



**NIGERIA - SAO TOME AND PRINCIPE**

**JOINT DEVELOPMENT AUTHORITY**

**PETROLEUM REGULATIONS 2003**

**WHEREAS** the Treaty of 21 February 2001 between the Federal Republic of Nigeria and the Democratic Republic of São Tomé e Príncipe provides for the Joint Development of an overlapping maritime area between their Exclusive Economic Zones

**WHEREAS** instruments of ratification of the said Treaty were exchanged on 16 January 2003;

**WHEREAS** by virtue of the Treaty a Joint Development Authority was established;

**WHEREAS** Articles 3 and 9 of the Treaty empower the Authority to amongst other things control and manage the development activities relating to the exploration for and exploitation of the resources in the zone,

**WHEREAS** in accordance with Article 21.1 and pursuant to its powers under the Treaty, the Authority has submitted to the Joint Ministerial Council two draft documents entitled “Petroleum Regulations 2003” (being the present document) and the other entitled “Tax Regulations 2003”, which documents, taken together, constitute the Regulatory and Tax Regimes for petroleum related activities within the Zone.

**WHEREAS** under Article 21.2 of the Treaty the Joint Ministerial Council is empowered to approve and adopt a Regulatory and Tax Regime as aforesaid.

**THE JOINT MINISTERIAL COUNCIL**, pursuant to Article 8.2 (b) of the said Treaty

**HEREBY APPROVES AND ADOPTS**

the afore mentioned documents, this 4<sup>th</sup> day of April 2003

**NIGERIA - SÃO TOMÉ & PRÍNCIPE**  
**JOINT DEVELOPMENT ZONE**

**PETROLEUM REGULATIONS 2003**

**INDEX OF CONTENTS**

**PART ONE**

Regulation 1  
Regulation 2

**INTRODUCTORY**

Short title and entry into force  
Definitions

**PART TWO**

Regulation 3  
Regulation 4  
Regulation 5  
Regulation 6  
Regulation 7  
Regulation 8  
Regulation 9  
Regulation 10  
Regulation 11  
Regulation 12  
Regulation 13  
Regulation 14  
Regulation 15  
Regulation 16  
Regulation 17  
Regulation 18  
Regulation 19  
Regulation 20  
Regulation 21

**LICENSING, LEASING AND CONTRACTING**

General Provisions  
Division of the Zone into Blocks  
Licenses, Leases and Production Sharing Contracts  
Exploration Licenses  
Oil Prospecting Licenses  
Oil Mining Leases  
Production Sharing Contracts  
Licensing Rounds and Tendering process  
Invitations to bid  
Consideration of applications  
Form of application by competitive tender  
Withdrawal of applications  
Grant or refusal of Tender Agreements  
Conversion of an OPL into an OML  
Publication of Licences, Leases and PSCs  
Keeping and inspection of register of agreements  
Applications for assignment  
Termination of an OPL or OML  
Revocation of OPLs and OMLs

**PART THREE**

Regulation 22  
Regulation 23

**FEES RENTS AND ROYALTIES**

Fees, rents and royalties  
Rates of fees, rents and royalties

**PART FOUR**

*Rights and obligations of Licensees and Lessees*

Regulation 24  
Regulation 25  
Regulation 26  
Regulation 27

**OPERATIONS AND PRODUCTION**

Rights of Licensees, Lessees and Contractors  
Reservations  
Fishing Rights  
Rights of inspection

Regulation 28	Indemnity
<i>Safety and Security</i>	
Regulation 29	Safety of Navigation
Regulation 30	Safety Zones
Regulation 31	Security of Structures
Regulation 32	Safety of employees etc.
<i>Environment</i>	
Regulation 33	Protection of environment and prevention of pollution
Regulation 34	Drainage of waste
Regulation 35	Removal of property
<i>Exploration and Drilling</i>	
Regulation 36	Commencement of exploration
Regulation 37	Commencement of drilling
Regulation 38	Boreholes and wells
Regulation 39	Wells and Fields
Regulation 40	Drilling rigs
<i>Field Development</i>	
Regulation 41	Power to give certain directives
Regulation 42	Resident Manager
Regulation 43	Maintenance of apparatus and conduct of operations
Regulation 44	Field development programme
Regulation 45	Natural gas feasibility study
Regulation 46	Approval to produce petroleum
Regulation 47	Production of crude oil and natural gas
Regulation 48	Petroleum production work
Regulation 49	Rates of production
Regulation 50	Confinement of petroleum
Regulation 51	Pressure decline
Regulation 52	Samples and specimens
Regulation 53	Joint development schemes
Regulation 54	Abandonment, plugging etc.
Regulation 55	Termination
 <b>PART FIVE</b>	
<b>REPORTS, ACCOUNTS AND RECORDS</b>	
Regulation 56	Records of boreholes and wells
Regulation 57	Discovery reports
Regulation 58	Measurement and weighing of crude oil and natural gas
Regulation 59	Accounts and particulars
Regulation 60	Progress reports
Regulation 61	Miscellaneous provisions relating to records
Regulation 62	Auditing of contractors' books and accounts
Regulation 63	Records to be supplied at expense of licensee or lessee
Regulation 64	Confidentiality

Regulation 65	Release of information and data
Regulation 66	Special terms

## **PART SIX**

## **RECRUITMENT AND TRAINING OF NATIONALS OF STATES PARTIES**

Regulation 67	Training programmes
Regulation 68	Scholarship schemes
Regulation 69	Variations
Regulation 70	Reports
Regulation 71	Targets

## **PART SEVEN**

## **MISCELLANEOUS**

Regulation 72	Datum
Regulation 73	Insurance
Regulation 74	Interference with holders of licences, leases, PSCs and other offences
Regulation 75	Issue of further Regulations/power to make regulations
Regulation 76	Publication of Regulations
Regulation 77	Settlement of disputes by arbitration
Regulation 78	Circumstances beyond control

## **PART ONE**

### **INTRODUCTORY**

#### **Regulation 1            Short title and Entry into force**

The present Regulations shall be called the “Petroleum Regulations 2003”. They shall enter into force with immediate effect.

#### **Regulation 2            Definitions**

For the purposes of these Regulations and of the Schedules, wherever the context permits,:

“applicable law” means the Treaty and the principles and rules of law applicable in the Zone by virtue of the Treaty;

“Article” means an Article of the Treaty;

“barrel” means a barrel of forty-two United States gallons;

“Board” means the Board of the Authority, as referred to in Article 10 of the Treaty;

“contractor” means a party to a development contract other than the Authority;

“Contract Area” means the area of an OPL or any OML derived therefrom;

“Council” means the Joint Ministerial Council established under Part Two of the Treaty;

“crude oil” means mineral petroleum oil in its natural state before it is refined or treated (excluding water and other foreign substances);

“development activity” means any economic activity in or concerning the Zone, including petroleum activity, fishing activity, all other activities for the development or exploitation of other mineral or living resources of the Zone, and all forms of exploration and research relating to any of the foregoing;

“development contract” means any agreement relating to a development activity concerning petroleum (including without limitation leases, licences, production sharing contracts and concessions) entered into, from time to time, between, on the one hand, the Authority and, on the other hand, one or more other parties;

“explore”, in relation to petroleum, means to make a preliminary search by aerial survey, surface geological and geophysical methods, including the drilling of wells and boreholes;

“financial terms” includes all obligations in the nature of taxation (whether production or income based) and any other financial obligations including royalties, payments in kind, production sharing arrangements and resource rentals;

“gazetted” means published in the Official Gazettes of both States Parties; and/or such other publications in the States Parties as the Authority may determine to be appropriate; ’

“installation” means any structure, device or artificial island utilised in development activities, installed above, in, on or under the seabed, including drilling vessels *in situ*;

“Joint Development Authority” or “Authority” means the Joint Authority established by Part Three of the Treaty;

“Joint Development Zone” or “Zone” means, subject to Article 5 and paragraph 5 of Article 31 of the Treaty, the area of seabed and subsoil, together with the superjacent waters, established as a joint development zone under Article 2 of the Treaty;

“Lease” means an Oil Mining Lease (OML);

“Lessee” means the holder from time to time of an OML, but so that in relation to PSCs the PSC Contractor shall be substituted for the holder in the manner and to the extent provided for in Regulations 9.3 and 9.4;

