

# Exploration and Production Public Petroleum Rights Licence - Onshore

Contract 11B in the Commonwealth  
Model Contract Series



The Commonwealth

## **Model Contracts for Infrastructure, Extractives and Energy Industries in Commonwealth Countries**

The Commonwealth Secretariat recognises the need for standardised contracts within the infrastructure, extractives and energy industries across its member countries.

The lack of uniformity in these contracts has led to inefficiencies, imbalances and loopholes that do not serve the best interests of the member countries. To address this issue, the Secretariat is developing model contracts that foster fairness, balance and sustainability in investment relationships, while protecting the interests of governments and citizens.

The core purpose of this standardisation is to consolidate a comprehensive array of infrastructure contracts, facilitating easy access for relevant stakeholders. By providing a singular point of access, it eliminates redundancy and ambiguity, allowing government officials and authorised parties to efficiently source and acquire requisite contracts. This strategic initiative is poised to revolutionise and improve the procurement process within Commonwealth member countries.

This series of model contracts will serve as valuable resources for government lawyers, aiding them in drafting and reviewing foreign investment projects and related contracts. By promoting fairness, balance and sustainability, these model contracts will contribute to the overall development and economic wellbeing of Commonwealth member countries.

Moreover, the establishment of this central repository underlines the commitment of Commonwealth member countries to fostering a conducive environment for sustainable investments.

To deliver this suite of model contracts, the Commonwealth Secretariat has constituted a working group comprising of officials nominated by 19 member countries who are leveraging their expertise, and working with a designated expert, to conclude the project.

# Exploration and Production Public Petroleum Rights Licence - Onshore

Contract 11B in the Commonwealth Model Contract Series



The Commonwealth

This agreement has been drafted using publicly available approaches adopted to contracting in this area by the Government of the Republic of Trinidad and Tobago, building on the expertise developed within its Ministry of Energy and Energy Industries. The main source it draws from is the following.

Republic of Trinidad and Tobago (no date) 'EXPLORATION AND PRODUCTION (PUBLIC PETROLEUM RIGHTS) LICENCE' (onshore). <https://www.energy.gov.tt/wp-content/uploads/2018/08/Exploration-and-Production-Public-Petroleum-Rights-Licence-Onshore.pdf>

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## **Exploration and Production Public Petroleum Rights Licence - Offshore**

This agreement sets out contractual terms on which a government grants exclusive exploration and production rights for petroleum resources in an onshore area to a Licensee. The agreement defines the legal framework for the Licensee to search, bore for and extract petroleum within the Licensed Area for an initial six-year term, with provisions for extensions up to 25 years upon commercial discovery and further five-year renewals.

This model draws upon publicly available approaches adopted to contracting in this area within an island state Commonwealth member in the Caribbean (Trinidad and Tobago), building on the expertise developed within the Ministry of Energy and Energy Industries. It is applicable to both Oil and Gas exploration contexts, with “Natural Gas” defined therein as being “Petroleum in a gaseous state at 60 degrees Fahrenheit and at 14.7 pounds per square inch absolute pressure” and Petroleum defined as being “all natural organic substances composed of carbon and hydrogen; and includes Crude Oil and Natural Gas and all other mineral substances, products, byproducts and derivatives that are found in conjunction with such substances”. This negates the need to have duplicate contracts for Oil and Gas exploration, while remaining suitable for both instances.

EXPLORATION AND PRODUCTION PUBLIC PETROLEUM RIGHTS LICENCE - ONSHORE

Dated [## Insert]

[## Insert]  
PURCHASER

- and -

[## Insert]  
SELLER

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**This Deed of Licence** made is made in **triplicate** the [## Insert] day of [## Insert] in [## Insert year] under the [## Insert law] (hereinafter referred to as “the Act”) and the [## Insert regulations] (hereinafter referred to as “the Regulations”) among the [## Insert state] represented by [## Insert], of the First Part, [## Insert], acting for and on behalf of the [## Insert state] of the Second Part and [## Insert], a company incorporated under the [## Insert law] and having its registered office at [## Insert].

For all intents and purposes the President, the Minister and the Licensee are hereinafter collectively referred to as “the Parties”.

**Whereas:**

1. The Licensee has represented to the Minister that it has the financial ability, technical competence and professional skills necessary to carry out Petroleum Operations within the Licensed Area described in the Schedule hereto.
2. Section 3 of the Act provides that Public Petroleum Rights are vested in the State and are exercisable by the President on behalf of the State.
3. Section 5 of the Act provides, inter alia, that the Minister is charged with the general administration of the Act.

**Now this Deed Witnesseth that:**

In consideration of the premises, and the Application, the payments and royalties hereinafter reserved and the performance and observance by the Licensee of all the terms and conditions hereof, the Minister in exercise of the powers conferred upon him by the Act, hereby grants and the President hereby grants and confirms unto the Licensee EXCLUSIVE LICENCE AND LIBERTY during the continuance of this Licence and subject to the provisions hereof to search and bore for, and get petroleum in the Licensed Area comprising an area of approximately [## Insert] hectares, more particularly described in ANNEX “A1” of the Schedule of this Licence and outlined on the reference map annexed hereto and marked ANNEX “A2”.

*Now it is Hereby Declared and Agreed Between the Parties as follows:*

## 1. Regulations

This Licence incorporates by reference the following provisions of the Regulations:

[## Insert relevant regulations here]

## 2. Definitions

In this Licence:

**“Affiliate”** means any person or entity that directly or indirectly controls or is controlled by or is under the direct or indirect common control with such person or entity, where “control” means the ability to directly or indirectly elect a majority of directors to the board of the relevant entity or to directly or indirectly exercise the majority of the voting rights in the entity or otherwise to direct the management of the entity through shareholding, contract or otherwise.

**“Commercial Discovery”** means a Discovery that the Licensee commits itself to develop and produce under the terms of the Licence and, in the case of a Pre-Existing Field, means a Discovery which a licensee/lessee has developed and produced prior to the Effective Date and from which Petroleum production continues after the Effective Date.

