

GAS SUPPLIES AND PRICING REGULATIONS RULES OF IMPLEMENTATION

Kingdom of Saudi Arabia

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Objectives of the Rules of Implementation

The purpose of the Rules is to implement the Regulations and to ensure the uniform and regulated conduct of Gas and NGL activities in the Kingdom through the Ministry, and to ensure the application of the highest and best possible

plans, conditions and procedures for the development, safety, growth and operation of Regulated Activities.

Rules Scope and Responsibilities

These Rules apply to the activities of Transmission, Processing, Fractionation, Storage, Local Distribution, Aggregation, sales, and marketing of Relevant Hydrocarbons in the Kingdom.

The Gas Supplies and Pricing Regulations are implemented through these Rules and Implementation Guidelines; should there be any conflict between the Regulations, the Rules of Implementation and the Implementation Guidelines, the conflict shall be resolved in the following descending order of precedence:

1. The Regulations;
2. The Rules of Implementation; and
3. The Implementation Guidelines

Related Regulations

Licensees shall be responsible for the full and lawful adherence to, and compliance with all applicable laws of the Kingdom, including without limitation, all applicable laws, regulations, statutes, Royal Decrees, Council of Ministers or other Government decisions, orders, acts, codes, legislation, treaties, conventions, directives, and/or any similar instruments issued by the Saudi Arabian Government

Article 1. DEFINITIONS

Terminology and expressions used in these rules shall have the meaning assigned hereto, at any case; the definitions established in the Regulations shall take precedence. In addition, where oil and gas industry units and terminologies are used within these Rules they shall be interpreted in accordance with generally accepted International Industry Standards. The following meaning of a capitalized word shall also apply to the plural thereof.

Aggregation – The purchase of Relevant Hydrocarbons from one or more parties, the arrangement for the movement of those Relevant Hydrocarbons through Regulated Facilities and the sale of those Relevant Hydrocarbons to one or more customers.

Aggregator – A person that performs Aggregation services.

Applicant – A person that applies for a License, license modification or license renewal.

Capacity – The amount of volume available in a Regulated Facility for providing Licensed services to the Licensee and to Third Parties.

Committee – The Supply and Pricing Committee as provided for in Article 18 of the Regulations.

Company – Any company established under the laws of the Kingdom of Saudi Arabia or entitled under such laws to conduct business in the Kingdom, and

includes any Joint Venture.

Confidential Information – Information proprietary to the Supreme Council, the Minister or Ministry, Licensees or Prospective Licensees that is not in the public domain.

Connections to the MGS – Facilities built for the purpose of connecting any Regulated Activity, or facilities upstream of any Regulated Activity, to the MGS.

CSGID – The Committee for the Settlement of Gas Industry Disputes as provided for in Article 16 of the Regulations.

Delivery Point – That point in a Regulated Facility where custody to Relevant Hydrocarbons is transferred to the owner of those Relevant Hydrocarbons after the defined service of a Regulated Facility has been provided.

Dry Gas – Also referred to as sales gas, primarily consisting of methane (CH₄) and which may include some Ethane and small quantities of heavier hydrocarbons and other trace components.

E, H & S – Environment, Health and Safety

Ethane – The hydrocarbon containing two carbon atoms (C₂H₆), mainly used as a petrochemical feedstock or as a component of Dry Gas. Commercial Ethane may contain small quantities of LPG and heavier components.

Exclusivity – The right of a Licensee for a specific period of time to use 100% of Capacity in a Regulated Facility owned by the Licensee.

Facility – Any facility in or at which a Regulated Activity is, or is proposed to be, conducted.

Firm Service – Service in a Regulated Facility offered on a continual basis.

Fractionation – The separation of Ethane and other NGLs, derived from either a Gas Processing plant or a pipeline straddle plant, into individual components, these being Ethane, propane, butanes, pentanes and heavier streams of hydrocarbons.

Gas – The mixture of hydrocarbons containing methane, Ethane, LPG, pentane and heavier components and some impurities, which is normally in a gaseous state at ambient conditions.

Gas Treatment – The removal of water, carbon dioxide, sulfur and free liquid hydrocarbon compounds in plants variously referred to as Gas plants or Gas Treatment plants (and, under certain circumstances, may also include dew point control units), an activity that is carried out as part of the upstream production function.

Implementation Guideline – Information, procedures, requirements, details or clarifications issued and maintained as required by the Ministry, pursuant to the Regulations and the Rules in order to give effect to the Rules of Implementation.

Independent System – A system of Gas Transmission, Gas Processing, NGL Transportation or Fractionation not connected to the MGS.

Industrial Project – Any industrial project other than a Utility Project.

Interested Party – Any Kingdom governmental agency, Company, Licensee, Prospective Licensee, Third Party, Prospective Third Party, Industrial Project or Utility Project involved or potentially involved with a Regulated Activity under these Rules.

International Industry Standards – Such practices and procedures employed generally in the petroleum industry throughout the world by prudent Companies under conditions and circumstances similar to those experienced in connection with operations in the Kingdom.

Interruptible Service – Service in a Regulated Facility offered as available on a first come, first served basis, but offered secondary to the requests of users of Firm Service.

Kingdom – The Kingdom of Saudi Arabia, its dedicated economic area and its continental shelf.

License – A license to conduct any Regulated Activity granted under the Regulations.

Licensee – The holder of a License to conduct any Regulated Activity.

Local Distribution – Supplying to end consumers Relevant Hydrocarbons via a Local Distribution System.

Local Distribution System (LDS) – A system that receives Dry Gas from a high-pressure Transmission pipeline and supplies consumers, typically requiring the installation of a network of pipelines, pressure reduction stations and other facilities, and delivers the Gas to the customers' meters at appropriate pressures. A Local Distribution System will involve supply to any collection of consumers located in an industrial park or estate.

