

LAW
ON THE EXPLORATION AND EXPLOITATION OF OIL AND GAS
IN THE FEDERATION OF BOSNIA AND HERZEGOVINA

I GENERAL PROVISIONS

Article 1
(Subject of the Law)

- (1) This Law governs the conditions, methods and procedures for granting contracts and executing exploration and exploitation of oil and gas on the territory of the Federation of Bosnia and Herzegovina (hereinafter: the Federation) according to the principles of sustainable development of the Federation energy sector.
- (2) The principles of sustainable development of the Federation energy sector from paragraph 1 of this Article refer to:
- a. the obligation of the Government of the Federation of Bosnia and Herzegovina (hereinafter: the Federation Government) and canton governments to stimulate and support oil and gas exploration for the benefit of the current and future generations;
 - b. determination of oil and gas reserves and quality as a basis for planning and construction of modern energy facilities and infrastructure with a high degree of energy efficiency;
 - c. implementation of legal provisions relating to the exploration and exploitation of oil and gas, taking into account the implementation of the legal provisions relating to environmental protection and management and land use, so that the exploration and exploitation of oil and gas are performed with minimal negative impact on the environment;
 - d. preparation of development programs and environmental protection projects and economic effects of oil and gas exploration and exploitation so as to anticipate the potential impact on the environment, without preventing or limiting the development of exploration and exploitation of oil and gas;
 - e. amendment of adopted public policies to allow the exploration and exploitation/production of oil and gas in an economically and environmentally friendly manner;
 - f. encourage recycling of oil fields with waste by-products in order to allow the reuse, reduction or recycling of their by-products;
 - g. obligation of restoration and rehabilitation of the land area that was damaged during the exploration and exploitation phase;
 - h. application of advanced scientific and technological methods of exploration and exploitation/production of oil and gas in order to improve productivity, deposit efficiency and competitiveness of the oil and gas industry and to prevent or minimize

adverse impacts on the environment.

Article 2
(Application of the Law)

- (1) The Law shall apply to all activities performed within the defined oil and gas exploration areas and exploitation fields on the territory of the Federation.
- (2) Activities under paragraph 1 of this Article refer to:
 - a. Negotiations on the grant of concession contracts for exploration and exploitation of oil and gas when the concession contract is declared a strategic contract of interest for the Federation;
 - b. Determination of blocks for the exploration and exploitation of oil and gas;
 - c. Execution of geologic exploration of oil and gas;
 - d. Determining oil and gas reserves and quality;
 - e. Preparation for production/development of deposits (drilling of boreholes, work over drilling and abandonment of boreholes, construction of facilities, plants and production reservoirs);
 - f. Exploitation/primary production (hereinafter: exploitation) of oil and gas;
 - g. Restoration and rehabilitation of exploration areas and exploitation fields;
 - h. Concession fees and
 - i. Distribution of concession income.

Article 3
(Exclusion of the application of provisions of other laws)

- (1) The issues of granting concessions for the exploration and exploitation of oil and gas which are regulated by this Law and the regulations passed based on this Law have the character of a special law in relation to the provisions of the regulations governing the grant of concessions in the territory of the Federation, as a general law.
- (2) The provisions of the law governing the grant of concessions in the territory of the Federation, as a general law, shall not apply to the issues of the procedure of granting concession contracts for the exploration and exploitation/production of oil and gas in case the concession contract is declared a strategic contract of interest for the Federation.
- (3) The provisions of the law in force governing the grant of concessions in the territory of the Federation, as a general law, shall not apply to the issues of determining the concession fee and the distribution of concession income.

Article 4
(Application of other laws)

- (1) The provisions of the law in force and regulations governing the grant of concessions in the territory of the Federation, as a general law, shall apply to the issues of granting concessions

for the exploration and exploitation/production of oil and gas which are not regulated by this Act and the regulations passed based on this Law.

- (2) The provisions of the laws and regulations governing physical planning and land use at the level of the Federation shall apply to the issues of planning and using land for the purpose of exploration and exploitation of oil and gas which are not regulated by this Law and the regulations passed based on this Law.
- (3) The provisions of the laws and regulations governing environmental protection shall apply to the issues of environmental protection which are not regulated by this Law and the regulations passed based on this Law.
- (4) The provisions of the regulations governing the right of access to information shall apply to the issues of the right of access to information which are not regulated by this Law and the regulations passed based on this Law.

Article 5

(Ownership rights over oil and gas)

- (1) Oil and gas are a natural resource of interest to the Federation and are owned by the Federation.
- (2) Protection of the oil and gas deposit area is ensured by drafting and implementing planning documents of significance for the Federation.
- (3) Oil and gas shall be explored and exploited under the conditions and in the manner stipulated by this Law.

Article 6

(Exploration and exploitation of oil and gas within the meaning of this Law)

- (1) Exploration and exploitation of oil and gas includes activities relating to the geological exploration for the purpose of determining potential oil and gas deposit reserves in the exploration area, preparation for production of deposits/development of deposits; exploitation/production of oil and gas from the deposit; construction of facilities and devices for exploration and exploitation; construction of mining facilities; use, dismantling and removal of facilities and devices, restoration and rehabilitation of exploration and exploitation fields.

Article 7

(Definitions)

The terms used in this Law shall have the following meaning:

- 1) "oil and gas" are hydrocarbons which, in their natural state, are normally located beneath the ground surface or the seabed, in either liquid or gaseous form, as well as crude mineral oil, natural petrol, natural gases and other substances that can be extracted from the deposit therewith;

- 2) "oil" is a hydrocarbon which, following its extraction from the deposit, remains liquid at normal atmospheric pressure and temperature;
- 3) "gas" is a hydrocarbon which is an associated or non-associated natural gas in its natural form in the Earth's crust;
- 4) a "deposit" is the elementary and independent accumulation of oil and gas in the Earth's crust, as determined by exploration and limited by structural and stratigraphical boundaries;
- 5) "block" is a part of the land or sea as determined by the geographical coordinates intended for exploration and production;
- 6) "planning" is planned management, use and protection of the territory of the Federation as a particularly valuable and limited space;
- 7) "exploitation" is the operation of producing oil and gas from the deposit, their separation and initial processing, preparation of the produced oil or gas for transport and storage, as well as delivery of oil and gas to the terminal, not including oil refining or liquefaction of gas;
- 8) "exploration area" is the area where projected geological exploration of oil and gas is carried out, defined by topographically based boundaries that pass through contour points with precisely defined coordinates and extending into the depths of the Earth between the vertical planes laid through the marked area of the exploration area defined by the allocation of a concession contract;
- 9) "exploitation field" is a part of the land or underwater covering the deposit within the boundaries of areas as determined by the allocation of a concession contract;
- 10) "exploration" is the employment of geological and geophysical testing, exploratory drilling or other forms of detailed testing of the Earth's crust, by application of the appropriate methods with the goal of determining the characteristics of the deposit, existence, location and form of oil and gas deposit, quality and quantity, as well as deposit exploitation conditions;
- 11) "discovery" constitutes evidence of the presence of an oil and gas deposit that has not been hitherto registered;
- 12) "boreholes" are the channels created beneath the Earth's surface by drilling, for the purpose of penetrating the layers containing the hydrocarbons, or for exploitation purposes, apart from shallow drilling for the purposes of seismic calibration;
- 13) "concession contract" is a contract concluded in writing between the grantor and the concessionaire by which mutual rights and obligations are governed in the procedure of exploration and exploitation of oil and gas;
- 14) "exploitation borehole" is a mining facility where mining works are carried out when exploiting liquid and gaseous mineral resources;
- 15) "mining plant, facilities and device" is the plant, facilities, machinery and equipment on oil and gas fields which are directly linked to the technological process of exploration, exploitation, separation, preparation and transportation of oil and gas;
- 16) "concessionaire" is a legal entity that has acquired the rights to exploration and exploitation according to a concession contract and in accordance with this Law;

