

CONFORMED COPY

LOAN NUMBER 3623 RUS

Loan Agreement

(Oil Rehabilitation Project)

between

RUSSIAN FEDERATION

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated August 12, 1993

LOAN NUMBER 3623 RUS

LOAN AGREEMENT

AGREEMENT, dated August 12, 1993, between RUSSIAN FEDERATION (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS: (A) the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Bank to assist in the financing of the Project;

(B) The Bank has received a letter dated April 23, 1993 from the Borrower expressing its intention with respect to oil prices and consultation with the Bank on the Borrower's oil sector reform program;

(C) the Borrower intends to contract from the European Bank for Reconstruction and Development (EBRD) a loan (the EBRD Loan) in an amount equivalent to \$250,000,000 to assist in financing Parts A and B of the Project on the terms and conditions set forth in an agreement (the EBRD Loan Agreement) to be entered into between the Borrower and EBRD;

(D) the Borrower intends to receive from the Dutch Government a grant (the Dutch Grant) in an amount equivalent to \$6,000,000 to assist in financing Part B of the Project on the terms and conditions set forth in an agreement (the Dutch Grant Agreement) to be entered into between the Borrower and the Dutch Government; and

(E) Part A of the Project will be carried out by Kogalymneftegas Producer Association (Kogalymneftegas), Part B of the Project will be carried out by Purneftegas Producer Association (Purneftegas) and Part C of the Project will be carried out by Varyeganneftegas Producer Association (Varyeganneftegas), all with the Borrower's assistance and, as part of such assistance, the Borrower will make available to Kogalymneftegas, Purneftegas and Varyeganneftegas the proceeds of the Loan as provided in this Agreement; and

WHEREAS the Bank has agreed, on the basis, inter alia, of the foregoing, to extend the Loan to the Borrower upon the terms and conditions set forth in this Agreement, in the Kogalymneftegas Project Agreement of even date herewith between the Bank and Kogalymneftegas, in the Purneftegas Project Agreement of even date herewith between the Bank and Purneftegas and in the Varyeganneftegas Project Agreement of even date herewith between the Bank and Varyeganneftegas;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Single Currency Loan and Guarantee Agreements" of the Bank, dated February 9, 1993 (the General Conditions) constitute an integral part of this Agreement.

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "Kogalymneftegas Project Agreement" means the agreement between the Bank and Kogalymneftegas Producer Association (Kogalymneftegas) of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Kogalymneftegas Project Agreement;

(b) "Purneftegas Project Agreement" means the agreement between the Bank and Purneftegas Producer Association (Purneftegas) of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Purneftegas Project Agreement;

(c) "Varyeganneftegas Project Agreement" means the agreement between the Bank and Varyeganneftegas Producer Association (Varyeganneftegas) of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Varyeganneftegas Project Agreement;

(d) "Kogalymneftegas Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and Kogalymneftegas pursuant to Section 3.01 (c) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the Kogalymneftegas Subsidiary Loan Agreement;

(e) "Purneftegas Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and Purneftegas pursuant to Section 3.01 (d) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the Purneftegas Subsidiary Loan Agreement;

(f) "Varyeganneftegas Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and Varyeganneftegas pursuant to Section 3.01 (e) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the Varyeganneftegas Subsidiary Loan Agreement;

(g) "Project Preparation Advance" means the project preparation advance granted by the Bank to the Borrower pursuant to an exchange of letters dated August 28, 1992 and September 15, 1992 between the Borrower and the Bank;

(h) "Kogalymneftegas" means Kogalymneftegas Producer Association, incorporated under its Charter dated May 24, 1993, (The Charter) or any successor thereto;

(i) "Purneftegas" means Purneftegas Producer Association, incorporated under its Charter dated May 25, 1993, (The Charter) or any successor thereto; and

(j) "Varyeganneftegas" means Varyeganneftegas Producer Association, incorporated under its Charter dated May 24, 1993, (The Charter) or any successor thereto.

ARTICLE II

The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Loan Agreement, various currencies that shall have an aggregate value equivalent to the amount of six hundred ten million dollars (\$610,000,000).

Section 2.02. (a) The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Loan and in respect of interest and other charges on the Loan.

(b) On each of the semiannual interest payment dates specified in Section 2.06 of this Agreement, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amounts required to pay, on such date, interest and other charges on the Loan accrued and payable on or before the date set forth, and up to the amount allocated, in Schedule 1 to this Agreement, as such Schedule may be amended from time to time by agreement between the Borrower and the Bank.