“Licence” means an Exploration Licence (EL) or an Oil Prospecting Licence (OPL);

“Licensee” means the holder from time to time of an EL or an OPL, but so that in relation to PSCs the PSC Contractor shall be substituted for the holder in the manner and to the extent provided for in Regulations 9.3 and 9.4;

“national” means a natural or juridical person having the nationality of either of the States Parties in accordance with the laws of that States Parties;

“national body” means a Ministry or a governmental or quasi-governmental administrative or technical organ of any of the States Parties responsible for activities in or in the waters of that States Parties;

“natural gas” means gas obtained from boreholes and wells and consisting primarily of petroleum hydrocarbons;

“OML” or “Oil Mining Lease” means an Oil Mining Lease of the kind referred to in Regulation 8;

“open acreage” means acreage of the Zone not subject at the relevant time to an OPL, OML or PSC;

"operating agreement" means a contract concluded between two or more contractors for the purpose of carrying out development activities in the Zone;

"operator" means a contractor appointed by the Authority and acting as operator under the terms of an operating agreement;

"OPL" or "Oil Prospecting Licence" means an oil prospecting licence of the kind referred to in Regulation 7;

"petroleum" means

- (a) any hydrocarbon or mixture of hydrocarbons, whether in a gaseous, liquid or solid state, naturally occurring beneath the seabed; and
- (b) any petroleum as defined by sub-paragraph (a) that has been returned to a reservoir; and
- (c) any other minerals which are produced in association with them;

but shall not include coal or other stratified deposits from which oil can be extracted by destructive distillation;

"petroleum activities" means all activities of exploration for and development of petroleum in the Zone;

"petroleum contractor" means a contractor in respect of a petroleum development contract;

"petroleum development contract" means a development contract relating to petroleum;

"pollution" means the introduction of substances or energy into the marine environment, including estuaries, which results or is likely to result in deleterious effects such as harm to living resources and marine life, hazards to human health, impediment of quality for use of sea water or reduction of amenity;

"prospect", in relation to petroleum, means search for by all geological and geophysical methods, including drilling and seismic operations;

"PSC" means a production sharing contract of the kind referred to in Regulation 9.

"PSC Contractor" means one or more parties together constituting all the parties to a PSC other than the Authority or its subsidiaries;

"Regulation" and "Regulations" means the provisions laid down in the present document, including wherever the context permits its Schedules, and further



modifications including with effect from the adoption of each modification thereof pursuant to paragraph 4 of Article 21 of the Treaty, any and all such modifications;

“rent” includes any annual or other periodic charge made in respect of a Licence granted under these Regulations

“Schedule” means a Schedule to the present Regulations;

"signature bonus" means a bonus paid by the grantee of a Tender Agreement upon signing of that agreement;

“States Parties” means the Federal Republic of Nigeria and the Democratic Republic of São Tomé e Príncipe, and, wherever the context so requires, their respective territories;

“Tender Agreement” has the meaning set out in Regulation 10.2;

“Treaty” means the Treaty signed on 21 February 2001 by the States Parties on the joint development of petroleum and other resources in respect of areas of the Exclusive Economic Zones of the two States;

“Zone Plan” means the development plan or plans from time to time adopted by the Council pursuant to Part Seven of the Treaty, for activities in the Zone;

## **PART TWO**

### **LICENSING, LEASING AND CONTRACTS**

#### **Regulation 3            General Provisions**

- 3.1     No petroleum activities may be undertaken in the Zone except pursuant to and in accordance with the provisions of the Licences, leases and contracts in these Regulations.
- 3.2     All acreage in the Joint Development Zone including Oil Prospecting Licences and all Oil Mining Leases derived there from within the Zone shall be held on behalf of the States Parties by the Joint Development Authority.
- 3.3     The Joint Development Authority:
- (a)     Shall exercise general supervision over all operations carried on under licences, leases and contracts granted under these Regulations;
  - (b)     Shall have access at all times to the areas covered by exploration licences, oil prospecting licences and oil mining leases, and to installations which are subject to these and any other regulations, for the purpose of inspecting the operations conducted therein and enforcing the provisions of and any regulations made there under and the conditions of any licences or leases granted under these Regulations;
  - (c)     May by notice in writing require the holder of a licence or lease granted under these Regulations or any contractor working for the holder (or any servant or agent of the holder or the contractor) to appear before it at a reasonable time and place to give such information as it may require about the operations being conducted under the licence, lease or contract, and every person so required to appear shall be legally bound to comply with the notice and give the information;
  - (d)     May direct in writing that operations under a licence, lease or contract granted under these Regulations be suspended in any area until arrangements have been made which in its opinion are necessary to prevent danger to life or property;
  - (e)     May direct in writing the suspension of any operations which in its opinion are not being conducted in accordance with good oil field practice;
  - (f)     May direct in writing the suspension of any operations where in its opinion a contravention of these Regulations or any other regulations has been or may have been or is likely to be committed; and

- (g) Shall have powers of arrest;

**Regulation 4                      Division of the Zone into Blocks**

- 4.1 In order to facilitate the licensing of petroleum development activities in the Zone, the Zone shall be divided by the Authority into a series of Blocks of appropriate dimensions for the grant of OPLs as specified in Regulation 7. Each such Block shall be allocated a discrete identifying number.
- 4.2 Except where necessary in order to correspond to the boundaries of the Zone, the boundaries of each such Block shall be defined by meridians of longitude of integral multiples of 5 minutes (reference the meridian of Greenwich) and by parallels of latitude of integral multiples of 5 minutes (reference the Equator).
- 4.3 The foregoing provisions of this Regulation shall be without prejudice to the provisions of paragraph 6 of Regulation 5.

**Regulation 5                      Licences, Leases and Production Sharing Contracts**

- 5.1 Subject to these Regulations and the approval of the Council, the Authority may grant:
- (a) An Exploration Licence (EL)
  - (b) An Oil Prospecting Licence (OPL);
  - (c) An Oil Mining Lease (OML);
  - (d) Production Sharing Contract (PSC)
- 5.2 Exploration Licences cover the acquisition of speculative geophysical surveys.
- 5.3 Unless the Council otherwise directs, an EL, OPL, OML or PSC may be granted under these Regulations only to:
- (a) A company incorporated in and under the laws of either Nigeria or São Tomé e Príncipe; or
  - (b) A company registered in and under the laws of either Nigeria or São Tomé e Príncipe.
- 5.4 Activities in the Block in question shall, for the duration of such OPL or OML, be governed by such Licence or Lease and a Production Sharing Contract.

- 5.5 The area of an OPL and any OML derived there from shall be defined by a series of coordinates (latitude, longitude) as specified in Regulation 4 and shall form a compact unit.
- 5.6 In creating an OML from an OPL the Authority may redesignate Blocks for the purpose of creating a unit specifically corresponding to the area of the OML.
- 5.7 Where there is provision for the relinquishment or surrender of part of the relevant area of a Licence or Lease, the relinquishment or surrender shall be such that the retained part is a compact unit as provided in paragraphs 4 and 5 of this Regulation; and the Licensee, Lessee or Contractor shall obtain the prior agreement of the Authority as to the shape and area of the retained part before an application for the relinquishment or surrender is made to the Authority.

## **Regulation 6            Exploration Licences**

- 6.1 An Exploration Licence (EL) grants rights to the Licensee to undertake acquisition of speculative geophysical surveys in the area of the Licence. Save where the Exploration Licence expressly provides otherwise, the grant of an Exploration Licence in respect of any area shall not preclude the grant of another Licence or Lease over the same area or any part thereof.
- 6.2 Duration, termination and renewal of an Exploration Licence shall be governed by its terms.
- 6.3 An Exploration Licence shall not confer any right to the grant of an OPL or OML.
- 6.4 The Licensee shall procure that at all times its activities under an Exploration Licence shall be supervised continuously by a qualified personnel and shall be carried out to the satisfaction of the Authority.

