

BAHAR ENERGY OPERATING COMPANY
QUARTERLY REPORT

2nd Quarter - 2020

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EXECUTIVE SUMMARY: *Reported by the President*

A summary of activities during Q2-2020 is provided as follows:

a) HSE:

- During Q2, there was one vehicle incident. On June 22, 2020, a traffic accident occurred while the company car was moving from Zyk to Hovsan. The company car sustained some damage but no injury to BEOC employees.
- TRIR through Q1 and Q2 2020 is zero. A total of 111 Permits to Work were issued, and 65 stop cards were submitted in the Quarter.
- No hydrocarbon releases occurred.

BEOC Board approved and released a BEOC Corona Virus Plan in Q1

- As preventive actions against coronavirus (COVID 19) infection spread, 25 special hand sanitizer dispensers were installed in BEOC premises.
- Workers' temperatures are being measured at the "Gum-Deniz" island Checkpoint, and the workers with high temperatures are sent to the medical clinic.
- To take necessary precautions for the prevention of potential employee infections from the coronavirus (COVID 19), the Representative Office of "Bahar Energy Operating Company Limited" in the Azerbaijan Republic sent all non-critical employees on paid unplanned vacation from March 29, 2020, till August 31, 2020.

b) Production:

- Gum Deniz oil production in Q2 averaged 611 Bopd, down 31 Bopd from Q1 2020. The first-quarter production was about 203 Bopd below budget. Oil production was down due to workover in the GD 372 well.
- Bahar gas production averaged 18.9 MMcfd, up about 0.6 MMcfd from Q1-2020. Production for Q1 was about 3.1 MMcfd below budget due to the delays in crane vessel support for the movement of workover rigs for gas workovers.
- Overall Production in Gum Deniz and Bahar suffered in Q2 due to limited workover activities due to the COVID 19 precautions.

c) Workovers:

- In Gum Deniz, fourteen workovers were completed on both ESP optimization and the initiation of water injection.
- In Bahar, Well BH 144 was successfully recompleted in the IX horizon and returned to production, well BH167 was returned to production; and, activities continued on BH 169 and 144.
- Workover Capex spending through Q1-2020 was \$631K versus a budget of \$3.4 MM.

d) Construction:

- The refurbishment of GZU#3 continues but was temporarily suspended due to COVID 19 in May and early June. The installation of our 50-ton crane and 10x10 meter steel panels have progressed with excellent progress to date.
- Construction CAPEX spending through Q2 was \$22K, and \$737K spent on production equipment and facilities.

e) Subsurface

- Geology and simulation models are prepared for GD-BX and FS and GD-NKP. The next models will be BH-BIX, BX, FS, and BH-NKP.

- Simulations are being prepared for the Gum Deniz waterflood pilot areas. Preliminary results indicate the potential to demonstrate waterflood performance in these discrete blocks. Operations and Construction teams have started pilot injection in Area "A" from GD PLTM 450 and in the central area in the horizon VIII from Platform 209a.
- Work was completed, and the 2019 Bahar Year-End Reserves Report was completed on schedule.

f) Budget:

- Total Capex spending through Q2, 2020, was \$0.1.622 million versus \$8.096 million budgeted.
- Total Opex spending through the end of Q2, 2020, was \$12.6 million, versus \$14.6 million budgeted.

g) General Management

- BEOC continues to monitor the Corona Virus situation cautiously, and it is complying with all SOCAR and Ministry directives to ensure the safe workplace for all our employees and contractors.
- South Gum Deniz: Re-development of South Gum Deniz is moving forward with six wells equipped with ESPs and powered by onsite power generation. Rental power generation equipment was replaced with newly procured equipment in Q2 2020.

I - HEALTH, SAFETY & ENVIRONMENT: *Reported by Nuslet Safarov*

a) HSE statistics 1st Quarter – 2020

| | LTI | Man Hours | TRIR | INCIDENTS (FA,LTI,NM, PD,RT) | PTW |
|-------------------------|----------|---------------|----------|------------------------------------|------------|
| 1 st Quarter | 0 | 381290 | 0 | 1 | 224 |
| 2 nd Quarter | 0 | 321381 | 0 | 1 | 111 |
| Total per year | 0 | 702671 | 0 | 2 | 335 |

Legend:

- LTI: Lost Time Incident
- Man Hours: Total number of man-hours worked
- TRIR: Total Recordable Incident Rate (Number of Recordable Incidents and Occupational Illness X 200,000 / Employee Hours worked)
- Near Miss: Near Miss Incidents number
- PTW: Permit to work

b) High Level Comments HSE for 2st Quarter – 2020 – One Road Traffic Accident was recorded.

Road Traffic Accident (RTA)

On 22.06.2020, a chain traffic accident occurred while the company car with plate number 99-PC-768 was moving from Zykx to Hovsan. The company car got some damage but no injury to BEOC employees. Investigation is on-going.

c) HSE Activity

- HEALTH:

- As preventive actions against coronavirus (COVID 19) infection spread 25 special dispensers have been installed in BEOC premises for hand sanitizer.
- HSE department has been taking preventive disinfecting actions starting from 07.03.2020 in the BEOC buildings against potential Corona Virus infection.
- The body temperature of the workers coming to the work places been measured by a remote temperature meter at the "Gum-Deniz" island Checkpoint, and the workers with high temperatures are sent to the medical facilities located in the residential area.
- HSE department has started disinfecting the company rented buses as the number of confirmed cases of COVID-19 continues to rise.
- Installed 25 special dispensers for hand sanitizer are regularly controlled and fulfilled by HSE representatives at the BEOC premises
- 92 BEOC employees applied to the First Aid Room with non-work related diseases during the reported period. All of them were rendered corresponding examination and treatment.
- 1044 times drivers passed through daily medical examination before work commencement.
- Treatment with insecticide, rodenticide and disinfectant of about 2550 m² were provided at the worksites, workshops and administrative office buildings.

- SAFETY:

- General HSE induction was conducted for 12 newcomers;
- 28 Safety inspections of sites and work performance were carried out;

- 65 STOP cards were collected from BEOC facilities/Workshops/Platforms. All issued Cards were registered, tracking is in progress;
- Monthly inspection of firefighting equipment was provided and reported. The firefighting the water pump was tested at the Oil Process and Transportation field;
- HSE Audit of BEOC Permits to Work and associated certificates, verification, risk assessments, and other related documentation were monitored.

- ENVIRONMENT

- Environmental Statistics for 1st Quarter 2020

| | Spills Number | Spill Volume | Comments |
|-------------------------|----------------------|---------------------|-----------------|
| 1 st Quarter | 0 | 0 | 0 |
| 2 nd Quarter | 0 | 0 | 0 |
| Total per year | 0 | 0 | 0 |

Environmental incident:

- Waste segregation process was supervised by HSE division;
- BEOC sewage water was disposed of through Hovsan Sewage treatment plant;

d) Training and other activities:

- As a part of HSE assurance plan 2020 Safety Standdown Meetings were conducted at the BEOC worksites in the following themes:
 - “Bus driver responsibility during pandemic period” for 46 employees;
 - “Rig skidding operation” for 22 employees;
 - “PTW procedure” for 2 employees;
 - “First Aid technique for injured person” for 10 employees.