- 17) "the "grantor" is the Federation Government;
- 18) "contracting authority/competent authority" is the Federal Ministry of Energy, Mining and Industry;
- 19) "Federation Minister" is the Minister of the Federal Ministry of Energy, Mining and Industry;
- 20) the "territory of the Federation" is the land up to the final boundary of the Earth's crust and the underwater territory within the borders of Bosnia and Herzegovina in accordance with international law;
- 21) "underwater" includes the inland waters, territorial sea, economic zone and the epicontinental belt of the Federation, and it extends from the sea area to the lower boundary of the Earth's crust, and in the other zone in accordance with international law;
- 22) "installations" are floating, fixed or movable boats, vehicles, vessels, devices, plant, facilities or equipment for the exploration and exploitation of oil or gas, excluding pipeline, boat, vehicle or vessel used for the purposes of transport of oil or gas in bulk;
- 23) "facilities" are one or several installations, machines, plants, devices, pipelines or lines used for exploration, production of oil and gas or transport and storage related to production;
- 24) "the "operator" is a legal entity directly performing operations with oil and gas;
- 25) "upstream pipeline network" is a pipeline or network of pipelines that functions or is built for the function of the exploitation of oil and gas or is used for transport from one or more production facilities to the processing facilities, terminals or end terminal to which the hydrocarbons are delivered, with the exception of any parts of the facilities used for local production from the deposit at the location where oil and gas are exploited;
- 26) "operator for natural gas" is a legal entity performing operations of exploitation, transfer, distribution, supply, trade or storage of gas in accordance with this Law;
- 27) "upstream" presents operations pertaining to the extraction of oil and gas from the deposit, and construction or use of the facility for the purposes of exploitation and delivery of oil and gas, including exploration, drilling boreholes, production, transport and use of oil and gas for the purposes of exploitation, except the transport of oil or gas on large trains, aircraft, road vehicles or vessels except gas liquefaction;
- 28) "deinstallation" is planning, preparation and execution of works and/or activities necessary for the conclusion of operations, including the dismantling and removal of the facilities.

II GRANTING OF A CONCESSION FOR THE EXPLORATION AND EXPLOITATION OF OIL AND GAS

Article 8 (Preparatory activities)

- (1) In order to ensure security of supply of sufficient quantities of oil and gas for the Federation

energy market and in order to ensure commercial quantities of oil and gas, based on the "Strategic Plan and Program of the Energy Sector of the Federation of Bosnia and Herzegovina", the Federal Ministry of Energy, Mining and Industry (hereinafter: the "Competent Ministry") shall prepare a proposal on initiating activities for granting a concession for oil and gas exploration and exploitation on the territory of the Federation.

- (2) Upon the proposal of the competent ministry, the Federation Government shall pass a decision on initiating activities for granting a concession for oil and gas exploration and exploitation on the territory of the Federation.

Article 9

(Grant of concession)

- (1) The granting of oil and gas exploration and exploitation concession to a legal entity in the territory of the Federation shall be done based on this Law and the law governing the grant of concessions on the territory of the Federation.
- (2) The procedure of the grant of concession for oil and gas exploration and exploitation on the territory of the Federation when the concession contract has been declared a strategic contract of interest for the Federation through a Federation Government decision is stipulated by this Law and is carried out according to this Law.
- (3) The procedure of the grant of concession for oil and gas exploration and exploitation on the territory of the Federation when the concession contract has not been declared a strategic contract of interest for the Federation through a Federation Government decision is carried out according to the law governing the grant of concessions on the territory of the Federation.
- (4) The grant of concession for oil and gas exploration and exploitation on the territory of the Federation is carried out by the Federation Government through the competent Ministry as the contracting authority.
- (5) This Law governs the jurisdiction for granting a concession for oil and gas exploration and exploitation, general conditions, the method and procedure for conducting oil and gas exploration and exploitation, as well as other issues of significance for the area of exploration and exploitation.

Article 10

(Procedure of granting a concession contract for oil and gas exploration and exploitation as a strategic contract of interest for the Federation)

- (1) In case when the concession contract has been declared a strategic contract of interest for the Federation through a Federation Government decision, the Federation Government as the grantor, with the approval of the Parliament of the Federation of Bosnia and Herzegovina, may sign a concession grant contract for oil and gas exploration and exploitation without

using the selection procedure from the law governing the grant of concessions on the territory of the Federation.

- (2) In the case referred to in paragraph 1 of this Article, on the proposal of the competent Ministry, the Federation Government shall pass a decision on giving consent to carry out the procedure of granting the concession contract for oil and gas exploration and exploitation of interest for the Federation through direct negotiations in the manner stipulated by this Article.
- (3) The Government of Federation of Bosnia and Herzegovina shall, by decision, appoint the expert team for leading negotiations and making of the contract modality, the members of which must be experts in the field of geology, mining, energy, ecology, law and economy.”
- (4) The Federation Government might engage a legal entity as an expert consultant for the provision of consultancy services in the negotiation process, in conducting the negotiations and drafting contractual modalities. The expert consultant should possess experience in international negotiations and drafting of oil and gas exploration and exploitation contracts.
- (5) Upon the Federation Government proposal, the Parliament of the Federation of Bosnia and Herzegovina shall appoint an expert commission to monitor the process of negotiations and drafting the proposal of the contract on oil and gas exploration and exploitation.
- (6) The expert commission under paragraph 4 shall be appointed from members with expertise in the field of energy, law and economics and shall have seven (7) members of whom three (3) members are from Houses of the Parliament of the Federation of Bosnia and Herzegovina, respectively, and one (1) member is from the Federation Government.
- (7) The commission referred to in paragraph 4 of this Article is obliged to ensure that negotiations bring the optimum benefit to the Federation.
- (8) The Commission referred to in paragraph 4 of this Article shall submit to the Federation Government a report on negotiations carried out, on the basis of which the Government shall prepare and determine at its session a proposal of the decision on the granting of concession contract.
- (9) The Federation Government shall submit to the Parliament of the Federation of Bosnia and Herzegovina for adoption the proposal of the decision with the Commission's report and a proposal of a contract on concession grant.
- (10) Expert commission from paragraph (3) of this Article and expert consultant from paragraph (4) of this Article are entitled to compensation for provision of services, which is defined by the decision on establishment of the expert commission and by the contract concluded between the expert consultant and Government of Federation of Bosnia and Herzegovina.
- (11) The fee for services rendered under paragraph (10) of this Article shall be paid from the budget of the Federation.
- (12) The Federation Government shall publish the name of the concessionaire, the approved exploration block, the exploration and exploitation deadline defined by the concession contract in the Official Gazette of the Federation of Bosnia and Herzegovina within 30 days of signing the concession contract.

