

PROTOCOL

BETWEEN

BP EXPLORATION (CASPIAN SEA) LIMITED

AND

THE GOVERNMENT OF THE REPUBLIC OF AZERBAIJAN

**ON THE IMPLEMENTATION OF SECURITY AND HUMAN RIGHTS PRINCIPLES
IN THE PROVISION OF SECURITY FOR**

**THE BAKU-TBILISI-CEYHAN PIPELINE PROJECT, THE SOUTH CAUCASUS
PIPELINE PROJECT, THE WESTERN ROUTE EXPORT PIPELINE, THE
NORTHERN EXPORT PIPELINE, AND THE INSTALLATIONS ASSOCIATED WITH
THE OFFSHORE AZERI AND CHIRAG FIELDS AND THE DEEPWATER PORTION
OF THE GUNASHLI FIELD AND THE SHAHDENIZ FIELD ALL LOCATED IN THE
AZERBAIJAN SECTOR OF THE CASPIAN SEA AND RELATED ONSHORE
INSTALLATIONS LOCATED AT THE SANGACHAL TERMINAL**

BP Exploration (Caspian Sea) Limited ("BP", or the "Operator"); and

The Government of the Republic of Azerbaijan (the "Government") hereinafter referred to together with the Government as the "Parties" and individually as a "Party";

WHEREAS, in furtherance of the goal of promoting and establishing the BTC Project the Governments of the Republic of Azerbaijan, Georgia and the Republic of Turkey have entered into an Intergovernmental Agreement on 18 November 1999 (the "BTC IGA") and associated Host Government Agreements in October of 2000 (the "BTC HGAs"), in furtherance of the goal of promoting and establishing the SCP Project, the Republic of Azerbaijan and Georgia have entered into an Intergovernmental Agreement on September 29, 2001 (the "SCP IGA") and associated Host Government Agreements in March of 2002 (the "SCP HGAs"), in furtherance of the goal of developing and refurbishing the WREP, the Republic of Azerbaijan and Georgia have entered into an Intergovernmental Agreement on March 8, 1996 (the "WREP IGA"), in furtherance of the goal of developing the offshore Azeri and Chirag Fields and the deepwater portion of the Gunashli Field and refurbishing the WREP and the NREP, the Government of the Republic of Azerbaijan has entered into the ACG Production Sharing Agreement on 24 September 1994 (the "ACG PSA"), and in furtherance of developing the offshore Shah Deniz Field, the Government of the Republic of Azerbaijan has entered into the Shah Deniz Production Sharing Agreement on 4 June 1996 (the "Shah Deniz PSA"), each containing certain substantially similar obligations regarding compliance with international law and Government Security (together, the "Project Documents");

WHEREAS, in order to promote and strengthen existing cooperation relating to the provision of Government Security to the BTC and SCP Projects and the WREP and in furtherance of the goal of promoting respect for and compliance with internationally-recognized human rights principles, as these principles evolve from time to time, particularly the principles set forth in the Universal Declaration of Human Rights, the United Nations Code of Conduct for Law Enforcement Officials, the United Nations Basic Principles on the use of Force and Firearms by Law Enforcement Officials, the Voluntary Principles on Security (the "Security and Human Rights Principles"), human rights law and the principles set forth in national legislation of each country, as applicable, the Governments have entered into the Protocol Among the Republic of Azerbaijan,

Georgia and the Republic of Turkey Relating to the Provision of Security for the East-West Energy Corridor on 23 July 2003 (the "Government Security Protocol"), which was contemplated by the Agreement Among the Republic of Azerbaijan, Georgia and the Republic of Turkey on Combating Terrorism, Organized-Crime, and Other Major Crimes entered into by the Governments on April 30, 2002 (the "Trabzon Agreement");

WHEREAS, the Republic of Azerbaijan is mindful of the fact that large offshore and trans-boundary private sector development projects involving the production and transportation of Hydrocarbons in and/or across its territory with significant infrastructure require a high level of sensitivity to security issues and pursuant to Presidential Decree No 685 dated 15 April 2002 has established the Commission for the provision of Security for Export Oil and Gas Pipelines ("PSC") to provide security that is appropriate and proportionate to threats that may arise with respect to the offshore Azeri and Chirag Fields and the deepwater portion of the Gunashli Field (the "ACG") and Shah Deniz Offshore Fields, the Baku-Tbilisi-Ceyhan (the "BTC") and the South Caucasus Pipeline (the "SCP") Projects and the Western Route Export Pipeline (the "WREP") and the Northern Route Export Pipeline (the "NREP") and in a manner consistent with the Security and Human Rights Principles;