LPG – The hydrocarbon products of propane (C₃H₈) and butane (C₄H₁₀) extracted from natural gas which are sold separately, or as a mixture, as fuels or feedstocks. LPG may contain small quantities of pentane and heavier components and is normally in a liquid state at storage conditions.

Major Consumer – A stand-alone Industrial or Utility Project using natural gas products as fuel or feedstock, securing their requirements through a direct connection to a high pressure Transmission system and not through a Local Distribution System.

MGS – The Master Gas System in its current or future expanded state comprising an integrated Gas Transmission, Gas Processing, NGL Transportation and Fractionation system.

Minister – The Minister of Petroleum & Mineral Resources.

Ministry – The Ministry of Petroleum & Mineral Resources.

Natural Gas Liquids (NGLs) – One or more of the following petroleum compounds: Ethane, propane, butanes, and pentanes and heavier hydrocarbons (sometimes referred to as a pentane+ stream).

NGL Transportation – The delivery of NGLs by a pipeline from a Gas Processing plant or of individual NGLs from a Fractionation plant to an end user or for

export.

Order The formal document by which the Ministry delivers instructions and directions under these Rules.

Postage Stamp Tariff – The application of a uniform tariff for use of a Regulated Facility that is not dependent on a Receipt Point or a Delivery Point.

Processing – The removal of NGLs from a treated liquid rich gas stream to produce sales quality Gas in plants variously referred to as a Gas Processing plant or a pipeline straddle plant.

Prospective Licensee Any party that is required to obtain a license in order to conduct any Regulated Activity.

Prospective Third Party – A Company or Interested Party that is interested in accessing the services on offer from a Licensee.

Publish – The public notification and presentation of data in official Kingdom gazettes or publications as shall be notified by the Ministry from time to time.

Receipt Point – That point where the owner of a Regulated Facility takes custody to Relevant Hydrocarbons from a Third Party for the purpose of providing a Regulated Facility' s defined service.

Regulated Activity – Any of the following:

The Transmission of Relevant Hydrocarbons;

The Processing of Relevant Hydrocarbons;

The Fractionation of Relevant Hydrocarbons;

The Aggregation of Relevant Hydrocarbons; and

The Local Distribution of Relevant Hydrocarbons;

The sale or other disposition of Relevant Hydrocarbons.

Regulated Facility – Any facility that provides Transmission, Processing, Fractionation, Storage,, or Local Distribution services.

Regulated Function – The Aggregation, sale or other disposition of Relevant Hydrocarbons.

Regulations – the Gas Supplies and Pricing Regulations promulgated and adopted on behalf of the Kingdom by the Supreme Council on the 25th day of the month of Jumada I, of the year 1424 A.H., corresponding to the 23 day of the month of August of the year 2003.

Relevant Hydrocarbons – Any gaseous or liquid hydrocarbons (other than crude oil or condensate) produced in the Kingdom and which have been subject to treatment in a Gas Treatment plant.

Rules The Rules of Implementation for the Gas Supplies and Pricing Regulation.

Saudi Aramco – The Saudi Arabian Oil Company.

Security Interest – A mortgage, pledge, charge, lien, hypothecation, encumbrance, or Transfer (or other disposal or dealing with) as security for

the payment, repayment or performance of any obligation.

Storage – the act of receiving, holding and redelivering Relevant Hydrocarbons at fixed storage facilities other than in pipelines or Regulated Facilities not solely Licensed for Storage.

Supreme Council – The Supreme Council for Petroleum and Minerals Affairs.

Third Party – A Company that arranges for services from a Licensee.

Third Party Access – The means by which a Third Party is able to have its Relevant Hydrocarbons handled by the Licensee of a Regulated Activity.

Transfer To transfer, convey, sell, assign or otherwise deal with or create interests in, including the grant of a sub-license of, a License. Any reference to Transfer includes reference to purporting or attempting to Transfer.

Transmission – The delivery of treated gas or Dry Gas at high pressure through large diameter pipelines typically beginning at the outlet flange of the upstream Gas Treatment plant at each gas field and ending with delivery to a Major Consumer or a party conducting Local Distribution.

Utility Project – Any project for the generation of electricity or the production of desalinated water, or both.

Unofficial English

Article 2. REGULATED ACTIVITIES

These Rules govern Regulated Activities in the Kingdom, including Transmission, Processing, Fractionation, Storage, Local Distribution, Aggregation, and sales or other disposition of Relevant Hydrocarbons in the Kingdom .

Where a Regulated Activity comprises a part of a Facility that performs other, non-regulated, activities, the Regulated Activity shall be subject to the Regulations, Rules and Implementation Guidelines as if it were constructed and/or conducted separately from the other, non-regulated, activities.

Where Storage service is offered on a stand-alone basis, the owner of the relevant Storage Facility must obtain a License as though Storage was a Regulated Activity.

2.1 Regulated Facilities

Regulated Facilities shall be the physical structures constructed to perform the corresponding Regulated Activities conducted therein.

A Licensee of a Regulated Facility shall:

Construct Facilities in accordance with Applicable Law and standards approved from time to time by the Ministry;

Operate Facilities in a safe and efficient manner;

Arrange contracts for services with Third Parties;

Schedule receipts and deliveries based on approved procedures;

Cooperate with other Licensees to balance system loads and perform system

allocation;

Perform necessary maintenance and Facility upgrades;

Develop long-term plans for Facility utilization and expansion; and

Develop operational guidelines for maintaining safe operations during periods of service disruption.

Study of future facility requirements due to anticipated changes in the supply and demand of Relevant Hydrocarbons.

2.2 Regulated Functions

Regulated Functions shall be the commercial services comprised of Regulated Activities offered by Licensees to Third Parties.

A License shall include one or more of the following activities:

Contract with producers and suppliers for the purchase of Relevant Hydrocarbons;

Contract with customers and Major Consumers for the sale of Relevant Hydrocarbons;

Contract with Regulated Facilities for Processing, Transmission, Fractionation, NGL Transportation and Storage services for Relevant Hydrocarbons.