Article 11

(Right to exploration and exploitation)

- (1) The concessionaire for oil and gas exploration and exploitation can be a legal entity with successful experience in the oil and gas exploration and exploitation and financial and technical capabilities for oil and gas exploration and exploitation, with headquarters or a branch office in the Federation registered with the competent court to perform these activities.
- (2) Notwithstanding the provisions of paragraph 1 of this Article, a concessionaire for oil and gas exploration and exploitation can be a legal entity with successful experience in oil and gas exploration and exploitation and the financial and technical capabilities for oil and gas exploration and exploitation, with headquarters in another countries, registered to perform these activities with the competent authority of the country where the legal entity is headquartered.
- (3) The concession for oil and gas exploration and exploitation may be granted to a foreign legal entity under the conditions stipulated by this Law and the law governing the grant of concessions on the territory of the Federation.
- (4) The concession for oil and gas exploration and exploitation can be given to one or more legal entities based on the concession contract concluded in accordance with this Law and the law governing the grant of concessions on the territory of the Federation.
- (5) A legal entity shall perform oil and gas exploration and exploitation on the basis of the concluded concession contract.
- (6) The drilling of exploration and exploitation/production boreholes shall be carried out with the previously acquired urban planning consent and approval for the construction of oil and gas exploration and exploitation/production facilities in accordance with the law governing physical planning and land use at the level of the Federation.
- (7) The drilling of exploration and exploitation/production boreholes shall be carried out with the previously acquired environmental permit in accordance with the law governing environmental protection at the level of the Federation.
- (8) Provisions referred to in paragraphs 5, 6 and 7 of this Article are also applicable for the facilities operator, or upstream pipeline network (hereinafter: the "operator").

Article 12

(Administrative and professional affairs within oil and gas exploration and exploitation)

- (1) The administrative and professional affairs within the exploration and exploitation of oil and gas are carried out by the competent Ministry and they are referring to:
 - a. preparation of professional bases for adopting regulations for the application of this Law;
 - b. Preparation of the decision on giving consent to the procedure for granting the concession;
 - c. Grant of the concession for exploration and exploitation of oil and gas;

- d. Giving consent to the project documentation for deposit exploration,
- e. Issuing decisions on the verified quantity and quality of oil and gas,
- f. Giving consent to project documentation for exploitation, to the plan of terminating exploitation activities and to the deinstallation of the facility;
- g. Keeping records of concluded concession contracts;
- h. Collecting and managing data and documentation in relation to the exploration and exploitation of oil and gas;
- i. Calculation of the exploration concession fee;
- j. Calculation of the oil and gas exploitation concession fee;
- k. Determining fulfilment of conditions for work performance in accordance with the obligatory exploration project, the development and exploitation programme and deinstallation plan;
- l. Determining fulfilment of conditions of the oil and gas exploration and exploitation facility and approval of its use;
- m. Performance of the enforcement control of all commitments undertaken under the concession contract and
- n. Other affairs in accordance with this Law.

- (2) The expert affairs of the Federal Institute for Geology (hereinafter : the "Institute") are:
- a. Keeping a database and preparing expert documentation on oil and gas exploration for the activities stipulated by this Law and the Concessions Law,
 - b. Control of the implementation of concession contracts in the phase of exploration, verification, deposit preparation/development, restoration and rehabilitation of the exploration area and other affairs in accordance with their jurisdiction;
 - c. Joint affairs of the competent Ministry and the Institute are defining blocks for exploration and exploitation of oil and gas and preparation of technical documentation for the activities regulated by this Law.

III BLOCKS FOR THE EXPLORATION AND EXPLOITATION OF OIL AND GAS

Article 13

(Division of the area into blocks)

- (1) Division of the area into exploration and exploitation blocks is performed according to the analysis of results from the previous studies and the carried out assessment of the impact of oil and gas exploration and exploitation to the environment, in accordance with the justifiability study of the grant of concession and physical-planning possibilities.
- (2) An exploration and exploitation/production block is determined in the shape covered by the General Geological Map of Bosnia and Herzegovina, at a ratio of 1:100 000, and it may not exceed an area larger than 1 440 km².

Article 14
(Determination of the block)

- (1) Definition of an oil and gas exploration and exploitation block is carried out by the competent Ministry and the Institute with the acquired opinion of the Federal Ministry for Physical Planning.
- (2) Upon the proposal of the competent Ministry, the Federation Government shall pass a decision determining the oil and gas exploration and exploitation block.

Article 15
(Relinquishment of the block)

- (1) The concessionaire shall relinquish part of the granted block area during the exploration phase and prior to the beginning of the oil and gas exploitation phase, in accordance with this Law and the exploration and exploitation concession contract.
- (2) More detailed requirements, terms and ways of relinquishment of the area referred to in paragraph 1 of this Article shall be determined by the contract on the grant of concession.

IV OIL AND GAS ACTIVITIES

Article 16
(Project documentation required for oil and gas exploration)

- (1) Oil and gas exploration is performed according to geological exploration programs and the project of detailed geological exploration.
- (2) The geological exploration program shall define the scope and structure of geological works required for the purpose of determining the existence of oil and gas deposits, the scope of geological, geochemical, geophysical and seismic works and obtaining the first data on discovered deposits in the exploration area. The competent Ministry shall approve the execution of exploration works in accordance with the exploration program.
- (3) The detailed geological exploration project shall define the scope and structure of the works required for the purpose of defining all relevant oil and gas deposit characteristics, as well as oil and gas in the exploration block. The competent Ministry shall approve the execution of exploration works in accordance with the exploration project.
- (4) The result of the executed exploration shall be presented in an elaborate of the classification, categorization and oil and gas reserves estimated in the exploration area. The elaborate shall contain an analysis and synthesis of data collected in the exploration phase of the

geological structure and deposit characteristics and the defined geological and balance reserves of oil and gas in the exploration area.

- (5) The contents, drafting and revision of the documentation referred to in paragraphs 1, 2, 3 and 4 of this Article and the conditions which the legal entities have to comply with for the drafting of the documentation shall be defined by an ordinance passed by the Federation Minister of Energy, Mining and Industry (hereinafter: "Federation Minister").

Article 17

(Project documentation required for oil and gas exploitation)

- (1) The exploitation of the discovered oil and gas deposits shall be carried out according to a field development plan:
 - a. The principal field development plan shall be drafted for developing and exploiting a new oil and gas deposit.
 - b. An additional field development plan shall be drafted for developing an existing deposit, the application of new technologies, additional exploitation methods and change of the deposit purpose.
 - c. A simplified field development plan shall be drafted as an adjustment project for deep boreholes during oil and gas exploitation executed according to the principal and/or additional development plan.
- (2) The contents of the field development plan referred to in paragraph 1 of this Article, the conditions which the legal entities must comply with for the drafting of the mining project documentation and the conditions for designers and auditors and the procedure of audit of the mining project documentation shall be regulated by an ordinance issued by the Federation Minister.

Article 18

(Mandatory plans and maps during oil and gas exploitation)

After the completed exploration phase and before the oil and gas exploitation phase, the concessionaire must have the following:

- a. Site plan of the exploitation field indicating all exploration and exploitation boreholes and other devices;
- b. Geological map of the exploitation field and its environmental and characteristic geological profiles;
- c. Maps of the edge water line;

- d. Data and reports on drilling and electrical borehole logging measurements, piping, perforation, obtaining and measuring dynamic and static pressure, gas factor and all other physical and chemical analyses of the collector and the fluid; and
- e. Exploitation field plan with terrain settlement data.

Article 19
(Connection of mining measurements)

The site plan of the exploitation field and mining measurements according to which mining works are executed, the drafted mining plans and projects must be executed in the state coordinate system, in such a way as to enable the use of GIS and connect to the national geodetic basis with the obligation to update the data every two years.

Article 20
(Measurement logs)

The concessionaire shall keep measurement logs of all executed measurements, to be verified according to the regulations on the verification of business records.