## **Regulation 7            Oil Prospecting Licences**

- 7.1 An Oil Prospecting Licence (OPL) grants the Licensee the exclusive right to explore and prospect for petroleum within the area of his Licence. The Licensee of an OPL may carry away and dispose of petroleum won during the term of the OPL, subject to the fulfilment of all obligations imposed upon it by or under the terms of the OPL, these Regulations, the Petroleum Tax Regulations or any other applicable law or regulation.
- 7.2 OPLs shall have a maximum period of 8 years. This period is divided into sub-periods that can be entered into in accordance with the provisions of the respective PSC.
- 7.3 The Licensee of an OPL shall be entitled to apply in writing to the Authority, not less than six months before the expiration of the Licence, for its renewal.

## **Regulation 8                      Oil Mining Leases**

- 8.1     An Oil Mining Lease (OML) grants the Lessee the exclusive right, within the leased area, to explore, produce and carry away for export or otherwise petroleum discovered.
- 8.2     The term of an OML shall not exceed 20 years, but may be renewed in accordance with the respective PSC.

## **Regulation 9                      Production Sharing Contracts**

- 9.1     The Authority may, with the approval of the Joint Ministerial Council, enter into a PSC. Such a PSC may be entered into only with a Contractor which is a company incorporated or registered in Nigeria or in São Tomé e Príncipe.
- 9.2     Subject to sub-paragraph 9.3 below, a PSC shall in accordance with its terms confer upon the PSC Contractor the exclusive right and responsibility to undertake petroleum activities in the area of the OPL in question.
- 9.3     Each Contractor shall be under a direct obligation to the Authority, by virtue of this Regulation, to observe and perform all obligations accruing, prior to the termination of the PSC, in respect of the relevant Licence or Lease, under all relevant laws and regulations (including without limitation the present Regulations and the terms of such Licences or Leases).
- 9.4     Every PSC shall contain express undertakings by the Contractor to the Authority to observe and perform all such obligations, but in the absence of any such provision such express undertakings shall be implied.
- 9.5     Whenever, in relation to any Licence or Lease to which a PSC relates, an event occurs which, whether or not a breach of the terms of such Licence or Lease or the related PSC, entitles the Authority by virtue of these Regulations or any other provision to do any act or thing, or take any step against the Licensee, Lessee or Contractor, the Authority shall by virtue of this paragraph be entitled to do the same or a corresponding act or thing, or take the same or a corresponding step, against the relevant PSC Contractor in respect of the PSC.
- 9.6     Unless the Joint Ministerial Council otherwise consents no PSC shall be entered into by the Authority except following a process of competitive tendering associated with a licensing round, as provided for in Regulation 10.
- 9.7     A model PSC as approved by the Joint Ministerial Council shall form the basis for any PSC to be entered into by the Authority.

## **Regulation 10            Licensing Rounds and Tendering Processes**

- 10.1 All Tender Agreements shall be subject to a process of competitive bidding in licensing rounds, in accordance with Regulations 11 to 15 below.
- 10.2 For the purposes of this Regulation "Tender Agreement" means:
- (i) PSCs awarded in respect of OPLs held by the Joint Development Authority; and;
  - (ii) OMLs awarded pursuant to paragraph 2 of Regulation 16.

## **Regulation 11            Invitations to Bid**

- 11.1 The tender process shall begin by the Authority inviting tenders. The invitation for applications shall specify:
- (a) The Block or Blocks over which rights are to be granted;
  - (b) The bidding system to apply;
  - (c) The basis on which bids shall be assessed;
  - (d) Details of the Tender Agreement to be entered into, including the rights and responsibilities of the parties thereto; and
  - (e) The period within which applications may be made.
- 11.2 Details of the invitation for applications shall be published in the national daily press in both States Parties and in such other ways, if any, as the Authority decides.
- 11.3 The Authority may make a charge for supplying the bid package to prospective bidders (bid package or application fee) and may also charge for the evaluation of bid packages (processing fee).

## **Regulation 12            Consideration of Applications**

- 12.1 Tender Agreements shall be offered in accordance with the published criteria stated by the Authority at the time of publicising the relevant bidding round.
- 12.2 The Authority shall set out formal guidelines for tendering. Those guidelines will include, *inter alia*, information as to the basis on which applications will be considered and the relevant criteria which applicants will be expected to meet.

- 12.3 Guidelines for acreage bidding in accordance with these regulations shall be prepared by the Authority and approved by the Joint Ministerial Council. These Guidelines shall apply unless and until revised or substituted by the Authority.
- 12.4 The principal criteria for the consideration of applications shall be technical and financial capability, work programme commitment and the proposed signature bonus.
- 12.5 It shall accordingly be a condition of the award of any Tender Agreement that the Authority is satisfied that the applicant has the necessary financial capability, and also the necessary technical knowledge and ability, to carry out petroleum operations in a manner consistent with the terms and conditions of the Tender Agreement, these Regulations and all other applicable laws and regulations.

### **Regulation 13            Form of Applications by Competitive Tender**

- 13.1 Every application for a Tender Agreement shall be made to the Authority in writing on the appropriate form supplied with the bid package.
- 13.2 Every application shall be accompanied by:
- (a) The prescribed processing fee as set out in Regulation 23 (the fee in question not being refundable under any circumstances);
  - (b) Evidence of the financial status and technical competence of the applicant;
  - (c) Details of the work which the applicant is prepared to undertake or a programme for carrying out any minimum working obligations imposed;
  - (d) The signature bonus offered by the applicant;
  - (e) Details of the annual expenditure which the applicant is prepared to make in the area applied for;
  - (f) The date on which he is prepared to begin operations after the grant of the Tender Agreement to which the application relates;
  - (g) Details of a specific scheme for the recruitment and training of nationals of the States Parties;
  - (h) Annual reports in respect of the applicant's (or its technical partner's) oil exploration and production activities in the preceding three years; and
  - (i) Any other information which the Authority may call for by notice or otherwise.

- 13.3 The applicant shall furnish such further evidence relating to the matters mentioned in sub-paragraph 13.2 of this Regulation as the Authority may require.

#### **Regulation 14            Withdrawal of Applications**

An applicant may at any time withdraw his application for a Tender Agreement by notifying the Authority in writing accordingly.

#### **Regulation 15            Grant or Refusal of Tender Agreements**

- 15.1 The Authority shall seek prior approval from the Council to enter into a Tender Agreement with the successful applicant or group of applicants.
- 15.2 Following that approval, the Authority shall offer in writing to the successful applicant (or group of applicants) to enter into the Tender Agreement upon the terms and subject to the conditions specified in the offer.
- 15.3 The applicant to whom any offer is made shall have fifteen (15) days from the date on which the Authority despatched the offer to accept or refuse the offer in writing. In the absence of acceptance within that time, the offer shall automatically lapse.
- 15.4 Upon the Authority being satisfied that any other conditions precedent to the entry by the parties into the Tender Agreement have been satisfied in accordance with the time limits and other terms of the offer referred to in paragraph 2, the Authority and the Applicant shall enter into the Tender Agreement.
- 15.5 The Contractor with whom the Authority enters into a Tender Agreement shall have a period of 30 days from the date of the signing of the agreement to pay the signature bonus.
- 15.7 If by the end of the said 30 days the Applicant has not paid the signature bonus, the agreement referred to in paragraph 4 shall automatically terminate.

#### **Regulation 16            Conversion of an OPL into an OML**

- 16.1 An OML may be granted to the Licensee of an OPL who has:
- (a) Satisfied all the terms and conditions of the OPL and all other requirements under or pursuant to these Regulations or any other applicable law or regulation, and



- (b) Demonstrated to the satisfaction of the Authority that it has discovered oil in commercial quantities.

16.2 Where an OML terminates by revocation, surrender or any other reason, and whether in whole or in part, the Authority may grant another OML over the whole or as the case may be such part, on such terms as the Authority considers appropriate, through a tender process carried out by the Authority upon the same basis, *mutatis mutandis*, as under Regulations 11 to 15.

#### **Regulation 17                      Publication of Licences, Leases and PSCs**

The Authority shall gazette all grants and renewals of ELs, OPLs and OMLs, and of PSCs entered into. The Authority shall also gazette all surrenders, determinations, revocations or assignments thereof, with the name of the holder and the situation of the relevant acreage.

