of Georgia. All Safety and Health Plans shall be developed and implemented using the Best Available and Safest Technologies and with due regard for, and in compliance with, International Oilfield Practice. Safety and Health Plans shall be developed in a manner to:
 - (a) protect the health and safety of workers and the general public;
 - (b) ensure the safe operation of equipment;
 - (c) require mandatory reporting of accidents and hazardous conditions; and
 - (d) provide an appropriate level of safety and health training to workers.

Chapter LII. Safety and Health Plan

Article 178. Submission

As part of any Exploration, Appraisal or Development Plan an Operator shall include a Safety and Health Plan. The Safety and Health Plan submitted in the relevant Plan shall be the basis for all subsequent Safety and Health Plan revisions. Such revisions shall only include new and revised data not previously addressed by the initial Safety and Health Plan or subsequent revisions.

Article 179. Safety and Health Plan Information

1. All proposed Safety and Health Plans shall include information described in paragraphs 2, 3 and 4 of this article.
2. For safety plans, training and accident response all plans shall include:
 - (a) a description of safety plans, measures and procedures that will be performed by the Operator or required of third party subcontractors during the conduct of Oil and Gas Operations;
 - (b) a description of training programs, frequency of training and safety manuals that will be provided by the Operator to its personnel or required to be provided by third party subcontractors during the conduct of Oil and Gas Operations;
 - (c) a list of names, company positions or job responsibilities, addresses, phone and facsimile numbers and electronic mail addresses, if applicable, of the persons responsible for all safety issues including safety training;
 - (d) a list of names, company positions or job responsibilities, addresses, phone and facsimile numbers and electronic mail addresses, if applicable, of the persons responsible for accident response;
 - (e) a description of accident response facilities to be used and supervisory staff responsible for investigations that will be performed by the Operator or required of third party subcontractors in the event of a Major Health and Safety Incident during the conduct of Oil and Gas Operations. Any Major Health and Safety Incident shall be reported pursuant to the requirements of Article 234 of these Regulations.

3. For hazardous substances and conditions all plans shall include:
 - (a) a description of general emergency response measures that will be organized or performed by the Operator or required of third party subcontractors in the event of a spill or escape of Hazardous Substances during the conduct of Oil and Gas Operations; and
 - (b) a general description of emergency response measures that will be organized or performed by the Operator or required of third party subcontractors in the event of a fire, explosion or other hazardous condition during the conduct of Oil and Gas Operations.
4. For the workplace environment, all plans shall include:
 - (a) a general description of all medical and first aid equipment to be maintained at each facility;
 - (b) a general description of all safety equipment and documents to be maintained at each facility; and
 - (c) a general description of all personal protection devices to be maintained at each facility.

Article 180. Conclusion of Consistency

The Safety and Health Plan proposed by the Operator shall be submitted as a part of the relevant Exploration, Appraisal or Development Plan, which the Agency shall assess for Conclusion of Consistency with these Regulations, Contract and the Law.

Chapter LIII. Emergency Action

Article 181. Emergency Action

In the event of an emergency involving possible danger to life, health or property, the Operator shall undertake all necessary actions required to mitigate such danger whether or not such action is included in an approved Safety and Health Plan. The Operator shall promptly inform the Agency and other relevant State authorities of such actions.

Chapter LIV. Specific Operational Requirements

Article 182. Training Programs, Safety Manuals and Emergency Drills

1. The Operator shall ensure that all workers receive continuing safety training, instructions on safety issues and education, and verify through testing such knowledge in compliance with a Safety and Health Plan that is sufficient in scope to enable the worker to perform their required functions in a safe and workmanlike manner.
2. The Operator shall provide every worker with relevant written Safety and Health handbooks in Georgian, English or other applicable language in accordance with their specific employment functions and in compliance with an approved Safety and Health Plan.
3. The Operator shall ensure that every permanent facility has written instructions posted in Georgian, English or other applicable language that specifies general warnings regarding the safe and proper use of all equipment and personal protective device requirements according to International Oilfield Practice.
4. The Operator shall develop, implement and practice at regular intervals emergency drills in compliance with an approved Safety and Health Plan that are sufficient in scope to

provide training for all likely occurrences. Such drills shall include, without limitation, emergency procedures related to well control, fire, explosion, emergency evacuation, medical emergencies and the unexpected release of Hazardous Substances. The execution of such drills shall be documented in the Operator's records.

Article 183. Hydrogen Sulfide

1. The Operator shall take all necessary precautions and measures to protect workers, the general public and the environment against harmful exposure to hydrogen sulfide (H₂S).
2. In those fields and support facilities where, in the Operator's opinion, the presence of H₂S is possible, the Safety and Health Plans shall include a hydrogen sulfide safety plan that shall contain, without limitation, safety procedures, training programs, emergency drill procedures and a recommended inventory and description of all prevention and protection equipment. In addition, the hydrogen sulfide safety plan shall identify the job positions responsible for implementation of plan procedures and the specific duties, responsibilities and operating procedures that shall be implemented when a concentration of hydrogen sulfide is detected in the atmosphere that exceeds the Hazardous Limit of H₂S.
3. The Operator shall promptly notify the Agency in the event of a release of hydrogen sulfide to the atmosphere that exceeds Hazardous Limit of H₂S.
4. The Operator shall ensure that all blowout preventers, well heads and other equipment and materials are corrosion resistant.
5. The Operator shall install, operate and maintain a hydrogen sulfide monitoring and detection system that initiates both audible and visual alarms throughout the affected area when the concentration of hydrogen sulfide in the atmosphere exceeds the Threshold Limit of H₂S.

Article 184. Facility Requirements

1. All production facilities and related structures shall be designed, fabricated, installed and maintained to ensure their structural integrity and to protect the safety and health of workers and the general public.
2. Work stations shall be designed, fabricated, installed and maintained to ensure the safety and health of the workers. An Operator shall provide its personnel with reasonable protection against:
 - (a) inclement weather conditions;
 - (b) damaging noise and dangerous heat levels;
 - (c) exposure to flammable or explosive levels of gas or other hazardous vapors; and
 - (d) fire and explosion according to International Oilfield Practice as specified in the Health and Safety Plan.
3. Hazardous or dangerous areas shall be clearly marked in Georgian and English and pictorially.
4. Machinery, tools, pipes, tanks and other related equipment shall be fit for the purpose for which it is intended. Where practical, open, moving or revolving parts shall be fenced, jacketed, provided with mechanical guards, or screened as appropriate.
5. All electrical equipment shall be fit for the purpose for which it is intended. Maintenance of electrical equipment shall be performed at regular intervals according to the manufacturer's recommendations or the Operator's experience in order to minimize the risk of fire or explosion.

Article 185. Personal Protection Equipment

1. The Operator shall provide personal protection equipment to protect all workers against likely risks to safety and health.
2. Based on International Oilfield Practices and where work conditions require, the minimum set of personal protection equipment for workers shall include:
 - (a) hard hat;
 - (b) protective footwear with steel toe-caps;
 - (c) spark or flame retardant overalls or other work clothing, as appropriate;
 - (d) gloves;
 - (e) eye protection;
 - (f) hearing protectors;
 - (g) a personal flotation device where appropriate; and
 - (h) breathing apparatus strategically positioned throughout the facility, where appropriate.
3. All personal protection equipment shall be checked periodically and maintained in good, usable condition and, if not regularly used, it shall be located in a readily accessible area.