**“Crude Oil”** means Petroleum in a liquid state at 60 degrees Fahrenheit and 14.7 pounds per square inch absolute pressure.

**“Discovery”** means any Petroleum not previously known to have existed within the Licensed Area, which is recovered at the surface in a flow measurable by conventional Petroleum industry testing methods.

**“Effective Date”** means the date on which this Licence has been signed by all Parties as first hereinabove appearing.

**“Energy Equivalent Basis”** means the equivalent of Natural Gas in barrels of Crude Oil with 5,800 standard cubic feet of Natural Gas being equivalent to one barrel of Crude Oil.

**“Exploratory Well”** means any well drilled in search of Petroleum in a structure or geologic trap in which Petroleum in significant quantities has not previously been encountered.

**“Field”** means an area within the Licensed Area which has been determined to be a Commercial Discovery, consisting of a Petroleum reservoir or multiple Petroleum reservoirs all grouped on or related to the same or stacked geological structures or stratigraphic conditions from which Petroleum may be produced commercially plus an additional zero point five (0.5) kilometre zone

surrounding the outermost geographic limits of the reservoirs and any Pre-Existing Field within the said Licensed Area as contemplated under Clause 3(3).

**“Government”** means the government of the [State].

**“Licensed Area”** means that area commonly known as the “[## Insert] Block” more particularly described in Annex “A1” of the Schedule of this Licence and outlined on the reference map for illustration purposes only annexed hereto and marked ANNEX “A2”. The Licensed Area may be varied from time to time and reduced by surrender in accordance with Clause 5 hereof and the relevant provisions of the Act.

**“Licence Year”** means a period of twelve (12) consecutive months within the term of the Licence, beginning on the Effective Date or any anniversary thereof.

**“Local Content”** means the local component of goods, services and human resources employed in the conduct of Petroleum Operations under this Licence.

**“Local Content Policy”** means the policy of Government with respect to Local Content.

**“Minister”** means the member of Cabinet to whom responsibility for the matters related to Petroleum is assigned.

**“Natural Gas”** means Petroleum in a gaseous state at 60 degrees Fahrenheit and at 14.7 pounds per square inch absolute pressure.

**“Petroleum”** means all natural organic substances composed of carbon and hydrogen; and includes Crude Oil and Natural Gas and all other mineral substances, products, by-products and derivatives that are found in conjunction with such substances.

**“Petroleum Operations”** means the exploration, production and delivery of Petroleum to the fiscalisation point and disposition of Petroleum under the terms of the Licence.

**“Pre-Existing Field”** means an area within the Licensed Area which has been determined to be a Commercial Discovery prior to the Effective Date.

### 3. Term

- (1) The term of this Licence, unless sooner determined shall be and continue in force for a period of six (6) years from the Effective Date, but may be extended or renewed in the manner hereinafter provided.
- (2) In the event of a Commercial Discovery, where the Licensee at least one hundred and eighty (180) days before the expiry of the initial six (6) year term gives notice

to the Minister of its desire to renew this Licence, it shall be extended as to part of the original area (which subject to Regulation 17, shall include any Field or Fields) for a maximum term of twenty-five (25) years from the Effective Date.

- (3) In the event there is a Pre-Existing Field within the Licence Area capable of further commercial production, upon the submission of the co-ordinates of the outline of the field to the Minister and verification and approval of said co-ordinates by the Ministry, the Licensee shall be granted approval to continue its production for a period of twenty-five (25) years from the Effective Date of this Licence. Should the Licensee deem that commercial production is no longer possible and the Minister concurs, the Field shall be decommissioned in accordance with Clause 8.5(5) and 8.5(6). In the event that the Licensee deems that commercial production is no longer possible, but the Minister determines that production is still possible from the Field, the Licensee shall hand over to the Minister without consideration the Field and all facilities required for carrying out existing operations, in good working order, normal wear and tear excepted. Upon the transfer of said Field and related facilities, the Minister shall assume all responsibility for the facilities and their abandonment and hold Licensee harmless against any liability with respect thereto accruing after the date of such transfer to the Minister.
- (4) Where the Licensee at least two (2) years before the end of the twenty-five (25) year period provided in Clause 3(2) above indicates to the Minister its desire to further renew this Licence it shall be extended for five (5) years in accordance with terms which shall be laid down by the President in light of the circumstances then prevailing.
- (5) The Minister may grant further five (5) year extensions from the end of each renewal period in the same manner stated in Clause 3(4) above.

#### **4. Minimum Work Programme**

The minimum work programme to be carried out by the Licensee shall be as follows:

- (1) Geological and Geophysical:
- (2) Drilling:

#### **5. Surrender Provisions**

By the end of the fourth Licence Year, the Licensee shall surrender fifty per cent (50%) of the Licensed Area, which does not form part of a Field or Fields discovered, provided however that the Minister may, where he considers it to be in the public

interest, allow the surrender of a lesser portion of the original Licensed Area, and provided further that:

- (1) No individual block surrendered shall be less than thirty (30) per cent of the Licensed Area, unless the Minister specifically consents.
- (2) The Licensee shall be at liberty to surrender this Licence as to the whole or any part of the Licensed Area at any time on giving to the Minister not less than ninety (90) days' notice in writing.
- (3) Surrender shall not affect any obligations or liabilities imposed on or incurred by the Licensee under this Licence or under the Act that have not been performed or discharged prior to the date of surrender.
- (4) This Licence shall remain in full force and effect in respect of any Field in which a Commercial Discovery is made under this Licence before the expiry of the initial term or any extension thereof.
- (5) During the term of this Licence the Licensee shall not be required to surrender any Field discovered in the Licensed Area; and
- (6) Areas for surrender shall be identified, defined and demarcated on the surface of the Licensed Area.

## **6. Commercialisation of Natural Gas/Crude Oil**

- (1) Where a Discovery of Natural Gas/Crude Oil is made the Licensee shall immediately submit a written notification informing the Minister of such Discovery.
- (2) The Licensee shall inform the Minister within thirty (30) days after the notification at Clause 6(1) hereof, whether the Discovery has commercial potential.
- (3) The Licensee shall declare to the Minister within eighteen (18) months from the date of Discovery whether the Discovery is a Commercial Discovery and if such Discovery is a Commercial Discovery, shall immediately upon such declaration present for the Minister's approval a development plan.
- (4) Where the Licensee fails to declare a Discovery of Natural Gas/Crude Oil or a Commercial Discovery in the time specified herein, such Discovery shall at the end of the sixth year of the Licence form part of the area to be surrendered as stated in Clause 5.