The total number of participants was 80 workers.

II - PRODUCTION / OPERATIONS: *Reported by Dale McFadden*

a) Oil and Gas Production Statistics in Gum-Deniz & Bahar fields through 2nd Quarter of 2020:

| OIL and GAS Production 2020 Budget and Actual | | | | | | | | | | | | | | | | | | |
|---|---|-------------------------|---------------------------------------|-------------------------------|--------------------|-------------------------------|--|------------------------------|-------------------------------|--------------------|---------------------|----------------------|------------------|------------------------------|-------------------------------|--------------------|------------------|------------------|
| Jun-20 | Oil Shipped to sales Point Actual ton/day | One ton equal to barrel | Oil Shipped to sales Point Actual BOE | Oil Production Actual ton/day | Actual BOE for Oil | Oil Production Budget ton/day | Budget BOE for Oil (equal to barrel 7.4) | Gas Production Actual m3/day | Gas Production Actual scf/day | Gas Production BOE | Gas Delivery m3/day | Gas Delivery scf/day | Gas Delivery BOE | Gas Production Budget m3/day | Gas Production Budget scf/day | Budget BOE for Gas | Total Actual BOE | Total Budget BOE |
| January | 93 | 7.41 | 686 | 94 | 693 | 109 | 807 | 503,369 | 17,776,476 | 2,963 | 493,553 | 17,429,824 | 2,905 | 580,000 | 20,482,700 | 3,685 | 3,656 | 4,491 |
| February | 85 | 7.47 | 634 | 86 | 644 | 109 | 807 | 520,695 | 18,388,344 | 3,065 | 510,541 | 18,029,755 | 3,005 | 616,000 | 21,754,040 | 3,913 | 3,709 | 4,720 |
| March | 86 | 7.47 | 640 | 86 | 645 | 110 | 814 | 563,562 | 19,902,192 | 3,317 | 552,572 | 19,514,080 | 3,252 | 617,000 | 21,789,355 | 3,920 | 3,962 | 4,734 |
| Q1 Average | 88 | 7.45 | 653 | 89 | 661 | 109 | 809 | 529,209 | 18,689,004 | 3,115 | 518,889 | 18,324,553 | 3,054 | 604,333 | 21,342,032 | 3,839 | 3,776 | 4,648 |
| April | | 7.47 | | 86 | 642 | 110 | 814 | 556,996 | 19,670,314 | 3,278 | 546,134 | 19,286,722 | 3,214 | 615,000 | 21,718,725 | 3,907 | 3,921 | 4,721 |
| May | 55 | 7.46 | 409 | 80 | 596 | 110 | 814 | 571,667 | 20,188,420 | 3,365 | 530,309 | 18,727,862 | 3,121 | 623,000 | 22,001,245 | 3,958 | 3,961 | 4,772 |
| June | 80 | 7.46 | 600 | 80 | 595 | 110 | 814 | 572,778 | 20,227,655 | 3,371 | 525,926 | 18,573,077 | 3,096 | 636,000 | 22,460,340 | 4,040 | 3,966 | 4,854 |
| Q2 Average | 45 | 7.46 | 336 | 82 | 611 | 110 | 814 | 567,147 | 20,028,796 | 3,338 | 534,123 | 18,862,554 | 3,144 | 624,667 | 22,060,103 | 3,968 | 3,949 | 4,782 |
| July | | | | | | | | | | | | | | | | | | |
| August | | | | | | | | | | | | | | | | | | |
| September | | | | | | | | | | | | | | | | | | |
| Q3 Average | | | | | | | | | | | | | | | | | | |
| October | | | | | | | | | | | | | | | | | | |
| November | | | | | | | | | | | | | | | | | | |
| December | | | | | | | | | | | | | | | | | | |
| Q4 Average | | | | | | | | | | | | | | | | | | |

b) Additional Works:

| # | Works carried out by "Construction Department" based on "Operations Department" request | status |
|---|--|-----------|
| 1 | Line connection works by Construction Team from Oil and Gas Separation Unit#1 of Compressor Stations, Gas Collection, Processing and Delivery Unit to 2000m3 tanks farm at Oil Processing Unit | on-going |
| 2 | Construction of "Closed Loop System" project stipulated to prevent pollution of environment through discharge of formation water from technological storage reservoirs located at Oil Processing Unit is ongoing by "ConstructionTeam" | on-going |
| 3 | Relocation of injection gas distribution system and installation of measuring point at well#5 located at the GD470 area in Gum-Deniz field area by Construction Team | on-going |
| 4 | In regard with removal of Gas Distribution Point at causeway connected PLT450 " installion works of 3 ea of 2.5" gas lift lines from causeway connect PLT009 to PLT450 in Gum-Deniz Field. | on-going |
| 5 | The replacement of an old 8" gaslift line with processed water line along the entrance road | on-going |
| 6 | Water injection project works within GD448 (canister), Gd520 wells at PLT209 in "Gum-Deniz" field by "Construction Team" | completed |
| 7 | Evacuated "Construction Department" crerws from PLT 48 and DNQYM.2 of Bahar field due to "COVID-19" pandemic, were sent back to work. | on-going |

Comments: Oil Production at Gum-Deniz Field during the (Q1) 2020:

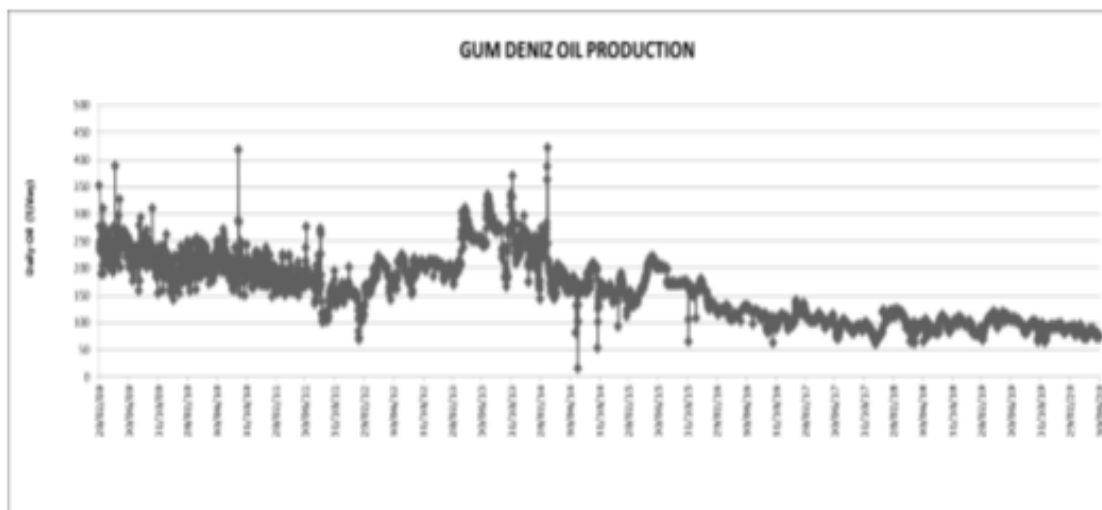
| (Q2) 2020 | |
|--|---------------------|
| Name of Operation | Completed Operation |
| Hot light oil operation in wells | 8 |
| Fluid level survey | 230(14 wells) |
| Sulfanol treatment in wells | |
| Salinity measurements in wells | 34 |
| Soap stick application in gas wells | |
| Total sludge amount accumulated out of 5000 NKH and N field, | 130m3 |

| # | Gum-Deniz field |
|---|--|
| 1 | Quarterly average production rate at Gum-Deniz field was 82 ton/gun, 611 Bopd . |
| 2 | During the reporting period after WOs, following wells of Gum-Deniz field were recompleted: GD.444; GD.372; GD.012; GD.471; |
| 3 | WOs on-going in the following wells: GD.477; GD.476 |