Article 186. Monitoring Systems and Alarms

1. Monitoring systems and alarms shall be installed, located, maintained and operated in fields, facilities and support operations in accordance with International Oilfield Practice.
2. Where work conditions require, an Operator shall install, maintain and operate an automatic monitoring system capable of detecting and responding to the presence of fire, flame, heat or smoke by initiating the appropriate alarms and responses.
3. The Operator shall install, maintain and operate an automatic monitoring system capable of detecting and responding to the presence of toxic or flammable gas or vapor by initiating the appropriate alarms and responses.
4. The Operator shall install, maintain and operate backup monitoring systems capable of alerting workers in the event a primary monitoring system fails or shuts down.
5. The Operator shall ensure that all critical monitoring systems remain operational in the event of a primary power failure.

Chapter LV. Reporting Requirements

Article 187. Records

The Operator shall prepare and maintain full and complete records of all relevant activities related to the safety and health of workers and the general public, including incidents of serious personal injury, fire or explosion, spillage or escape of hazardous substances, or the unsafe operation of equipment and shall deliver to the Agency all such information and reports in accordance with Title XII of these Regulations.

TITLE XI

SPECIFIC OFFSHORE RULES

Chapter LVI. General Requirements

Article 188. Conduct of Operations

1. Except as otherwise provided in Article 4 of these Regulations, the Operator shall conduct all Offshore Oil and Gas Operations in accordance with an approved Plan, these Regulations, the Law and the applicable provisions of other Georgian legislation.
2. All Offshore Oil and Gas Operations shall be conducted with due regard for, and in compliance with, International Oilfield Practice.

Chapter LVII. Additional Plan Information

Article 189. Additional Plan Information

In addition to the information required by Titles III, IV and VI of these Regulations, all proposed relevant Exploration, Appraisal and Development Plans shall include, where applicable, the following information related to Offshore Oil and Gas Operations:

- (a) a description of the mobile drilling unit, platform, or artificial island including support and storage facilities to be used;
- (b) a table indicating the location of each proposed well, including the surface location, proposed well depths, bottom hole location and the water depth at each well site;
- (c) a bathymetric map showing the surface location of each well and fixed structure, or a table indicating the water depth at each proposed site;
- (d) an analysis of the seafloor and subsurface geologic and manmade hazards, including a shallow hazards analysis for proposed drilling and platform sites and pipeline routes;
- (e) a description of the onshore support and storage facilities used to support the Offshore Oil and Gas Operations, their design features with regard to environmental and personnel protection, the applicable design standards used in their construction or modification, including information as to whether the facilities are existing or proposed;
- (f) major supplies, services, energy, water or other resources within the affected area necessary for carrying out the applicable Plan;
- (g) significant meteorological and oceanographic data;
- (h) historic weather patterns and other meteorological conditions, including storm frequency and magnitude, wave height and direction, wind direction and velocity, air temperature, visibility and freezing and icing conditions, if available;
- (i) environmental reports, assessments and proposed monitoring systems in compliance with Title XII of these Regulations;
- (j) the means proposed for transportation of Oil and Gas; the routes to be followed by each mode of transportation and the estimated quantities of Oil and Gas to be moved along each such route;
- (k) with respect to any facilities involved into conduct of Oil and Gas Operations, an estimate of the frequency of boat and helicopter arrivals, the onshore location of terminals and the normal routes for each mode of transportation; and
- (l) an estimate of the quantities, composition and characteristics of Oil and Gas Waste and other waste that are likely to result from the conduct of Offshore Oil and Gas Operations; the methods of transportation to be used to bring such wastes to shore; and a description of the disposal methods and flow diagram of their treatment, neutralization and disposal and also facilities or waste disposal services to be used for these purposes.

Chapter LVIII. Waste Disposal and Control

Article 190. Proper Waste Disposal

During the conduct of Offshore Oil and Gas Operations, the Operator shall take measures to prevent the unauthorized discharge of Oil and Gas Wastes and other wastes in the Offshore environment. The Operator shall not create conditions that will pose unreasonable risk to public health, aquatic life, wildlife, navigation, commercial fishing or other uses of the Offshore environment.

Article 191. Control of Oil and Gas Waste

When unauthorized discharge of Oil and Gas Wastes occurs as a result of Offshore Oil and Gas Operations conducted by, or on behalf of, the Operator and the discharge damages or threatens to damage the environment, the Operator shall take immediate corrective actions to control and remove the pollution.

Article 192. Offshore Disposal

Except as hereinafter specified, disposal of Oil and Gas Waste and other wastes into the sea are to be strictly controlled. The following methods of disposal may be allowed upon the prior approval of the Agency:

- (a) disposal of produced water by re-injection into some formation, which is non-communicable with any formation containing fresh, potable water or water used for hydro-therapeutic purposes;
- (b) disposal of treated produced water into the sea if its quality meets all applicable standards and effluent limitations;
- (c) disposal of produced water, mud and drilling cuttings via annulus injection into formation not in communication with any formation containing fresh, potable water or water used for hydro-therapeutic purposes;
- (d) disposal of washed or cleaned cutting by use of a fall pipe of suitable length onto the sea bed; or
- (e) any other method approved by the Agency.

Article 193. Drill Cuttings

The Operator shall specify in the applicable Plan its proposed method of disposal for drill cuttings, sand and other well solids.

Article 194. Other Contaminants

During the production phase of Oil and Gas Operations, curbs, gutters, pans and drains shall be installed in deck areas in a manner sufficient to collect and process all contaminants not authorized for discharge. All drainage systems shall flow to a properly designed, operated and maintained sump system that will automatically prevent discharge of pollutants into the offshore environment. In Oil and Gas Operations the Operator shall minimize discharges as much as practicable.

Article 195. Artificial Islands

All vessels located on artificial islands and which contain hydrocarbons shall be placed inside an impervious berm or otherwise protected against spills and seepage into the filled soils. Drains and sumps shall be constructed to prevent seepage and shall be properly maintained.

Article 196. Inspection of Facilities

Drilling and production facilities shall be inspected by the Operator at appropriate intervals or at such other intervals as may be determined by the Agency to determine if unauthorized discharges are occurring. Necessary maintenance and repairs shall be made immediately and the records of such inspections and repairs shall be maintained in accordance with Title XII of these Regulations.

Chapter LIX. General Safety Requirements of Offshore Operations

Article 197. General Requirement

All Offshore Oil and Gas Operations shall be conducted in a manner to protect against harm or damage to the aquatic life, navigation, commercial fishing, human or other use of the Offshore environment.

Article 198. Equipment Movement

The movement of drilling, completion and workover rigs and related equipment on, off or about an Offshore platform, including rigging up or rigging down, shall be conducted in a safe manner. All wells that could be damaged in the same well bay that are capable of producing Oil and Gas shall be shut-in in accordance with International Oilfield Practice prior to moving such rigs and related equipment. The Operator shall develop an equipment movement plan to cover other situations when equipment movement can be safely conducted without shutting in all wells in the same bay.

Article 199. Emergency Shutdown System

When downhole operations are conducted on a platform where there are other Oil and Gas producing wells or other Oil and Gas flow, a manually controlled emergency shutdown system shall be installed near the driller's console.

Article 200. Welding Procedures and Hot Work Certificate

All welding and burning on active drilling or production facilities shall be conducted in designated safe-welding areas whenever possible and shall be minimized by onshore fabrication whenever feasible. No welding or burning operation, other than approved hot tapping, shall be done on piping, containers, tanks, or other vessels that have contained a flammable substance unless the contents have been rendered inert and are reasonably determined by the Operator to be safe for welding or burning. If downhole well operations are in progress, welding and burning operations shall be conducted only in a designated safe-welding area or when appropriate precautions have been taken in conformity with Operator procedures that have been reviewed by the Agency and certified as being in compliance with International Oilfield Practice. The Operator shall submit its standard procedures to the Agency for its review and request the issuance of a Certificate for such conformity. The Agency shall issue such Certificate within five (5) days unless the Agency finds that the procedures deviate in specific details from International Oilfield Practice.