The Ministry will license Saudi Aramco to be the Aggregator of Relevant Hydrocarbons that access the MGS.

Article 3. LICENSE REGIME

All Regulated Activities within the Kingdom shall require a License granted by the Ministry pursuant to the Regulations and these Rules.

Multiple Regulated Activities may be conducted under a single License and approval of any such Licenses will be decided by the Ministry on a case-by-case basis.

Where a Company conducts the same Regulated Activity at multiple Facilities, that Company may apply for a single License in accordance with the licensing process detailed in this Article 3 of the Rules and the relevant Implementation Guidelines.

3.1 Corporate Requirements

Licenses will be issued in the name of the Prospective Licensee.

A Licensee other than Saudi Aramco shall:

Have the provision of Regulated Activities and other related upstream activities as its principal corporate purpose; and,

Be formed and conduct all activities in accordance with Applicable Law.

3.2 Licensing of Existing Regulated Activities

Regulated Activities being conducted as of the time of the effective date of the Regulations shall be defined as Existing Regulated Activities under these Rules.

Owners of Existing Regulated Activities that do not have a License granted by

the Ministry shall comply with the License application process or Transition Articles pursuant to Article 10 of these Rules.

3.3 Licensing of New Regulated Activities

In order to build, own or operate any new Regulated Facility, a party must apply for and obtain a License.

Such party must apply for and obtain a License in order to perform any Regulated Function.

3.4 License Fees

Applicants shall pay an application fee as part of any application to the Ministry and Licensees shall pay an annual License fee.

The Ministry Shall propose the license application fee and the annual license fee. The Committee shall review the Ministry's proposal and present its recommendation to the Minister, who shall submit them to the Supreme Council for approval. The License Fees are considered an integral part of the Rules.

3.5 License Application Data Requirements

Information supplied to the Ministry by an Applicant in support of a License application must be sufficient for the Ministry to analyze the Applicant's proposals and for it to form a comprehensive opinion with respect to the merits of the application.

3.6 License Approval Process

In order to be granted a License, or to modify an existing License, an Application shall be filed with the Ministry and the License application fee shall be paid in accordance with Article 3.4 of these Rules.

Within fourteen (10) days following receipt of the application, the Ministry will notify the Applicant whether its application has been accepted or rejected because of technical defects or deficiencies.

The Applicant shall have thirty (30) days from the date of rejection for technical deficiencies, or such shorter or longer period as the Ministry may prescribe based on the nature of the deficiencies, to cure the noted deficiencies and resubmit the application, without the need to pay an additional License application fee. If the Applicant fails to timely cure and resubmit the application, then the application shall be dismissed without prejudice to a future application, and the fee forfeited.

The application process shall involve a period of consultation and notice to Interested Parties, determined by the Ministry, who shall be given an opportunity to comment on the License application.

Within fourteen (10) days following notice that its application has been accepted for consideration, the Applicant shall Publish notice of the License application. The Published notice shall include pertinent information on services and tariffs, and shall be in a form and include other content as prescribed by the Ministry. Proof of Publication shall be filed with the Ministry.

No later than the date notice is first Published, the Applicant shall deliver to the Ministry an information memorandum containing data relative to the application and in detail, as prescribed by the Ministry, sufficient for Interested Parties to make informed determinations and relevant comments and input relative to the application. The Ministry, on request, will provide this information memorandum to Interested Parties that meet the Ministry's criteria.

Interested Parties shall have thirty (30) days from the date of Publication of the notice of the application in which to review the information memorandum and submit written comments to the Ministry.

Within sixty (60) days of its receipt of the proof of Publication, the Ministry shall review the application and submissions by Interested Parties, and may request additional information, supplemental materials or consultations to the extent necessary to make the determination to grant a License or reject the application.

In processing a License application, the Ministry shall give due consideration to all relevant issues, including without limitation:

- The technical, commercial and financial capabilities of the Applicant;
- The input of Interested Parties;
- Long-term security of supply for Relevant Hydrocarbons;
- The avoidance of unnecessary duplication of Facilities;
- The potential impact on competition;
- The optimal development of the Kingdom's Gas and NGL related industries;
- The proximity of a proposed Regulated Facility to existing Facilities; and
- Any additional criteria the Ministry may deem applicable to this application.

Upon approval of the application, the Ministry shall award the License and Publish a notice of the License award.

If the application is rejected, the Ministry shall notify the Applicant of the rejection and the reasons for the rejection.

3.7 Local Distribution System License Bid Process

Application can be made for a License to own and operate a LDS as per Article 3.3 of these Rules.

In addition, a License bid process may be initiated by the Ministry when, in its judgment, there are sufficient factors to justify the development of a LDS and to determine an appropriate geographic service area.

The specifics of the qualification for and of the LDS License Bid Process shall be in accordance with, and shall contain the information required by, the Ministry.

The Ministry's use of a bid process shall be in the public interest in order to help to ensure that the lowest sustainable tariffs are charged for the service to be offered, and shall be implemented in such a manner that a

sufficient number of quality bids are solicited to ensure a competitive outcome.

The Ministry shall Publish a notice soliciting Applicants. The notice will include details of the geographic service area of the proposed LDS, of the qualification criteria and of the procedure and enrollment period for the bid process.

Applications for qualification to bid will be accepted from Prospective Licensees for a period of thirty (30) days from the date of notice. Within the next following thirty (30) days the Ministry shall compare the applications received with the qualification criteria. Those Prospective Licensees meeting or exceeding the qualification criteria to submit bids will be invited to bid for the LDS License.

The Ministry shall develop a set of bid parameters pertinent to each potential LDS License and will collate those parameters into a bid package.

The Ministry's invitation to bid issued to each qualified Prospective Licensee shall be accompanied by the bid package.