Article 21
(Permit for the use of mining facilities, plants, devices and installations)

The use of mining facilities, plants, devices and installations constructed according to the development plans referred to in Article 17 of this Law shall be permitted after acquiring the permit for their use from the competent Ministry.

Article 22
(Phases of activities)

- (1) Oil and gas activities include all necessary works on the exploration, exploitation, processing and transport of oil and gas.
- (2) Activities from paragraph 1 of this Article shall be performed in specific phases:
 - a. Deposit exploration phase
 - b. Phase of verification of reserves
 - c. Deposit preparation/development phase
 - d. Exploitation phase
 - e. Phase of restoration and rehabilitation of the exploration area and exploitation field.

Article 23
(Deposit exploration phase)

- (1) The execution of geological, geochemical, geophysical works, ensuring seismic data and drilling exploration boreholes are mandatory during the exploration phase.
- (2) The type and scope of seismic works, the number and depth of exploration boreholes for each approved exploration block shall be defined based on the activities planned in the exploration project.
- (3) The execution of exploration works, the supervision of the execution and drafting of project documentation may be done by a legal entity with a licence/approval for performing the registered activity in oil and gas exploration, and/or a legal entity with headquarters in another countries registered to perform these activities with the competent authority of the country where the legal entity is headquartered.
- (4) The conditions for performing the registered activity in the field of oil and gas exploration shall be determined by an ordinance passed by the competent Ministry.
- (5) The exploration phase may last for a maximum of six years from the date of signing the concession contract.

Article 24

(Submission of reports on exploration)

- (1) The concessionaire is obligated to submit annually a detailed report to the competent Ministry concerning the exploration thus far undertaken including results of the exploration, in accordance with the dynamics as prescribed by the concession contract. Exploration of oil and gas is carried out according to the project as approved by the competent Ministry.
- (2) The concessionaire is obligated to submit an elaborate of the results of the executed exploration to the competent Ministry along with data interpretation and analysis of results and documentation containing the source data and information received over the course of the exploration within a deadline of six months from the termination of the exploration phase and the deposit verification phase.
- (3) The elaborate shall contain data from Article 23, paragraph 1 and 2 of this Law and is subject to a mandatory audit of an expert commission appointed by the competent Ministry.
- (4) The expert commission referred to in paragraph 3 of this Article shall be entitled to compensation for its work in the commission.
- (5) After the completed revision, the competent Ministry shall pass a decision on the confirmed quantities and quality of oil and gas in the exploration area.
- (6) More detailed contents of the elaborate referred to in paragraph 2 of this Article, the audit procedure, appointment of the expert commission, compensation for work referred to in

paragraphs 3 and 4 of this Article and the contents of the decision on the verified oil and gas reserves referred to in paragraph 5 of this Article shall be determined by an ordinance passed by the competent Ministry.

Article 25

(Extension of the exploration phase)

- (1) According to the explanatory request of the concessionaire, the Federation Government may extend the deadline determined by the concession contract for the phase of exploration by up to two years, provided that:
 - a. The concessionaire requires further time for additional explorations necessary for the discovery to be declared commercially viable, and to perform all obligations under the exploration project;
 - b. The concessionaire has been unable to perform the obligations from the project due to technical problems arising during the exploration phase, which could not be envisaged, avoided or surmounted.
- (2) The request referred to in paragraph 1 of this Article with an additional exploration project is to be submitted to the competent Ministry at least six months prior to the final deadline prescribed by the concession contract.

Article 26

(Termination of the exploration phase)

- (1) The exploration phase shall be terminated with the execution of all works specified in Article 23 of this Law unless otherwise envisaged by the concession contract.
- (2) The concessionaire is obligated to inform the competent Ministry in writing about the termination of the exploration phase.
- (3) Following the termination of the exploration phase and analysis of results obtained during the exploration within a maximum of 12 months, the concessionaire may continue or withdraw from the contracted obligations, perform the relinquishment of the part of the granted block or terminate the concession contract, in accordance with this Law and the concession contract.

Article 27

(Discovery of oil and gas)

- (1) If the concessionaire, by means of an exploration borehole, identifies the existence of oil and gas, he is obligated to inform the competent Ministry in writing without delay, at the latest within 15 days from the day of discovery, on the location and nature of the discovery with a mandatory submission of data related to the obtained exploration results at his disposal.

- (2) An exploration borehole under paragraph 1 of this Article is considered to be a borehole that is created to confirm exploration results and to determine the presence of oil and gas.

Article 28

(Phase of verification of reserves)

- (1) The phase of the verification of oil and gas reserves may last up to a maximum of five years and includes activities necessary for the contouring of the deposit, including the drilling of development boreholes and geochemical exploration for the purpose of determining the commercial viability of oil and gas discovery.
- (2) Prior to the commencement of the verification phase for oil and gas reserves, the concessionaire is obligated to submit a detailed verification project of oil and gas reserves to the competent Ministry with a request for the commencement of the phase of verifying the reserves.
- (3) The competent Ministry is obligated to decide on giving consent for the project under paragraph 2 of this Article within a deadline of 30 days from the date of receipt of the request for commencement of the verification phase.
- (4) The phase of verification of oil and gas reserves commences with the submission date of the decision from paragraph 3 of this Article to the concessionaire, by which consent is given for the detailed project of the verification of reserves, and the commencement of the phase of verification of oil and gas reserves is approved.

Article 29

(Notification about the commercial viability of the deposit)

- (1) The concessionaire is obligated to notify the competent Ministry within a deadline of eight days from the date of determining the commercial viability of the deposit, in writing.
- (2) The concessionaire is obligated to deliver information about the estimated oil and gas reserves to the competent Ministry in accordance with the law, at the latest within a deadline of 60 days from the date of drilling the last development borehole.

Article 30

(Exploitation field)

- (1) The concessionaire may keep the exploitation field throughout the exploitation/production phase, in accordance with the concession contract, which must not be any larger than 150 square kilometres per discovery.
- (2) Notwithstanding paragraph 1 of this Article, a deposit of a specific shape and dimensions and when for commercial reasons the exploitation is performed from a larger number of smaller deposits, the total area that the concessionaire can keep for exploitation in

accordance with the concession contract must not exceed 300 square kilometres per discovery.

- (3) The principal field development plan shall define the size of the exploitation field on an area within the production field under paragraph 1 of this Article.
- (4) Within the limits of the exploitation field, the construction of facilities is allowed on the surface of the land and exploration and exploitation of other mineral resources in accordance with the Physical Planning and Land Use Law at the level of the Federation of Bosnia and Herzegovina, the Geological Exploration Law of the Federation of Bosnia and Herzegovina and the Mining Law of the Federation of Bosnia and Herzegovina.

Article 31

(Deposit preparation/development phase)

- (1) The concessionaire is obligated to perform the preparation/development of deposits and oil and gas exploitation in such a way as to provide the highest rate of deposit utilisation, or the optimal utilization of oil and gas from the deposit or jointly from more deposits.
- (2) The deposit preparation/development and exploitation phase includes operations with the purpose of preparation and improvement to the extraction of oil and gas, as well as drilling boreholes, construction and putting the plant or equipment necessary for examination, exploitation, transport and storage of oil or gas into operation.
- (3) The concessionaire is obligated, within a deadline determined by the concession contract, to make and submit to the competent Ministry a plan of preparation/development and exploitation of oil and gas for the purpose of obtaining consent.
- (4) The preparation/development and exploitation plan of oil and gas under paragraph 3 of this Article shall propose several alternative solutions concerning the method of development and exploitation with environmental protection measures in accordance with the law.
- (5) The preparation/development and exploitation plan, according to proposals under paragraph 4 of this Article, shall in particular contain the following: resource, economic, technical, safety, commercial aspects and environmental impact with data and information on the methods of transport, deinstallation and disposal methods of plants following the termination of exploitation.
- (6) The preparation/development and exploitation phase shall commence with the given approval for the development and exploitation plan and shall last until the beginning of the exploitation phase.