(c) Promptly after the Effective Date, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amount required to repay the principal amount of the Project Preparation Advance withdrawn and outstanding as of such date and to pay all unpaid charges thereon. The unwithdrawn balance of the authorized amount of the Project Preparation Advance shall thereupon be cancelled.

Section 2.03. The Closing Date shall be December 31, 1995 or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

Section 2.04. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one percent (3/4 of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.05. (a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Interest Period equal to Single Currency LIBOR, plus one-half of one percent (1/2 of 1%), plus or minus the Average Margin as provided in paragraph (b) (iv) below.

(b) For the purposes of this Section:

- (i) "Interest Period" means the period from and including the date of this Agreement to but not including the first Interest Payment Date and thereafter the period from and including any Interest Payment Date to but not including the next Interest Payment Date.
- (ii) "Interest Payment Date" means any date specified in Section 2.06 of this Agreement.
- (iii) "Single Currency LIBOR" means the London interbank offered rate for dollars, expressed as a percentage per annum, reasonably determined by the Bank in accordance with Schedule 4 to this Agreement.
- (iv) "Average Margin" means, for any Interest Period, the weighted average margin between: (A) the cost of the outstanding borrowings of the Bank or portions thereof allocated during the preceding Semester to the funding of single currency loans in all currencies, and (B) the specific London and, for French francs, Paris interbank offered rates or other such reference rates attributable to such borrowings in each such currency, all as reasonably determined by the Bank and expressed as a percentage per annum. For any Interest Period in which (A) exceeds (B), the Average Margin shall be added under paragraph (a) above. For any Interest Period in which (B) exceeds (A), the Average Margin shall be subtracted under paragraph (a) above.
- (v) "Semester" means the first six months or second six months of a calendar year.

(c) After the Bank shall have determined Single Currency LIBOR and the Average Margin for any Interest Period, the Bank shall promptly notify the Borrower of such determination.

Section 2.06. Interest and other charges shall be payable January 15 and July 15 in each year.

Section 2.07. The Borrower shall repay the principal amount of the Loan in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end:

- (i) shall carry out Part D of the Project with due diligence and efficiency and in conformity with appropriate administrative and financial practices and shall provide, promptly as needed, the funds, facilities, services and other resources required for such Part of the Project; and
- (ii) without limitation or restriction upon any of its other obligations under the Loan Agreement, the Borrower shall cause Kogalymneftegas, Purneftegas and Varyeganneftegas to perform in accordance with the provisions of the Kogalymneftegas Project Agreement, the Purneftegas Project Agreement and the Varyeganneftegas Project

Agreement, respectively, all the obligations of Kogalymneftegas, Purneftegas and Varyeganneftegas therein set forth, shall take or cause to be taken all action, including the provision of funds, licenses, permits, facilities, services and other resources, necessary or appropriate to enable Kogalymneftegas, Purneftegas and Varyeganneftegas to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(b) The Borrower shall relend the equivalent of \$272 million to Kogalymneftegas under a subsidiary loan agreement to be entered into between the Borrower and Kogalymneftegas, under terms and conditions which shall have been approved by the Bank which shall include: (i) twelve year maturity with two years grace period; (ii) interest rate at Bank's rate plus 0.75% as premium; and (iii) foreign exchange risk borne by Kogalymneftegas.

(c) The Borrower shall relend the equivalent of \$158 million to Purneftegas under a subsidiary loan agreement to be entered into between the Borrower and Purneftegas, under terms and conditions which shall have been approved by the Bank which shall include: (i) twelve year maturity with two years grace period; (ii) interest rate at Bank's rate plus 0.75% as premium; and (iii) foreign exchange risk borne by Purneftegas.

(d) The Borrower shall relend the equivalent of \$170 million to Varyeganneftegas under a subsidiary loan agreement to be entered into between the Borrower and Varyeganneftegas, under terms and conditions which shall have been approved by the Bank which shall include: (i) twelve year maturity with two years grace period; (ii) interest rate at Bank's rate plus 0.75% as premium; and (iii) foreign exchange risk borne by Varyeganneftegas.

(e) The Borrower shall exercise its rights under the Kogalymneftegas Subsidiary Loan Agreement in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan, and, except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the Kogalymneftegas Subsidiary Loan Agreement or any provision thereof.