A period of time not to exceed sixty (60) days shall be established for the receipt of bids.

Within forty (40) days next following the end of the time period for receipt of bids, the Ministry will compare each bid to the bid parameters established for the particular LDS License.

Upon its assessment of the bids received, the Ministry shall either award the LDS License to the applicant judged to have submitted the best and most suitable bid, or reject all of the bids.

, The Ministry, upon award of the License, shall Publish notice of the award.

In the event that the Ministry reaches the conclusion that all of the bids have not met the required bid parameters, then the LDS bid process will cease.

3.8 License Terms and Conditions

In addition to the specific terms and conditions contained within each License, each Licensee shall develop policies and plans for the following items:

- Employment and increasing the numbers of Saudi Arabian personnel.

- Training of Saudi Arabian employees.

These plans and policies shall be updated and submitted to the Ministry by each Licensee at least every three (3) years.

Ownership of all physical assets not ordered by the Ministry to be abandoned shall revert to and be delivered to, in good condition less normal wear and tear, the Government after License expiration.

3.9 Acceptance of the License

An approved License shall subject the Licensee to conditions and standards related to technical, operational and commercial levels of service as set forth in:

the Regulations, these Rules and the Implementation Guidelines.

standards prescribed by the Ministry in accordance with Articles (9) and (10) of the Regulation and Article (6) of these Rules.

as prescribed in the License.

The acceptance of a License shall signify the Licensee's unconditional acceptance of all the obligations contained therein.

The issuance of a License shall constitute authorization by the Ministry to construct, own and operate Regulated Facilities, or to perform Regulated Functions, which are specified in the License.

3.10 License Duration

Licenses shall be valid for a maximum period of thirty-five (35) years from the date of issuance.

3.11 License Renewals

At least two (2) years and no more than ten (10) years prior to the expiration of the term of a License, a Licensee may submit an application for renewal.

The Ministry shall establish application content and procedures for renewal.

License renewals, if granted, will be for a period of ten (10) years.

3.12 License Modification

The Ministry may consider a request from a Licensee for modification to a License. In such cases, the License processes as detailed in Articles 3.3, 3.4, 3.5 and 3.6 of these Rules shall be applied, and shall be initiated by the Licensee submitting an application for a modified License. The same processes set forth in the aforementioned Articles of the Rules shall be applied save for all references relating to modified Licenses rather than new Licenses.

3.13 License Transfer Protection

Should a Licensee wish to transfer or sell its interest, in whole or in part, in the relevant License, it must obtain the prior written approval of the Ministry.

The potential transferee shall file with the Ministry an application for transfer of License containing information as prescribed by the Ministry.

Upon approval, the Ministry shall award a License to the new owner and Publish a notice of the award. If the Ministry rejects the application, the Ministry shall notify the Licensee of the rejection and the reasons for the denial.

3.14 Insurance Requirements

A Licensee shall maintain insurance against liability claims arising from the conduct of Licensed Regulated Activities.

Each Licensee shall maintain appropriate insurance against loss or damage to its Regulated Facilities, and shall be required to promptly restore its damaged Regulated Facilities to full operating condition following any loss of or damage thereto. In the event a Licensee fails to restore damaged facilities

a penalty may be assessed up to the amount necessary to restore the Regulated Facility to operation.

Insurance requirements shall be prescribed by the Ministry.

3.15 Security Interest

Should any Licensee wish to create a Security Interest in any Regulated Facility, in whole or in part, it shall obtain the prior written approval of the Ministry.

3.16 Anti Competitive Behavior

A Licensee shall not engage in behavior of any kind or nature which would discriminate or facilitate discrimination (including barriers to entry) against other Licensees or against Third Parties or Prospective Third Parties wishing to utilize said Licensee's Regulated Facilities, in a manner which could create an unfair position, restrict opportunities for others or reduce the development of competition in the growth of the Kingdom's Gas and NGL markets.

The Ministry shall be responsible for applying Implementation Guidelines at an appropriate time regarding anti-competitive behavior which shall be consistent with and shall complement Applicable Law in the Kingdom governing anti-competitive behavior. The Ministry shall have the authority to implement sanctions and penalties in the event that a Licensee fails to comply with such Implementation Guidelines.

3.17 Licensed Facility Abandonment

During the life of a Regulated Facility, Licensees shall submit regular reports and submissions to advise the Ministry of the expected life of a Regulated Facility.

At least three (3) years prior to the anticipated abandonment date of a Regulated Facility, the Licensee shall submit an abandonment plan for review and approval by the Ministry. Such plan shall be in adherence to the procedures established by, and shall contain information required by, the Ministry.

The Ministry shall approve, amend or deny the abandonment plan within sixty (60) days from the date it is received.

Upon approval, the Ministry shall Publish notice of abandonment.

3.18 Penalties and License Revocation

Licensees shall comply fully with the Regulations, Rules, Implementation Guidelines and with the specific terms and conditions of its License.

Licensee's failure to comply may subject it to penalties which may range from a warning or the imposition of a fine, up to and including revocation of the License.

Circumstances that may result in revocation of a License include, but are not necessarily limited to, the following:

Serious and repeated non-compliance with the License terms and conditions;

The Licensee' s failure to submit an appropriate corrective plan, effect appropriate corrective action or pay fines issued by the Ministry;
Repeated or continuing failure to comply with the Regulations, Rules and Implementation Guidelines;
Extended or repeated partial or full discontinuance of the Licensee' s services due to the Licensee' s negligence, fraud or incompetence;
Amendment of the Licensee' s corporate purpose without approval of the Ministry;
Sale or Transfer of License essential assets without prior approval of the Ministry;
Licensee' s bankruptcy, insolvency, lack of financial performance, dissolution or winding up; and
Licensee' s abandonment of the service without prior authorization of the Ministry.