## 7. Performance Guarantee

- (1) The performance guarantee required pursuant to Regulation [## Insert] shall be for the total amount of the expenditure obligation which has been calculated as [## Insert] in the currency of the United States of America (USD [## Insert]).
- (2) The performance guarantee shall be from a Guarantor of good financial standing acceptable to the Minister, in the form of a bond or banker's guarantee or in such other form, acceptable to the Minister.
- (3) This amount of such performance guarantee shall be reduced at the end of each twelve (12) month period by the actual exploration expenditure of the period upon presentation of all technical data obtained from the surveys made and the interpretation thereof as well as data and results from drilling of wells and any other work performed thereon.

## 8. Financial Obligations

### 8.1 Bonuses

#### (1) *Signature Bonus*

The Licensee shall pay a signature bonus of [## Insert] in the currency of the United States of America (USD [## Insert]) payable within ten (10) days of the Effective Date of this Licence.

#### (2) *Production Bonuses*

The Licensee shall pay production bonuses on first attainment of a sixty (60) consecutive day average at or in excess of the production levels computed on an Energy Equivalent Basis as detailed hereunder:

<b>Petroleum production: Barrels Oil Equivalent per day (BOE/d)</b>	<b>Production bonus payments in USD</b>
5,000	250,000
10,000	500,000
15,000	750,000



### **8.3 Minimum Payment**

- (1) The minimum payment for the Licensed Area payable quarterly in accordance with Regulations [## Insert] shall be:

	USD per hectare per quarter
During the 1 <sup>st</sup> Licence Year	4.00
During the 2 <sup>nd</sup> Licence Year	4.25
During the 3 <sup>rd</sup> Licence Year	4.50
During the 4 <sup>th</sup> Licence Year	4.75
During the 5 <sup>th</sup> Licence Year	5.00
During the 6 <sup>th</sup> Licence Year	5.25

Thereafter minimum payment shall increase annually at a rate of six percent (6%) for the unexpired term of the Licence.

- (2) The above minimum payment shall be payable within thirty (30) days after the Effective Date of this Licence and thereafter in advance within ten (10) days of the start of the quarter on the number of hectares comprising the Licensed Area as at the date of payment. No refund shall become due if before the end of a quarterly period a part of the Licensed Area has been surrendered.
- (3) In respect of any quarterly period for which royalties become payable under this Licence, where the sum of such royalties is equal to or exceeds the amount already paid as minimum payment for the same period, then the amount of minimum payment so paid shall be deducted from the royalties payable in respect of such quarterly period.

### **8.4 Annual Surface Rental**

- (1) The annual surface rental for the Licensed Area payable in accordance with Regulation 60 shall be as follows:

	USD per hectare per annum
1st Licence Year	5.00
2nd Licence Year	5.25
3rd Licence Year	5.50
4th Licence Year	5.75
5th Licence Year	6.00
6th Licence Year	6.25

Thereafter, annual surface rental shall increase annually at a rate of six percent (6%) for the unexpired term of the Licence.

- (2) The annual surface rental shall be payable within thirty (30) days after the Effective Date of this Licence and thereafter on each anniversary date of the Effective Date of the Licence on the number of hectares comprising the State lands in the Licensed Area as of the date of payment. No refund shall become due if before the next anniversary date any part of the Licensed Area has been surrendered.

### **8.5 Escrow Account**

- (1) The Licensee shall establish an escrow account in the name of the Minister at a financial institution approved by the Minister to accumulate cash reserves for use as a contingency fund for remediation of pollution arising from the Petroleum Operations carried out under this License and eventual abandonment of wells in the Licensed Area and decommissioning of facilities used for Petroleum Operations conducted under this License.
- (2) The Licensee shall pay twenty-five cents in the currency of the United States of America (USD 0.25) per barrel of oil equivalent produced into said escrow account. In computing the relevant production, Natural Gas production shall be added to Crude Oil production after converting to barrels of Crude Oil on an Energy Equivalent Basis.
- (3) The Licensee shall maintain the said escrow account at a level considered adequate by the Minister after consultation with the Licensee, to fulfil its purpose at any time during the existence of the Licence. In the event there is failure to agree on the level, the Minister's decision shall be binding.
- (4) Where the Licensee fails to maintain the said escrow account at a level considered adequate by the Minister, the Minister may revoke this Licence.
- (5) The Minister may at his sole discretion access funds from the escrow account in the event that the Licensee fails to effect environmental clean-up in light of an accident, or properly abandon wells, or decommission facilities to the satisfaction of the Minister. Where the Minister accesses the escrow account as aforementioned, the Licensee shall be required to pay into the account the sum used for said purposes within sixty (60) days.
- (6) Where the Licensee fulfils all obligations in respect of environmental remediation, abandonment of wells and decommissioning of facilities to the satisfaction of the Minister, and upon determination of the Licence, the Minister shall return all existing funds in the escrow account to the Licensee.

### **8.6 Training**

- (1) The Licensee shall provide to the Minister within ten (10) days of the Effective Date of this Licence and thereafter within the first ten (10) days of each

Licence Year, a training contribution of [## Insert] in the currency of the United States of America (USD [## Insert]) for the financing of nationals in appropriate fields of study associated with the energy sector for the first year of the Licence and increasing annually at a rate of six per cent (6%) for the unexpired term of the Licence.

- (2) In the event of Commercial Discovery, the Licensee shall further provide to the Minister within ten (10) days of the Commercial Discovery and thereafter within the first ten (10) days of each Licence Year, an additional training contribution of [## Insert] in the currency of the United States of America (USD[## Insert]) during the first year of Commercial Discovery and increasing annually at a rate of six per cent (6%) for the unexpired term of the Licence.