(f) The Borrower shall exercise its rights under the Purneftegas Subsidiary Loan Agreement in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan, and, except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the Purneftegas Subsidiary Loan Agreement or any provision thereof.

(g) The Borrower shall exercise its rights under the Varyeganneftegas Subsidiary Loan Agreement in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan, and, except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the Varyeganneftegas Subsidiary Loan Agreement or any provision thereof.

Section 3.02. The Bank and the Borrower hereby agree that the obligations set forth in Sections 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of: (a) Part A of the Project shall be carried out by Kogalymneftegas pursuant to Section 2.03 of the Kogalymneftegas Project Agreement; (b) Part B of the Project shall be carried out by Purneftegas pursuant to Section 2.03 of the Purneftegas Project Agreement; and (c) Part C of the Project shall be carried out by Varyeganneftegas pursuant to Section 2.03 of the Varyeganneftegas Project Agreement.

Section 3.03 In order to assist the Borrower in carrying out part D of the Project, the Borrower shall employ consultants whose qualifications, experience and terms and conditions of employment

shall be satisfactory to the Bank. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Bank on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of Part D of the Project of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

(b) The Borrower shall:

- (i) have the records and accounts referred to in paragraph (a) of this Section for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank;
- (ii) furnish to the Bank as soon as available, but in any case not later than three months after the end of each such year, the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested; and
- (iii) furnish to the Bank such other information concerning said records and accounts and the audit thereof as the Bank shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Loan Account were made on the basis of statements of expenditure, the Borrower shall:

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Bank has received the audit report for the fiscal year in which the last withdrawal from the Loan Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Bank's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

ARTICLE V

Remedies of the Bank

Section 5.01. Pursuant to Section 6.02 (1) of the General Conditions, the following additional events are specified:

(a) Kogalymneftegas, Purneftegas or Varyeganneftegas shall have failed to perform any of its obligations under the Kogalymneftegas Project Agreement, Purneftegas Project Agreement or Varyeganneftegas Project Agreement, respectively.

(b) As a result of events which have occurred after the date of the Loan Agreement, an extraordinary situation shall have arisen which shall make it improbable that Kogalymneftegas, Purneftegas or Varyeganneftegas will be able to perform its obligations under the Kogalymneftegas Project Agreement, Purneftegas Project Agreement or Varyeganneftegas Project Agreement, respectively.

(c) The Charter shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of Kogalymneftegas to perform any of its obligations under the Kogalymneftegas Project Agreement.

(d) The Charter shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of Purneftegas to perform any of its obligations under the Purneftegas Project Agreement.

(e) The Charter shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of Varyeganneftegas to perform any of its obligations under the Varyeganneftegas Project Agreement.

(f) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of Kogalymneftegas or for the suspension of its operations.

(g) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of Purneftegas or for the suspension of its operations.

(h) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of Varyeganneftegas or for the suspension of its operations.

(i) The EBRD Loan Agreement and the Dutch Grant Agreement shall not have become effective by October 31, 1993, or such later date as the Bank may agree; provided, however, that the provisions of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Bank that adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

(j) (i) Subject to subparagraph (ii) of this paragraph:

(A) the right of the Borrower to withdraw the proceeds of any loan or grant made to the Borrower for the financing of the Project shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms thereof, or

(B) any such loan shall have become due and payable prior to the agreed maturity thereof.

(ii) Subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Bank that: (A) such suspension, cancellation, termination or prematuring is not caused by the failure of the Borrower to perform any of its obligations under such agreement; and (B) adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

Section 5.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional events are specified:

(a) any event specified in paragraph (a) of Section 5.01 of this Agreement shall occur and shall continue for a period of 60 days after notice thereof shall have been given by the Bank to the Borrower; and

(b) any event specified in paragraphs (c), (d), (e), (f), (g) and (h) of this Agreement shall occur.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following event is specified as an additional condition to the effectiveness of the Loan Agreement within the meaning of Section 12.01 (c) of the General Conditions, namely, that the Subsidiary Loan Agreements have been executed on behalf of the Borrower, Kogalymneftegas, Purneftegas and Varyeganneftegas.