Article 201. Electrical Equipment

All Offshore electrical equipment shall be designed, installed and maintained in accordance with International Oilfield Practice. Maintenance of Offshore electrical systems shall be performed by qualified personnel who are trained and experienced with the classifications, performance characteristics and operation of the equipment and the hazards involved.

Article 202. Crew Instructions

Prior to engaging in Offshore Drilling, Completion, Workover or Abandonment operations, crewmembers shall be periodically instructed in the safety requirements of the operations to be performed, possible hazards to be encountered and general safety considerations to protect personnel, equipment and the environment. The date and time of safety meetings shall be recorded and made available at the facility for review by the Agency.

Chapter LX. Drilling Operations

Article 203. Fitness of Equipment

Drilling units shall be capable of withstanding the seasonal oceanographic and meteorological conditions for the proposed location of operation.

Article 204. Inspection

Prior to commencing operations, drilling units shall be made available to the Agency for inspection pursuant to paragraph 2 of Article 217. Copies of all recent inspection reports and/or current certificates of fitness, seaworthiness, or operability issued by recognized certifying agencies or authorized bodies, if any, shall be provided to the Agency prior to, or at the time of, such Agency's inspections.

Article 205. Drilling Permits

The intent of this section is to ensure that the Operator uses drilling rigs and procedures consistent with International Oilfield Practice. Applications for an Offshore Well Drilling Permit shall include the requirements specified in Article 78 of these Regulations and, where applicable, the following additional information:

- (a) maximum operational conditions the proposed drilling unit is designed to withstand;
- (b) the design and operational limitations beyond which suspension, curtailment, or modification of drilling or rig operations are required (e.g., vessel motion, offset, anchor tensions, wind speed, wave height, currents, icing or ice loading, etc.);
- (c) a description of additional safety measures in drilling operations where a floating or semi-submersible type of drilling vessel is used;
- (d) in areas subject to subfreezing conditions during intended drilling activities, evidence that the drilling unit, BOP system and other associated equipment and materials are suitable for drilling in such conditions;
- (e) results of a shallow hazards survey, if any;
- (f) a description of the rig's BOP system; and
- (g) such other relevant information as may be reasonably required by the Agency.

Chapter LXI. Completion and Workover Operations

Article 206. Structures on Fixed Platforms

Derricks, masts, substructures and related completion and workover equipment shall be selected, designed, used, maintained and repaired so as to be adequate for the potential loads that may be encountered during the proposed operations. Prior to moving a well completion rig or related equipment onto a platform, the Operator shall determine the structural capability of the platform to safely support the equipment and proposed operation, taking into consideration corrosion protection, age of platform and previous stresses to the platform.

Article 207. Sub-sea Completions and Workovers

All sub-sea completion or workover activities shall be conducted according to the requirements set forth in Chapter XXV of these Regulations.

Chapter LXII. Abandonment

Article 208. General Requirement

Except as otherwise provided in Article 4 of these Regulations, in addition to the requirements of Chapter XXV, the Operator shall abandon and temporarily abandon all Offshore wells, platforms, structures, pipelines and related equipment according to the requirements specified in Articles 88 and 89 of these Regulations and in a manner consistent with International Oilfield Practice and the appropriate Plan.

Article 209. Clearance of Location

All wellheads and casings shall be removed to a depth of at least four meters below the mud line or at such other depth as approved by the Agency. All pilings and other obstructions shall be removed to a depth determined by the Operator in compliance with International Oilfield Practice and the appropriate Plan. The requirement for removing sub-sea wellheads or others obstructions and for verifying location clearance may be reduced or eliminated when, in the opinion of the Agency, the wellheads or other obstructions would not constitute a hazard to other users of the Offshore environment.

Article 210. Site Clearance Verification

In the areas where commercial trawling is conducted, an Operator shall verify site clearance after abandonment by one or more methods such as:

- (a) dragging a trawl in opposite directions across the site;
- (b) performing a diver search around the site;
- (c) scanning across the site with a side-scan or bottom scanning sonar;
- (d) such other method as may be approved by the Agency.

Promptly following completion of abandonment operations, the Operator shall submit a written notification to the Agency which certifies that the area has been, to the extent practicable, cleared of all obstructions to commercial trawling.

Chapter LXIII. Platforms and Offshore Structures

Article 211. General Requirement

1. The Operator shall design, fabricate, install, use, inspect, maintain and repair all Offshore platforms and structures in accordance with International Oilfield Practice to assure their structural integrity for the safe conduct of drilling, completion, workover and production operations, considering the specific environmental conditions at the platform location.

Article 212. Submission and Approval

Except as otherwise provided in Article 4 of these Regulations, prior to undertaking the construction or fabrication of any Offshore platform or structure, the construction integrity plan and a safety case for conducting work, including preliminary hazard identification, assessment and resolution for all such platforms or structures must be submitted to the appropriate authorities and approved by the Agency. Safety case means a document, prepared by the Operator and maintained over the life of a project that identifies and details all safety systems, potential problems and implemented corrective actions.

Article 213. Proposal Information

1. Except as otherwise provided in Article 4 of these Regulations, proposals for all new platforms or major modifications of existing platforms may be submitted as part of a proposed Development Plan or separately and shall include, where applicable, the information requested in paragraphs 2, 3, 4 and 5 of this article.
2. General information to be provided for pre-construction safety case analysis:
 - (a) the platform designation, area name and block number;
 - (b) the longitude and latitude coordinates and a plat drawn to scale showing the surface location of the platform and distance from the nearest block lines;
 - (c) drawings, plats, front and side elevations of the entire platform, and plan views that clearly illustrate all essential parts of the structure including, without limitation, the number and location of well slots, general design production capacity, design loads of each deck, water depth, if any, as needed to support, document and explain the issues identified in the pre-construction safety case;
 - (d) a general plan for the corrosion protection or durability details which consist of the corrosion protection method, expected life and durability criteria for the entire structure; and
 - (e) a general plan for periodic inspections of the installed platforms or structures in accordance with International Oilfield Practice.
3. Environmental data shall include a summary of the environmental data that has a bearing on the platform's design, installation and operation including, without limitation, wave heights and periods, current, vertical distribution of wind and gust velocities, water depth, storm and astronomical tide data, marine growth, snow and ice effects and air and sea temperatures, if appropriate to the design safety case.
4. Information about the foundation of structures resting on the seabed shall include:
 - (a) a geo-technical investigation report containing a brief summary of the major strata encountered at the location by bore holes, a subsurface profile illustrating the results of field and laboratory testing, a list of field and laboratory investigations with summaries of any findings, the identification of properties and conditions of the seabed and subsoil and the identification of any manmade hazards or obstructions;
 - (b) a description of the effect of the environmental and functional loads on the foundation;
 - (c) a determination of the susceptibility of the area to soil movement and, if susceptible, an analysis of slope and soil stability, if applicable;
 - (d) a summary of the foundation design criteria; and

- (e) a summary of the seafloor survey results.
- 5. Structural Information shall include:
 - (a) the design life of the platform and the basis for such determination;
 - (b) a summary description of the design load conditions and design load combinations;
 - (c) a listing and description of the appropriate material specifications;
 - (d) a summary of pertinent derived factors of safety against failure for major structural members; and
 - (e) information with respect to fatigue analysis.