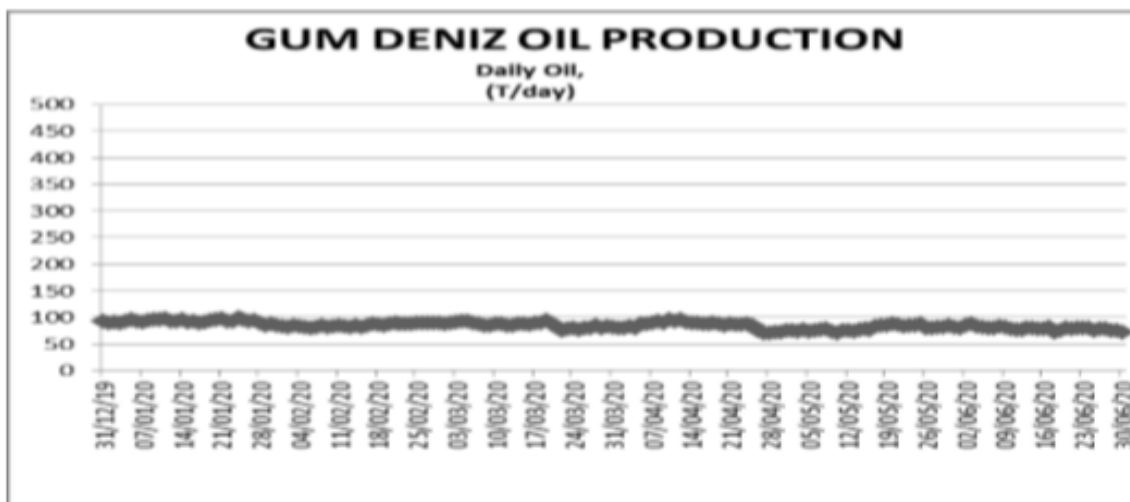
During the reporting period decrease in the production of the wells were observed in the following manner:

| Oil Production Rate Differences Between 1st and 2nd quarter 2020 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|--|-----|-----|-----|-----|-----|------|-----|-----|-----|-----|-----|-----|-----|-----|------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|--------------|-----|-----|-----|-----|-----|-----|-----|-----|-------|
| Date / Well# | 006 | 009 | 020 | 012 | 038 | 372 | 412 | 413 | 414 | 417 | 438 | 438 | 444 | 445 | 447 | 456 | 461 | 464 | 465 | 466 | 467 | 468 | 470 | 471 | 475 | 477 | 478 | 479 | 502 | 504 | 600 | 715 | 716 | 774 | Total |
| 1st quarter 2020 | 1.8 | 3.0 | 1.3 | 0.0 | 2.6 | 20.3 | 3.9 | 4.2 | 9.9 | 9.6 | 3.0 | 0.0 | 2.9 | 7.0 | 3.8 | 0.0 | 0.0 | 0.0 | 4.4 | 1.5 | 0.7 | 1.3 | 2.0 | 3.4 | 7.1 | 4.2 | 2.3 | 7.0 | 0.0 | 2.0 | 1.7 | 9.3 | 1.3 | 1.6 | 115 |
| 2nd quarter 2020 | 1.7 | 2.4 | 0.8 | 0.7 | 4.0 | 20.3 | 3.4 | 0.0 | 6.9 | 4.1 | 4.0 | 0.0 | 0.5 | 0.5 | 11.8 | 2.8 | 0.0 | 0.0 | 4.6 | 1.6 | 2.6 | 2.8 | 2.6 | 3.2 | 6.9 | 3.4 | 2.1 | 6.6 | 0.0 | 1.9 | 1.9 | 9.8 | 2.1 | 1.4 | 117 |
| Difference | | | | | | | | | | | | | | | | | | | | | | | | | | -3.00 | | | | | | | | | |

c) Monthly Production Graphic for Gum-Deniz field :



d) Oil Production for Last Six Months:

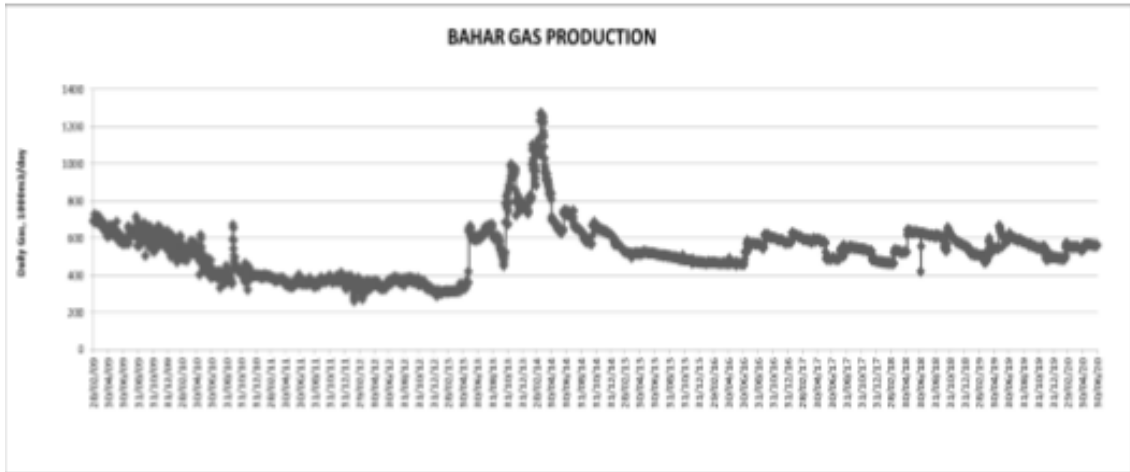


| # | Bahar field |
|---|---|
| 1 | Quarterly average gas production rate at Bahar field was 534 123 m³/gün, 18.86 MMcf . In comparison with the 1-st quarter of 2020 0,54 MMcf increase observed. |
| 2 | During the report covering period B.144 well was recomplected. |
| 3 | Wos on going in the following wells: B.169 |
| 4 | Construction-repair works are on going on the following PLTs: DNQYM.2; PLT168; B.169 |