### ***8.7 Research and Development***

- (1) The Licensee shall provide to the Minister within ten (10) days of the Effective Date of this Licence and thereafter within the first ten (10) days of each Licence Year, a research and development contribution of [## Insert] in the currency of the United States of America (USD [## Insert]) for the first year of the Licence and increasing annually at a rate of four percent (4 %) for the unexpired term of the Licence. This contribution shall be used for the financing of Petroleum related research and development activity.
- (2) In the event of Commercial Discovery, the Licensee shall further provide to the Minister within ten (10) days of the Commercial Discovery and thereafter within the first ten (10) days of each Licence Year, an additional research and development contribution of [## Insert] in the currency of the United States of America (USD [## Insert]) during the first year of Commercial Discovery and increasing annually at a rate of four per cent (4%) for the unexpired term of the Licence.

### ***8.8 Scholarships***

The Licensee shall fund the award of scholarships for the training of nationals of [State] in appropriate fields of study associated with the Energy industry. The value of such funding shall be [## Insert] in the currency of the United States of America (USD [## Insert]) for the first year of the Licence and increasing annually at a rate of six per cent (6%) for the unexpired term of the Licence.

## **9. Rights and Duties of Licensee**

### **9.1 Exclusive Rights**

This Licence confers upon the Licensee exclusive rights in respect of the Licensed Area to search for, drill, get and win Petroleum and to dispose of Petroleum so won in accordance with the provisions contained in this Licence but nothing in this clause shall be taken to confer ownership of any Petroleum in strata or confer any other rights in law within the Licensed Area.

### **9.2 Right of Licensee to Petroleum Won and Saved**

Subject to the right of pre-emption pursuant to Section [## Insert] of the enabling act; the right to take royalty in kind and the right of distraint provided for in the Regulations, the Licensee shall have the right to export all Petroleum won and saved from the Licensed Area and to sell the same whether in [## Insert state] or abroad.

### **9.3 Ancillary Rights**

The Parties agree and acknowledge that pursuant to Section [## Insert] of the enabling act those ancillary rights formerly held by the licensee under or pursuant to the [## Insert] Licences are deemed preserved and granted under Section [## Insert] of the enabling act. If the Licensee considers that ancillary rights are required for carrying out Petroleum Operations he may apply to the Minister for the grant of such a right in accordance with [## Insert Relevant Act].

### **9.4 Operating Rights**

The Licensee may, subject to the provisions of the appropriate enactments, exercise the entire rights incidental to the conduct of Petroleum Operations under this Licence and contained hereunder:

- (i) To bore, dig, sink, drive, make, use and maintain all such boreholes, pit, shafts, drift, levels, excavations and other facilities for searching for and producing of Petroleum in the Licensed Area.
- (ii) To construct, operate, maintain and administer plants, tanks, reservoirs and other storage facilities, gas-oil separators, casing head gasoline plants and other facilities for producing and otherwise treating Crude Oil and Natural Gas within the Licensed Area or any other area acquired by the Licensee.
- (iii) To construct, operate, maintain and administer within the Licensed Area or any other area acquired by the Licensee, pipelines, pumping stations, power houses, power stations, power lines, telegraph, telephone, radio and other communications facilities, factories, warehouses, offices, houses, buildings, conveyances, railways, tramways, roads, bridges, airways, airports and other transport facilities, garages, hangars, workshops, foundries and repair shops and all ancillary services required for the purposes of or in connection with the operations, of exploring for and producing Petroleum under this Licence and all

such further and other rights and powers as are or may become necessary or reasonably incidental to the carrying out of such operations, it being understood that the erection of any railway lines, telecommunication services, power stations and aviation facilities shall require the previous consent in writing of the authorities concerned.

- (iv) To construct, make, operate, maintain, use and administer dams, drains, watercourses, ports, docks, harbours, piers, jetties, dredgers, breakwaters, submarine loading lines and terminal facilities, vessels and all ancillary services required for the purpose of or in connection with exploring and producing operations, with the previous consent in writing of the authorities concerned.

### ***9.5 Use of Water***

The Licensee may for the purposes of its operations appropriate and use, free of charge, with the approval of the Water and Sewerage Authority and subject to third party rights, any water that it may find in the Licensed Area.

### ***9.6 Right to Use Natural Gas***

- (i) The Licensee shall have the right to use Natural Gas in Petroleum Operations.
- (ii) The Licensee shall return associated Natural Gas, not required for use in Petroleum Operations or for sale, to the subsurface structure. Where such associated Natural Gas cannot be economically used or sold or returned to the subsurface structure, the Licensee shall submit reasons with supporting engineering and economic justification to the Minister why such Natural Gas cannot be economically used or sold or returned to the subsurface structure. Permission may be granted to flare such associated Natural Gas. Notwithstanding the above, associated Natural Gas may be flared at any time if necessary for the conducting of well and production tests and during an emergency.
- (iii) The Minister may at any time call upon the Licensee to deliver to him at the field separator without compensation any quantity of Natural Gas produced in association with Crude Oil and not required by the Licensee for its operations or for sale, which may be needed in the public interest. Where the recovery, delivery or storage of such Natural Gas requires the construction of any new facilities, such facilities shall be provided by the Minister. Such Natural Gas or other substances shall be free of royalty to the Licensee.

### ***9.7 Duty to Produce Petroleum and Other Duties***

The Licensee has a duty:

- (i) to produce Petroleum upon Commercial Discovery in accordance with Regulation [## Insert]
- (ii) provide the Minister in accordance with ANNEX “B” any and all data, reports, samples, information, interpretation of such data and all other information or work product pertaining to the Licensed Area.
- (iii) to provide the Minister with regular and complete information concerning all Petroleum Operations and shall present to the Minister prior to execution of specific work information relative thereto.
- (iv) to allow such persons as duly authorised by the Minister, to inspect the plant, operations, records and accounts of the Licensee in accordance with regulation [## Insert] of the enabling act.
- (v) to co-operate and consult with other parties conducting petroleum operations within the same geographical area; provided that the Licensee shall have the right to consult with the Minister in the event of a failure to reach an agreement with such other parties.
- (vi) to take all reasonable precautions to ensure the protection of all equipment and assets used in the conduct of Petroleum Operations under this Licence or located on the Licensed Area from sabotage, terrorism or any acts that may result in pollution of the environment; and
- (vii) to perform all other duties stipulated under the enabling act.