The Ministry shall investigate any alleged or suspected non-compliance with the Regulations, Rules or Implementation Guidelines and shall implement sanctions and penalties as it deems appropriate.

Article 4. Capacity

As part of the License application process, the Applicant shall specify the Capacity of each segment of the relevant Regulated Facility. The reported Capacity shall note any daily, monthly, seasonal or other variations. A Licensee shall notify the Ministry of any material change in Capacity, the reasons for the change in Capacity, and the timeframe for which the Capacity change will apply.

Licensees shall provide Third Party Access to Capacity in accordance with the following:

- Third Party Access shall be limited to Licensee' s available Capacity;
- Available Capacity in the preceding item shall mean Capacity not being used or not subject to a grant of Exclusivity; and
- Third Party Access service shall only be available to Third Parties pursuant to a written contract with the Licensee.

Prospective Third Parties and Third Parties are to be afforded access to Capacity and services provided by a Regulated Facility under economic and operational terms and conditions no worse than those terms and conditions that apply to a Licensee' s own or a Licensee' s affiliate' s use of Capacity or services.

Licensees shall respond in a timely fashion to requests for access or service by Prospective Third Parties and Third Parties. If a request for access or service is denied, the Licensee shall notify the Third Party or Prospective Third Party stating the reasons for the denial of access or service. The Licensee shall file proof with the Ministry that Capacity or other capabilities were not available to provide the requested access or service.

If a Licensee with available Capacity refuses access or service to a Third Party or Prospective Third Party or offers the access or service discriminatorily, the Third Party or Prospective Third Party may request the Ministry's intervention.

After consulting with each party, the Ministry shall decide all unresolved issues relating to access to Capacity and services and the payment for such access and services.

4.1 Interconnection of Regulated Facilities

Licensees shall allow the interconnection of other Facilities to their systems provided that:

Available Capacity exists to provide the requested access; and

The interconnection is technically feasible.

If a Licensee determines that it is not feasible to allow a connection to its Facility, the Licensee shall notify the Ministry of its refusal to grant a connection. In so notifying the Ministry, the Licensee shall also specify the reasons why a connection was refused.

After consulting with each party, the Ministry shall decide all issues relating to the interconnection of Regulated Facilities.

4.2 Firm and Interruptible Service

A Licensee of a Regulated Facility shall offer both Firm Service and Interruptible Service.

Each Regulated Facility shall establish and publish the procedures for Third Parties or Prospective Third Parties to request and receive Firm Service or Interruptible Service.

Licensees must make available to the Ministry and Prospective Third Parties, on a regular basis, the Capacity of each Facility, the amount of that Capacity subject to own-use or existing contracts for Firm Service, and the amount and duration of uncontracted Capacity available for new Firm Service and Interruptible Service.

For Capacity subject to contract or own-use by the Licensee, the Licensee shall publish data stating the name of the contracting party, and the volume and duration of the Capacity reservation.

Licensees shall provide the Ministry with a copy of all requests for service and all contracts for Firm and Interruptible Service.

4.3 System Allocation

Each Licensee shall develop and receive Ministry approval for nomination, operational balancing and allocation terms and conditions for each Regulated Facility.

The Ministry and Licensee shall confirm, modify and adjust from time to time such terms and conditions as they apply to the Licensee's Regulated Facility. Each Licensee shall develop operational guidelines for maintaining safe operations of its Regulated Facilities, addressing operations on a normal day, and setting forth the rights, obligations and actions of the system operator,

Licensee and Third Parties during periods of service disruption.

Each Licensee shall develop supply and load shedding terms and conditions for each Regulated Facility. The load shedding schedule will be set covering periods of service disruption resulting from supply shortfalls, loss of demand or loss of system Capacity.

4.4 Exclusive Use

The Licensee of a Regulated Facility may petition the Ministry to allow the Licensee Exclusivity of the Capacity in the Regulated Facility for a specified period of time. The Minister may grant such a right; the conditions applicable to such use will be stipulated, at the Ministry sole discretion.

If at any time during the period of Exclusivity the Licensee contracts to supply services to an affiliate approved by the Ministry, or any other Third Party, Exclusivity for the entire Capacity of the Regulated Facility will be forfeited and all other rules contained herein related to Third Party Access shall apply.

Should Exclusivity be granted to the Licensee of a Local Distribution System for the supply of Dry Gas to a particular geographical service area, the Licensee shall not unreasonably deny the provision of service or supplies to any end consumer which makes a reasonable request for a supply of Dry Gas to be made available to it.

After consulting with each party, the Ministry shall decide all unresolved issues relating to Exclusivity.

4.5 Expansion of Capacity

Licensee Initiated Process

Should a Licensee desire to expand a Regulated Facility, the Licensee shall make an application to the Ministry for a License modification as per Article 3.12 of these Rules.

Third Party Initiated Process

In the case where a Third Party or Prospective Third Party requests the Licensee of a Regulated Facility for access and is denied access as the result of insufficient Capacity, then the Third Party or Prospective Third Party may subsequently petition the Licensee to expand the Regulated Facility in order to accommodate the Third Party' s or Prospective Third Party' s request for service.

The Licensee of the Regulated Facility shall respond to written requests within sixty (60) days with a proposed indicative tariff and in-service date for the expansion, or with the specific grounds for a formal rejection of the request.

If the Licensee accepts the Third Party' s or Prospective Third Party' s request for expansion, the Licensee shall propose an indicative tariff and in-service date, and the Licensee shall make an application to the Ministry for a

License modification as per Article 3.12 of these Rules.

If the Licensee rejects the Third Party' s or Prospective Third Party' s request for expansion, the Third Party or Prospective Third Party may refer the matter to the Ministry for review and action.

In the event of an appeal referral to the Ministry, the Licensee and the Third Party or Prospective Third Party shall each submit written briefings to the Ministry for its review, detailing such party' s respective position on the issue of expansion of the Regulated Facility, including details relating to the technical and economic aspects of the proposed expansion. Third Parties and Prospective Third Parties shall also notify the Ministry of their willingness to contribute the capital needed for the proposed expansion.