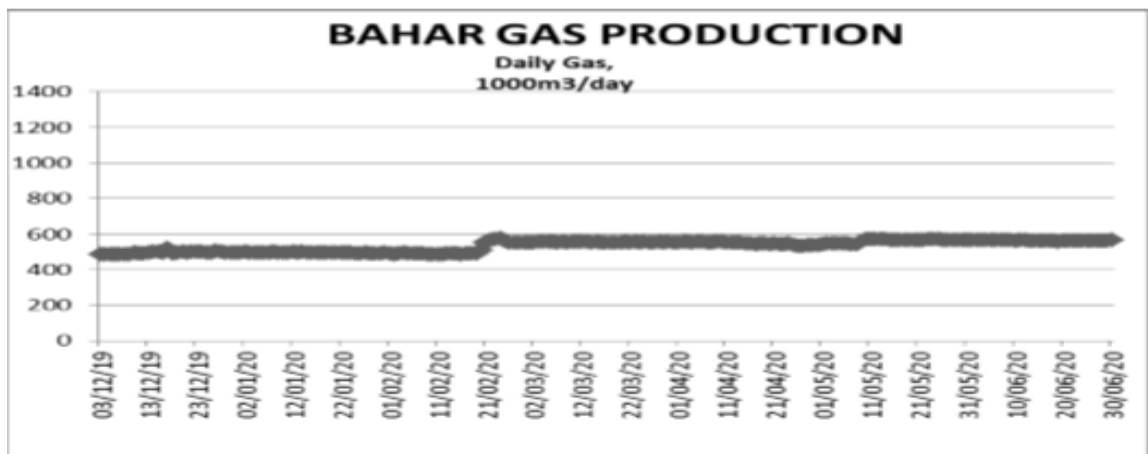
During the reporting period increase in the production of the wells were observed in the following manner:

| Qaz Production Rate Differences Between 1st and 2nd quarter 2020 | | | | | | | | | | | | | | |
|--|-------|-------|-------|-------|--------|-------|-----|-------|-------|------|-------|-------|------------|--------|
| Date / Well# | 083 | 140 | 144 | 167 | 170 | 171 | 173 | 175 | 179 | 182 | 205 | 241 | Total, m3 | |
| 1st quarter 2020 | 37000 | 52000 | 0 | 34000 | 127000 | 45000 | 0 | 78000 | 75000 | 0 | 27000 | 51000 | 526,000 | |
| 2nd quarter 2020 | 37000 | 51000 | 16000 | 71000 | 122000 | 43000 | 0 | 77000 | 75000 | 1000 | 23000 | 49000 | 565,000 | |
| | | | | | | | | | | | | | Difference | 39,000 |

e) Monthly Production Graphic for Bahar field:



f) Gas Production for the Last Six Months:



g) Transportation Division:

| Description | Number | Work hours | Moto hours | Repair Hours | Milage km | Amount of works carried out | | |
|---|--------|------------|------------|--------------|-----------|-----------------------------|----------------------------|--------------------------|
| | | | | | | Number of Vehicles/hourly | Number of Vehicles/monthly | Number of Vehicles/daily |
| TRF | 162 | | | | | | | |
| Pulling Units serving for WO | 9 | 871 | 871 | 235 | | | | |
| Stationary Type Pump (V-12) | 1 | 110 | 110 | 20 | | | | |
| Drawwork (QBQ-120) | 2 | 365.5 | 365.5 | 11 | | | | |
| Mobile Boiler Truck (Consisting of two parts) | 1 | 12 | 12 | 41 | | | | |
| Cement Trucks serving all BEOC Departments | 11 | 2290 | 246 | 262 | 126 | | | |
| Water Tank Trucks of Autotransportation Workshop | 3 | 1240 | 155.5 | 91 | 9766 | | | |
| Other vehicles of Autotransportation field | 7 | 1568.5 | 252.8 | 83 | 1511 | | | |
| Number of Trucks put back into service after a long term repair works | | | | | | | | |
| Rented Heavy/ Civil Plant trucks | | | | | | 24/236,5 | 4/months | 24/34 |
| Rented Light vehicles | | | | | | | 16/months | |

| Auto-Transportation field Logistic Report for Lifting Operations | | | |
|--|------------|----------------|------------|
| 01.04.-30.06.2020 | | | |
| Months | Orders | Weight (kg) | Hours |
| Total | Total: 162 | Total: 1735000 | Total: 435 |

| MARINE TRANSPORTATION REPORT | | | | | | | | |
|------------------------------|---|--------------|---------|--|----------|--------|----------|--------------|
| | DAYS | PASSENGER NO | | TONNAGE | INCIDENT | REPAIR | SAILING | CANCELLATION |
| | | OUTBOUND | INBOUND | | | | | |
| ULLUCHAY | 40 days | | | 1166,379 kg | NO | | TOTAL-97 | TOTAL-40 |
| MAGIC-1 | 38 days | 405 | 419 | 16,435 kg | NO | | | |
| IRGIZ | 2day | | | 239,372 liter diesel fuel 37,000 kg water | NO | | | |
| XEZER-3 | 4 day | | | 375,000 kg water | NO | | | |
| BMK | 10 days (7 days stand by due to weather) | | | | | | | |
| SLV-363 | 3 days | | | 136,784 liter diesel fuel | NO | | | |

| Works carried out by Vessel Crane named after "Şıxlinski" |
|---|
| Order placed, but didn't work |

h) Electrical Division:

POWER/ELECTRICITY COST by Quarter - 2020

| ACTIVE ENERGY | | | | | |
|-------------------------------------|--------------------|-------------------|--------------------|-------------------|-------------------|
| LOCATION | I quarter | II quarter | III quarter | IV quarter | TOTAL |
| GumDeniz - Field | 2,447,600 | 2,410,000 | | | 4,857,600 |
| Compressor station 14 | 460,400 | 436,000 | | | 896,400 |
| Compressor station 1 | 820,000 | 937,000 | | | 1,757,000 |
| Compressor station 2 | 1,498,000 | 1,580,000 | | | 3,078,000 |
| Automotization Industrial Processes | 21,472 | 25,331 | | | 46,803 |
| Electric workshop | 24,980 | 26,836 | | | 51,816 |
| Oil Process | 230,560 | 254,500 | | | 485,060 |
| 5000 area | 462,000 | 516,000 | | | 978,000 |
| Gas Process | 28,093 | 15,282 | | | 43,375 |
| Workover | 141,412 | 173,485 | | | 314,897 |
| Offices | 240,660 | 136,383 | | | 377,043 |
| Transportation | 129,632 | 147,971 | | | 277,603 |
| Laboratory | 67,375 | 65,736 | | | 133,111 |
| Construction | 37,995 | 62,178 | | | 100,173 |
| Water supply | 442 | 111 | | | 553 |
| | | | | | |
| TOTAL -kW | 6,610,621 | 6,786,813 | 0 | 0 | 13,397,434 |
| | 0.076271187 | | | | |
| COST AZN total | 504,200 | 517,638 | 0 | 0 | 1,021,838 |
| COST AZN/kwatt | | | | | |
| 0.076271187 | | | | | |
| <u>REACTIVE ENERGY kVAR</u> | | | | | |
| AZN/kVAR 0.00104 | | | | | |
| kVAR | 3,377,844 | 4,075,833 | | | 7,453,677 |

i) Workover Division:

General Highlights for 2nd Quarter:

Summary WO's Bahar Q2:

- B144 was successfully executed re-completion program by perforate at 4278- 4281m interval at Hor.IX. Well was put back on production.