Article 32

(Exploitation phase)

- (1) The exploitation phase shall begin on the date of the commencement of the first commercial extraction of oil and gas from the deposit, and shall continue until the final deadline as determined by the concession contract, or the date of the concessionaire notifying the competent Ministry that further exploitation from the deposit is not commercially viable.
- (2) The concessionaire is obligated to inform in writing the competent Ministry of the date of commencement of exploitation of oil and gas from the deposit.**

Article 33

(Duration of the exploitation phase)

- (1) The exploitation phase may not exceed 25 years from the date of the commencement of exploitation referred to in Article 32 of this Law.

Article 34

(Extension of the exploitation phase)

- (1) The exploitation phase from Article 33 of this Law may be extended, at the request of the concessionaire, by a maximum of half of the period of the exploitation phase as prescribed by the concession contract.
- (2) The extension request shall be submitted to the Federation Government for decision, at the latest two years prior to expiry of the concession contract.

Article 35

(Oil and gas exploitation)

- (1) Oil and gas exploitation must be performed in accordance with the technical regulations, normatives and standards of the best practice, along with undertaking of necessary measures for increasing the level of utilization and prevention of loss of oil or gas or energy from the deposit reservoir.
- (2) The concessionaire is obligated to continuously implement, monitor and perform evaluations of the applied technical solutions for the purpose of improving the levels of utilisation of oil and gas from the deposit.
- (3) The manner of recording the exploited quantities of oil and gas, technical regulations, norms and practices under paragraph 1 of this Article, as well as the more detailed contents of the oil and gas development and exploitation plan shall be determined by the competent Ministry.

Article 36
(Transport of oil and gas)

- (1) The transport of oil and gas, in the context of this Law, is considered to be the transport of oil and gas through a pipeline network from the production facilities to the end terminal destination (upstream pipeline network).

Article 37
(Planning, construction and maintenance of the pipeline and facilities)

- (1) Planning, construction and maintenance of the pipeline or facilities for storage shall be performed in accordance with the valid **law governing physical planning and land use on the territory of the Federation**, provisions of the valid law governing environmental protection, the law governing occupational safety, as well as regulations regarding fire protection and other technical regulations.

Article 38
(Third party access)

- (1) The concessionaire is obligated to allow access to third parties, including operators for natural gas and eligible customers, in accordance with the law that regulates this sector and the oil and gas development and exploitation program, to one or several facilities, or an upstream pipeline network owned by the concessionaire, if by shared use a more efficient and economically cost-effective operational performance may be ensured for the oil and gas, on the condition that through shared use the operational performance of the concessionaire and legal or private entities that have already acquired the right of access is in no way obstructed.
- (2) Rights and obligations to access under paragraph 1 of this Article shall be governed by the contract.
- (3) The method and conditions of access by third parties to facilities and the upstream pipeline network shall be determined by competent Ministry regulations.
- (4) The contract on shared use of the facilities under paragraph 1 of this Article is to be submitted to the competent Ministry for approval.
- (5) If the contract under paragraph 2 of this Article is not concluded within a deadline of 90 days from the date of submitting the request of the third party for access to facilities and the upstream pipeline network, the competent Ministry shall instruct the concessionaire to allow access to the third party and to determine the conditions and the amount of compensation for access, taking into consideration the scope and risk of investment and real acquisition of profits through the compensation.

Article 39
(Operator of the upstream pipeline network)

- (1) The upstream pipeline network is managed by the concessionaire or operator of the upstream pipeline network.
- (2) The Federation Government may appoint one or several operators of the upstream pipeline network for coordination and facilitation of the functioning of the total upstream network.
- (3) The operator referred to in paragraphs 1 and 2 of this Article is obligated to ensure, in a transparent and non-discriminatory way, the proper functioning of the upstream pipeline network and connected facilities in accordance with technical conditions and economic principles.
- (4) The conditions for the access and functioning of the upstream pipeline network and connected facilities under paragraphs 1 and 2 of this Article are determined by Federation Government regulations.
- (5) The operator referred to in paragraphs 1 and 2 of this Article may instruct the owners and users of the upstream pipeline network and connected facilities and concessionaires according to the concession contracts to work in such a way as to ensure the efficient functioning of the upstream pipeline network and the proper management of resources.

Article 40

(Mutual exploitation/production in neighbouring areas)

- (1) For any deposit that extends beyond the boundaries of the block granted under the concession contract and which enters into an area granted to other concessionaires, the competent Ministry may instruct the concessionaires to prepare and submit for approval a shared oil and gas exploration, development and production project, as well as mutual use of the facilities, for the purpose of ensuring a greater level of utilization of the deposit or reducing exploration, development and exploitation costs.
- (2) The concessionaires shall submit the request under paragraph 1 of this Article to the competent Ministry within four months from the day when the instructions were given.

Article 41

(The suspension of deadlines from the concession contract)

- (1) From the date of giving the instructions under Article 40, paragraph 1 of this Law, the deadlines determined by the concession contract may be frozen until approval of the shared development and exploitation/production programme, to a maximum of up to one year.

Article 42

(The operations of the competent Ministry)

- (1) If the project under Article 40, paragraph 1 of this Law is not submitted within the envisaged deadline, or if the competent Ministry has not approved it, the competent Ministry shall prepare a new one, or modify the submitted development and exploitation/production project and submit it to concessionaires.
- (2) If within a deadline of 30 days from the date of receipt of the shared project from paragraph 1 of this Article the concessionaire fails to submit an appeal to the project, the submitted project shall be considered accepted.
- (3) If the concessionaire submits an appeal against the project submitted by the competent Ministry, the disputed issues shall be resolved by agreement.
- (4) If agreement is not reached regarding the disputed issues under paragraph 3 of this Article, the competent Ministry shall adjudicate regarding the appeal within 30 days.

V CONCESSION FEE AND DISTRIBUTION OF INCOME

Article 43

(Concession contract fee)

- (1) The concessionaire is obligated to pay a monetary concession fee for the exploration area in the exploration phase and a concession fee for the produced oil and gas in the oil and gas exploitation phase.
- (2) In the oil and gas exploration phase, the concessionaire is obligated to pay an annual fee for the exploration area used according to the concession contract, calculated on the basis of the defined surface area used for exploration, and according to the criteria prescribed by the concession contract.
- (3) The fee under paragraph 2 of this Article is payable for the benefit of the Federation budget.
- (4) In the oil and gas exploitation phase, the concessionaire is obligated to pay a fee for the oil and gas produced monthly, in an amount proportionate to the produced and supplied oil and gas, and in accordance with criteria set out in the concession contract.
- (5) The concessionaire shall pay the fee under paragraph 4 of this Article as a pecuniary amount or in equivalent oil and gas quantities in the amount and manner specified by the concession contract.
- (6) The fee referred to in paragraph 5 of this Article shall be distributed in accordance with Article 44 of this Law.

- (7) A more detailed method of control of produced oil and gas quantities, calculation and payment of the fee under paragraphs 2 and 4 of this Article shall be defined by a regulation passed by the Federation Government.