Upon review, should the Ministry conclude that expansion of the Regulated Facility is technically and economically feasible and in the interest of the Kingdom, then the Ministry shall have the right to specify appropriate tariff terms and conditions for the expansion of the Regulated Facility and issue an Order to the Licensee for expansion of its Regulated Facility in accordance with Article 4, Article 6 of the Regulations.

If the Minister rules that expansion is not warranted, the Licensee and Third Party or Prospective Third Party shall be notified of the decision and the overall process will be halted.

Following receipt from the Ministry of the Order to expand, the Licensee shall then submit to the Ministry, within thirty (30) working days, a License modification application, setting forth all the requisite details of the expansion.

Should the Licensee not agree with the Order to expand, the Licensee shall have the right to appeal the Ministry' s decision in accordance with Article 16 of the Regulations and Article 9 of these Rules.

Article 5. TARIFF SETTING

As part of its License, each Regulated Facility not designated as an Independent System or not granted Exclusivity shall have a tariff that will detail the services on offer, the procedures for Third Parties or Prospective Third Parties to request those services and the tariff chargeable for each service.

The Ministry shall approve tariffs, terms and conditions applicable to Third Party Access and services being offered to Third Parties.

Each Regulated Facility shall offer tariffs for Firm Service and for Interruptible Service, except for those Regulated Facilities that have been granted Exclusivity for the period of such Exclusivity.

5.1 Tariff Setting for the MGS and Connections to the MGS

Applicants shall recommend to the Ministry service tariffs as part of their License application. All supporting data and relevant calculations used to establish the recommended tariffs shall be submitted.

Tariffs shall be calculated based on a cost of service basis, including a rate of return commensurate with the asset valuation utilized.

5.2 Tariff Setting for Local Distribution Systems

Licensees or Prospective Licensees of a Local Distribution System shall recommend to the Ministry service tariffs as part of their License application. All supporting data and relevant calculations used to establish the recommended tariffs shall be submitted.

On approval of the Minister, the appropriate tariff levels for the particular LDS will be set by the Ministry, who shall Publish the final tariff decision.

5.3 Tariff Setting for Independent Systems

A Prospective Third Party may request service from the Licensee of an Independent System.

The terms and tariffs for services provided by a Regulated Facility classified as an Independent System shall be negotiated, on a cost of service basis, between the Licensee and Prospective Third Parties.

Following successful negotiations, the Licensee shall submit to the Ministry a copy of the signed contract for services.

Where negotiations have been unsuccessfully pursued for at least ninety (90) days and agreements on access and tariffs have not been reached by the parties concerned, the Prospective Third Party may petition the Ministry to set a tariff.

The Ministry shall assemble and consider the input of the relevant parties, review the contracts between the Licensee and other Third Parties, and consider the basis upon which tariffs have been established for similar services and Regulated Facilities in the Kingdom, whereupon the Ministry shall prescribe tariffs for the services in question.

In the case of a referral to the Ministry that results in a tariff determination by the Ministry, the Licensee and Prospective Third Party shall execute a contract for services consistent with the terms approved by the Minister.

5.4 Tariff Sheet Updating

Ministry-approved tariffs shall be valid for a minimum period of two (2) years and a maximum period of five (5) years.

At any time after the first two (2) years a Licensee may initiate a tariff update process. The Ministry may review tariffs at any point it believes there are changes to the Regulated Activity that would cause tariffs to change. Notwithstanding the above, tariffs shall be updated whenever a License is modified as the result of an approved Facility expansion or modification. There will be no adjustment to future tariffs to account for over- or under-recovery of revenues during previous tariff periods.

A Licensee shall file for a revised tariff sheet at least seventy five (75) days prior to the expiration of the existing tariff sheet. Where a Licensee

does not timely file a revised tariff sheet, the Ministry shall send an Order to the Licensee instructing him to file such revised tariff sheets.

Within seven (7) days following filing of an updated tariff with the Ministry, the Licensee shall Publish notice of the tariff revision. This Published notice shall be in form and content as prescribed by the Ministry. Proofs of Publication shall be filed in a timely manner with the Ministry.

By the Publication date above, the Licensee shall deliver to the Ministry an information memorandum containing certain data relative to the tariff revision submission in detail, as prescribed by the Ministry, sufficient for Interested Parties to assess the tariff revision proposal. The Ministry, on request, shall provide this information memorandum to Interested Parties that meet the Ministry' s criteria.

Interested Parties shall have thirty (30) days from the date of Publication of the notice of the application in which to review the information memorandum and submit written comments to the Ministry.

Within sixty (60) days of its receipt of the proof of Publication, the Ministry shall review the application and submissions by Interested Parties, the Ministry shall send notice of the revised tariff sheet to the Licensee.

Article 6. STANDARDS

6.1 Technical Standards

Technical standards to be adopted by any Licensee in the design, construction, commissioning, operation and maintenance of Regulated Facilities will be issued by the Ministry from time to time and will be in keeping with International Industry Standards and Applicable Law.

Each Licensee shall ensure that applicable standards as issued by the Kingdom' s various agencies are adhered to. Licensees may supplement the proposed standards with their own internal or international standards that meet or exceed the Kingdom' s requirements.

Regulated Facilities financed or constructed by a Third Party, which become an integral part of an existing Regulated Facility operated by a Licensee, will be designed and constructed to standards that are commensurate with those adopted by and required of the Licensee.

6.2 Commercial Standards

Each Applicant is required to submit, as part of its License application, a set of commercially reasonable terms and conditions for each Regulated Activity on which the Applicant shall provide service under the proposed License.

The terms and conditions shall specify the service obligations of the Licensee.

The Ministry shall issue accounting guidelines and standards to be used by Licensees in reporting to the Ministry with respect to their Regulated

Activities.