Article 214. Determination

Within 30 days of submission of a proposal for a new platform or a major modification of an existing platform, the Agency shall analyze it, make an appropriate decision and notify the Operator in writing of its decision in accordance with the provisions of Chapter XXIX of these Regulations and applicable laws.

Article 215. Certification

Prior to engaging in other than platform construction or Preliminary Activities, the Operator shall have the structural plans and specifications for new platforms and structures and for all major modifications, including those plans and specifications described in paragraph 2(c) of Article 213 of these Regulations, or required by the applicable standards referred to in Article 15 of these Regulations, reviewed by an appropriate authority prior to construction and certified by a recognized certifying authority or agency after construction to ensure conformance with the original design specifications and unqualified proof of such certification shall be submitted to the Agency.

Article 216. Emergency Conditions

Under emergency conditions, repairs to primary structural elements may be made to restore an existing condition without prior approval. The Agency shall be promptly notified of any such repairs.

Article 217. Records and Access to Facilities

1. The Operator shall compile, retain and make available to the Agency for the functional life of all offshore platforms all documentation including the as-built structural drawings, the design assumptions and analyses and a summary of the examination and inspection results from the platform inspections required by paragraph 2(e) of Article 213 of these Regulations as well as short summaries of testing and examination related to further certification of platforms after their construction is completed in compliance with Article 215 of these Regulations.
2. The Operator shall make available for inspection by the Agency all platforms, artificial islands and other installations located on Offshore Contract Areas. The Agency will give as much notice as possible to the Operator to enable appropriate scheduling of transportation to the offshore facilities.

TITLE XII

RECORDS AND REPORTING

Chapter LXIV. General

Article 218. Purpose and the Scope

1. The purpose of this title is to ensure that the Agency receives complete and accurate information regarding Oil and Gas Operations conducted within Georgia, in order to assure compliance with the terms of any Contract, these Regulations and orders of the Agency.
2. This title governs the reporting of Oil and Gas Operations information including, without limitation, all data generated by Operators in connection with a Contract or other agreement.

Chapter LXV. Records and File Maintenance

Article 219. Records

Each Operator shall make and retain accurate and complete Records required by a Contract or other agreements, these Regulations and the laws of Georgia and those records customarily maintained by an Operator in compliance with international accounting standards and International Oilfield Practice. The Records shall include those reports and other records required to be maintained by these Regulations and those customarily maintained by an Operator.

Article 220. Records of Revenue Payer

Each Revenue Payer shall make and retain accurate and complete Records sufficient to demonstrate and account for:

- (a) the production and disposition of oil, gas and associated hydrocarbons and other mineral substances with commercial value;
- (b) the sale or exchange of such substances;
- (c) the disposition of the proceeds of such sale or exchange; and
- (d) all other payments or delivery of money or other things of value pursuant to a Contract or other agreement with the State or an entity acting on behalf of the State.

Article 221. Records Retention

Operators, Revenue Payers, or other persons required to keep records under this title shall maintain and preserve them for six years following the calendar year in which each of such records was first created. Records pertaining in any way to the subject matter of an audit or investigation by the Agency or other State entity, or which the Operator should reasonably believe might become pertinent to an audit or investigation shall be retained until the Operator receives written permission from the Agency or other State entity to dispose of the Records.

Article 222. Records Inspection

Originals or duplicate originals of all records that are required to be maintained by these Regulations shall be kept in Georgia. Persons required to make and retain Records by these Regulations shall be responsible for making the Records available for inspection. Records shall be provided at a business location of the Operator, Revenue Payer, or other person during normal business hours upon the written request from the Agency. Operators, Revenue Payers and other Persons will be given a reasonable period of time to produce historical records. The Agency shall not be required to provide written notice if the Agency reasonably believes that Records are being, or are about to be, destroyed, rendered unusable, concealed or removed from Georgia.

Chapter LXVI. Reporting

Article 223. Additional Reporting Requirements

In addition to the reporting and informational requirements set forth elsewhere in these Regulations, each Operator shall submit in an accurate, complete and timely manner, the Reports required by this title. The Agency may prescribe the form of Reports.

Article 224. Organization Report

Each Operator shall submit an Organization Report to the Agency not later than thirty days from the effective date. In the event that a Contract or other agreement has been negotiated with, or awarded to, an Operator that has not previously submitted an Organization Report the report must be submitted not less than ten days prior to the time the Agency is required to sign such Contract or agreement or issue a License. The Agency shall not be required to sign or issue such Contract or License until a complete Organization Report is submitted. The Report shall include the following:

- (a) Certificate of good standing from the jurisdiction of incorporation (if such certificates are issued by the jurisdiction) dated not more than six months prior to the date of submission. The certificate may be an original, a copy certified as a true copy by the body with authority over corporate registration, or an authenticated abstract from the court of registration;
- (b) Ownership and Control Information:
 - (i) The name and address of any person or firm owning or controlling more than ten percent of the Operator. If a corporation, partnership, or other legal person holds ten percent or greater ownership or control, the name of the chief executive officer and both the registered address and main office address of the entity must be provided. The information required by this sub-paragraph shall be provided in a document properly attested by the corporate secretary of the Operator.
 - (ii) The Agency may require the submission of additional information concerning the ownership and/or control of firms owning or controlling a ten percent or greater interest in the Operator and may further require the submission of additional information concerning officers, directors, key personnel and significant shareholders or partners of such firms.
- (c) The names and business addresses of the current officers of the company, listed in a document properly attested by the corporate secretary;
- (d) An abstract, properly authenticated, of the company's registration in Georgia, whether original registration or as a representative office;

- (e) The firm's Georgia tax identification number, if available;
- (f) The following financial information:
 - (i) For Reporting Companies required to file annual reports or similar filings by the securities regulatory authority of the jurisdiction of incorporation or the jurisdiction in which shares are principally traded: A copy of the latest annual filing of financial condition with a regulatory body, certified as a true copy by the authority with which it is filed. If annual reports are distributed to shareholders, a copy of this report should also be provided. Annual reporting data should be supplied each year within one month of its filing with the securities regulatory body;
 - (ii) For Non-Reporting Companies: An audited financial statement prepared by chartered or certified public accountants and dated not more than one (1) year prior to the date of filing with the Agency. For a wholly owned subsidiary of a reporting company, the Reporting Company's statement will suffice if it shows adequate information reflecting the financial condition of the subsidiary doing business in Georgia.
- (g) A letter from the chief executive officer designating the person in charge of the firm's business in Georgia;
- (h) A letter from the person in charge of the company's business in Georgia, setting out his or her office address, business telephone numbers and business e-mail addresses;
- (i) Such additional information as the Agency may reasonably request.

Article 225. Annual Organization Report

The Organization Report shall be updated annually and submitted to the Agency on or before March 15 of each year or as may be reasonably required by the Agency. Such submissions shall only include new and revised data not previously incorporated into the initial Organization Report.

Article 226. Geological and Geophysical Quarterly Report

1. Each Operator of each Contract Area shall file a Quarterly Geological and Geophysical Report on or before the fifteenth⁴ (15th) day of the second month following the quarter that the reporting covers. The Quarterly Geological and Geophysical Report shall provide a narrative and documentary summary of all Geological and Geophysical Operations conducted during the quarter and shall include, without limitation, the results of all field survey work and a description of all seismic data acquired or processed. The information provided in this Report shall be confidential for a period of six years or until the termination of the Contract, whichever occurs earlier.
2. Each Operator shall record, in an original or reproducible form of good quality and on tapes or other digital media where relevant, all geological and geophysical information and data relating to the Contract Area that is obtained by Operator in the course of conducting Oil and Gas Operations. The Operator shall deliver a copy of all such information and data, including well logs and records, to the Agency as soon as practicable after the data has come into the possession of the Operator.