Article 44

(Distribution of the oil and gas exploitation concession fee)

- (1) The concession fee shall be paid for the benefit of the grantor's budget.
- (2) The concession fees from the grantor's budget for oil and gas exploitation of interest for the Federation shall be distributed in the following ratios:
- a. 18% for the budget of the municipality where the area of the concession is located
 - b. 19% for the budget of the canton where the area of the concession is located
 - c. 23% for the Federation budget,
 - d. 15% for the budgets of all other Federation cantons, distributed in equal amounts
 - e. 23% for the budgets of all other Federation municipalities, distributed in equal amounts
 - f. 2% for the oil and gas exploration fund on the territory of the Federation.

VI OBLIGATIONS OF THE CONCESSIONAIRE

Article 45

(Protection measures)

- (1) In order to ensure protection measures during oil exploration and exploitation, the concessionaire is obligated to:
- a. undertake all necessary measures to prevent losses or waste of oil and gas or pressure during drilling, exploitation/production, transport or storage;
 - b. undertake all necessary measures for prevention of damaging penetration of water into the hydrocarbon layers for the duration of the drilling operation,
 - c. carefully locate, protect and store all disclosed resources of drinking water for future use;
 - d. undertake all necessary preventive measures as well as according to the instructions of the competent authority to rectify any malfunctions in the equipment or facilities that might endanger life and health of persons, cause damage or loss of property or cause pollution or other damages to the environment;
 - e. notify the competent authority without delay on the occurrence of any circumstances, incidents or accidents that might endanger the health and safety of employees, cause damage or loss of property, pollute the environment and endanger the life or health of people and animals in the area covered by the concession contract, as well as at the facilities or in areas adjacent to the area in which they have the rights to exploration and exploitation/production.

Article 46

(Phase of restoration and rehabilitation of the exploration area)

- (1) Following the conclusion of the exploration phase or the withdrawal from exploration activities, the concessionaire is obligated, within a deadline determined by the concession contract, which can be no longer than 1 year, to carry out the following activities:
 - a. remove any facilities used during exploration, unless these are necessary for the development phase or exploitation/production phase;
 - b. conserve any boreholes and return the entire area into the state that existed before the commencement of the exploration activities;
 - c. carry out any other legal obligations concerning environmental protection in accordance with the Environmental Protection Law, Nature Conservation Law, Agricultural Land Law, Forests Law.

Article 47

(Phase of restoration and rehabilitation of the exploitation field)

- (1) The concessionaire is obligated to make a plan of termination of exploitation and facilities deinstallation activities (dismantling and removal of the facilities), exploration field restoration and rehabilitation.
- (2) The plan referred to in paragraph 1 of this Article specifically includes a plan of execution of works necessary for termination of the exploitation process, including the dismantling and removal of production facilities with the dynamic of their execution and returning the exploitation field into the state prior to the beginning of the oil and gas development and exploitation phase.
- (3) Consent is given by the competent Ministry to the plan referred to under paragraph 1 of this Article.
- (4) If, during the procedure of giving consent under paragraph 3 of this Article, the competent Ministry establishes that the suggested conditions, terms, method of terminating exploitation and deinstallation fails to ensure the full restoration of the area into the state prior to the start of the development and exploitation phase, it may instruct the concessionaire to amend the plan within a stated deadline, or to prepare a plan at the expense of the concessionaire on the basis of which the concessionaire is obligated to perform the termination of the exploitation activities and deinstallation of the facilities.
- (5) After termination of the exploitation phase the concessionaire is obligated to, in accordance with the approved plan from paragraph 1 of this Article:
 - a. conserve all production boreholes and to isolate all known water-bearing layers;
 - b. deinstall and remove all facilities in his ownership, or which he used during exploitation;
 - c. restore the entire production area into the state from before commencement of the development and exploitation phase.

- (6) The conditions and terms for the termination of exploitation and deinstallation and methods of distribution of costs among the concessionaires shall be determined by a regulation of Federation Government.

Article 48

(Obligations of the concessionaire following the conclusion of the exploitation phase)

- (1) If the concessionaire fails to perform the obligations in accordance with the contract and plan from Article 47 of this Law, and fails to restore the area into the state prior to the commencement of the development and exploitation phase, he shall be obligated to pay all expenses incurred in implementing the plan and restoring the area into its previous condition to the grantor, in accordance with the concession contract.

Article 49

(Insurance)

- (1) The concessionaire is obligated to deliver evidence of insurance (an insurance policy) to the administrative authority for the period of the duration of the contract in accordance with the concession contract and good international practice in the upstream industry of oil and gas.
- (2) Insurance shall be specifically required for:
 - a. Loss or damage to facilities, equipment or other property with regard to rights, obligations or operations from the concession contract;
 - b. Possible environmental contamination with regard to rights, obligations or operations from the concession contract;
 - c. Loss or damage of property or injury suffered by third parties, employees or contractors in relation to rights, obligations or operations from the concession contract.
 - d. The concessionaire shall obligate its contractors and subcontractors by means of the contract to insure themselves in accordance with good international practice.

Article 50

(Compensation of damages)

- (1) The concessionaire is obligated to compensate the damages they incur during the execution of the concession contract on the property of the grantor or third parties, or damages resulting in injuries or death of employees or third parties.
- (2) The concessionaire is obligated to compensate the damages resulting in environmental pollution, damages that occur in fisheries, agriculture or forestry, water supply, as well as other damages incurred during the execution of the concession contract.

Article 51
(Contractors and sub-contractors)

- (1) For the purpose of **implementation of the concession contract for operations with oil and gas** the concessionaire may engage contractors and the contractors may engage subcontractors in the manner defined by the concession contract.
- (2) The concessionaire may commence operations with oil and gas after obtaining the prescribed approvals, permits and consents.
- (3) The competent Ministry is obligated to decide concerning the granting of approval, permits and consents from paragraph 2 of this Article within a deadline of 30 days from the date of submitting the request.
- (4) The competent Ministry may refuse the granting of approvals, permits and consents from paragraph 2 of this Article on the grounds of the protection of safety and complying with any obligations arising from international public law.
- (5) The concessionaire is obligated to submit, at the request of the competent Ministry, copies of contracts concluded with any contractors, or contracts concluded between contractors and sub-contractors.
- (6) The concessionaire, or the contractor or sub-contractor engaged in the realisation of the concession contract, are under obligation to implement the prescribed measures for occupational safety, to undertake due measures for the safety of citizens, traffic, neighbouring facilities, movable items, as well as measures for environmental protection, in accordance with the law.

Article 52
(The right of priority for purchase of oil and gas)

- (1) **At the request of the Federation Government**, the concessionaire is obligated to sell the Federation Government 30% of the oil and gas quantities produced in the Federation under the following conditions:
 - a. Crude oil must be sold and delivered according to prices valid for the same quality and quantity on the international sales market;
 - b. Gas must be sold under the condition that it is sold without a reduction in the contracted price in the long-term gas sales contract, agreed for the rest of the production, or that the Federation Government refers a request to the concessionaire prior to binding the concessionaire of these quantities by a long-term gas sales contract.

Article 53

(Ownership of produced oil and gas)

- (1) The concessionaire acquires ownership of the extracted amounts of oil and gas in accordance with this Law and the concession contract.
- (2) If the concession contract for production defines the fee for the produced oil or gas to be paid by supply of oil and gas, the Federation shall assume ownership of the part of the produced amount of oil and gas corresponding to the volume and/or the fee amount for the produced oil or gas from the moment of supply.
- (3) The produced oil and gas under paragraph 2 of this Article shall be supplied at the cost of the concessionaire in Federation, or at the last destination terminal.