### ***9.8 Environmental Remediation***

At the beginning of each Licence Year, the Licensee shall submit to the Minister for approval, the programme of environmental remediation that it intends to undertake within the Licensed Area. On approval of such programme the Licensee shall execute such programme forthwith.

## **10. Assignment, Sub-licence or Transfer**

The Licensee shall not grant a sub-licence, assign or transfer in whole or in part any of the rights acquired or obligations undertaken herein, without the previous consent in writing of the Minister and any sub-licence, assignment or transfer made without such previous consent shall be null and void and may result in a forfeiture of the Licence.

## 11. Local Content Obligation

- (1) The Licensee shall comply with the Government's Local Content Policy in force as modified from time to time.
- (2) The Licensee shall submit reports on Local Content to the Minister on a quarterly basis and in accordance with ANNEX "C".
- (3) The Licensee shall be required to keep records evidencing satisfaction of local content obligations, for a minimum of six (6) years, for the purposes of inspection and audit. Upon receipt of reasonable notice from the officer designated by the Minister, the Licensee shall make such records available for inspection or audit.

## 12. Minister's Covenants

The Minister's covenants with the Licensee are as follows:

- (1) That the [State] has title to and sovereign rights over the Licensed Area and power to grant unto the Licensee this Licence.
- (2) Subject to the Licensee obtaining all necessary consents from third parties, the Licensee shall peacefully enjoy and conduct the Petroleum Operations together with all the rights, privileges and benefits herein granted.
- (3) That the Government shall defend this Licence and the rights, privileges and benefits herein granted unto the Licensee as against any person claiming the same, by or through the Government.
- (4) That no other person has been granted any licence to carry out Petroleum Operations in the Licenced Area.

## 13. Labour and Immigration Authorisation

The Minister shall, in accordance with the applicable law, and subject to the requirement that the Licensee shall obtain all the necessary consents from the relevant authorities to facilitate the issuance and approval of labour and immigration authorisations required for the employment of foreign personnel of the Licensee and sojourn of such personnel and their dependents in [## Insert Name of State].

## 14. Confidentiality

- (1) All data acquired by the Licensee in the course of Petroleum Operations or furnished to the Licensee by the Minister under this Licence shall remain the sole property of the State, and subject to the exemptions below, be treated as strictly confidential for the term of this Licence or any extension or renewal hereof, except that the Minister and the Licensee shall have the right to use such data for the purpose of any arbitration or litigation between the Minister and the Licensee. Provided however that either Party shall be entitled to disclose such data in the following circumstances:
  - (i) to an Affiliate of such Party, provided such Affiliate maintains confidentiality as provided in this Clause;
  - (ii) to a Government agency or entity;
  - (iii) to the extent such data and information is required to be furnished in compliance with any applicable laws or regulations, or pursuant to any legal proceedings or because of any order of any court binding upon a Party;
  - (iv) to contractors, sub-contractors, consultants and attorneys employed by either Party where disclosure of such data or information is essential to such contractor's, consultant's, sub-contractor's or attorney's work;
  - (v) to a bona fide prospective transferee of a Party's interest in this Licence;
  - (vi) to a bank or other financial institution to the extent appropriate to either Party arranging for funding for its obligations under this Licence;
  - (vii) to the extent such data and information must be disclosed pursuant to any rules or requirements of any government or stock exchange having jurisdiction over such Party, or its Affiliates; provided that if either Party desires to disclose information in an annual or other periodic report to its or its Affiliates' shareholders and to the public and such disclosure is not required pursuant to any rules or requirements of any government or stock exchange, then such latter disclosure shall be subject to the prior consent of the Minister;
  - (viii) to its respective employees for the purposes of Petroleum Operations, subject to each Party taking customary precautions to ensure such data and information is kept confidential.

- (2) Disclosure pursuant to Clauses 14(1) (iv) (v) and (vi) above shall not be made unless prior to such disclosure the disclosing Party has obtained a written undertaking from the recipient to keep the data and information strictly confidential and not to use or disclose the data and information except for the express purpose for which disclosure is to be made.
- (3) Data related to exploration and/or development activities in areas which have been surrendered by the Licensee, shall immediately on surrender cease to be covered by this Clause 14.
- (4) Data related to the exploration and/or development activities in areas not surrendered in accordance with the terms of this Licence may be released at the end of the third (3<sup>rd</sup>) year of the Licence or one (1) year after acquisition of such data whichever period is later in time, subject to the Minister's approval.

## **15. Penalties for Breach**

Subject to the provisions of this Licence the Licensee shall strictly observe the provisions of the Act and shall be liable for any breach thereof as specified in Section [## Insert] of the enabling act and regulations.

## **16. Distraint by the Minister**

- (1) If the royalty payable by the Licensee or any part thereof remains unpaid for the period of thirty (30) days next after the due date of payment, the Minister may enter on the Licensed Area occupied by the Licensee and distraint on all or any of the stock of Petroleum and all things found in or upon the Licensed Area.
- (2) If after fourteen (14) days from the date of the distraint, the sums due still remain unpaid, the Minister may sell all or any part of the goods so distrained, recovering therefrom the amounts due and paying the surplus, if any, to the Licensee.
- (3) If the Minister acts under the foregoing provisions of this Clause he shall be indemnified by the Licensee against all actions, claims, liabilities and other obligations arising directly or indirectly from such action, notwithstanding that under any rule of law the Licensee would not be so liable.