Section 6.02. The following are specified as additional matters, within the meaning of Section 12.02 (c) of the General Conditions, to be included in the opinion or opinions to be furnished to the Bank:

(a) that the Kogalymneftegas Project Agreement has been duly authorized or ratified by Kogalymneftegas, and is legally binding upon Kogalymneftegas in accordance with its terms;

(b) that the Purneftegas Project Agreement has been duly authorized or ratified by Purneftegas, and is legally binding upon Purneftegas in accordance with its terms;

(c) that the Varyeganneftegas Project Agreement has been duly authorized or ratified by Varyeganneftegas, and is legally binding upon Varyeganneftegas in accordance with its terms;

(d) that the Kogalymneftegas Subsidiary Loan Agreement has been duly authorized or ratified by the Borrower and Kogalymneftegas and is legally binding upon the Borrower and Kogalymneftegas in accordance with its terms; and

(e) that the Purneftegas Subsidiary Loan Agreement has been duly authorized or ratified by the Borrower and Purneftegas and is legally binding upon the Borrower and Purneftegas in accordance with its terms; and

(f) that the Varyeganneftegas Subsidiary Loan Agreement has been duly authorized or ratified by the Borrower and Varyeganneftegas and is legally binding upon the Borrower and Varyeganneftegas in accordance with its terms.

Section 6.03. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. The Minister of Finance or the Deputy Minister of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministry of Finance
103097 Moscow
Ilyinka Street 9
Russian Federation

Telex:

112008

For the Bank:

International Bank for
Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address:

Telex:

INTBAFRAD
Washington, D.C.

248423 (RCA)
82987 (FTCC)
64145 (WUI) or
197688 (TRT)

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in Moscow, Russian Federation, as of the day and year first above written.

RUSSIAN FEDERATION

By /s/ Yuri Shafranik

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Ahmed Jehani

Authorized Representative

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Loan, the allocation of the amounts of the Loan to each Category and the percentage of expenditures for items so to be financed in each Category:

Category	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
Part A of the Project:		
(1) Equipment	213,000,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 70% of local expenditures for other items procured locally

(2) Chemicals	1,200,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 70% of local expenditures for other items procured locally
(3) Technical oil field services	37,300,000	100%
(4) Technical assistance	4,500,000	100%

Category	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(5) Refunding of Project Preparation Advance	300,000	Amounts due pursuant to Section 2.02 (c) of this Agreement
(6) Interest and other charges on the Loan accrued on or before July 14, 1995	15,700,000	Amount due pursuant to Section 2.02 (b) of this Agreement

Part B of the Project:

(1) Equipment	118,300,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 70% of local expenditures for other items procured locally
(2) Chemicals	1,900,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 70% of local expenditures for other items procured locally
(3) Technical oil field services	24,500,000	100%
(4) Technical assistance	4,500,000	100%
(5) Refunding of Project Preparation Advance	300,000	Amounts due pursuant to Section 2.02 (c) of this Agreement
Category	Loan Allocated (Expressed in Dollar Equivalent)	Amount of the % of Expenditures to be Financed
(6) Interest and other charges on the Loan accrued on	8,500,000	Amount due pursuant to Section 2.02 (b) of this

or before July 14,
1995

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Part C of the Project:

(1) Equipment	121,500,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 70% of local expenditures for other items procured locally
(2) Chemicals	1,200,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 70% of local expenditures for other items procured locally
(3) Technical oil field services	33,000,000	100%
(4) Technical assistance	4,500,000	100%
(5) Refunding of Project Preparation Advance	300,000	Amounts due pursuant to Section 2.02 (c) of this Agreement

Category	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(6) Interest and other charges on the Loan accrued on or before July 14, 1995	9,500,000	Amount due pursuant to Section 2.02 (b) of this Agreement

Part D of the Project:

(1) Technical Assistance	10,000,000	100%
<hr/>		
TOTAL	610,000,000	

2. For the purposes of this Schedule: (a) the term "foreign expenditures" means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower; and (b) the term "local expenditures" means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower; provided, however, that if the currency of the Borrower is also that of another country from the territory of which goods or services are supplied, expenditures in such currency for such goods or services shall be deemed to be "foreign expenditures".

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement.

Description of the Project

The objectives of the Project are to: (a) finance specific investments over two year period in three selected oil producers' associations, and (b) support the Borrower's reform programs in the oil sector in the areas of pricing, taxation, legislation, restructuring and promotion of private sector investment.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Bank may agree upon from time to time to achieve such objectives:

Part A: Kogalymneftegas

1. The carrying out of workovers, of about 700 production oil wells including the introduction of new technology to increase well productivity.
2. The replacement of about 864 km of oil gathering lines and production flow lines (including fittings) which would reduce oil leakages and thus address an important environmental concern as well as recover oil currently wasted.
3. Technical assistance, data processing and training.