Article 227. Quarterly Drilling and Completion Report

Each Operator of each Contract Area shall file a Quarterly Drilling and Completion Report on or before the fifteenth⁵ (15th) day of the second month following the quarter that the report

⁴ Georgian text uses the words 'Before 16th day,' which has the same meaning.

⁵ The Georgian text uses the words 'before the 16th day.' The meaning is the same.

addresses. The Quarterly Drilling and Completion Report shall provide a narrative summary of all Drilling and Completion Operations conducted during the quarter and shall include, without limitation, the results of all completed activities and a description of all drilling activity in progress at the end of the quarter. The information provided in this Report shall be confidential for a period of six (6) years or until the termination of the Contract, whichever occurs earlier.

Article 228. Quarterly Exploration, Appraisal or Development Report

Each Operator of each Contract Area shall file a Quarterly Exploration, Appraisal or Development Report on or before the fifteenth (15th) day of the second month following the quarter that the report addresses. The Quarterly Exploration, Appraisal or Development Report shall provide a narrative and documentary summary of all Exploration, Appraisal or Development Operations conducted during the quarter and shall include the results of all completed activities and a description of all exploration, appraisal or development activity in progress at the end of the quarter. The information provided in this Report shall be confidential for a period of six (6) years or until the termination of the Contract, whichever occurs earlier.

Article 229. Monthly Production Report

Each Operator of each Contract Area shall file a Monthly Production Report on or before the last day of the month following the month that the report addresses. The Monthly Production Report shall include:

- (a) the total quantity of Oil and Gas produced from each well in the Contract Area;
- (b) the total quantity of water produced from each well in the Contract Area; and
- (c) the disposition of the produced substances.⁶

Article 230. Annual Production Report

Each Operator of each Contract Area shall file an Annual Production Report on or before the last day of April following the year that the report addresses. The Annual Production Report shall summarize:

- (a) the total quantity of Oil and Gas produced from the Contract Area;
- (b) the total quality of water produced from the Contract Area and
- (c) the disposition of produced substances.²

Article 231. Annual Abandonment and Reclamation Report

If any Abandonment or reclamation activities were conducted, each Operator of each Contract Area shall file an Annual Abandonment and Reclamation Activity Report on or before the last day of April following the year that the report addresses. The report shall describe in summary form the activities conducted, the location of such activities, including the identity of each well or facility and the date of filing of the Final Abandonment and Reclamation Report.

Article 232. Final Abandonment and Reclamation Report

⁶ Although the context would indicate that the term 'produced substances' refers to both hydrocarbons and water, the Georgian text refers to hydrocarbons only.

The Operator shall file a Final Abandonment and Reclamation Report not less than 30 days after the completion of abandonment and/or reclamation activities pertaining to a particular well or facility. The report shall contain a description of the activities, including specifically those described in the application for Abandonment Permit or required by these Regulations or required by the Agency as a condition of the related Abandonment Permit issued pursuant to Article 88 of these Regulations and the result of the activities.

Article 233. Major Health and Safety Incident Report

1. Each Operator shall file a Major Health and Safety Incident Report within 24 hours following the occurrence of a Major Health and Safety Incident. The report shall contain, at a minimum, the following information:
 - (a) the date, time, location and nature of the incident;
 - (b) the name, address and telephone number of the injured person or persons;
 - (c) whether the injured person or persons was an employee of the Operator or the Operator's contractor or subcontractor or a person unrelated to the Oil and Gas Operations;
 - (d) the name, address, telephone (including all business, residence and mobile) numbers of the person responsible for investigating the incident; and
 - (e) the name, address and telephone number of each potential witness known to the Operator.
2. The Operator has the affirmative duty to supplement promptly the report when additional information becomes available to it.

Article 234. Annual Major Health and Safety Incident Report

Each Operator of each Contract Area shall file an Annual Major Health and Safety Incident Report on or before the last day of April following the year that the report addresses. The Annual Report shall detail the particulars of all major health and safety accidents that occurred during the year covered by the report.

Article 235. Major Environmental Incident Report

1. Each Operator shall file a Major Environmental Incident Report within 24 hours following the occurrence of a material environmental incident. The report shall contain, at a minimum, the following information:
 - (a) the date, time, location, nature and apparent cause of the incident;
 - (b) the name, address and telephone number of each potential witness known to the Operator; and
 - (c) the name, address, telephone (including all business, residence and mobile) numbers of the persons responsible for responding to and investigating the incident.
2. In the event that the incident results in, or threatens the release of, substances potentially harmful to persons, property, or the environment, the Report shall identify the substances released, the threat or potential threat and the response or planned response. The Operator has the affirmative duty to supplement the report promptly when additional information becomes available to it.

Article 236. Annual Environmental Incident Report

Each Operator of each Contract Area shall file an Annual Major Environmental Incident Report on, or before, the last day of April following the year that the report addresses. The

Annual Report shall detail the particulars of all Major Environmental Incidents that occurred during the year covered by the report.

Chapter LXVII. Financial Reporting

Article 237. Production, Cost Recovery and Profit Split Report

Each Operator of each Contract Area shall file a quarterly Production, Cost Recovery and Profit Split Report on or before the fifteenth⁷ (15th) day of the second month following the quarter that the report addresses. The Production, Cost Recovery and Profit Split Report shall provide information regarding quantities of available petroleum, its average price, cost recovery oil and profit oil along with an annual calculation of the R factor in accordance with Form 1 (REV) set out in the attachment to these Regulations.

Article 238. Profit Tax Report

Each Operator of each Contract Area shall file a quarterly Profit Tax Report on or before the fifteenth¹ (15th) day of the second month following the quarter that the report addresses. The Profit Tax Report shall provide information regarding the Operator's revenues, capitalized expenditures, taxable profit and profit tax according to Form 2 (TAX), contained in the attachment to these Regulations.

Article 239. Summary of Expenses and Cost Recovery Report

Each Operator of each Contract Area shall file a quarterly Summary of Expenses and Cost Recovery Report on or before the fifteenth (15th) day of the second month following the quarter that the report addresses. The Summary of Expenses and Cost Recovery shall provide information regarding current year costs and expenses according to Form 3 (SUM), contained in the attachment to these Regulations.

Article 240. Exploration Expenditures Report

Each Operator of each Contract Area shall file a quarterly Exploration Expenditures Report on or before the fifteenth (15th) day of the second month following the quarter that the report addresses. The Exploration Expenditures report shall provide information regarding expenses for geological and geophysical activities, exploration and appraisal drilling and other exploration expenditures according to Form 4 (EXP), contained in the attachment to these Regulations.

Article 241. Development and Capital Production Costs Report

Each Operator of each Contract Area shall file a quarterly Development and Capital Production Costs Report on or before the fifteenth (15th) day of the second month following the quarter that the report addresses. The Development and Capital Production Costs Report shall provide information regarding costs for drilling and completion of development and capitalized workover wells, construction and installation of facilities, other capital production expenditures and production costs according to Form 5 (DEV) contained in the attachment to these Regulations.

⁷ Georgian text uses the words 'before the 16th day.' The meaning is the same.

Article 242. Operating Expense and Abandonment Costs Report

Each Operator of each Contract Area shall file a quarterly Operating Expense and Abandonment Costs Report on or before the fifteenth (15th) day of the second month following the quarter that the report addresses. The Operating Expense and Abandonment Costs Report shall provide information regarding direct operating expenses, export costs, allocated expenses, abandonment expenses according to Form 6 (OPR) contained in the attachment to these Regulations.