Summary WO's Gum Deniz Q2:

- Successful re-completion operatio was executed at Gum Deniz 012,GD 444,GD 471 WELLS well services at ESP optimization wells at G468, G467, G454.

Execution of G477 and G476 re-completion plans for Water Flood Injection Project underway.

Quarterly Workover Statistics:

| Month | Total WO OPEX completed | Total WO CAPEX completed |
|--------------|--------------------------------|---------------------------------|
| January | 11 | 6 |
| February | 10 | 6 |
| March | 8 | 2 |
| Total | 29 | 14 |

III – CONSTRUCTION: *Reported by Zaur Najafzade*

a) Report by Budget Line Item

- C1.1 – BH Plt 9 WO UpGrades (B-129)
- C1.2 – BH Plt 136 WO UpGrade (B-135, B-137)
- C1.3 –BH Plt 168 WO Upgrade (B-172, B-169, B-167)
- C1.4 – GD causeway piling work
- C1.5 – GD Plt 250 Upgrade (GD 392/250/521)
- C1.6 – CS 2 fluid cooling system renovation
- C1.7 – CS 2 gas separator system renovation
- C1.8 – New 16" line (800m) from GNAS 1 to CS 2
- C1.9 – GD Plt 209 Upgarde of separator system deck area
- C1.10 – GNAS 2 Upgrade of separation syste
- C1.11 – Replacing of GD PLT 9 substation # 13 (PQ-13)
- C1.12 – Undersea pipeline (2km) for Water Disposal Project
- C1.13 - Construction of alternative Bahar Gas Transfer Line

* To prevent the threat of the spread of COVID-19 pandemic, given the instructions and recommendations of the relevant Government Agencies and Company order all major repair and construction works and projects, with the possible support of day-to-day operations, are temporarily stopped on the BH platforms.

b) Additional Works

- Construction works for connection the tank 4 th line with drainage system on the 2000m3 tank farm area has been completed.
- Fabrication of the GZU-3 new collector spools in the island construction fabshop ongoing.
- Upgrade of the 2SQ-50 Compressor Machine No. 12 base and line pipes systems in CS# 14.
- Line pipes upgrade works Compressor Machine No. 3 on the CS#14.
- Upgrade of the GD B-471 well bay area line pipe sections, hydro testing of the B-471 new fabricated oil and gas manifolds.
- Installation of the GD W12 gas and oil manifolds.
- Fencing works on the dam access area has been completed.
- Shelving in the main warehouse hangar.
- Repair of the GD Plt 363, B-461 subsea gas lift line.
- Repair of the leakage on the BH Platforms subsea production line between GZU-1 and GZU-3.
- Repair of the leakage on the CS#1 separator blowing line.
- Repair of the roof of the pumping station on the tank farm area.
- GZU-3 – Starting from 19.05.2020 the construction team was placed on the platform for the organization of the planned piling works. . Hammering of new piles has been started @12.06.2020. At this moment, 4 (each) pile hammered on the east side of the platform. Each pile is 66 meters long. Piles driving depth respectively 26 meters (plus 11 meter in the mud), 22 meters (plus 15,5 meter in the mud), 24,5 meters (plus 12,5 meter in the mud), 26,6meters (plus 9,3 meter in the mud). 3 connections of the new hammered piles to the existing system has been completed. Construction works ongoing.
- Connecting the old gas lift pipeline along the dam to the water line at the entrance to the dam and near the “Halikarnas” restaurant and installing fire hoses on it, connecting the pump on

the existing water line to the old gas lift line. Corrosion protection works of the old gas lift 12” line running along the dam road.

Photographs

GZU-3 Platform upgrade works



IV – SUBSURFACE: *Reported Ray Larijani*

- Workover Programs prepared

| Well | Job Category | Prepared Work Program Target | Start Date | Final Date | Actual Cost | | |
|--------------|---|--|-------------|--------------|-----------------|---------------|--------------|
| | | | | | Jan-20 | Feb-20 | Mar-20 |
| B-167 | Fishing / Recompletion | Perforate VI horizon 3733-3730m interval. | 9-Oct-2019 | 21-Feb-2020 | \$151.00 | \$184.00 | |
| B-134 | Fishing / Recompletion | | 19-Nov-2020 | 31-Jan-2020 | \$320.00 | | |
| GD-445 | Recompletion / Water Flood Injection Project | | 23-Dec-2019 | 6-Jan-2020 | \$93.00 | | |
| B-169 | Recompletion | Clean down to 4510m. Fishing of damaged tubing strings out of the well QR/NGL/CCL(4510-2600m) logging. | 22-Feb-2020 | WO Postponed | | \$10.00 | \$12.00 |
| B-144 | Recompletion | Replace tubing string with new one | 22-Feb-2020 | WO Postponed | | \$10.00 | \$47.00 |
| GD-464 | Recompletion | Clean till 2828. Logging INNK from 2828m to 2350m. | 18-Feb-2020 | WO Postponed | | \$13.00 | \$15.00 |
| GD-012 | Recompletion | Pull out the old tubing. If there is a sand plug, clean the sand plug down @3457m. GR/NGL(3457-3150m) logging. | 3-Feb-2020 | WO Postponed | | \$49.00 | \$72.00 |
| GD-415 | Recompletion / Optimization | | 23-Dec-2019 | 31-Jan-2020 | \$93.00 | | |
| GD-476 | Water Flood Injection Project | | 29-Dec-2019 | 9-Jan-2020 | \$40.00 | | |
| GD-038 | Well Service | | 31-Dec-2019 | 8-Jan-2020 | \$48.00 | | |
| GD-468 | Well Service | Replace ESP with 2 7/8" tubing with gaslift valves. | 20-Jan-2020 | 14-Feb-2020 | \$11.00 | \$13.50 | |
| GD-467 | Well Service | Replace ESP with 2 7/8" tubing with gaslift valves. | 9-Jan-2020 | 18-Feb-2020 | \$15.00 | \$21.00 | |
| GD-520 | Water Flood Injection Project | RIH scraper and clean down to 2360m, set BP at 2360 m and set cement plug. RIH tubing 2317m. | 17-Jan-2020 | 29-Jan-2020 | \$93.00 | | |
| GD-438 | Recompletion / Water Flood Injection Project | POOH production string, if there is a sand plug clean till TD. RIH 2.5" tubing - 1700m with GLVs according to approved scheme (1 st Work Program). Adding 500 m production string to inner production string (2 nd Work Program). 300 m reduction in the tubing string (3 rd Work Program). | 10-Jan-2020 | 16-Jan-2020 | \$19.00 | | |
| GD-454 | ESP Replace | | 27-Jan-2020 | 29-Jan-2020 | \$4.00 | | |
| GD-454 | Equipment Recover (ESP) | | 20-Mar-2020 | 21-Mar-2020 | | | \$2.00 |
| GD-476 | Water Flood Injection Project | Water Flood Injection Project | 1-Feb-2020 | 12-Feb-2020 | | \$43.60 | |
| GD-448 | Water Flood Injection Project / Canister Well | Clean down till 1000m. Preparing well as a canister well for water injection. | 7-Feb-2020 | 17-Feb-2020 | | \$19.50 | |
| GD-474 | Equipment Recover | POOH the tubing string for use in other wells. | 16-Feb-2020 | 17-Feb-2020 | | \$3.50 | |
| GD-438 | Well Service | Set BP at 2360. Set mapsset packer at 2325m. RIH production string with gas lift valves. | 12-Mar-2020 | 23-Mar-2020 | | | \$17.00 |
| GD-372 | ESP Replace | POOH ESP, check TD. If there is a sand plug clean. Inspect the condition of the pump and run 2350m 2 7/8" tubing(new) with ESP according to compiled and approved scheme. | 21-Mar-2020 | Ongoing | | | \$7.50 |
| GD-444 | Well Service | POOH production string with GLVs. Clean sand plug till TD. RIH 1760 m 2 7/8" tubing with gaslift valves according to compiled and approved scheme. | 27-Mar-2020 | Ongoing | | | |
| GD-449 | Recompletion | Squeeze 2135-2140m and clean to maximum depth. Run INNK from 1980m to TD. | | | | | |
| TOTAL | | | | | \$887.00 | \$67.1 | 172.5 |