Part B: Purneftegas

1. The carrying out of workovers of about 300 production oil wells including the introduction of new technology to increase well productivity.
2. The in-fill drilling of about 84 wells in existing fields.
3. The replacement of about 95 km of oil gathering lines and production flow lines (including fittings) which would reduce oil leakages and thus address important environmental concern as well as recover oil currently wasted.
4. Technical assistance, data processing facilities and training.

Part C: Varyeganneftegas

1. The carrying out of workovers of about 156 production oil wells including the introduction of new technology to increase well productivity.
2. The completion of about 144 wells already drilled but not completed and connection of these to the surface infrastructure.
3. The replacement of about 58 km of oil gathering lines and production flow lines (including fittings) which would reduce oil leakages and thus address environmental concern as well as recover oil currently wasted.
4. The provision of the following processing equipment: (a) a 2,000 bpd topping plant to produce refined products for oil field operations; and (b) natural gas liquid extraction units with a throughput of 175 MMSCFD of natural gas which would recover 875 tons per day (6,400 bpd) of hydrocarbon liquids. The extraction units would reduce the amount of gas and liquids being flared, and thereby provide the environmental benefits of reduced carbon dioxide and particulate emissions.
5. Technical assistance, data processing facilities and training.

Part D: The Borrower's Ministry of Fuel and Energy

Technical assistance in support of the Borrower's oil sector development and oil sector reform programs including, inter alia, the following areas: petroleum project preparation; management training; enterprise restructuring and privatization; petroleum pricing; taxation; legislation; project tendering; and oil sector

studies.

* * *

The Project is expected to be completed by June 30, 1995.

SCHEDULE 3

Amortization Schedule

Payment of Principal
(Expressed in dollars)*

Date Payment Due

For Part A of the Project:

On each January 15 and July 15

beginning January 15, 1999
through January 15, 2010 11,335,000

On July 15, 2010 11,295,000

For Part B of the Project:

On each January 15 and July 15

beginning January 15, 1999
through January 15, 2010 6,585,000

On July 15, 2010 6,545,000

* The figures in this column represent the amount in dollars to be repaid, except as provided in section 4.04 (d) of the General Conditions.

Payment of Principal
(Expressed in dollars)*

For Part C of the Project:

On each January 15 and July 15

beginning January 15, 1999
through January 15, 2010 7,085,000

On July 15, 2010 7,045,000

For Part D of the Project:

On each January 15 and July 15

beginning January 15, 1999
through January 15, 2010 415,000

On July 15, 2010 455,000

* The figures in this column represent the amount in dollars to be repaid, except as provided in section 4.04 (d) of the General Conditions.

SCHEDULE 4

Single Currency LIBOR Determination

1. Single Currency LIBOR for any Interest Period shall be the offered rate for deposits in dollars for a period of six months which appears on the display designated as page "3750" on the Telerate monitor (or such other page or service as may replace it for the purpose of displaying London interbank offered rates of major banks for dollar deposits), as of 11:00 a.m. (London time) on the second day on which banks and foreign exchange markets are open for business in London prior to the commencement of such Interest Period (the Interest Determination Date).

2. If such rate does not appear on the Telerate monitor or on such service as may replace it, the Bank shall request the London offices of four major banks to provide the Bank with the rate at which deposits in dollars are offered by such banks on the Interest Determination Date to leading banks in the London interbank market for a period of six months commencing on the Interest Payment Date in question. Single Currency LIBOR for such Interest Period shall be the arithmetic mean (rounded upwards if necessary to the fifth decimal place) of such offered quotations as determined by the Bank.

3. If not more than one major bank provides the Bank with such quotations under paragraph 2 above, Single Currency LIBOR shall be arithmetic mean (rounded upwards if necessary to the fifth decimal place) determined by the Bank of the rates quoted by at least two major banks in London selected by the Bank on the Interest Determination Date for loans in dollars to leading European banks for a period of six months commencing on the Interest Payment Date in question. If fewer than two of the banks so selected are quoting such rates, Single Currency LIBOR shall be the Single Currency in effect for the last preceding Interest Period.