Each Licensee shall submit to the Ministry a copy of all contracts signed for the provision of services.

6.3 Measurement

Licensees shall meet the fiscal measurement standards specified by the Ministry.

The Ministry may prescribe additional requirements for measurement at each Receipt Point and each Delivery Point.

6.4 Environment, Health and Safety (E, H & S)

The Licensee shall conduct all planning and construction of Regulated Facilities and operations pursuant to Applicable Laws in the Kingdom, including, without limitation, E, H & S laws, regulations and rules, and any applicable contractual provisions in a manner that protects the environment, the safety and health of employees and the public, and the physical assets over the lifetime of such Licensee's Regulated Facilities.

Licensees shall meet the E, H & S standards specified by the various Kingdom government agencies. It is the Licensee's responsibility to identify and adhere to the latest revision of all pertinent local and governmental requirements in effect, as well as all other requirements referenced in these Rules and supporting Implementation Guidelines.

6.5 Security

The Licensee shall ensure the security of its personnel and facilities in the Kingdom in accordance with Applicable Law.

The Licensee shall submit to the Ministry, for review and approval, a security plan. This plan shall provide details on the deployment of a combination of physical manpower, barrier systems and electronic systems at each Facility.

The Licensee shall periodically conduct an internal review of the implementation of its security plan, to evaluate its effectiveness, and to incorporate technological and procedural changes based on local experience. This review shall be conducted at least once every two years and is subject to further review by the Ministry. The security plan shall be updated as appropriate.

In all its activities, the Licensee shall meet the security requirements specified by the various Kingdom agencies. It is the Licensee's responsibility to identify and adhere to all applicable Orders, decisions, laws and regulations, as well as all other requirements referenced in these Rules.

The Licensee shall notify the Ministry immediately, electronically and in writing of any security-related incident in any vital facility. Following an incident, the Ministry may require an investigation of the incident and the existing security arrangements, to evaluate procedural changes that may be required to improve the security of the facilities, and coordinate with the responsible Kingdom agencies.

The Licensee shall maintain detailed records of all security-related

activities for all of its vital facilities, and make such records available to the Ministry for review.

Article 7. REPORTING REQUIREMENTS

Licensees shall be required to provide the Ministry with the information set forth in this Article 7 and these Rules on a periodic basis. This information is to be supplied to the Ministry in both electronic and hard copy format or as specified by the Ministry.

7.1 Monthly Reporting

Licensees shall provide the Ministry information on a monthly basis covering the following areas:

- Volumes of Relevant Hydrocarbons purchased or sold;
- Volumes of Relevant Hydrocarbons transmitted, processed, fractionated and stored;
- Contracts executed by Licensees with respect to the provision of services pursuant to the License;
- Changes in Capacities;
- Accident and security statistics;
- Obligations established in the Regulations, these Rules, the Implementation Guidelines, official Kingdom standards, and directives; and
- Any other matters considered necessary from time to time by the Ministry.

7.2 Annual Reporting

Licensees shall provide the Ministry the following information on an annual basis:

- A monthly summary of the information listed in the above Article 7-1;
- Prior year audited accounts;
- Ten year forecast of supply and demand for Relevant Hydrocarbons;
- Three year forecast for expected shutdowns or Capacity changes; and
- Forecast of the commercial viability of the different units of the Facility as requested by the Ministry.

In preparing information to be supplied to the Ministry, each Licensee shall maintain its books of account in a manner that clearly distinguishes all Regulated Activities from non-regulated activities. This requirement shall require separate accounts and accounting for regulated and non-regulated revenues, expenses, assets and liabilities.

Article 8. PRICING, SALES, AND MARKETING

8.1 Price for Relevant Hydrocarbons

The Supreme Council shall approve pricing plans for the sale and consumption of Relevant Hydrocarbons in the Kingdom and the periods for which the approved prices are applicable.

The Committee will propose the pricing policies, based on the Ministry's recommendations, and will present its proposal to the Minister

The Committee will study the periods through which the pricing policies are in effect and present its recommendations to the Minister for approval.

8.2 Domestic Marketing and Sales Rights

For quantities of Relevant Hydrocarbons produced by a Company which are destined for consumption in a Company Licensed Facility, or one that is owned by an affiliate approved by the Ministry, the Company shall have the right to retain title to and sell these Relevant Hydrocarbons to such Licensed Facility.

Where a Company has the right to sell Relevant Hydrocarbons accessing the MGS as described above and has executed contracts for the sale of Relevant Hydrocarbons to the own-use Facility, and where that Company has experienced a reduction in demand for its Relevant Hydrocarbons, Saudi Aramco shall not be obligated to purchase excess production.

Saudi Aramco shall purchase all other Relevant Hydrocarbons accessing the MGS, provided such Relevant Hydrocarbons are subject to a Ministry-approved upstream field development plan.

Saudi Aramco shall contract to purchase such Relevant Hydrocarbons under commercial terms taking into account all of Saudi Aramco's current and expected future obligations at that time.

Relevant Hydrocarbons shall be sold to domestic markets at prices as per Article 8.1 above.

The purchase price for Relevant Hydrocarbons accessing the MGS at their respective custody transfer points shall be equal to the sales price for the respective Relevant Hydrocarbons, as set by the Supreme Council, less the tariffs, tolls and other government imposts paid or incurred on behalf of the Third Party or as otherwise approved by the Ministry.

Companies may apply for an Aggregator License for Independent Systems. The Ministry shall prescribe the criteria for establishing the qualifications of a Company to carry out such a role.

8.3 Allocation of Gas, Ethane and NGLs

The Ministry shall assemble forecasts of supply and demand as provided by Licensees and other Government agencies, and it shall prepare periodic long-term forecasts of supply and demand for each Relevant Hydrocarbon for the Kingdom.