WHEREAS, BP is the Operator of the ACG and Shah Deniz Offshore Projects and the associated terminal at Sangachal, the BTC and SCP Projects and the WREP and the NREP and desires to interface with the PSC in the provision of Government Security by PSC to the BTC and SCP Projects and the WREP and the NREP and in the provision of private unarmed security within the premises of the various ACG, Shah Deniz, BTC, SCP, the WREP and the NREP facilities contracted by the Operator pursuant to individual agreements with each of BTC Co, SCP Co, AIOC and BP Exploration (Shah Deniz) Ltd;

WHEREAS, together the Parties affirm the need for transparency and the sharing of information and experiences in performing Government Security obligations while recognizing confidentiality considerations;

WHEREAS, the Parties emphasize their common will to cooperate and to assist the Republic of Azerbaijan in fulfilling its obligation to create and maintain a Government Security system allowing for effective and proportionate security responses, and to coordinate monitoring efforts to facilitate ongoing compliance with their respective security and human rights commitments; and

WHEREAS, the Parties desire to implement and make operational the security-related human rights standards that have been committed to in the aforementioned Project Documents including the standards set forth in the Security and Human Rights Principles. The Parties have therefore agreed to the following:

CHAPTER I DEFINITIONS

Article 1

For the purposes of this protocol:

1.1 "Government Security" shall mean those aspects of project security that the States are responsible for as detailed in the BTC and SCP IGAs, the BTC and SCP HGAs, the WREP IGA and the ACG and Shah Deniz PSAs, the Trabzon Agreement and the Government Security Protocol.

1.2 "State Security Agencies" shall mean those state authorities, including the PSC, responsible for the provision of Government Security.

1.3 "Operator Security " shall mean those aspects of project security that the Operator may implement, whether directly or indirectly through third party contracts , pursuant to the various agreements entered into by the Operator and each of the BTC, SCP Projects, the WREP and the NREP and the associated terminal at Sangachal for the operation or management thereof; provided, however, that Operator Security shall be limited to the provision of security within the perimeter fence of the various project facilities and premises operated by the Operator pursuant to these operating and management agreements on the territory of the Republic of Azerbaijan.

1.4 "Operator" shall mean BP Exploration (Caspian Sea) Limited.

1.5 "Security and Human Rights Principles" form an integral part of this Protocol and include those principles as detailed in the Constitution, the legislation of the Republic of Azerbaijan and the guidelines set out in the US State Department and Foreign and Commonwealth Office's 'Voluntary Principles on Security and Human Rights', the United Nations Code of Conduct for Law Enforcement Officials, the United Nations Basic Principles on the Use of Force and Firearms by Law Enforcement Officials, the Universal Declaration of Human Rights, and the European Convention on Human Rights.

1.6 "Effective Date" shall mean the date this Protocol enters into force in accordance with the procedures set forth in Article 12.3 herein.

1.7 All terms not specifically defined herein shall have the meaning set forth in the BTC, SCP and WREP IGAs and the ACG and Shah Deniz PSAs.

CHAPTER II GOVERNMENT SECURITY

Article 2 Provision of Security

2.1 The Government agrees that it will take, and will procure that other governmental authorities and entities take, all actions related to Government Security in a manner consistent with the Security and Human Rights Principles, applicable national legislation and international law, including international treaties and agreements concerning human rights to which the Republic of Azerbaijan is a party, and in a manner that takes account of local community circumstances.

2.2 In performing the obligations set out in this Protocol and the respective BTC, SCP and WREP IGAs and the ACG and Shah Deniz PSAs, the Trabzon Agreement, the Government Security Protocol and other applicable Project Documents, the Government shall endeavor to cooperate with the appropriate local authorities and consult with and involve them in matters related to Government Security.