## 17. Power of Revocation

- (1) Where any of the events specified in Clause 16(2) occurs, the Minister may revoke this Licence, whereupon all rights, licences, privileges and powers conferred upon the Licensee and all grants and leases of state lands held for the purpose of carrying out Petroleum Operations under this Licence shall determine, provided that, in each case except Clause 17(2)(f), the Minister shall have given written notice of noncompliance to the Licensee reasonably in advance of such revocation, specifying the particular ground for the exercise of the right of revocation.
- (2) The events referred to in Clause 16(1) are:
  - (a) failure on the part of the Licensee to fulfil the minimum work obligations pursuant to Clause 4 hereof or failure to meet expenditure obligations under Clauses 7, 8.1, 8.5, 8.6, or 8.7;
  - (b) failure on the part of the Licensee to execute such work obligations as shall have been undertaken by it under the terms of this Licence within the time limits prescribed;
  - (c) breach of other terms and conditions contained in this Licence in a material particular, the Minister being sole judge of such materiality;
  - (d) failure of the Licensee:
    - (i) to make the minimum payments specified in the Licence in accordance with Regulation 56 in respect of the Licensed Area; or
    - (ii) to make payments in respect of rent, royalty, Petroleum impost, Petroleum production levy or taxes other than taxes derived from Petroleum Operations hereunder within three (3) calendar months of the date on which such payment falls due or
    - (iii) to maintain the escrow account as provided for in Clause 8.5(1) at the level required pursuant to Clause 8.5(4) hereof.
  - (e) failure on the part of the Licensee to pay any sum that may have been awarded against it in arbitration proceedings as provided for herein within three (3) months of the date fixed in the award, provided that notice shall have been duly given to it of its obligation to make such payment;
  - (f) bankruptcy of the Licensee or its going into voluntary or involuntary liquidation;

- (g) proof of wilful misrepresentation by the Licensee in any material particular in the process of applying for this Licence.
- (3) Revocation and determination of this Licence shall not affect any obligation or liability that may have been incurred under the terms of this Licence or in connection with the Petroleum Operations or under any other licences issued in connection herewith.
- (4) In cases falling under Clause 17(2) above, except 17(2)(f) and (g), if in the opinion of the Minister the breach or non-observance committed is capable of remedy, the Minister shall notify the Licensee, specifying the particular material breach complained of and requiring the Licensee to remedy the breach or non-observance and pay compensation therefore, within such reasonable time as the Minister may stipulate, failing which the Licence may be revoked forthwith.
- (5) Without prejudice to the rights of the Minister under this Clause 17, the Licensee may make representations to the Minister concerning any breach or non-observance by the Licensee of any provision in the Licence and the Minister may consider any such representations.
- (6) Where in the case of revocation under a provision in the Licence made in accordance with Clause 17(2)(c) or (g) but no other, the Licensee is aggrieved by the decision of the Minister to revoke the Licence, he may have recourse to arbitration in accordance with the Act and, if such recourse to arbitration is made, the revocation of this Licence shall be of no effect, unless confirmed by the award of such arbitration, upon which the revocation shall take effect and all Petroleum Operations authorised by this Licence shall cease, subject to the award.
- (7) In cases of serious and repeated violations of any of the terms and conditions of this Licence or of any law or directions of the Minister, the President may order such of the operations provided for in this License as he may think fit to be temporarily discontinued.
- (8) In the event that this contract was procured, facilitated, awarded and/or otherwise generated through corrupt or other improper practices, in whole or in part, it will be deemed to be void ab initio.

## **18. Dispute Resolution**

- (1) The Parties shall use their best efforts to settle any dispute, which may arise from, in consequence of or in connection with the performance or interpretation of any provision of this Licence, through good faith discussions and amicable negotiations, upon the written request of any Party.

- (2) If in the event any such dispute has not been resolved through good faith discussions and amicable negotiation within sixty (60) days after the dispute arises, the Minister or the Licensee may by notice in writing to the other, propose that the dispute be referred for determination by:
  - (i) a sole expert;
  - (ii) mediation; or
  - (iii) arbitration in accordance with the procedures and terms set out in [## Insert relevant sections of] the enabling act.

## **19. Amendment**

This Licence shall not be amended, modified, altered or supplemented other than by means of a written document executed by all Parties.

## **20. Governing Law**

The validity, interpretation and implementation of this Licence shall be subject to and governed by the Laws of the [State] and any amendments or reenactments thereto.

## **21. Miscellaneous**

- (1) Reference to any statute or statutory provision includes a reference to that [## Insert statute or statutory provision] as from time to time amended or re-enacted;
- (2) Headings of this Licence are for convenience of reference only and not intended to define, interpret, limit or describe the scope or intent of any of the provisions of this Licence.

## **22. Notices**

- (1) All notices and other communications provided for in this Licence shall be in writing and shall be deemed sufficient for all purposes if sent by registered mail, courier service and/ or, facsimile, to the addresses set out below or if delivered by hand to the designated representative of the Parties:

IF TO THE LICENSEE:

Attention:        [## Insert]  
Telephone:       [## Insert]  
Telefax:         [## Insert]

IF TO THE MINISTER:

Telefax         [## Insert]

- (2) Each notice sent by any of the methods specified above shall be effective on the date of actual receipt, with notices given by registered mail being deemed received on the date shown on the return receipt.
- (3) The Licensee and the Minister may at any time and from time to time change the nomination of the official constituting its authorised representative or its address herein on giving the other Party ten (10) days' notice in writing.

IN WITNESS WHEREOF, [## Insert], as and for the act and deed of [## Insert], has hereunto set his hand the [## Insert] day of [## Insert], 20[## Insert], [## Insert] has hereunto set his hand the [## Insert] day of [## Insert], 20[## Insert], and the Common Seal of [## Insert] was hereunto affixed the [## Insert] day of [## Insert], 20[## Insert]

*Signed and Delivered by the within-named, [## Insert])*

And of me,  
[## Insert]  
Attorney-at-Law

*Signed and Delivered by the within-named, the [## Insert] as and for his act and deed in the presence of*

:

And of me,  
[## Insert]  
Attorney-at-Law

The Common Seal of [## Insert] was hereunto affixed by the Secretary in the presence of: [## Insert]

one of the Directors by order and authority of the Board of Directors and in conformity with the By-laws of the Company in the presence of: [## Insert]

And of me,  
[## Insert]  
Attorney-at-Law

## Schedule

This is the SCHEDULE referred to in the prefixed Deed made on the Effective Date among, [## Insert], Commissioner of State Lands, as and for the act and deed of [## Insert], of the First Part, [## Insert], MINISTER OF the Second Part, and [## Insert] of the Third Part.