Each Licensee shall be obligated to make an annual report to the Ministry of its assessment of the then current and future supply and demand for Relevant Hydrocarbons in their area of activity.

Taking account of forecasts of supply and demand received, the Ministry shall prepare a report establishing prioritized utilization of feedstocks and Relevant Hydrocarbons that would best meet the developmental objectives of the Kingdom. The Ministry shall provide such ranking to the Supply and Pricing

Committee.

The Ministry shall be responsible for implementing allocation criteria for Gas, Ethane and NGLs in accordance with the policy determined from time to time by the Supreme Council based on the criteria developed to by the Committee and approved by the Minister.

The Ministry shall exercise its authority with respect to License approvals and amendments using the Kingdom' s allocation criteria for Gas, Ethane and NGLs as one of the relevant factors. The allocation criteria for Gas, Ethane and NGLs shall be applied to all License applications, including own-use of Relevant Hydrocarbons.

8.4 Sales to Affiliates

The Ministry shall approve all contracts and arrangements between affiliates for all transactions related to Regulated Activities.

Article 9. DISPUTE RESOLUTION

Disputes arising between the Ministry and any Licensee and disputes arising between any two or more Licensees or Third Parties and which are not capable of amicable settlement may be submitted to the CSGID established by the Supreme Council as set forth in Article 16 of the Regulations.

Article 10. TRANSITION ARTICLES

Existing Regulated Activities shall continue activities pursuant to the Regulations and these Rules. For such purposes, a provisional License shall be considered as granted to Existing Regulated Activities, which shall comply with all Articles of the Regulations and these Rules.

Existing Regulated Activities shall provide access and services in accordance with these Rules. Parties interested in accessing such services shall submit a written request for such service to the Existing Regulated Activities and provide a copy of each request to the Ministry. Existing Regulated Activities shall respond to such request within one (1) month.

Existing Regulated Activities may refuse to provide the requested service if there is no available Capacity or if there are technical impediments; in this case the Existing Regulated Activities shall provide their reasons for refusing in writing to the party requesting service, with a copy to the Ministry.

Within four (4) months after the effective date of these Rules, the Ministry shall issue tariffs for Transmission, Processing, Fractionation and Storage services within the MGS.

Existing Regulated Activities shall submit to the Ministry appropriate License applications within eight (8) months after the effective date of these Rules, including information about their Gas and NGL operations within the Kingdom and their marketing activities, which shall include:

Designation of Facilities requesting Exclusivity;
Tariffs for all non-Exclusive Facilities;
Annual statistics on volumes, prices, sales, imports and exports;
Geographic location and characteristics of Facilities;
Terms and conditions of contracts for the purchase and sale of Relevant Hydrocarbons in force on the effective date of these Rules; and,
Any other information related to Gas and NGL that is requested by the Ministry.

Once these applications have been submitted, the Ministry shall issue the relevant Licenses within six (6) months. The Ministry may issue a license for certain facilities based on an accelerated schedule as it may deem necessary.

Article 11. IMPLEMENTATION GUIDELINES

The Ministry of Petroleum and Mineral Resources, in its capacity as regulatory supervisor and enforcer of these Rules, shall issue, as necessary from time to time, Implementation Guidelines consistent with the Regulations and these Rules, which shall complement and facilitate the orderly and efficient operation by the Ministry of its charged regulatory responsibilities. Specific Implementation Guidelines may be issued at appropriate times in relation to any aspect of the Regulations and Rules and shall require only the approval of the Minister of Petroleum and Mineral Resources. The Ministry may issue or modify Implementation Guidelines in accordance with the following:

The Ministry shall Publish a notice to all interested parties including the Regulated Activity that will be regulated by such Implementation Guideline, the topics to be covered, a description of the information required for preparation of the Implementation Guideline; or, if applicable, the draft Implementation Guideline.

Within forty (40) days after the date of publication referred to in the previous Article, Interested Parties may submit their comments to the Ministry, expressing their points of view, the information they consider relevant, or their suggested content for the Implementation Guideline.

The Ministry shall study the comments, the information, and any drafts received and shall prepare and Publish a draft of the Implementation Guideline within thirty (30) days after the date of expiration of the period for receiving comments;

Any Interested Party may submit their comments to the Ministry on a draft Implementation Guideline in a period of time to be established, which shall not be less than thirty (30) days after the publication of the draft Implementation Guideline;

Within thirty (30) days following expiration of the period referred to in the previous Article, the Ministry shall study the comments received and may issue the Implementation Guideline. The Ministry shall Publish the Implementation Guideline at least thirty (30) days before its effective date.

At any stage of the procedure set forth in this Article 11, the Ministry may request Interested Parties to participate in hearings to acquire knowledge about their requirements and points of view on the purpose and contents of the Implementation Guideline.

Article 12. ADDITIONAL PROVISIONS

All correspondence to the Ministry should be sent to:

Ministry of Petroleum Resources

PO Box: 757

Riyadh, 11189

Kingdom of Saudi Arabia

E-Mail: GSPR@MOPM.GOV.SA

All information and data sent to the Ministry as prescribed by the Regulations, Rules or Implementation Guidelines shall be submitted in Arabic, in duplicate and shall be accompanied with an electronic copy.

Where an Applicant, Licensee or Interested Party submits data, information or documentation to the Ministry, the Applicant, Licensee or Interested Party may, at the time of submittal, indicate that all or part of the submitted data, information or documentation is Confidential Information or commercially sensitive data.

The Ministry shall not disclose such commercially sensitive data, Confidential Information or documentation to any other party or allow its transmittal into the public domain, except for where the Ministry is expressly required by Applicable Law or instructed to do so by a court of law or other recognized authority, or where the data, information or documentation is found to already be in the public domain, or where the Applicant, Licensee or Interested Party agrees to its release to others. All material designated as Confidential Information will solely be for the internal use of the Ministry in carrying out its remit under these Rules.