#### **Regulation 18                      Keeping and Inspection of Register of Tender Agreements**

The Authority shall maintain a register of Tender Agreements as defined in the preceding Regulation, setting out summary details of:

- (a) The areas over which each Tender Agreements is in force;
- (b) The parties to each Tender Agreement and their participating interests and the operator (if any);
- (c) Changes to the operator (if any) and/or the respective participating interests of the parties;
- (d) Areas relinquished or surrendered; and
- (e) Changes in names and addresses of the operator (if any) and the other parties.

#### **Regulation 19                      Applications for Assignment**

- 19.1 Without the prior consent of the Authority and the Council, the holder of a Tender Agreement shall not assign his agreement, or any right, power or interest therein or hereunder.
- 19.2 The prescribed fee shall be paid on an application for an assignment under this Regulation, and the Authority's consent for the assignment may be given on payment of such other fee or such premium, or both, and upon such terms and subject to such

other conditions, as it may decide, PROVIDED that in any specific case the Authority may waive payment of that other fee or that premium, or both, if it is satisfied that the assignment is to be made to a company in a group of companies of which the assignor is also a member.

19.3 The Authority shall not consent to an assignment unless it is satisfied that:

- (a) The proposed assignee is of good reputation, or is a member of a group of companies of good reputation, or is owned by a company or companies of good reputation;
- (b) There is likely to be available to the proposed assignee (from his own resources or through other companies in the group of which he is a member, or otherwise) sufficient technical knowledge and experience and sufficient financial resources to enable him effectively to carry out a programme satisfactory to the Authority in respect of operations under the Relevant Agreement which is to be assigned; and
- (c) The proposed assignee is in all other respects acceptable to the Authority and the Council.

#### **Regulation 20 Termination of an OPL or OML**

20.1 The holder of an OPL or OML may, at any time, terminate the OPL or OML, by giving notice to the Authority. The period of the notice preceding the termination shall not be less than six months for an OPL and twelve months for an OML.

20.2 Where notice is given under the preceding paragraph, no rent paid shall be refundable, and the termination shall otherwise be without prejudice to any obligation or liability imposed by or incurred under or in relation to the OPL, OML before the effective date of termination.

#### **Regulation 21 Revocation of OPLs and OMLs**

The Authority may revoke an OPL, OML or PSC, if in its opinion the Licensee, Lessee or relevant PSC Contractor:

- (a) Is not conducting operations continuously and in a vigorous and businesslike manner and in accordance with good oil field practice; or
- (b) Has failed to comply with any provision of these Regulations or any further regulation or direction given there under or is not fulfilling his obligations under the special conditions of his Licence or Lease; or

- (c) Fails to pay his due rent or royalties, whether or not they have been demanded by the Authority, within the period specified by or in pursuance of these Regulations; or
  - (d) Has failed to furnish such reports on his operations as the Authority may lawfully require.
- 21.2 The Authority shall inform the Licensee, Lessee or as the case may be PSC Contractor of the grounds on which the revocation is contemplated and shall invite the Licensee, Lessee or PSC Contractor to make any explanation if it so desires.
- 21.3 If the Authority is satisfied with the explanation, it may invite the Licensee, Lessee or PSC Contractor to rectify the matter complained of within a specified period.
- 21.4 The Authority may revoke the Licence, Lease or PSC, if:
  - (a) The Licensee, Lessee or PSC Contractor provides no or insufficient explanation; or
  - (b) Does not rectify the matter complained of within the specified period,
- 21.5 A notice sent to the last known address of the Licensee, Lessee or PSC Contractor, or its legal representative in Nigeria or São Tomé e Príncipe , and gazetted, shall, for all purposes, be sufficient notice to it of the revocation of the Licence, Lease or PSC.
- 21.6 The revocation shall be without prejudice to any liabilities, which the Licensee, Lessee or PSC Contractor may have incurred, or to any claim against it which may have accrued to the Authority.

## **PART THREE**

### **FEES, RENTS AND ROYALTIES**

#### **Regulation 22          Fees, Rents and Royalties**

- 22.1    There shall be paid in respect of Licences and Leases the fees and rents set out in Regulation 23.1 and 23.2.
- 22.2    Royalties shall be paid at rates prescribed in Regulation 23 or, where different rates are specified in special terms and conditions attached to the relevant Licence or Lease, at the rates so specified: PROVIDED that the Authority may, on giving notice in that behalf, call for and receive any royalty (or part thereof) in kind.

#### **Regulation 23          Rates of Fees, Rents and Royalties**

- 23.1    The following fees (all expressed in United States dollars) shall be payable until other fees are prescribed:

(a)	On an application for an OPL (bid package)	\$ 15,000
(b)	Processing fee for an OPL application	\$ 10,000
(c)	On an application for an OML	\$1,000,000
(d)	On an application to assign a stake in an OPL or related PSC	\$500,000
(e)	On an application to assign a stake in an OML or related PSC	\$1,000,000
(f)	On an application to terminate an OPL , OML or related PSC	\$100,000
(g)	On an application for a licence to operate a drilling rig	\$100,000
(h)	For a licence to operate a drilling rig (annually)	\$50,000
(i)	For a permit to export samples for analysis (per well)	\$10,000

- 23.2    The following annual rents shall be payable on an OPL or OML unless otherwise stated in the special conditions of the Licence or Lease

(a)	On an OPL for each square kilometre or part thereof	\$200
(b)	On an OML, for every square kilometre or part thereof	
(i)	during the first ten years of the term	\$500
(ii)	thereafter	\$200

23.3 The Licensee, Lessee or Contractor shall pay to the Authority Royalties on the production of crude Oil and Casinghead Petroleum Spirit in the Area over the relevant period. This Royalty shall be payable not more than one month after the end of every Quarter (including the Quarter in which its Licence or Lease becomes effective) or otherwise as the Authority may direct.

23.4 There shall be no Royalties payable for the production of Natural Gas in the Joint Development Zone.

23.5 The applicable Royalties payable in the Joint Development Zone for Crude Oil and Casinghead Petroleum Spirit shall be according to the following sliding scale table:

$P < 20$	$R = 0$
$20 \leq P \leq 70$	$R = 5\% \{1 - [(70 - P) / (70 - 20)]\}$
$P > 70$	$R = 5$

where: P=production in thousands of barrels/day  
R=royalty rate

23.6 In the event of a dispute on royalties, the said amount under dispute shall be fully paid before settlement of the dispute.

## **PART FOUR**

### **OPERATIONS AND PRODUCTION**

#### ***Rights and obligations of licensees, lessees and Contractors***

##### **Regulation 24            Rights of Licensees, Lessees and Contractors**

- 24.1    The holder of an OPL, OML or PSC shall have a general right to enter and remain on the licensed or leased areas and do such things as are authorised by the Licence or Lease.
- 24.2    The rights and powers conferred on Licensees, Lessees and Contractors under these Regulations shall include the right, subject to applicable regulations and the approval in writing of the Authority and to such conditions as it may impose to construct, bring, maintain, alter, operate, dismantle or remove:
- (a)    Installations, including drilling platforms, engines, power plants, flow lines, storage tanks, loading terminals, derricks,
  - (b)    Means of communication, including telephone lines and wireless stations,
  - (c)    Facilities for shipping and aircraft,
  - (d)    Living accommodation and amenities for the employees and workmen of the Licensee, Lessee or relevant contractors, and
  - (e)    Other facilities, works, chattels and effects;
- 24.3    The Licensee, Lessee or Contractor may exercise any of his rights or powers through agents or independent contractors (and subject and without prejudice to subparagraph 9.3, shall be responsible to the Authority for all the actions of the agents and contractors in question.

##### **Regulation 25            Reservations**

- 25.1    The Authority or any person authorised by it, shall have the right to enter the relevant area to search for, dig, work and get any substance other than petroleum, and generally for any purposes other than those for which a licence or lease has been granted.
- 25.2    The powers conferred by this Regulation shall not be exercised in such a way as to hinder or interfere with or to allow any person or body to hinder or interfere with the rights and powers of the Licensee, Lessee or Contractor.

## **Regulation 26            Fishing Rights**

If the Licensee, Lessee or Contractor exercises the rights conferred by his Licence, Lease or Contractor in such a manner as to unreasonably interfere with the exercise of any fishing rights, granted by the Authority or either of the States Parties, it shall pay adequate compensation thereof to any person injured by the exercise of those afore mentioned rights, the amount thereof to be determined by the Authority.