Article 3 Procedures for Use of Force and Firearms

3.1 The Government agrees to:

(i) take all appropriate action to ensure that personnel of State Security Agencies use force only where strictly necessary, in a manner proportionate to the threat

responded to and in a manner consistent with national legislation and the specific guidelines set; and

(ii) where appropriate, equip security personnel with non-lethal incapacitating weapons and self-defensive equipment.

3.2 The Government further agrees to provide medical aid to injured persons, including to offenders, where force is used in connection with provision of Government Security by State Security Agencies.

Article 4 Procedures for Hiring Security Personnel

4.1 The Government agrees to take all appropriate action in accordance with national legislation and the standards set forth in the Security and Human Rights Principles and the Project Documents to ensure that individuals who have been credibly implicated in human rights abuses or criminal activities, or previously convicted of a criminal offence, do not work for State Security Agencies involved in protection of export pipelines and associated facilities.

4.2 Consistent with the Security and Human Rights Principles and the Project Documents, the Operator agrees that, to the extent it provides Operator Security directly, it will:

- (i) institute appropriate screening of security personnel;
- (ii) take into account recommendations provided by State Security Agencies resulting from the screening of security personnel;
- (iii) not employ persons to provide security services who have been credibly implicated in human rights abuses or criminal activities; and
- (iv) employ persons in guard service positions who are citizens of the Republic of Azerbaijan.

Article 5 Training of Security Personnel

5.1 The Government confirms that the deployment and training of the personnel of the State Security Agencies is the responsibility of the Government of the Republic of Azerbaijan and in discharging this obligation the Government shall develop a system of standards defining the core competencies of the State Security Agencies that are consistent with the Security and Human Rights Principles (the "Security Standards") and shall facilitate the objective measurement of such competencies at regular intervals.

5.2 The Government agrees that it shall take all necessary action to select and train the personnel of State Security Agencies with the aim that security is provided in a manner that is compatible with the Security and Human Rights Principles and sensitive to local community circumstances.

5.3 The Government agrees that security personnel who fail to satisfy the basic requirements laid out in the Security Standards will not be assigned to operational duties until such date as the Government confirms their conformance with the Security Standards.

Article 6

Representations and Warranties

6.1 The Government hereby represents and warrants that, as of the Effective Date, the undertakings hereunder are in conformity with the national legislation of the Republic of Azerbaijan, and that entry into this Protocol and performance of the obligations set forth herein will not constitute or result in a breach of this legislation.

6.2 The Government hereby represents and warrants that it is not a party to any domestic or international agreement or commitment or lawfully bound to observe or enforce any domestic law or regulation, or international agreement or treaty, which may conflict with, impair or interfere with this Protocol or limit its ability to implement this Protocol.

6.3 The Government hereby represents that the obligations set out herein are valid, and warrants to fulfill these obligations.

6.4 The Government hereby represents that in the event that a State Entity is engaged by the Operator to provide Operator Security to the ACG and Shah Deniz Projects and the associated terminal at Sangachal, the BTC and SCP Projects and the WREP and the NREP, the provisions of the contract creating the engagement shall govern in every respect (subject to the Project Documents) the nature of the relationship between the Operator and that State Entity. For the avoidance of doubt, any State Entity engaged by the Operator to provide Operator Security shall deliver such Operator Security in strict accordance with the terms and provisions of the contractual arrangements that govern that engagement.

CHAPTER III

INTERACTIONS BETWEEN THE OPERATOR AND PSC

Article 7

Training Security Personnel

7.1 If the Government deems appropriate, it may consult with the Operator to facilitate discharge of the Government's obligations as set forth in Article 5 herein. For the avoidance of doubt, the Parties agree that the Government is solely responsible for the provision of Government Security and the Operator shall have no obligation to provide security training, nor will its interactions with the Government, the State Security Agencies, the PSC or other Government personnel be construed as implying a right by the Operator to direct or control the activities of the Government, the State Security Agencies, including the PSC, or other Government personnel.

7.2 The Operator confirms that the deployment and training of Operator Security is the responsibility of the Operator and shall develop a system of standards defining the core competencies of Operator Security and a system by which such competencies can be measured at regular intervals. Any security personnel providing Operator Security who fail to satisfy the standards set forth in the foregoing core competencies will not be assigned to operational duties until such date as their conformance with those standards is confirmed in accordance with national legislation.