## ANNEX “A1”

### Geographical Description of Licensed Area

This is ANNEX “A1” referred to in the prefixed Deed made on the Effective Date among, [## Insert], [## Insert Relevant Official], as and for the act and deed of [## Insert], [## Insert], of the Second Part and [## Insert], of the Third Part.

***The Area Covered by this Licence***

All that area, outlined on the map marked “A” annexed hereto and within the confines of the area described as follows:

***Geographical Description of [## Insert the Area]***

All that area, outlined on the map marked “A” annexed hereto and within the confines of the area described as follows:

[##Insert] Block comprising approximately [## Insert] Ha ([## Insert] Acres) situate inland on [## Insert State] bounded by the lines joining the points listed hereunder and shown on the attached map.

Co-ordinate System:

Datum:

False Easting:

False Northing:

Central Meridian:

Scale Factor:

Latitude Of Origin:

Units: Meter

## Annex "A2"

### Map of Licensed Area

Attached hereto is ANNEX "A2" as referred to in the prefixed Deed made on the Effective Date among [## Insert], [## Insert Relevant Official],, as and for the act and deed of [## Insert], of the First Part, [## Insert], of the Second Part and [## Insert] of the Third Part.

***Map of Licensed Area***

[## Insert map]

## **ANNEX “B”**

### **Data to be Submitted by Licensee**

Attached hereto is ANNEX “B” as referred to in the prefixed Deed made on the Effective Date among [## Insert], [## Insert Relevant Official], as and for the act and deed of [## Insert], of the First Part, [## Insert], of the Second Part and [## Insert] of the Third Part.

### ***Data to be Submitted by Licensee***

- (1) Monthly, quarterly and annual progress reports.
- (2) Reports on magnetic and gravity surveys and any other geological or geophysical surveys performed, including where applicable but not limited to:
  - (a) Flight path maps in 1:50,000 and 1:100,000 scales;
  - (b) Magnetic recording tapes of field data on a medium to be specified by the Minister;
  - (c) Daily records of the earth's magnetic fields;
  - (d) Specifications of equipment used in magnetic and gravity surveys and any other geological or geophysical survey performed;
  - (e) Reports on the interpretation of items (a), (b) and (c) together with maps showing the intensity of magnetic and gravity readings, depth of basement and structural maps in 1:50,000 and 1:100,000 scales, in transparencies, paper prints and in digital form; and
  - (f) Magnetic tapes of the processed and navigation data on a medium and format specified by the Minister.

Reports on items (a), (b), (c) and (d) shall be submitted within thirty (30) days after completion of the magnetic and gravity surveys, and reports on item (e) shall be submitted within ninety (90) days following preparation.

- (3) Reports on geological surveys conducted both within and outside the Licensed Area in respect of Petroleum Operations under the Licence, to be submitted within ninety (90) days after completion of such surveys, including but not limited to:
  - (a) Geological maps in 1:10,000 and 1:100,000 scales and maps showing the location of the collection of samples in 1:25,000 scale in transparencies, paper prints and digital form;
  - (b) Analysis of Petroleum reservoirs specifying all reservoir parameters including but not limited to the rock types, petrology, permeability and porosity;
  - (c) Petroleum source rock analyses; and
  - (d) Paleontology analysis, stratigraphy and environment of deposition.
- (4) Reports on seismic data and interpretations thereof, including where applicable the following in relation to seismic surveys:
  - (a) Source and receiver pattern diagrams;
  - (b) Specifications of equipment used in seismic surveys;
  - (c) Maps showing permanent markers used in the survey in 1:50,000 scale;

- (d) Seismic shot point maps in 1:50,000 and 1:250,000 scales, transparencies, paper prints and in digital form;
- (e) Source wave form characteristic analysis;
- (f) Field and processed navigation tapes and seismic final processed tapes; and reprocessed tapes if they have been used for reinterpretation and/or location of well(s). These data are to be supplied on a medium and in a format specified by the Minister on approval of these surveys;
- (g) 2D Seismic sections of all seismic data processing displays of every seismic line, in one (1) second per ten (10) centimetre scale, including transparencies and one paper print. The same requirement applies to any reprocessed lines;
- (h) Root mean square velocity and interval velocity analysis of shot points carried out on each line;
- (i) Seismic interpretation of every horizon that Licensee has interpreted as well as any thickness, facies, environment, maturity and any other interpretive maps prepared by the Licensee;
- (j) Structural contour maps based on the interpretations in (h) and (i) at the scale utilised by Licensee or a scale specified by the Minister;
- (k) For 3D seismic surveys the Minister retains the right to be supplied with a copy of the field tapes including navigation tapes and observer reports at any time in the life of the Licence at Licensee's cost;
- (l) 3D seismic final processed data including navigation to be supplied on a tape medium and format specified by the Minister on approval of the survey; and
- (m) 3D seismic sections at a spacing to be specified by the Minister and at a scale to be specified by the Minister. One (1) paper and one (1) film of each specified seismic line.

Reports on items (a), (b), (c), (e) (f), (g) and (h) shall be submitted within sixty (60) days after completion of the processing of each seismic line.

Reports on items (i) and (j) shall be submitted upon completion of each seismic interpretation.