## **Regulation 27            Rights of Inspection**

Any person or persons designated by the Authority shall be entitled at all reasonable times to enter into and upon any part of the Zone or any location, premises, structure or business place outside the Zone occupied by the Licensee, Lessee or Contractor for the purpose of carrying out or facilitating the carrying out of his operations in the relevant area:

- (a) To examine or check anything which the Licensee, Lessee or Contractor is authorised by these and other Regulations to perform, install, construct or take possession of; or
- (b) To inspect and make abstracts or copies of any logs, records, maps, accounts or other document which the Licensee, Lessee or Contractor is required to make or keep in accordance with these and other Regulations.

## **Regulation 28            Indemnity**

The holder of a Licence, Lease or Contract shall at all times indemnify and keep harmless the Authority and its officers and employees (and their agents) against all actions, costs, charges, claims and demands whatsoever which may be made or brought by any third party in relation to any matter or thing done or purported to be done pursuant to these Regulations.

### ***Safety and security***

## **Regulation 29            Safety of Navigation**

Any works or installations erected by the Licensee, Lessee or Contractor shall be of such a nature and shall be so constructed, placed, marked, buoyed, equipped and maintained as to leave at all times and in any conditions safe and convenient channels for shipping in the relevant area; and, without prejudice to the generality of the foregoing, it shall install such audible or visual navigational aids as may be approved or required by the Authority and

International Conventions and shall maintain the same in a manner satisfactory to the Authority.

### **Regulation 30            Safety zones**

- 30.1 Without prejudice to the provisions of Regulation 32, the Authority may declare a safety zone around any specified structure in the Zone, and may require the Licensee, Lessee or Contractor to install, maintain or provide thereon, navigation, fog and illumination lighting, acoustic and other devices and equipment necessary for the safety of the petroleum operations. A safety zone may extend up to five hundred (500) metres from the extremities of the structure. Unauthorized vessels shall be prohibited from entering the safety zone.
- 30.2 Additionally, a restricted zone of one thousand two hundred and fifty (1250) metres may be declared around the extremities of safety zones and pipelines within which area unauthorized vessels employed in exploration for and exploitation of petroleum resources are prohibited from laying anchor or manoeuvring.

### **Regulation 31            Security of Structures**

- 31.1 Operators of vessels, drilling rigs and structures in the Zone shall be responsible for controlling access to their facilities; providing adequate surveillance of safety zones and their approaches; and establishing communications with, and arranging action by, the appropriate authorities in the event of an accident or incident involving threat to life or security.
- 31.2 To assist operators in meeting these responsibilities, the Authority shall appoint persons, to be stationed at the office of the Authority, responsible for liaising with appropriate authorities of Nigeria and São Tomé e Príncipe.

### **Regulation 32            Safety of Employees and Others**

The licensee, lessee or Contractor shall take the necessary action to secure the safety, health and welfare of persons engaged in petroleum operations in or about the area of the Licence, Lease or Contract. In particular but without limitation, the Licensee, Lessee or Contractor shall comply with all existing and future safety regulations and all such instructions as may, from time to time, be given in writing by the Authority for security, health and safety of persons engaged on or in connection with operations under its Licence, Lease or Contract.



## ***Environment***

### **Regulation 33            Protection of Environment and Prevention of Pollution**

- 33.1    The Licensee, Lessee or Contractor shall protect the environment in and about the area of the licence, lease or Contract.
- 33.2    The Licensee, Lessee or Contractor shall comply with existing and future environmental regulations and all such instructions as may, from time to time, be given in writing by the Authority.
- 33.3    Without prejudice to paragraph 1 of this Regulation, the Licensee Lessee or Contractor shall adopt all practicable precautions including the provision of up-to-date equipment approved by the Authority, to prevent the pollution of sea areas by oil, mud or other fluids or substances which might contaminate the water or shore line or which might cause harm or destruction to marine life, and where any such pollution occurs or has occurred, shall take prompt steps to control, terminate and remediate.

### **Regulation 34            Drainage of Waste**

The Licensee, Lessee or Contractor shall drain all waste oil, brine and sludge or refuse from all storage vessels, boreholes and wells into proper receptacles constructed in compliance with safety regulations made under these or any other applicable regulations, and shall dispose thereof in a manner approved by the Authority or as provided by any other applicable regulations.

### **Regulation 35            Removal of Property**

- 35.1    As directed by the Authority, the Licensee, Lessee or Contractor shall remove all property brought into the area of the Licence, Lease or Contract and comply with regulations and directions concerning the containment and clean-up of pollution.
- 35.2    In the event that the Licensee, Lessee or Contractor does not remove property or pollution to the satisfaction of the Authority or take such other action as is necessary for the conservation and protection of the marine environment, the Authority may direct it to take such remedial action as the Authority deems necessary. If it does not comply with that direction, it shall be liable for any costs incurred by the Authority in rectifying the matter.

## ***Exploration and drilling***

### **Regulation 36          Commencement of Exploration**

Every Licensee, Lessee or Contractor:

- (a) Shall explore the relevant area using geological, geophysical and any other acceptable method of examination for the purpose of ascertaining what petroleum prospects exist, until the area has been adequately explored for that purpose, giving in this respect due regard to the reasonable wishes of the Authority; and
- (b) Shall, within six months of the date of the grant of the Licence, Lease or Contract, commence (in so far as the work has not already begun) seismic investigations which shall continue until the relevant area has been fully investigated.

### **Regulation 37          Commencement of Drilling**

Not later than eighteen months from the date of the grant of an OPL, the Licensee, Lessee or Contractor shall begin drilling operations. The Licensee, Lessee or Contractor shall comply with the drilling requirements in the work programme commitment entered into with the Authority.

### **Regulation 38          Boreholes and Wells**

- 38.1 No borehole or well shall be commenced or re-entered after work has been stopped for six months, without the written permission of the Authority.
- 38.2 As soon as the site of any borehole or well has been decided, the Licensee, Lessee or Contractor shall notify the Authority in writing of the proposed site in accordance with the following provisions:
  - (a) In the case of an exploration hole or any hole penetrating any previously undrilled structure, strata or pool, the notification to the Authority shall contain;
    - (i) the name or proposed name of the field followed by the figure 1,
    - (ii) the preliminary co-ordinates of the proposed location;
    - (iii) the total depth of the proposed well;

- (iv) a seismic map or plan of the structure or structures to be investigated and the estimated date of spudding (which shall not be less than twenty-one days from the date of the notification), and
  - (v) information as to the drilling, casing, testing, cementation and completion programmes proposed by the Licensee, Lessee or Contractor and all such other information as the Authority may by notice in writing require from time to time;
- (b) In the case of a development or appraisal well or a well penetrating only previously drilled structures, strata or pools, the seismic maps or plans of which have already been submitted to the Authority, the notification shall contain the approved name of the field and its number which shall represent the chronological sequence in which the well is to be drilled relative to the exploration well (which shall always commence by the figure 1) together with:
- (i) the proposed spud date of the well;
  - (ii) its preliminary co-ordinates;
  - (iii) the total depth of the proposed well;
  - (iv) its estimated date of spudding (which shall not be less than twenty-one days from the date of the notification), and
  - (v) information as to the drilling, casing, logging, cementation, testing and completion programmes and all such other information as the Authority may by notice in writing require from time to time.

38.3 Where it is satisfied with the programme notified to it, the Authority shall give its written approval to the drilling of the well together with such observations and comments as it may wish to make.

38.4 If it is not satisfied with the programme, the Authority may withhold its permission, but it shall convey to the Licensee, Lessee or Contractor the reasons for its refusal.

## **Regulation 39            Wells and Fields**

39.1 Every well shall be identified by a unique designation for which the Licensee, Lessee or Contractor shall obtain the prior approval in writing of the Authority.

39.2 The designation of a well shall in general consist of the name of the field in which the well is to be drilled, followed by the serial number which indicates the chronological order in the drilling sequence for the field.