Note* Actual cost is taken from WO monthly reports and reported amount is for current month only.

- **Wells logged/re-logged**
 - B-144 NGL. Identified potential remaining hydrocarbon zones.
- **Wells completed**
 - GD-134 Fishing/Recompletion. Due to active casing collapse at 2791 m made a decision to stop the operation and release the SDT crew and equipment.
 - B-144 Recompletion. Perforated 4278-4281m horizon IX. Mm3/d. Well produces averagely 26 Mm3/d gas.
 - GD-012 Well service.
 - GD-477 Recompletion. Perforated 2422-2424m, 2418-2420m, 2415-2417m, 2410-2414m, 2406-2409m. RIH new ESP. Replaced ESP. Well produces averagely 4 tons/d oil, 200 ton/d water and 3 Mm3/d solution gas. Set cement plug at 2478m. Perforated at 2410-2396m. Well is under monitoring.
 - GD-372 Well Service. ESP replaced.
 - GD-444 Well Service. Cleaned. RIH PS and gas lift valves. Well is under monitoring.

- GD-543 Equipment Recovery. Recover packer and tubing string. RIH w/kill string. Secure well.
- B-169 Recompletion. WO postponed. Expected gas rate is 40 Mm³/d from horizon X .
- GD-464 Recompletion. Pulled out PS. Plan is to clean till 2828m, run INNK log. Further decision will be made according to INNK log result. WO postponed.
- GD-471 Well Service. POOH PS. Cleaned till 3112.71m. Well produces averagely 4 tons/d oil, 140 ton/d water and 4 Mm³/d solution gas.
- GD-454 ESP Installation / Water Flood Injection Project. Canister well. Injecting into GD-476.
- GD-476 Water Flood Injection Project. Recompletion. TD checked at 2360m. Cleaned till 2378m. Checked TD at 2372m due to sand fill by flow from injected zone. Ongoing.
- GD-466 Well Service. Lowered the production string 201.30m. Landed shoe at 2203.99m. POP.

a) Cased-hole logging

Interpreted logs from GGI:

- B-144 NGL

b) Geology

- B-144 potential perforation intervals identified according to the recent measured NGL log.
- GD-477 cross section with offset wells analyzed, identified potential hydrocarbon saturated intervals according to available INNK log.
- Bahar FS-BX-BIX Geomodeling is ongoing.
- Bahar horizon FS-BX-BIX contacts definition has started.

c) Reservoir Engineering:

- GD horizon VIII history matching continues.
- GD-477 WID document prepared.
- Bahar and GumDeniz reserve calculation by categories (PDP, PDNP, PUD, P2, P3) prepared.
- WO Success file updated.
- Monthly Reports for SOCAR (Production, Delivery, Used, Production and Delivery Indicators, Well Fund).
- Updated Bahar and GD OFGM database.
- Updated Daily Production follow up file and Bahar general database.

d) Seismic

- Bahar seismic horizon BVI interpretation and correction is completed.
- Bahar BVIII-BIX-BX fault system review in the central part of production area based on the updated well data is completed.
- Gumdeniz BVIII-BIX-BX fault system review in the central part of production area based on the updated well data is ongoing.

e) Task Schedule

| No. | Tasks started | Start date | Provisional completion date | Completion date |
|-----|--|------------------|-----------------------------|-----------------|
| | GD Field | | | |
| 1 | GD horizon VIII history matching | 25 February 2020 | 31 August 2020 | |
| 2 | GD NKP Simulation and Forecast | 30 June 2020 | 31 December 2020 | |
| 3 | GumDeniz BVIII-BIX-BX fault system review in the central part of production area based on the updated well data has started. | 15 June 2020 | 31 July 2020 | |
| | | | | |
| | Bahar Field | | | |
| 1 | Bahar FS-BX-BIX Geomodeling, Simulation & WO Candidates Forecast | 12 May 2019 | 30 September 2020 | |
| 2 | Bahar horizon VI simulation has started. | 30 June 2020 | 30 September 2020 | |
| 3 | Bahar horizon FS-BX-BIX contacts definition has started. | 30 June 2020 | 31 July 2020 | |
| | | | | |
| | Completed | | | |
| 62 | Bahar VI fault interpretation and mapping | 3 March 2020 | | 31 May 2020 |
| 63 | Bahar horizon VI geomodelling completed. | 1 June 2020 | | 30 June 2020 |
| 64 | Bahar and GumDeniz reserve calculation by categories (PDP, PDNP, PUD, P2, P3) prepared. | 1 June 2020 | | 30 June 2020 |
| 65 | Bahar Seismic horizon BVI interpretation correction completed. | 1 June 2020 | | 30 June 2020 |
| 66 | Bahar BVIII-BIX-BX fault system review in the central part of production area based on the updated well data is completed. | 1 March 2020 | | 30 June 2020 |

V - FINANCE: *Reported by Rasul Gafarov*

a) On a Monthly Base:

- Completed Mar-20 – May-20 accounting cycles in accordance with the monthly schedule.
- According to JOA issued Mar-20 – May-20 Monthly reports to Contractor Parties.
- According to JOA Apr-20 – Jul-20 Cash Calls were distributed to Contractor Parties.
- Issued Mar-20 – May-20 Additional Monthly reports to Contractor Parties shown below.
- Issued and distributed Mar-20 – May-20 Monthly departmental cost reports to Budget Holders / Department Managers.
- Issued and submitted Mar-20 – May-20 monthly reports to government bodies.
Prepared and submitted monthly Mar-20 – May-20 Financial Highlights report to the Management.