Article 54

(Documentation and data on exploration and production)

- (1) The concessionaire is obligated to deliver free of charge to the competent Ministry all documentation, results of exploration, samples and other data received or acquired during exploration and exploitation/production within the deadline determined by the contract.
- (2) The documentation and data from paragraph 1 of this Article remain in the ownership of the Federation.
- (3) The data and information received in accordance with this Law may not be published without the consent of the owner of the information.
- (4) The concessionaire shall, at the request of the competent Ministry, in addition to the documentation and data under paragraph 1 of this Article, deliver other information related to operations with oil and gas.
- (5) The data and information from paragraph 1 of this Article that the concessionaire obtains while performing operations with oil and gas, and any associated deadlines, which are considered as confidential, shall be determined as such by the concession contract.

Article 55

(Takeover and storage of documentation)

The competent Ministry is obligated to provide permanent storage of received documentation and data under Article 54, paragraph 1 of this Law in such a way and under conditions that guarantee their protection from unauthorized use and destruction.

Article 56
(Safety of persons and protection of property)

- (1) The concessionaire is obligated to perform operations with oil and gas in such a way as to ensure the protection of persons and property, in accordance with the law for this area and any corresponding technical regulations and standards.
- (2) The concessionaire shall perform the operations with oil and gas in such a way that does not disturb any land, air or sea traffic, as well as other activities in the area.
- (3) The concessionaire shall perform operations with oil and gas in such a way that does not pose any threat to installed cables, pipelines and other installations or devices.
- (4) The technical regulations and standards from paragraph 1 of this Article shall be determined by the competent Ministry.

Article 57
(Environmental protection)

- (1) The concessionaire is obligated to undertake all measures for the purpose of preventing any negative impact on the individual segments of the environment: air, atmosphere, land, water resources and the sea, as well as wildlife.
- (2) The concessionaire is obligated to undertake all measures for the purpose of protection and preservation of historic and cultural assets.
- (3) The concessionaire is obligated to implement environmental protection measures during operations with oil and gas and control of environmental parameter measures, in accordance with the law, for the purpose of prevention or reduction of harmful effects and their impact on the environment.
- (4) Detailed conditions for the protection of the environment under paragraphs 1, 2 and 3 of this Article shall be defined by a regulation of the Federation authority competent for environmental protection.

Article 58
(Preventing oil and gas wastage)

- (1) It is prohibited to discharge or incinerate oil, combustion or release of gas, release of pressure of the deposit or discharge of water except in cases of eliminating direct danger to life and health of people and property.

- (2) Notwithstanding paragraph 1 of this Article, any discharge or combustion of oil and gas from the production facilities for the purposes of testing the facilities, executing protection measures or during the phase of installing equipment, on the condition that volumes of burnt or discharged oil and gas are minimal, may be performed only in such a way and under conditions determined by the approval of the competent Ministry.
- (3) Approval from paragraph 2 of this Article is issued upon the previously acquired opinion of the Ministry competent for environmental protection, in accordance with valid regulations.

Article 59
(Protection zone)

- (1) The protection zone around and above the facilities for oil and gas exploration and production shall be defined by the Ministry in charge for the environment, in accordance with valid regulations.
- (2) In the event of proclamation of war or extreme conditions, the competent authority from paragraph 1 of this Article may expand the protection zone for safety reasons.
- (3) The competent authority from paragraph 1 of this Article determines the protection zone at the latest within a deadline of 90 days before the installation of the facilities.
- (4) The competent authority from paragraph 1 of this Article may determine the protection zone above and around the deserted facilities or parts of the facilities.
- (5) The presence of unauthorized persons and vehicles is not permitted inside the protection zone.

Article 60
(Suspension of activities)

- (1) In the event of proclamation of war or extreme conditions, the concessionaire is obligated, at the request of the competent Ministry, to suspend oil and gas exploration or exploitation for a period to be determined at the request of the state administration authority competent for defence affairs and/or competent for protection and rescue.
- (2) After proclamation of termination of war or extreme conditions which lead to suspension of oil and gas exploration or exploitation activities, the concessionaire shall with the approval of the competent Ministry continue operations in accordance with the concession contract.
- (3) In the event of any direct danger to health or safety of persons, serious risks or damages to one or several plants or third party property or serious environmental pollution, the concessionaire is obligated, at the request of the competent Ministry, to suspend operations

with oil and gas to the extent and for the duration necessary for prevention or elimination of the cause and mitigation of consequences.

Article 61

(Managing operations with oil and gas)

- (1) The concessionaire, the owner or the operator of the facilities or upstream pipeline network is required to establish a branch office in the Federation for the purpose of managing the operations with oil and gas according to the concession contract or licence issued in accordance with law.

Article 62

(Liability)

- (1) The concessionaire that has concluded the concession contract is indefinitely and jointly responsible for complying with all obligations determined by the concession contract.
- (2) Liabilities under paragraph 1 of this Article shall also apply to the owner or operator of the facilities or upstream pipeline network.
- (3) The concessionaire, owner or operator of the facilities or upstream pipeline network is liable for all obligations towards third parties and private or legal entities engaged in the realisation of the concession contract.

Article 63

(Transfer of ownership rights)

- (1) The transfer of ownership or other rights of the concessionaire to another legal entity may only be performed based on the grantor's consent with prior approval of the Parliament of Federation of Bosnia and Herzegovina.
- (2) The provision of paragraph 1 of this Article is also applicable to the transfer of shares in the legal entity of stocks, bonds or other securities that can enable control over the legal party that manages or has an ownership share in the facilities or upstream pipeline network, in accordance with the concession contract.

Article 64

(Training of local staff)

- (3) The concessionaire is obligated to provide training of the local professional staff directly involved in operations with oil and gas in the territory of the Federation.

- (4) The type and manner of implementing the training under paragraph 1 of this Article shall be defined by a production concession contract.

VII ADMINISTRATIVE AND INSPECTION SUPERVISION

Article 65

(Performance of administrative supervision)

- (1) Administrative supervision over the enforcement of this Law and regulations passed pursuant to this Law, and the legality of operations and actions of competent administrative authorities and persons having public authority therein, administrative and other professional tasks entrusted to them pertaining to the area of geological exploration and exploitation of oil and gas, shall be carried out by the competent Ministry.
- (2) The administrative supervision shall be carried out by the official of the Ministry in charge authorized by the Minister.

Article 66

(Inspection supervision)

- (1) Inspection supervision of the enforcement of this Law shall be carried out by a federal inspection in charge of exploration and exploitation of mineral resources, organized under the Federal Administration for Inspection Affairs (hereinafter: "inspection").
- (2) The inspection referred to in paragraph 1 of this Article shall carry out supervision according to this Law, the applicable law governing inspection supervision, the applicable law governing geological research in the Federation, the applicable law governing mining in the Federation and regulations adopted according to these, technical regulations, regulations on fire protection in the execution of mining works, regulations on technical standards on occupational safety and protection of health of employees and other regulations in exploration and exploitation of mineral resources.

Article 67

(Cancellation and repeal by right of supervision)

- (1) If in the course of administrative supervision and/or supervision conducted by the inspection it is determined that an approval, permit or a decision which is final in the administrative procedure violates a material provision of the law or regulations issued pursuant to the law governing geological exploration and exploitation of oil and gas, the competent Ministry shall repeal such a decision by right of supervision.
- (2) If in the course of administrative supervision and/or supervision conducted by the inspection it is determined that an approval, consent or a decision issued according to this Law and which is final in the administrative procedure violates material provisions of this Law, the competent Ministry shall repeal such a decision by right of supervision.
- (3) If in the course of supervision it is determined that the supervision decision which is final in an administrative procedure violates provisions of this Law, the competent Ministry shall repeal such a decision by right of supervision.
- (4) The decision on cancellation or repeal by right of supervision can be passed within a year from the date of finality of the act being annulled or repealed.