- 39.3 All fields shall bear names in a Nigerian or Sao Tomean vernacular language which shall in general refer to any geographical, topographical or other general features in either State, and may be chosen from the names of national flora and fauna in either State, or from any local numerals.
- 39.4 The designation of a well may not be altered simply because a part of the well was deviated or sidetracked/whipstocked or because the well was re-drilled to a lower target.
- 39.5 Where an original hole has been plugged back and abandoned but another hole is drilled directionally to another target area, the new directional hole shall have a unique number if the new bottom is at least one hundred meters from the bottom of the original hole.
- 39.6 The new directional hole may with the approval of the Authority, have other prefixes, suffixes or any other additional letters or characters (which shall first be satisfied of the necessity for the addition) appended to the designation of any well.
- 39.7 The Licensee, Lessee or Contractor shall not change the designation, status or classification of a well or field without the approval in writing of the Authority.
- 39.8 In this Regulation “field” includes an existing field and a proposed field.

#### **Regulation 40           Drilling Rigs**

- 40.1 No person shall operate a drilling rig without a valid licence granted by the Authority.
- 40.2 The following provisions shall apply in respect of a licence granted under this regulation:
- (a) The licence shall expire on the 31st December next following the date on which it was granted, but may be renewed upon application in writing made at least two months before the expiry;
  - (b) The licence may be withdrawn or suspended for a stated period if the rig is operated in contravention of any enactment, or if the owners or operators thereof do not comply with instructions issued by the Authority;
  - (c) The licence shall not be transferable;
  - (d) A copy of the current licence shall be displayed on the rig and the original shall be available for inspection at all times on the rig.
- 40.3 Applications for a licence to be granted under this Regulation, and any licences so granted, shall be in the appropriate form to these Regulations.

## **Field Development**

### **Regulation 41      Power to give certain Directives**

The Authority may give such directives as may in its opinion be necessary from time to time, to ensure the proper exploitation of petroleum and to encourage good conservation practices in any licensed, leased or Contract Area; and the Licensee, Lessee or Contractor shall comply with any such directions which affect him.

### **Regulation 42      Resident Manager**

The holder of an OPL, OML or PSC shall ensure that the operator:

- (a) Appoints a manager resident in either of the States Parties to supervise operations under the Licence, Lease or Contract; and
- (b) Notifies the name and address of the said manager (and changes therein) to the Authority, and any notices required to be served on the Licensee, Lessee or Contractor shall be sufficiently served if delivered or posted to the manager at the address notified.

### **Regulation 43      Maintenance of Apparatus and Conduct of Operations**

The Licensee, Lessee or Contractor shall maintain all apparatus and appliances in use in his operations, and all boreholes and wells capable of producing petroleum, in good repair and condition, and shall carry out all its operations in a proper and workmanlike manner in accordance with these and other relevant regulations and methods and practices accepted by the Authority as good oilfield practice; and without prejudice to the generality of the foregoing it shall, in accordance with those practices, take all steps practicable:

- (a) To control the flow and to prevent escape or avoidable waste of petroleum discovered in or obtained from the relevant area;
- (b) To prevent damage to adjoining petroleum-bearing strata;
- (c) To prevent, except for the purpose of secondary recovery as authorised by the Authority, the entrance of water through boreholes and wells to petroleum-bearing strata;
- (d) To prevent the escape of petroleum into any sea area

#### **Regulation 44            Field Development Programme**

- 45.1 All fields, structures, reservoirs and other oil traps shall be developed and produced in strict compliance with a field development programme, which shall be submitted for the prior approval of the Authority and shall give details of the following:
- (a) Estimated size of the pool,
  - (b) The known physical parameters of the pools reservoirs or structures at the time of drawing up the programme,
  - (c) The intended drilling pattern (if any),
  - (d) The production or drainage pattern, and
  - (e) The anticipated drive mechanism.
- 45.2 No such field development programme shall be required to be submitted during the initial phase when the extent of a field structure, reservoir or pool is being appraised and wells are being drilled:
- (a) Not closer than 800 metres, where the wells are likely to produce from the same pool; or
  - (b) Not closer than 400 metres, where the wells will not at any one time produce from the same pool except in conformity with the subsequently approved field development programme.

#### **Regulation 45            Natural Gas Feasibility Study**

Feasibility studies for the utilization of Natural Gas shall be submitted to the Authority with all field development proposals.

#### **Regulation 46            Approval to Produce Petroleum**

A Licensee, Lessee or Contractor shall not produce petroleum nor construct any production structures without the approval of the Authority. The Authority shall not unreasonably withhold such approvals.

#### **Regulation 47                      Production of Crude Oil and Natural Gas**

The Lessee or Contractor shall use approved methods and practices acceptable to the Authority for the production of crude oil or natural gas from any pools or reservoir, and shall in particular take all necessary steps:

- (a) To obtain the initial physical characteristics of the reservoir fluids and reservoir parameters (such as temperatures, pressures, gas oil ratios, bubble point pressures, porosities, viscosities, relative permeabilities in relation to fluid saturations, fluid gravities and the like), the detailed data and results and analyses of which shall be submitted to the Authority prior to, or as soon as possible after, the commencement of production from any such pool or reservoir;
- (b) To obtain periodical information on the data required to be obtained by paragraph (a) of this regulation, at intervals approved by the Authority;
- (c) To cause every pool in each well to produce within the limits of its maximum efficient potential or rate as may be determined from time to time by the Lessee, and to submit the results of his determinations to the Authority every six months.

#### **Regulation 48                      Petroleum Production Work**

Unless otherwise agreed between the Lessee or Contractor and the Authority, work on a permanent structure to produce petroleum shall commence within six (6) months of the grant of an OML.

#### **Regulation 49                      Rates of Production**

The Authority may direct and make regulations on the commencement of petroleum production and the specific rates of petroleum production. In giving such directives and in making such regulations the Authority shall take account of good oilfield practice.

#### **Regulation 50                      Confinement of Petroleum**

The Lessee or Contractor shall use approved methods and practices acceptable to the Authority for confining the petroleum obtained from the relevant area in tanks, gasholders, pipes, pipelines or other receptacles constructed for that purpose;

## **Regulation 51            Pressure Decline**

- 51.1 Prior to or upon the attainment of a 10 per cent decline in the initial reservoir pressure of a pool or reservoir (determined by the consideration of the average current reservoir pressure weighted as appropriate), the Lessee or Contractor shall commence or cause to be commenced a study to determine the economic practicability of instituting a secondary recovery or pressure maintenance project and its recommended timing.
- 51.2 A full report of the result of the study shall be submitted to the Authority as soon as possible (and in any case not more than six months) after the attainment of the pressure decline mentioned in sub-paragraph 51.1.

## **Regulation 52            Samples and Specimens**

- 52.1 The holder of any Licence or Lease or Contract may remove for examination and analysis samples and specimens of rock and petroleum found by him in the course of his operations.
- 52.2 The Authority, through its authorised representatives shall have access to the samples at all times.
- 52.3 The Authority shall be given particulars of all such samples and specimens and provided, if it so requests, with representative samples and specimens not exceeding one half of the samples and specimens removed.
- 52.4 The holder of any Licence/Lease or Contract may not export samples or specimens abroad except with the written permission of the Authority and subject to such conditions as it may prescribe.
- 52.5 The Licensee, Lessee or Contractor shall correctly label and preserve for reference for a period of two years:
- (a) Any characteristic samples which it takes, or is required by the Authority to take, of the strata or water encountered in any borehole or well; and
  - (b) Samples of petroleum or other fluids found in the relevant area.



## **Regulation 53            Joint Development Schemes**

53.1    If at any time during the term of a Licence, Lease or Contract:

- (a)    The Authority, after consultation with the Licensee, Lessee or Contrator (referred to in this Regulation as “the grantee”), is satisfied that an oil accumulation or any part thereof forms part of a single geological petroleum reservoir (referred to in this Regulation as “the oilfield”) in respect of other parts of which any other Licence, Lease or Contract is in force and that the oilfield is susceptible of being developed as a unit in accordance with good oilfield practice; and
- (b)    The Authority considers that it is in the interests of the States Parties, the grantee and the Licensees, Lessees or Contractors of any other part of the oilfield (those Licensees or Lessees being referred to in this regulation as “the other parties”) in order to secure the maximum ultimate recovery of petroleum that the oilfield should be worked and developed as a unit in co-operation with all those who hold a Licence, Lease or Contract over any part thereof,

sub-paragraphs 53.2, 53.3 and 53.4 shall apply.