b) On a Quarterly Base:

- Issued 1Q-20 Additional quarterly reports to Contractor Parties.
- Prepared and submitted 1Q-20 quarterly Financial reports required for GPI.

c) On an Annual Base:

- 2019-ci ilə aid aşağıda qeyd olunan hesabatlar və fəaliyyətin audit yoxlamanının davamı;

- BEL Qrup Audit;
- BEOC Məsrəflərin əvəzlənməsi Audit;
- BEOC Xüsusi Məqsədli Maliyyə Audit;
- BEL Mənfəət Vergisi hesabatı;

- A summary of Production, Revenue, Opex and Capex standing related up to 2Q-2020 is shown in the table below:

Bahar Energy Operating Company Limited
Production & Costs Analysis (Actual versus Budgeted)
as of the end of Q2 2020 (01-Apr-20 - 30-Jun-20)

| Production | Actual | Approved Budget | Over/(Under) Difference | Performance, % |
|----------------------------------|----------------|-----------------|-------------------------|----------------|
| Natural Gas Production, boe | 575,299 | 659,488 | (84,189) | 87% |
| Crude Oil Production, bbl | 115,690 | 148,962 | (33,273) | 78% |
| Petroleum Production, boe | 690,989 | 808,450 | (117,461) | 85% |

USD '000

| Revenue | Actual | Approved Budget | Over/(Under) Difference | Performance, % |
|------------------------|---------------|-----------------|-------------------------|----------------|
| Natural Gas Sales | 9,105 | 10,644 | (1,540) | 86% |
| Crude Oil Sales | 3,072 | 8,565 | (5,494) | 36% |
| Petroleum Sales | 12,176 | 19,210 | (7,034) | 63% |

| Costs | Actual | Approved Budget | Over/(Under) Difference | Performance, % |
|---|---------------|-----------------|-------------------------|----------------|
| Capital Costs (CAPEX) | 1,622 | 8,096 | (6,474) | 20% |
| Operating Costs (OPEX) Net of Recoveries by Third Parties | 12,554 | 14,630 | (2,076) | 86% |
| Non-Recoverable Costs (Non-Rec) | 0 | 23 | (23) | 1% |
| Total Costs | 14,176 | 22,749 | (8,573) | 62% |

| Capital Costs: | | | | |
|-------------------------------------|--------------|--------------|----------------|------------|
| Construction | 222 | 2,664 | (2,442) | 8% |
| Production Equipment and Facilities | 737 | 1,845 | (1,108) | 40% |
| CAPEX Other | 4 | 45 | (40) | 9% |
| Workover | 631 | 3,447 | (2,817) | 18% |
| Seismic and G&G | 28 | 95 | (67) | 30% |
| Capital Costs | 1,622 | 8,096 | (6,474) | 20% |

| Operating Costs: | | | | |
|--|---------------|---------------|----------------|------------|
| Personnel Costs | 6,588 | 7,479 | (891) | 88% |
| Insurance Cost | 410 | 426 | (16) | 96% |
| Electricity, Water, Sewage, Gas Usage | 610 | 898 | (289) | 68% |
| Fuel | 31 | 80 | (49) | 39% |
| SOCAR and State Services | 331 | 329 | 2 | 101% |
| Rental of Transportation and Other Equipment | 2,548 | 2,631 | (84) | 97% |
| Repair and Maintenance - Wells | 581 | 703 | (122) | 83% |
| Repair and Maintenance - Facilities | 1,202 | 1,283 | (81) | 94% |
| Materials and Spare Parts - Other | 33 | 96 | (63) | 34% |
| Third Party Services | 93 | 201 | (108) | 46% |
| General and Administrative Expenses | 115 | 267 | (152) | 43% |
| Services Provided by Shareholders | 13 | 238 | (224) | 6% |
| Operating Costs | 12,554 | 14,630 | (2,076) | 86% |
| Recoveries from Third Parties | - | - | - | 0% |
| Operating Costs Net of Recoveries | 12,554 | 14,630 | (2,076) | 86% |
| Recoverable Costs Net of Recoveries | 14,176 | 22,726 | (8,550) | 62% |

| Non-Recoverable Costs: | | | | |
|-------------------------------|----------|-----------|-------------|-----------|
| Non-Recoverable - Training | 0 | 23 | (23) | 1% |
| Non-Recoverable Costs | 0 | 23 | (23) | 1% |

Both actual and presented budget revenue figures are gross amounts and include compensatory petroleum.

VI – LEGAL AND HR PROCESS: *Reported by Ahmadiyya Musayev*

- LEGAL AND COMPLIANCE

a) Contracts

- Contractual review work continued working on and attending negotiations related to various purchase, service and other commercial contracts, as well as advising on different contractual issues, including drafting and reviewing memorandums, termination notices, addendums, protocols, and working on contractual issues related with governing agreements.

b) Government relations

- Letters received from State Labor Inspectorate were addressed and necessary follow-up telephone communications made.

c) Corporate issues

- Board Resolutions were drafted to address outstanding liabilities to certain vendors.

d) Expat employee documentation

- Work on applying for and obtaining residency/work permits and registration with the State Migration Service continued applying a new SOCAR approved system of application for work & temporary residency permits. All the ex-pat employees of the Representative Office possessed the required documents and registrations were done timely as stipulated by law.

e) Other Legal Issues/ Document control and Translation/Interpretation Support

- Letters were prepared and sent to the President of Azerbaijan Republic, First Deputy Prime Minister and SOCAR President on delays of payments for natural gas sold. Documents on redundancy of 2 vice-presidents were prepared and applied; COVID 19 related information, employee lists, and other necessary data was provided to SOCAR and SOCAR Upstream. Orders on unplanned paid vacation were issued and respectively applied at the Representative Office. Electronic permissions were operatively obtained for employees. Complaint letters by ex employees of the Representative Office to SOCAR and other authorities were responded; Employment legislation was analyzed and draft template on amendments to employment agreements were prepared submitted into use; Meetings were held with the Chairman of the Rep Office Trade Union. Claim letters from vendors related with delayed payment for goods/services were addressed. Legal counseling was provided with respect to different areas of law, including on the subject of employment law related issues, as well as in relation to miscellaneous issues arising from PSA. Various delegation of authorities orders and documents were drafted and formalized including delegations from President, routine company orders were reviewed, special orders were drafted. Responses were prepared to different letters that require legal input, including to SOCAR, necessary legal support was provided to various company departments and external audit firms. Cooperation also continued within Houston office on wide range of areas, including investment, and JAFZA related issues.

Document control covering both internal and external correspondence (and archive work) and **translation** (both written and verbal) functions were managed.

f) Compliance issues

- Certain vendors were checked via Risk Database and relevant supporting documents and information was provided to BEOC Board for consideration.