Article 8

Consultations

8.1 The Parties will consult regularly between themselves on at least a quarterly basis regarding:

- (i) the provision of Government Security;
- (ii) compliance with the Security and Human Rights Principles; and
- (iii) any human rights issues arising from the provision of Government Security.

8.2 The Parties will consult regularly with representatives of local communities on, at least a quarterly basis with respect to actual and probable impacts of Government Security and Operator Security on local communities. To the extent that substantive issues are raised during these consultations, the Parties will communicate with each other to determine if a cooperative response is warranted, and if so, the nature of such response.

8.3 The Parties will consult between themselves regarding use of Operator Security, including:

- (i) the type and number of Operator Security personnel;
- (ii) the vetting of personnel providing Operator Security for past criminal and human rights violations and convictions and compliance with the competency assessments set forth in Article 7.2 herein; and
- (iii) any ethical issues arising from the provision of Operator Security.

8.4 The Parties will develop and agree a set of principles and procedures to define the types of information that will be retained as confidential and the circumstances under which such information may be disclosed to third parties, including information concerning the certification of Operator Security and the personnel of the State Security Agencies and those Operator Security and the personnel of the State Security Agencies who have failed to satisfy the basic requirements laid out in the Security Standards and, as a consequence, have been suspended from operational duties.

8.5 The Parties will develop and agree a set of procedures to define a cooperative and effective response for the Operator and the State Security Agencies to address credible security threats to Operator and Operator Security personnel, the various Facilities and the associated Rights to Land, consistent with the Project Agreements and the Security and Human Rights Principles.

Article 9 Information Exchange

9.1 The Parties, in accordance with the Constitution, the legislation of the Republic of Azerbaijan, the Project Documents and the guidelines set out in the Security and Human Rights Principles, agree to:

- (i) report any credible allegations of human rights or ethical abuse by the personnel of the State Security Agencies or Operator Security personnel and any use of physical force by personnel of the State Security Agencies to the appropriate authorities in the States and the Implementation Commissions established by the BTC and the SCP IGAs and the Working Group established with joint participation of the Operator and the PSC;
- (ii) investigate and record any credible allegations of human rights or ethical abuse by personnel of the State Security Agencies or Operator Security and any use of deadly force by personnel of the State Security Agencies;

(iii) exchange information and documents related to credible allegations of human rights or ethical abuse by personnel of the State Security Agencies or Operator Security, including the results of any investigation, with each other, the appropriate representatives of each of the Project Companies and the Working Group; and

(iv) make such information reasonably available to the public, unless public disclosure would be inconsistent with national legislation, the Security and Human Rights Principles, or the Project Documents or could reasonably be expected to result in material risk to persons or property. The Parties further agree to take appropriate measures to protect the identities of individuals raising security-related human rights allegations.

9.2 The Parties shall take reasonable measures to cooperate and to provide on a timely basis in accordance with established practices all necessary information for project security risk assessments and conflict analysis performed by the ACG and Shah Deniz Projects, the BTC or SCP Project or the WREP and the NREP or their agents.

Article 10 Compliance Monitoring

10.1 The Parties, in accordance with the procedures to be established pursuant to Article 11 herein, shall take reasonable measures to cooperate with the Implementation Commission(s) and the Working Group established with the joint participation of the Operator and the PSC in the conduct of periodic monitoring efforts to ensure compliance by the Parties with their obligations under this Protocol ("Compliance Monitoring"). The Implementation Commission(s) may conduct such Compliance Monitoring using qualified external security experts. The information collected through such Compliance Monitoring may be subject to confidentiality provisions consistent with national legislation or the Project Documents. Information that could reasonably be expected to result in material risk to persons or property will not be publicly disclosed.

CHAPTER IV GENERAL PROVISIONS

Article 11 Implementation

11.1 The Parties shall take all appropriate measures to ensure the full realization of the terms of this Protocol. Each Party hereby covenants to the other that, as of the Effective Date hereof, it shall take all actions necessary within the framework of the Project Documents, the Security and Human Rights Principles and national legislation to secure full support for the implementation and conduct of activities pursuant to this Protocol and, in furtherance thereof, shall cooperate to establish appropriate procedures consistent with the Project Documents, national legislation and the Security and Human Rights Principles for the conduct of Compliance Monitoring.