53.2    The grantee shall, upon being so required by the Authority by a notice in writing specifying the other parties, co-operate with each other in the preparation of a scheme (referred to in this regulation as “the development scheme”) for the working and development of the oilfield as a unit by the grantee and the other parties in co-operation, and they shall jointly submit the development scheme for the approval of the Authority.

53.3    The said notice shall contain a description, by reference to a map, of the area in respect of which the Authority requires the development scheme to be submitted for its approval, and shall state the period within which the development scheme is required to be so submitted.

53.4    If the development scheme is not submitted to the Authority within the period limited in that behalf by the said notice, or if the development scheme on being submitted in pursuance of sub-paragraph 53.3 is not approved by the Authority, the Authority shall prepare the development scheme in a manner which in its opinion is fair and equitable to the grantee and the other parties.

53.5    When the development scheme has been:

- (a)    Submitted under sub-paragraph 53.3 and duly approved; or
- (b)    Prepared by the Authority under sub-paragraph 53.4,

the grantee and the other parties shall perform and observe all the terms and conditions thereof.

**Regulation 54                      Abandonment, Plugging, etc.**

- 54.1 No borehole or existing well shall be re-drilled, plugged or abandoned, and no cemented casing or other permanent form of casing shall be withdrawn from any borehole or existing well which is proposed to be abandoned, without the written permission of the Authority.
- 54.2 Every borehole or existing well which the Licensee, Lessee or Contractor intends to abandon shall, unless the Authority otherwise permits in writing, be securely plugged by the Licensee, Lessee or Contractor so as to prevent ingress and egress of water into and from any portion or portions of the strata bored through and shall be dealt with in strict accordance with an abandonment programme approved or agreed to by the Authority.
- 54.3 Except in an emergency, the Authority may, in any case direct that no borehole or well may be plugged, or no works be executed, save in the presence of a designated officer of the Authority.

**Regulation 55                      Termination**

- 55.1 The Licensee, Lessee or Contractor shall within six months (or such further period as the Authority may approve) after the termination of its Licence, Lease or Contract:
- (a) Deliver to the Authority, in good order, repair and condition and fit for further working, all productive boreholes or wells (unless the Authority requires the Licensee, Lessee or Contractor in writing to plug them as it may direct or as provided by these Regulations) together with all casings and other appurtenances to the boreholes and wells which are below the Christmas tree and cannot be moved without causing injury to the said boreholes or wells;
  - (b) To the like extent take reasonable steps to restore the relevant area as far as possible to its original condition.
- 55.2 Within six months (or such further period as the Authority may approve) after the termination of its Licence, Lease or Contract, the Licensee, Lessee or Contractor shall, if so required by the Authority, plug every borehole which the Authority may indicate in the manner specified by the Authority.

- 55.3 On the termination of its Licence, Lease or Contract, the Licensee, Lessee or Contractor shall, subject to the rights of any person in the relevant area or any part of it, remove all installations, works, chattels and effects erected or brought by the Licensee, Lessee or Contractor upon the relevant area for or in connection with its operations PROVIDED that, subject as aforesaid, the Authority may specify any such installations, works, chattels or effects, and shall then be entitled to take the same at a price bearing a reasonable relationship to the written down value thereof.
- 55.4 Where part of the relevant area of a Licence, Lease or Contract is surrendered, it shall be deemed for the purposes of this Regulation to have terminated as regards that part of the relevant area.

## **PART FIVE**

### **REPORTING, ACCOUNTS AND RECORDS**

#### **Regulation 56      Records of Boreholes and Wells**

56.1 The Licensee, lessee or Contractor shall keep a record of all boreholes and wells in a form from time to time approved by the Authority, and the records shall contain particulars in respect of each borehole or well, as the case may be, of:

- (a) The strata and subsoil through which the borehole or well was drilled and the final depth;
- (b) The depth of the sea where the borehole was drilled;
- (c) The casing inserted in the borehole or well and any alterations thereto;
- (d) Any petroleum, water, mineral deposits encountered;
- (e) The results of any analyses, by or on behalf of the Licensee, Lessee or Contractor, of any such petroleum, water, mineral deposits or of any other data required to be obtained by or under this regulation;
- (f) Logs of all types taken in the well (in every case including a minimum of one resistivity log suite and porosity log suite),
- (g) Results of all borehole surveys and tests (including production tests and pressure tests taken or required to be taken on the well); and
- (h) Such other matters as the Authority may from time to time require.

#### **Regulation 57      Discovery Reports**

The Licensee, Lessee or Contractor shall immediately report to the Authority the discovery of petroleum or petroleum-bearing strata.

#### **Regulation 58      Measurement and Weighing of Crude Oil and Natural Gas**

58.1 The Licensee, Lessee or Contractor shall, with volume and gravity correction to sixty degrees Fahrenheit and by a method or methods approved by the Authority in writing, measure or weigh:

- (a) All crude oil won and saved and casinghead petroleum spirit recovered from the relevant area; and
  - (b) All natural gas sold.
- 58.2 An officer authorised by the Authority shall have the right to be present whenever any such measurement or weighing takes place.
- 58.3 An officer authorised by the Authority shall at all times be present when equipment or an appliance for measuring or weighing crude oil or gas is being calibrated, re-calibrated, tested, compared, measured or weighed against a standard approved by the Authority; and any such calibration shall be in accordance with accepted methods and procedures previously agreed to by the Authority.
- 58.4 If any measuring or weighing appliance is at any time found to be false or unjust or inaccurate to the extent of more than 1 per cent:
  - (a) The appliance shall be deemed to have existed in that condition during the period of three months prior to the discovery unless the Licensee, Lessee or Contractor can prove to the reasonable satisfaction of the Authority that such an error could not have possibly occurred over that period or the period that has elapsed since the last occasion upon which the appliance was examined or tested, whichever is less; and
  - (b) The royalties payable in respect of the period during which the appliance is deemed to have so existed shall be adjusted accordingly.
- 58.5 The Licensee, Lessee or Contractor shall not repair, maintain, or make any alterations in the measuring or weighing equipment or appliances or in the method or methods of measurement or weighing approved by the Authority without first informing the Authority; and in every case any such repairs, maintenance or alterations shall be carried out in the presence of an authorised person of the Authority or its representative.
- 58.6 The Authority and its authorised representatives shall, have the right to specify the frequency at which all measuring and weighing instruments shall be calibrated or tested, and notwithstanding any such specification, may test or demonstrate the accuracy of any appliance or equipment at any time, with or without previous notice to the Licensee, Lessee or Contractor.

## **Regulation 59           Accounts and Particulars**

The Licensee, Lessee or Contractor shall in respect of the relevant area, in a form from time to time approved by the Authority keep full and accurate accounts of:

- (a) The quantity of crude oil and casinghead spirit won and saved or recovered therefrom;
- (b) The method and result of physical tests made on crude oil;
- (c) The quantity of crude oil and casinghead petroleum spirit sold or exported out of the Zone and the particulars of the sale and export;
- (d) The quantity of crude oil otherwise disposed of and the manner of its disposal;
- (e) The quantity of natural gas sold and the price at which it has been sold;
- (f) The quantity of crude oil and casinghead petroleum spirit used for drilling or pumping to storage or re-injected to a formation;
- (g) The quantity of natural gas used for drilling, for production or as fuel, or re-injected into a formation; and
- (h) Such further particulars and statistics relating to the operations as the Authority may from time to time require,

and shall within one month after the last day of each quarter deliver to the Authority an abstract in a form from time to time approved by the Authority of the accounts for the quarter ended on that last day, together with a statement in the like form of all royalties payable in respect of the said quarter.

## **Regulation 60            Progress Reports**

- 60.1 The Licensee, Lessee or Contractor shall furnish within twenty-one days after the end of each month to the Authority, in a form from time to time approved by the Authority, a report of the progress of its operations containing particulars of the contents of the record required to be kept under these Regulations, and in addition a statement of the areas in which the Licensee, Lessee or Contractor has carried out any geological or geophysical work and an account of the work in question.
- 60.2 The Licensee, Lessee or Contractor shall within one month after the end of each quarter furnish to the Authority a report in a form from time to time approved by the Authority of the operations conducted in the relevant area during each quarter, and a forecast of activities in the ensuing quarter, together with a plan upon a scale approved by the Authority showing the situation of all boreholes or wells.
- 60.3 The Licensee, Lessee or Contractor shall within two months of the end of each calendar year, or any such extended time as the Authority may allow, furnish a report

containing such information regarding the progress of work in the relevant area in that year as the Authority may from time to time specify.