Article 68
(Inspection control)

- (1) In the enforcement of inspection supervision, the following are to be particularly controlled:
 - a. Whether the exploration and exploitation are carried out in accordance with the law;
 - b. Whether the concessionaire is submitting detailed annual reports, including the results of exploration;
 - c. Whether the concessionaire has executed the relinquishment of the territory;
 - d. Whether the concessionaire has informed the administrative authority regarding the commercial viability of the deposit;
 - e. Whether the concessionaire has submitted the elaborate with information and data regarding the estimated reserves of oil and gas to the administrative authority within the prescribed deadline;
 - f. Whether measures for protecting people, property and environment are being taken during the course of oil and gas exploration and exploitation
 - g. Whether a protection zone has been established surrounding and above the exploration and production facilities;
 - h. Whether prohibition is observed of the discharge or burning-off of oil or combustion or release of gas;
 - i. Whether the concessionaire has suspended activities at the request of the competent Ministry;
 - j. Whether the concessionaire has adequate insurance.

Article 69

(Control of the concession contract)

- (1) Control of the implementation of the concession contract in the phase of exploration, verification, deposit preparation/development, restoration and rehabilitation of the exploration area shall be conducted by the Institute.
- (2) Control of the concession contract in the oil and gas exploitation phase shall be conducted by an agency established by a specific decision by the Federation Government in the deposit preparation/development phase and prior to the oil and gas exploitation phase.
- (3) The manner of establishing and organizing the operation of the agency shall be defined by the Federation Government by means of its specific decision referred to in paragraph 2 of this Article.
- (4) Financing of the agency operation shall be done from the income from concession fees from the oil and gas exploration fund under Article 44, paragraph 2.f.
- (5) The working procedures, rights and obligations under paragraph 1 and 2 of this Article shall be regulated by an ordinance approved by the Government.

VIII PENALTY PROVISIONS

Article 70
(Fines)

- (1) A legal person shall be fined between 20 000 BAM and 200 000 BAM for breaches if:
 - a. it does not provide for training of the local experts from Article 64, paragraph (1).
- (2) A legal person shall be fined between 50 000 BAM and 200 000 BAM for breaches if:
 - a. within six months from the completion of the exploration phase they do not submit to the administrative authority the study on the results of the conducted explorations from Article 24 paragraph (2);
 - b. within the time period specified in the concession contract they do not remove the facilities used during the exploration period, unless they are necessary for the further development phase, and do not conserve the borehole and bring the entire exploration area into the state prior to the start of exploration activities referred to in Article 46;
 - c. it does not perform the exploration according to the dynamics defined in the concession contract without a valid reason and without submitting reports and the study according to Article 24 paragraphs (1) and (2).
- (3) A legal person shall be fined 100 000 BAM and 200 000 BAM for breaches if:
 - a. within 15 days they do not report to the administrative authority, in written form, about the location and nature of the exploration and if they do not submit the facts they have from Article 27;
 - b. within 8 days from the day of determining the commerciality of the site, in the written form, they do not report to the administrative authority from the Article 29 paragraph (1);
 - c. it they do not submit the data on estimated oil and gas reserves according to the law not later than 60 days from the drilling of the last official oil well from Article 29 paragraph (2);
 - d. they do not take any measures necessary for the prevention of the loss and waste of the oil and gas or pressure during the drilling, exploitation, transport or storage from Article 45;
 - e. they do not take any measures for protection of people, properties and environment during the exploration and exploitation of oil and gas from Article 45;

- f. they do not submit to the administrative authority the proof of insurance from Article 49;
 - g. they do not submit to the administrative authority all documentation, results of exploration, samples and other data gained or collected during the exploration and exploitation from Article 54 paragraph (1).
- (4) A responsible person shall be fined 2 000 BAM and 20 000 BAM for breaches if:
- a. they do not provide for training of the local technical staff from Article 64 paragraph (1)
- (5) A responsible person shall be fined between 5 000 BAM and 20 000 BAM for breaches if:
- a. within six months from the completion of the exploration phase they do not submit to the administrative authority the study on the results of the completed explorations from Article 24 paragraph (2);
 - b. within the time period specified in concession contract they do not remove the facilities that have been used during the exploration period, unless they are necessary for the further development phase, do not conserve the borehole and bring the entire exploration area into the state prior to the beginning of the exploration activities from Article 46;
 - c. they do not perform the exploration according to the dynamics defined in the concession contract without a valid reason and without submitting reports and the study according to Article 24 paragraphs (1) and (2).
- (6) A responsible person shall be fined between 10 000 BAM and 20 000 BAM for breaches if:
- a. within 15 days from the discovery they do not report to the administrative authority, in written form, about the location and nature of the exploration and if they do not submit the facts they have from Article 27;
 - b. within 8 days from the day of determining the commerciality of the site, in the written form, they do not report to the administrative authority from Article 29 paragraph (1);
 - c. they do not submit the data on estimated oil and gas reserves according to the Law not later than 60 days from the drilling of the last official oil well from Article 29 paragraph (2);
 - d. they do not take any measures necessary for the prevention of the loss and waste of the oil and gas or pressure during the drilling, exploitation, transport or storage from Article 45;
 - e. they do not take any measures for protection of people, properties and environment during the exploration and exploitation of oil and gas from Article 45;
 - f. they do not submit to the administrative body the proof of insurance from Article 49;
 - g. they do not submit to the administrative authority all documentation, results of exploration, samples and other data gained or collected during the exploration and exploitation from Article 54 paragraph (1).

Article 71

(Measures of confiscation of the property gain and compensation for damages)

- (1) Property gain that is secured by the violation of the legal person that performs the exploration and/or exploitation of oil and gas without approval of the competent authority decreed by this law shall be confiscated.
- (2) Legal person that has performed the violation from paragraph (1) of this Article is obliged to compensate the caused damage.”

Article 72

(Protective measure – confiscation of equipment)

- (1) A legal entity shall be punished for breach by protective measures if, after the completion of the exploitation phase they do not conserve all production boreholes and isolate all known water-bearing strata, or if they do not deinstall and remove all plants, or if they do not restore the entire production area into the state prior to the beginning of the development and exploitation phase under Article 46 and Article 47.
- (2) Legal person shall be penalized for breach by a protective measure of prohibition of exploration and exploitation if they perform the exploration and/or exploitation of oil and gas without the approval of the competent authority prescribed by this law.”

IX TRANSITIONAL AND FINAL PROVISIONS

Article 73

(Deadline for passing the regulations)

- (1) The regulations for enforcement of this Law shall be passed within six months of this Law entering into force.

Article 74

(Existing laws)

- (1) If provisions of other laws are contrary to the provisions of this Law, the provisions of this Law shall supersede the provisions of all other existing laws.

Article 75

(Application of existing regulations)

- (1) Pending the adoption of all regulations for the enforcement of this Law, the Rules on the Classification and Categorization of Reserves of Oil, Condensate and Natural Gases and keeping their records (Official Gazette of SFRY, 80/87) shall apply.

Article 76

(Entry into force of the Law)

- (1) This Law enters into force on the eighth day upon its publication in the "Official Gazette of the Federation of Bosnia and Herzegovina".