- (5) Reports on drilling operations including the following:
  - (a) a daily report by 13:00 hours of the following day, which must contain the following details where applicable:
    - (i) Name of well and of Licensee;
    - (ii) Date and time of operation;
    - (iii) Name of drilling rig;
    - (iv) Days of previous operation on the particular well;
    - (v) Depth of well at time of report;
    - (vi) Diameter of well;
    - (vii) Type and size of drill bit;
    - (viii) Deviation of well;

- (ix) Type, weight, and specification of drilling mud;
  - (x) Operations and problems during previous twenty-four (24) hours;
  - (xi) Lithology within previous twenty-four (24) hours;
  - (xii) Petroleum found;
  - (xiii) Type, size, weight and depth of casing;
  - (xiv) Cementing;
  - (xv) Pressure test of petroleum blow-out preventer, casing, and other related equipment;
  - (xvi) Well-logging, including type and depth of logging;
  - (xvii) Core sampling;
  - (xviii) Flow tests and the depth thereof;
  - (xix) Well abandonment;
  - (xx) Drilling rig released; and
  - (xxi) Conditions of weather.
- (b) Two (2) complete sets of well logs at 1:500 and 1:200 scales spliced into continuous logs, both paper print and digital form, to be submitted within twenty (20) days after the completion of well logging operations (in addition to well logs which the Licensee supplies while drilling).
- (c) Well completion reports to be submitted within sixty (60) days after completion of drilling. These reports shall contain a well completion log, a complete description of the results of the well, the results of tests and the details of geology and lithology. The well completion log will be at 1:1000 scale and should include at least the following:
- (i) log curves;
  - (ii) lithologic plot and description;
  - (iii) formation tops;
  - (iv) velocity information;
  - (v) shows and tests;
  - (vi) casing and plugs;
  - (vii) cores;
  - (viii) paleontologic and palynologic markers;
  - (ix) environment of deposition; and
  - (x) any other information which Licensee has plotted on its own 1:1000 scale logs which contributes to an interpretation of the results of the well.

The well completion report shall also include where applicable:

- (i) reports on analysis of any samples taken;
  - (ii) reports on any well tests conducted;
  - (iii) analysis of Petroleum and water; and
  - (iv) pressure analysis.
- (6) Reports on production of Petroleum, including the following:
- (a) A daily report by 13:00 hours of the following day, with the following details:
- (i) Quantity of Petroleum produced;
  - (ii) Quantity of Petroleum used in Petroleum Operations;
  - (iii) Quantity of Petroleum measured at measurement point(s);
  - (iv) Quantity of Petroleum flared;

- (v) Tubing and casing pressure;
  - (vi) Choke size;
  - (vii) Well test; and
  - (viii) Operations during the previous twenty-four (24) hours.
- (b) Reports detailing the results obtained with respect to the following shall be submitted immediately they become available after the relevant analyses are carried out:
- (i) Gravity and viscosity;
  - (ii) Vapour pressure;
  - (iii) Pour point;
  - (iv) Dew-point and composition of Natural Gas;
  - (v) Impurities; and
  - (vi) Water produced and results of the analysis.
- (c) Workover report, giving reasons, length and details of workover within thirty (30) days after the completion of the workover.
- (d) Stimulation report, stating methods and details of materials used for the purpose within thirty (30) days after the completion of operations.
- (e) Bottom hole pressure test within fifteen (15) days after the completion of the test.
- (f) Production test report including details of calculation within thirty (30) days after completion of the test.
- (g) Structural contour maps for all producing horizons together with well location, reserve assessment, and detailed calculation and reservoir simulation report, if, and when prepared within thirty (30) days prior to production, and every six (6) months during production in the event of change.
- (7) Reports on investigation of Petroleum reserves, Field limits and related economic evaluations as required under the Licence and the Regulations.
- (8) Safety programmes and reports on accidents.
- (9) Representative samples of all cores and fluids extracted from wells drilled in the Licence Area.
- (10) Such other samples, data, reports, plans, designs, interpretations or information as the Minister may request including anything for which the cost was recorded by the Licensee in its books as a cost of Petroleum Operations.
- (11) Revisions of reports, data, analyses or processing shall be submitted to the Minister within thirty (30) days of completion.
- (12) All reports, maps and log data are required to be submitted in digital format along with any of the hard copies requested herein.

- (13) Within fifteen (15) days from the end of each Calendar month Licensee shall supply the Minister with a production statement on petroleum produced and saved from the License area.
- (14) Within sixty (60) days after the end of each calendar quarter Licensee shall supply the Minister with:
  - (a) a statement of Local Content in accordance with the Local Content Order and Annex "C".
  - (b) a statement of the expenditure contemplated for the budget year and modifications made thereto during the year.
- (15) The Licensee shall annually supply an inventory statement containing all materials and physical assets required for Petroleum Operations under the Licence.

## ANNEX “C”

### Local Content Reporting

Attached hereto is ANNEX “C” as referred to in the prefixed Deed made on the Effective Date among [## Insert], [## Insert Relevant Official], as and for the act and deed of [## Insert], of the First Part, [## Insert], of the Second Part and [## Insert] of the Third Part.

### ***Local Content Reporting***

- (1) Licensee shall maintain records to facilitate the determination of the local content of expenditures incurred in respect of Petroleum Operations. These records shall include supporting documentation certifying the cost of local materials, labour and services used and shall be subject to audit.
- (2) Licensee shall prepare and render to the Minister not later than sixty (60) days after each calendar quarter a statement of local content.
- (3) The statement of local content shall include but not be limited to the following categories:
  - (a) Payments made to local contractors and local suppliers who supply local goods and local services;
  - (b) Payments to local contractors and local suppliers for providing a service in the supply of non-local goods;
  - (c) Payments made to non-local contractors and suppliers who supply local goods;
  - (d) Payments of salaries, profits, dividends on shares and other tangibles paid to persons who are nationals of [The State];
  - (e) Statement on people development outlining the level of involvement of nationals of [The State] in the key areas of the petroleum operations being conducted under this Licence;
  - (f) List of all contracts awarded during the quarter and services and/or equipment contracted;
  - (g) The amount of expenditure incurred by the Licensee directly, or indirectly on goods supplied, produced or manufactured in [The State] ;
  - (h) the amount of expenditure incurred by the Licensee directly or indirectly on services provided by local entities;
  - (i) the respective percentages that the expenditures recorded under items (g) and (h) above represent of the Licensee's total expenditures; and
  - (j) a detailed description of the procedures adopted during the calendar quarter to identify and purchase goods and services from local suppliers.

For the purpose of measurement, local content shall be comprised of all costs incurred as direct materials, direct sub-contracts, indirect materials, indirect subcontracts, construction management and other costs. Local content shall not include any taxes or other statutory payments to Government including payments made under this Licence.

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