Article 243. General Administrative Expenses and Service Costs Report

Each Operator of each Contract Area shall file a quarterly General Administrative Expenses and Service Costs Report on or before the fifteenth (15th) day of the second month following the quarter that the report addresses. The General Administrative Expenses and Service Costs Report shall provide information regarding general and administrative expenses, service costs and their allocation according to Form 7 (ADM) contained in the attachment to these Regulations.

Article 244. Other Assets Report

Each Operator of each Contract Area shall file a quarterly Other Assets Report on or before the fifteenth (15th) day of the second month following the quarter that the report addresses. The Other Assets Report shall provide information regarding inventories of drilling, production and other equipment according to Form 8 (AST) contained in the attachment to these Regulations.

Chapter LXVIII. Miscellaneous Provisions

Article 245. Where to Report

1. All reports listed in this Chapter should be mailed, delivered, or sent by facsimile or telex to: The Agency for Regulation of Oil and Gas Resources, 45 Kazbegi Avenue, Tbilisi, Georgia 380077. Facsimile No. (995)(32)253311 Attention: Head of Agency.
2. A report is considered received when it is delivered to the Agency at the address specified in paragraph 1 of this article.

Article 246. Access to Records

1. Unless otherwise provided by a relevant Contract, Georgian law, or these Regulations, all Records in the possession of the Agency shall be open to inspection by any person during the times the Agency is open for business under reasonable rules established by the Agency to protect the integrity of the Records. Persons may obtain copies of Records on request at a charge that reflects the actual cost of the Agency to make copies. A person may be required by Agency rules to provide his or her name and address and to provide identification, but the Agency may not inquire as to the purpose for which the person wishes to inspect any Record.

2. The Agency may make a Record available to a particular person or to the public upon receipt of the written permission to do so from the Operator that filed the Record.¹

Article 247. Records Not Subject to Public Access

An Operator may request in writing that geologic, geophysical, or operational Records submitted to the Agency be confidential and not subject to public access. Upon receipt of such request, the Agency shall place the Record or data in a secure place separate from those Records available for public access. The Agency shall not allow inspection of such Records by any person except:

- (a) an authorized employee of the Agency;
- (b) an authorized representative of the Operator;²
- (c) an authorized representative of a joint License holder or an authorized representative of a party to an agreement;³
- (d) an authorized officer of a Georgian law enforcement agency or court; or
- (e) any other persons pursuant to a written order of a Georgian court.

Article 248. Records Not Subject to Confidentiality

The following Records shall not be regarded as confidential pursuant to the provisions of these Regulations:

- (a) Annual Production Reports;
- (b) electric well logs after a period of five years from the date of filing with the Agency;
- (c) any Record pertaining to a Contract that has expired or been terminated;
- (d) any Record pertaining to that portion of a Contract Area that has been released or is otherwise no longer subject to a Contract, provided, however, that a Record that pertains both to areas no longer under Contract and those that remain under contract may be withheld as to that part of the Record pertaining to the area remaining under contract; and
- (e) Records prohibited by law from being made confidential.

¹ The context of this subparagraph clearly refers to records that are not otherwise subject to public access. A record subject to public access would not require the permission of the Operator.

² This refers to the Operator by which the Report was filed.

³ "A party to an Agreement" in this context could refer only to a party to or interest owner in the Agreement with respect to which the Report was filed.

TITLE XIII

REMEDIES

Chapter LXIX. Remedies

Article 249. Notice of Probable Violation

If the Agency determines that a probable violation of these Regulations has occurred, the Head of the Agency or the proper designee shall prepare and deliver to the Operator's principal office in Georgia a written notice of probable violation containing at least the following information:

- (a) the Agency's case number;
- (b) the date, location and specific nature of the probable violation;
- (c) a reference to the specific Regulation asserted by the Agency to have been violated;
- (d) a specific time period in which any violation shall be corrected;
- (e) the amount of fines or penalties that the Agency proposes to assess for a violation and the amount proposed to be assessed if the probable violation is not corrected;
- (f) the name and telephone number of an Agency employee to be contacted for further information;
- (g) the method by which the notice of probable violation may be contested under this title, including the time periods within which a contest must be filed.

Article 250. Response to Notice of Probable Violation

1. An Operator who receives a notice of probable violation may respond by:
 - (a) Correcting the condition that is a probable violation within the time specified in the notice of violation and paying any fine or penalty assessed in a final administrative decree;
 - (b) Attempting to resolve any disputed issue or issue related to probable violation through correspondence or discussions with Agency personnel; or
 - (c) Filing a written request for a hearing under this title.
2. If a Person served with a notice of probable violation does not respond in one of the ways set out in this section within 30 days, the Head of the Agency may enter an administrative decree finding that the violation has occurred and setting penalties.

Article 251. Time Not Extended

The period during which efforts are made to resolve a notice of probable violation does not extend the period for filing a written request for a hearing provided in Article 250 of these Regulations, unless the time is extended in writing by the Head of the Agency for a specific period of time.

Article 252. Contest of Notice of Probable Violation

An Operator may contest a notice of probable violation by requesting a hearing under this title. A hearing shall be requested by filing a written request for a hearing with the Agency within 30 days of the date of the notice of probable violation. The request shall identify the notice being contested by its Agency case number and Agency designation. The request shall briefly state the Person's factual and/or legal basis for contesting the notice of probable violation and shall be signed by the Operator notified or the Operator's authorized representative or attorney. If more than one Person is named in the notice of probable violation, the Agency shall deliver a copy of the request to all such Persons.

Article 253. Other Disputes¹

1. The Agency may resolve disputes between Persons involving compliance with the Regulations or their application. A Person may file a complaint with the Head of the Agency stating the name and address of the Operator against whom the complaint is brought and the specific grounds upon which the Person complains and the relief sought. The Agency may grant relief only to the extent of enforcement or to the extent otherwise permitted to the Agency by law. Complaints based on a claim that the Agency has improperly failed or refused to issue, or has improperly issued, a License or permit may be brought against the Agency and shall be heard as provided in this title.
2. Upon receipt of a complaint, the Head of the Agency shall evaluate the applicability of the complaint to the Regulations and if both the Person filing the complaint and the intended respondent are Persons otherwise subject to these Regulations by virtue of engaging in Oil and Gas Operations or by virtue of being a party to any Contract and if in all other respects it would be appropriate for the Agency to hear and resolve the dispute issue, the Agency shall issue a written notice of probable violation pursuant to Article 249 of these Regulations, to which will be attached a copy of the complaint, all of which shall promptly be delivered to the Operator. The person filing the complaint may participate in any dispute resolution hearing that may be held should the Operator choose to request a hearing.

Chapter LXX. Dispute Resolution Representative

Article 254. Designation of Dispute Resolution Representative

Within five business days of receipt of a request for hearing or a complaint under Article 253 of these Regulations, the Head of the Agency shall designate an employee of the Agency to serve as the Dispute Resolution Representative for the matter and assign a case number to the matter. No employee who has been materially involved in the investigation of the alleged violation or the preparation of the notice may be designated as a Dispute Resolution Representative.