11.2 The Parties agree to initiate an independent review in accordance with the Security and Human Rights Principles and national legislation:

(i) in the event of any credible allegation of human rights or ethical abuse by personnel of the State Security Agencies or by Operator Security service employees; and

(ii) in order to resolve any complications, issues, problems, or disputes that may arise in relation to the training, deployment, action, inaction or other activity related to Government Security and Operator Security .

11.3 The Parties agree to develop a set of binding procedures consistent with the Project Documents, the Security and Human Rights Principles, national legislation, international and human rights law and in a manner sensitive to local community circumstances to define their mutual cooperation:

(i) in response to national or local states of emergency, whether caused by a natural disaster, civil unrest, sabotage or otherwise;

(ii) in response to allegations of human rights abuses whether brought against personnel engaged by the State Security Agencies, including the PSC, or the Operator; and in the conduct of any independent investigations undertaken pursuant to Article 11.2 herein.

Article 12 **Final Provisions**

12.1 The interpretation and application of the Security and Human Rights Principles shall be in accordance with national legislation and with the international agreements to which the Government is bound as a party.

12.2 This Protocol is executed in multiple counterparts in the English and Azerbaijani languages. In the event of any conflicting interpretations of any provisions of this Protocol or any notices hereunder as between the language counterparts, the English language counterpart shall prevail.

12.3 Upon execution by the Parties, this Protocol shall enter into force on the date upon which the Government delivers to the Operator written notification of approval in accordance with national legislation (the "Effective Date").

12.4 This Protocol shall be made public, including by posting to a public internet website.

12.5 The obligation in this Protocol

(i) with respect to the BTC Project shall remain in force so long as BP acts as Operator for the BTC Project;

(ii) with respect to the SCP Project shall remain in force so long as BP acts as Operator for the SCP Project;

(iii) with respect to the ACG Project shall remain in force so long as BP acts as Operator of AIOC for the ACG Project and the WREP and the NREP and the associated Sangachal terminal; and

(iv) with respect to the Shah Deniz Project shall remain in force for so long as BP acts as Operator of the Shah Deniz Project.

12.6 This Protocol may be terminated by either Party upon the submission of six months prior written notice to the other Party.

12.7 No amendment or addition to this Protocol shall be valid unless made in writing and executed by the Parties.

12.8 This Protocol and the rights, obligations and other provisions of this Protocol shall bind the Government and the State Security Agencies, including the PSC, and all other state authorities and apply to the Parties notwithstanding any change in the constitution, control, nature or effect of all or any of them and notwithstanding the insolvency, liquidation, reorganization, merger or other change in the viability, ownership or legal existence of the PSC or any other state authority (including by total or partial privatization).

12.9 In the event of any dispute arising between the Parties with respect to the application and interpretation of this Protocol, the Parties agree to make their best endeavours to resolve any such dispute by consultation and negotiation. Should the Parties fail to reach agreement within 60 (sixty) days following first notice by either Party of a dispute, the dispute may be referred by either Party to arbitration in accordance with the resolution mechanisms in Article VIII of the BTC IGA and Article VIII of the SCP IGA which shall apply *mutatis mutandis* to this Protocol.

12.10 This Protocol does not amend, modify, vary, waive, terminate or prejudice the rights or obligations of the Government under the BTC IGA, SCP IGA, BTC HGAs, SCP HGAs, WREP IGA, the ACG PSA, the Shah Deniz PSA or Trabzon Agreement in any respect and the Government shall remain fully responsible for the provision of security as set out herein and the Operator shall not be construed as having any rights or obligations to direct or control the activities of the Government, the State Security Agencies, including the PSC, or other Government personnel.

This Protocol is executed in the city of Baku on ____ of November 2007 in two English originals and two Azerbaijani originals.

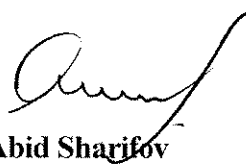
**On behalf of the
BP Exploration (Caspian Sea), Limited**

**On behalf of the
Government of the Republic of Azerbaijan**



By: Bill Shrader

BP Azerbaijan President



By: Mr. Abid Sharifov

**Deputy Prime Minister of the Republic of
Azerbaijan**