- HUMAN RESOURCES

a) Personnel Administration & Compensation

- ✓ Staff employees:
 - ✓ Total employees number to June 30, 2019: 780, including:
 - Main Office employees- 23
 - Non- Main Office employees - 763
 - Expatriates- 4
 - ✓ New hire: 0
 - ✓ Terminated: 14 (3 resignation, 1 passed away)
- Absenteeism:*
 - ✓ Sick leaves- 144
 - ✓ Unknown reason- 1

b) Development area

- Conducting KPI training for the managerial staff of BEOC;
- Preparing statutory training schedule till the end of 2019.
- Starting Performance Appraisal of BEOC employees.

c) HR Operations

- Overall 894 HR related operations have been made through this quarter;
- 653 vacations and 144 bulletins have been written and entered to the HRB system;
- 20% Salary reduction addendums prepared for 764 BEOCL employees;
- SOCAR and SOCAR Upstream were provided with headcount report;
- Annual expat employee forecast was submitted to SOCAR;
- Review of employee personal files continued, JDs and other documents were updated and filed;
- Heads of departments were provided with daily attendance reports after analysis of data;
- 2 orders issued on departmental structure changes;
- 4 correspondence was sent to third parties;
- Intensive work continued with Audits of Deloitte Company.

VII- ADMINISTRATION & SECURITY: *Reported by Elshad Hasanov*

a) Administrative issues

- Working with (submittals and petitions), cooperation with other departments;
- Updating the electronic database of BEOC inventory;
- Supplying stationery to BEOC;
- Supplying drinking water to Gum-Deniz, Bahar and the Island;
- Arrangement of waste collection from all BEOC facilities.

b) Security

- 570 persons and 406 vehicles entered Company's premises via 432 one-time issued written admission lists based on order;
- Registration of inflow and outflow of materials, equipment, workers going to the premises via the Access Control Point # 1 is monitored on daily bases.

- Maintaining records in the log book of 594 employees who left for Bahar (working per shift) and checking their availability at work during 1 st quarter.
- Entry to the causeway is prohibited for vehicles weighing more than 3 tons as per the decision of the Company Management. Only in exceptional cases, vehicles heavier than 3 tons are allowed to enter the causeway as per approval of the President;
- 5 letters have been sent to Karim Rzayev, the chief of "Etalon Security" LTD, in order to get the permission certificates for 72 employees and 67 special machines to be able to enter the "BEOCL" area, according to points of the contract.
- 10 times during the quarter 2020 deployment of employees (working on shifts) to Bahar field on vessels was accompanied by the Department's rescue diver personnel.
- On 22.04.2020 at 22:10 FD and CF employees who are expert Mammadov Anar and life guarding diver Karayev Elkhan has observed fire on the dike way to the island. While controlling the 20" product way, which comes from "Qum-Deniz" area, at 22:15, they have observed 200m2 burning grass between 104th and 107th props. They have informed FD, CETS, and administration immediately. The fire has been extinguished by 22:35. The company did not have any damage.
- The employees of CD and FD measure every person's temperature with special tool whoever enters from checkpoint #1.
- During 2nd Quarter of 2020 , the specialists of the department took part in the control of the transfer of 376156 liters of diesel fuel to "Bahar" area.
- On 08.05.2020 experts of the department have been attended to control the giving process of 3 generators Teksan TJ1250PE51 1250KVA to "Bahar" area.
- On 17.05.2020 at 05:30 the wagon has been burned which is located just meters away from the entrance door of 2nd QKS of "BEOCL", and (belongs to canceled mechanism making organization) is being used by workers of "Surakhani MKIS as dressing room. This wagon is made of wood and has the area of 20 m². The security who works in 2nd QKS have seen the fire and called the fire department. The fire has been completely extinguished by 6 o'clock. 2nd QKS had no damage. The vice president Elshad Hasanov has been informed.
- Two security checkpoints which were at 7/14 GCS of the company have been canceled by the decision of the meeting with Karim Rzayev who is the director of "Etalon" LTD and his assistant Anar Mammadov. They have agreed to decrease the payment for security from 35000 AZN to 28000AZN. Additionally I would like to emphasize that we did not have results in the agreement on the price decreasing for the Fire Department. The head of the department, major- general Mr. Fuzuli Asadov's explanation was that he doesn't have the authority to change the staff unit and salary which is approved by the Council of Ministers.

VIII – PROCUREMENT & MATERIALS: *Reported by Margarita Rudkovskaya*

a) General

- Ongoing negotiations with Vendors regarding prices, payment terms, delivery terms
- Identified Vendors and POs for payment to ensure uninterrupted Operations

b) Procurement

- 111 MR & SR Received;
- 101 PO's and SO's prepared in SUN System
- 0 MR's canceled/oh hold
- 0 MR &SR passed to CONTRACT/TENDER
- 10 MR's & SR's under sourcing stage Tender and Contracts

c) Tender and Contracts

- Tender RCA approved – 1

BEOCL 10170 HEAVY VEHICLE & CIVIL PLANT RENTAL SERVICES

- Tendered Contracts placed –1

BEOCL 10170 HEAVY VEHICLE & CIVIL PLANT RENTAL SERVICES

- Tenders ON HOLD – 3

BEOCL 10165 CS 2 GAS SEPARATOR SYSTEM RENOVATION

BEOCL 10169 SUPPLY OF STEEL MATERIALS

BEOCL 10171 SUPPLY OF PIPES

- Number Of Active Contracts (at the end of 2nd Quarter 2020)

- OPS/WO/LOG - 97 (including 16 transportation services and 19 services contracts for empl.)
- CONSTRUCTION - 18
- HSE – 10 (1 service contract)
- G&G - 9 (incl. 2 consultancy contracts & 2 contracts for payment purpose only)
- ADMIN – 20 (incl. 2 service contracts for empl.)
- HR – 4
- ITC – 11
- LEGAL – 16
- PM –13 (incl. 3 contracts for payment purpose only)
- FINANCE – 3

- Requests for Prolongation of Contracts – 1

- BEOCL/2017/10145 ELECTRICAL SUBMERSIBLE PUMP RENTAL –
SCHLUMBERGER

d) Warehouse and Materials

- 483,102.00 kg handled without incident
- WHS received 50 PO's, 417 line items for the amount of 1,480,177.65 AZN
- WHS issued 858 line items for the amount of 1,008,728.81 AZN
- 17 (seventeen) NCR's raised 10 (ten) NCR's were closed.
- Fuel station received 376,156.00 Liter of Diesel, issued 396,733.00 Liter of Diesel
- Delayed Repair of roads in the territory PPY1
- Delayed installation Shelves Hangar 1, 3, 4
- Delayed Chemical storage
- Operations Monitor at gas station is out of service.
- Waiting building project from constriction department (Main WHS office Building)

IX – IT: Reported by Eldar Eyyubov

- Within 2nd Quarter was no disruption in IT dept.
- 103 helpdesk requests were processed
- All empty cartridges were replaced
- All new employees were provided with computers and accounts
- All ID cards have been issued
- 60 computers were upgraded to Windows 10 OS
- All routine work was done
- All systems in normal operating mode

-----**End of Report**-----