Article 255. Independent Dispute Resolution Representative

In the event that there is no employee of the Agency who is qualified to serve as a Dispute Resolution Representative, or there is no employee of the Agency who, in the opinion of the Head of the Agency, is qualified by professional or experience adequately to carry out the

¹ As this article and the preceding article make clear, the Agency has jurisdiction to resolve disputes between parties subject to the Regulations to the extent that the dispute arises under the Regulations, for example, disputes over correlative rights or other conservation issues. Disputes between Contractors or other regulated Persons, or between regulated Persons and those not subject to the Agency's jurisdiction (for example, a dispute between an Operator and neighboring landowner) would be resolved in the courts or through other dispute resolution procedures.

responsibilities of a Dispute Resolution Representative, the Head of the Agency may appoint an independent, qualified and unbiased person who is not an employee of the Agency as Dispute Resolution Representative. The parties shall share equally the cost of compensating such a Dispute Resolution Representative.

Article 256. Communication with Dispute Resolution Representative

After a Dispute Resolution Representative is appointed, no Person named in the notice of probable violation, representative or attorney of such Person, nor any employee of the Agency, including the Head of the Agency, other than employees assigned to provide clerical or research support to the Dispute Resolution Representative, may communicate with the Dispute Resolution Representative concerning the factual or legal aspects of the case unless the opposing party has the opportunity to be present or have a representative or attorney present. A copy of any written communication with the Dispute Resolution Representative concerning the factual or legal aspects of the case must be provided to the opposing party, its representatives or attorney at the same time that the original is sent to the Dispute Resolution Representative.

Article 257. Powers of Dispute Resolution Representative

To the extent permitted by law, the Dispute Resolution Representative shall gather facts and evidence, review the law and conduct hearings.

Article 258. Parties

In the case of contested notices of violation, the Person notified (“Respondent”) and the Agency shall be the parties to the case. In the case of a complaint filed by a Person subject to the Regulations, the Person filing the complaint (“Complainant”) and the Person against whom the complaint is filed (“Respondent”) shall be the parties. The Other Persons may join a case as parties (“Intervenors”) upon a showing that they have property or other material interests that will, or may reasonably be expected to, be affected by the disposition of the matter.

Chapter LXXI. Hearing

Article 259. Pre-hearing Procedures

The Dispute Resolution Representative shall establish a schedule for the filing of all motions, completion of discovery procedures and any preliminary hearings. Motions and discovery shall be conducted in a manner conforming to Georgian legislation.

Article 260. Hearing

The Dispute Resolution Representative shall set a hearing on the merits and provide notice to the parties of such hearing. An electronic recording of the proceedings shall be made in addition to the record prescribed by Georgian legislation. All written evidence and pleadings and proposal for decision shall be maintained in the case file and retained in the permanent records of the Agency.

Article 261. Proposal for Decision

1. Within 30 days after the conclusion of the hearing on the merits, the Dispute Resolution Representative shall prepare a proposal for decision based on the evidence and the pleadings of the parties. The proposal for decision shall set forth the procedural history of the case, summaries of the position of the parties, brief summaries of the evidence presented, findings of fact, conclusions of law and relief to be granted that the Dispute Resolution Representative recommends be adopted by the Head of the Agency. A copy of the proposal for decision shall be delivered to each party and each party shall have twenty (20) days to file with the Dispute Resolution Representative objections to any portion of the proposal for decision. The Dispute Resolution Representative may, but is not required to, modify the proposal for decision within ten (10) days after the filing of objections.
2. The Dispute Resolution Representative shall deliver the final proposal for decision to the Head of the Agency not later than fifteen (15) days from the receipt of the last objection and shall deliver a copy of the final proposal for decision to each party concurrently.

Article 262. Action of Head of Agency

1. The Head of the Agency shall adopt or reject the proposal for decision as a final administrative decree, or may modify, or remand the proposal for decision to the Dispute Resolution Representative for further hearing. The Head of the Agency shall then sign the administrative decree, which shall contain findings of fact, conclusions of law and a statement of the relief to be granted.
2. The original signed administrative decree shall be placed in the case file and a true copy of the signed original shall be delivered to the parties. In making a decision, the Head of the Agency shall impartially and objectively consider the proposal for decision recommendations and the evidence.
3. If the Head of the Agency does not act on the proposal for decision within 20 days, the proposal for decision shall be adopted as a decision of the Head of the Agency, subject to the provisions of Article 263 of these Regulations.

Article 263. Reconsideration

1. Within ten days of the issuance of the decision under Article 262 of these Regulations, any party may request in writing that the Head of the Agency modify or withdraw the decision. If no party files a request under this section within ten days, the decision will become final and be issued as a decree immediately.
2. The party filing the request shall state specifically the portion or portions of the decision the party wishes to be changed and the basis of law and/or fact for such change. The Agency shall deliver a copy to all other parties, each of which shall be entitled to respond in writing to the Head of the Agency, with copies delivered to all other parties within ten days of the receipt of the request.
3. The Head of the Agency may either modify or decline to modify the decision and shall sign and deliver to the parties the final administrative decree.
4. If the Head of the Agency fails to act within 30 days of the receipt of a request to modify or withdraw, the request shall be deemed denied and the decision shall be signed as a final decree.

Article 264. Appeal

A party dissatisfied with a final administrative decree may appeal the decree pursuant to the Administrative Procedure Code or, if applicable, under the terms of a Contract or other agreement that governs the issue and provides for the use of an independent expert or international dispute resolution procedures.

Article 265. Emergency

Nothing contained in this title shall prevent or delay the Head of the Agency from issuing administrative decrees or taking other action permitted by law to order the emergency suspension or cessation of Oil and Gas Operations that, in the opinion of the Head of the Agency, are necessary to protect life, health, property, or the environment from imminent harm.

TITLE XIV

TENDERS

Chapter LXXII. General Provisions

Article 266. Purpose and Scope

1. This title defines the procedures for the tender and award of Oil and Gas Licenses by competitive bidding at the best obtainable return for Georgia.
2. The provisions of these Regulations in this title apply to all tenders for Oil and Gas Licenses within the territory of Georgia and the award of Licenses, including the negotiation of Contracts pursuant to the tenders.

Article 267. Available Lands

Any land not subject to a License or a Contract, including all or any portion of land previously subject to a License or Contract with respect to which the License or Contract has expired, been terminated, or surrendered, may be tendered for licensing under this title.

Article 268. Types of Contracts

Tracts may be tendered for licensing under any type of Contract not prohibited by the Law, including, but not limited to, production sharing, risk service, service, or any other type of Contract or agreement. Only one type of Contract shall apply to each tract tendered, but different types of Contracts may apply to different tracts tendered at the same time.

Article 269. Selection of Tracts Tendered

The Agency may select for tender any or all tracts available under Article 267 of these Regulations, whether or not proposed for tender pursuant to Chapter LXXIII of these Regulations.

Chapter LXXIII. Proposals for Tender

Article 270. Soliciting of Proposals

Not less than 120 days prior to a planned announcement of a tender, the Agency shall solicit proposals for the tender of tracts by publishing a notice stating that the Agency is considering to announce a tender of tracts and that for the planned tender it shall consider tracts recommended to the Agency in writing with in 60 days from the date of the announcement of the solicitation.

Article 271. Confidentiality

Any Person may propose in writing that the Agency tender any tract, either in response to a solicitation of tender proposals or at any other time. The Agency shall consider all such proposals, but is not required to tender a tract so proposed. The fact of the proposal and the identity of the Person making the Proposal shall be held confidential by the Agency until after

the tender of the tract, if tendered, is completed. If the tract proposed is not tendered, the fact of the proposal and the identity of the Person proposing the tender shall remain confidential.

Chapter LXXIV. Comments of Government Entities

Article 272. Notice to Government Entities

Not less than 60 days prior to the announcement of tender of any tract or tracts, the Agency shall provide relevant government entities with the list of tracts being considered for tender, including a description of the location and boundaries. This information shall be provided to the Ministry of Environment and Natural Resource Protection, the Department of Monument Protection, the Forestry Department and the Archaeological Department and, if any tract is offshore or in the Coastal Area, the Maritime Administration and the Coast Guard. The Agency shall also provide such list to any other government entity requesting a copy.

Article 273. Comments to the Agency

Each of the governmental entities may provide comments to the Agency regarding known or potential environmental, cultural, or other features on any tract that might be adversely affected by Oil and Gas Operations, or with respect to any tract on which special permitting of any type might be required. The Agency shall compile and summarize the comments and provide them to prospective bidders with the tract descriptions. The Agency may, but is not required, to include comments submitted by a governmental entity less than 30 days prior to the announcement of a tender.

Chapter LXXV. Announcement of Tender

Article 274. Public Announcement

The Agency shall publicly announce the tender of tracts as provided in this title and may, in addition, provide persons who have requested to be notified with the announcement. The announcement must be made at least 30 days prior to the deadline for the submission of bids.

Article 275. Tender Announcement Content

The announcement of the tender shall include the following:

- (a) a list of tracts tendered, including location;
- (b) the last date and time for submission of bids;
- (c) the date, time and place where bids will be opened; and
- (d) the address, either physical or electronic, from which complete tender information may be requested and further information obtained.

Chapter LXXVI. Tender Information

Article 276. Information Packets

The Agency shall prepare information packets for each tender and make the packets available by post and electronically upon request and without charge. The packets must be available from the date of the tender announcement. The Agency shall provide packets by private courier to Persons requesting them if the Person requesting the packet prepays or arranges payment on delivery of the cost of the private courier.

Article 277. Information Packets Content

1. Together with other information deemed appropriate by the Agency, the information packets shall contain the following:
 - (a) a complete list of the tracts being tendered and their locations, described by geographical coordinates and general location within Georgia;
 - (b) for each tract, the minimum bid that will be accepted for that tract by the Agency;
 - (c) the mineral usage tax that will apply to the tract;
 - (d) a description of the type of Contract applicable for each tract and the form of Contract that will serve as the basis of negotiation for each tract;
 - (e) the form of the License proposed to be issued;
 - (f) the licensing and contracting schedule;
 - (g) the summary, by tract, of comments by government entities described in Title LXXIV of these Regulations; and
 - (h) instructions for submitting bids, including the amount of the non-refundable participation fee, together with a form for doing so.
2. The information packet may not contain advertising nor be paid for by a private Person.

Article 278. Addition of Tracts

Tracts may be added at any time up to 30 days prior to the date on which bids are last accepted. Added tracts shall be announced in the same manner and with the same information as for the original announcement. A supplemental information packet containing the same information as required by Article 277 of these Regulations shall be sent to all Persons who have requested an information packet.

Article 279. Withdrawal of Tracts

Tracts may be withdrawn from tender by the Head of the Agency at any time prior to the opening of bids.

Chapter LXXVII. Qualification of Bidders

Article 280. Qualification Requirements

Any Person, Georgian or foreign, may submit a bid in a tender, however, only Persons meeting the financial and technical resources and experience necessary to fulfill the obligations of a License or Contract may be awarded a License and Contract.

Article 281. Required Information

A Person who submits the best bid must submit the financial, operating qualification and experience information required by Title XII¹ of these Regulations (Corporate Registration) within five days of being notified that the bid submitted is the best bid. Failure to submit the required information shall be grounds for rejection of the bid.

Chapter LXXVIII. Bidding Procedure

Article 282. Submission of Bids

All bids shall be submitted as follows:

- (a) sealed bids shall be received only until the hour on the date specified in the tender notice. All sealed bids submitted after that hour shall be returned unopened to the Person who submitted the bid;
- (b) the bid submission shall be signed in ink and dated by the bidder or a person authorized to sign on behalf of the bidder. The signatory shall include title or other authority of the Person signing. By signing the bid submission, the person attests to the accuracy of the information contained therein; and
- (c) each bid shall be accompanied by a certified check, cashier's check, bank draft, money order or cash in the amount of the non-refundable fee established by the Agency for participation in the tender.

Article 283. Bid Opening

The opening of bids shall be open to the public. The Head of the Agency shall read aloud all timely filed bids and shall announce the highest bid. No decision to accept or reject the highest bid will be made at the time such bids are opened.

Article 284. Preliminary Review

A committee composed of the Deputy Heads of the Agency shall conduct a preliminary review of the preferred bids for each tract tendered to determine:

- (a) if the high bid was properly submitted; and,
- (b) if it exceeds the minimum value set for the tract.

The committee shall submit a written report containing its findings to the Head of the Agency within two business days of the bid opening. The committee may request the extension of this term in writing for not more than ten days.

Article 285. Written Decision by the Head of the Agency

The Head of the Agency shall issue a written decision accepting or rejecting the preferred bid for each tract, rejecting bids for failure to comply with the Law or these Regulations, or rejecting all bids for a tract. The decision shall be issued within five days of the opening of bids. The Head of the Agency shall not be required to state the reason or reasons for the rejection of any bid.

Article 286. Notification of the Bidders

¹ The reference given in the official text is erroneous. The qualification information described in this article may be found at Chapter LXVI, article 224.

Not later than three days after the issuance of the decision, the Agency shall notify each of the bidders in writing of the decision of the Head of the Agency, post a copy of the written decision in Georgian and English at the offices of the Agency and forward a copy of the written decision and a brief description of the tracts to the President and the State Minister. In addition, the preferred bidder shall be notified to submit the information required by Chapter LXXVII.

Article 287. Retention of Bidding Records

The review committee's report, the written decision of the Head of the Agency and a copy of the notification to the preferred bidder shall be retained as a permanent record in the files of the Agency.

Article 288. Rejection of Bids

The failure or refusal of the Head of the Agency to make a final decision within the time specified by this Section shall be deemed to be a rejection of all bids received with respect to the tract or tracts on which no final decision was timely made. No Person acquires any right or preference with respect to a License or Contract on any tract merely by reason of requesting information or submitting a bid in a tender. The Agency reserves the right to reject any and all bids regardless of the amount offered and shall not accept any bid that is less than the minimum value announced for a tract.

Chapter LXXIX. Negotiation for Conditions of License and Contract

Article 289. Negotiation Procedure

1. Negotiations for Contract and License between the Agency and the preferred bidder shall begin not later than 30 days after the date the preferred bidder is notified of preliminary bid acceptance.
2. Unless otherwise agreed by the Head of the Agency, all negotiations shall take place in Tbilisi, Georgia.

Article 290. Failure of Preferred Bidder

If the preferred bidder fails to begin negotiations, or, if prior to the beginning of negotiations, the preferred bidder is found to be not qualified to accept the Contract or the License, or the preferred bidder fails to execute the Contract or License after the completion of negotiations but prior to the period set out in Article 291 of these Regulations, the Agency may offer the License to the next best qualified bidder.

Article 291. Time Requirement

If the Contract and License have not been concluded within six months of the date on which the negotiations began, the tender results shall be set aside and no License or Contract issued as a result of the tender.

Article 292. Completion of Negotiation

Upon the completion of the negotiation of Contract and License terms that are consistent with the Law and the terms of the tender, the Contract shall be executed and the License issued in the manner provided by the Law.

Chapter LXXX. Manner of Publishing Notices and Announcements

Article 293. Notices and Announcements

Each announcement and notice required to be made by this Title shall be published in the Sakartvelos Respublika and in at least one non-governmental publication of general circulation within the international petroleum industry in the English language. Such notice shall also be posted at the offices of the Agency in the Georgian language and the English language.