**Regulation 61                      Miscellaneous Provisions relating to Records**

- 61.1    The Licensee, Lessee or Contractor shall keep accurate geological and subsurface plans, maps, charts, sections and other appropriate geological records (including an estimate, revised to include information obtained up to the end of each calendar year, of the probable reserves and the recoverable amount of petroleum reasonably believed to be present as at the date of estimation or revision in the relevant area), and an extract there from or copy thereof shall form part of the annual report required to be furnished in so far as the information to which it relates has not already been furnished.
- 61.2    The information required to be included in the annual report by paragraph 61.1 may be submitted as a separate volume of the annual report.
- 61.3    The Licensee, Lessee or Contractor shall furnish to the Authority such other maps, plans and information as to the progress of operations in the relevant area as they may from time to time require, including reports on geological and geophysical surveys carried out in the relevant area.
- 61.4    The Licensee, Lessee or Contractor shall submit to the Authority copies of every log or borehole survey carried out in any well or borehole as soon as practicable and in any case not more than one month (or such further period as the Authority may allow), after running the log or carrying out the survey.
- 61.5    The Licensee, Lessee or Contractor shall submit to the Authority all seismograms and copies of all other geophysical records obtained on the relevant area:
- Provided that:
- (a)    the Authority may direct the Licensee, Lessee or Contractor to keep the records in its custody; and
- (b)    any such records so kept shall be made available to the Authority on demand.
- 61.6    The results of all seismic surveys, including the relevant seismic map, shall be submitted to the Authority.
- 61.7    The Licensee, Lessee or Contractor shall submit to the Authority negatives of any aerial photographs and copies in electronic and hard copy form of any satellite imagery obtained by the Licensee, Lessee or Contractor in the course of its operations. The Authority shall be entitled to retain such negatives or copies and to make use, as it thinks fit, of them and of any information obtained from them.

61.8 The Licensee, Lessee or Contractor shall within three months of the termination of its licence or lease render a report to the Authority-

- (a) giving an account of the geology of the relevant area;
- (b) including an account of the stratigraphic and structural conditions, together with geological, structural and other subsurface maps, plans and sections on suitably scaled maps and charts; and
- (c) including a summary of all immovable items, equipment, appliances, structures and the like in the relevant area.

61.9 No information required by these Regulations to be furnished in relation to work done or progress of operations in the relevant area shall be withheld on the grounds that the information is confidential or interpretational.

#### **Regulation 62            Auditing of Contractors' Books and Accounts**

The contractor's books and accounts shall be subject to audit by the Authority, which shall be conducted annually. The Authority may issue regulations and directions with respect to the auditing of books and accounts.

#### **Regulation 63            Records to be supplied at the expense of Licensee, Lessee or Contractor**

All records, reports, plans, maps, charts, accounts and information which are required to be furnished under these and other Regulations shall be supplied at the expense of the Licensee, Lessee or Contractor.

#### **Regulation 64            Confidentiality**

Any information supplied by the Licensee, Lessee or Contractor shall (except as otherwise provided by these Regulations) be treated by the Authority and its officers entitled to the information as confidential PROVIDED that the Authority shall be entitled at any time to make use of any such information for the purpose of preparing or causing to be prepared aggregated returns and general reports on the extent of oil operations in the Zone and for the purposes of any arbitration or litigation between the Authority and the Licensee, Lessee or Contractor.



## **Regulation 65                      Release of information and Data**

- 65.1    The Authority may make such use as it wishes of information and data contained in a report, return or other document furnished to the Authority, provided that information and data is not made publicly known by the Authority before the periods of confidentiality identified below have expired.
- 65.2    Basic information and data about petroleum operations in the area of a licence or lease may be released by the Authority five (5) years after it was lodged with the Authority or when the areas to which that information and data relates cease to be part of the area of the licence or lease, if earlier. However, conclusions drawn or opinions based in whole or in part on that information and data shall not be released until ten (10) years after that information and data was lodged with the Authority.
- 65.3    Where information and data has been released by the Licensee, Lessee or Contractor or some party acting on his behalf, the Authority shall not be obliged to maintain the confidentiality of that information and data.
- 65.4    Information and data relating to a seismic or other geochemical or geophysical survey shall be deemed to have been lodged no later than six (6) months after the survey has been essentially completed. Information and data on wells shall be deemed to have been lodged no later than three (3) months after the well has been essentially completed.
- 65.5    Access to information that is not released that relates to or is adjacent to a particular License, Lease or Contract Area shall be based on mutual agreements between the Authority and the relevant contractors.
- 65.6    The Authority shall be free to use any information and data relating to relinquished and surrendered blocks or relating to other blocks outside the area of the licence or lease, including releasing it to any party.
- 65.7    Officials of the Governments of the States Parties may have access to information and data provided to the Authority under these and other Regulations, provided such officials comply with the provisions of this Regulation applicable to the Authority itself.

## **Regulation 66                      Special Terms**

The Authority may impose on a licensee or lessee to which these Regulations apply, special terms and conditions not inconsistent with these Regulations including (without prejudice to the generality of the foregoing) the terms and conditions as to participation by the Authority in the venture to which the licence, lease or PSC relates, on terms to be negotiated between the Authority and the applicant for the licence or lease, special provisions applying to any natural gas discovered; including:

- (i) the right of the Authority to take natural gas produced with crude oil by the Licensee, Lessee or Contractor free of cost at the flare or at an agreed cost and without payment of royalty;
- (ii) the obligation of the Licensee, Lessee or Contractor to obtain the approval of the Authority as to the price at which natural gas produced by the Licensee, Lessee or Contractor (and not taken by the Authority) is sold; and
- (iii) a requirement for the payment by the Licensee, Lessee or Contractor of royalty on natural gas produced and sold.

**PART SIX**  
**RECRUITMENT AND TRAINING OF NATIONALS**  
**OF STATES PARTIES**

**Regulation 67            Training Programmes**

- 67.1    The licensee or Operator of an oil prospecting license shall within twelve months of the grant of its licence, and the lessee of an oil mining lease shall on the grant of its lease, submit for the Authority's approval, a detailed programme for the recruitment and training of nationals of the States Parties.
- 67.2    The programme shall provide for the training of such nationals in all phases of petroleum operations whether the phases are handled directly by the lessee or through agents and contractors.

**Regulation 68            Scholarship Schemes**

All scholarship schemes prepared, and any scholarships proposed to be awarded, by the Licensee, Lessee or Contractor (whether or not related to the operations of the Licensee, Lessee or Contractor or to the oil industry generally) shall be submitted for the approval of the Authority.

**Regulation 69            Variations**

Once a programme under Regulation 67 of these Regulations or a scholarship scheme under Regulation 68 of these Regulations has been approved by the Authority, it shall not be varied without its written permission.

**Regulation 70            Reports**

A report on the execution of the programme mentioned in regulation 69 of these Regulations shall be submitted by the Licensee, Lessee or Contractor at or about the end of June and December in every calendar year.

## **Regulation 71            Targets**

The holder of an oil mining lease shall ensure that:

- (a) within ten years from the grant of its lease the number of nationals of the States Parties employed by it in connection with the lease in managerial, professional and supervisory grades (or any corresponding grades designated by it in a manner approved by the Authority) shall reach at least 75 per cent of the total number of persons employed by it in those grades;
- (b) the number employed as provided for in sub-paragraph (a) of this Regulation shall be divided between nationals of Nigeria and nationals of São Tomé e Príncipe as far as reasonably practicable in line with the provision of the Treaty;
- (c) within 10 years from grant of its lease, the number of nationals of the States Parties in any one such grade shall be not less than 60 per cent.; and
- (d) all skilled, semi-skilled and unskilled workers are citizens of the States Parties, divided between them as far as reasonably practicable in line with the provision of the Treaty.

## **PART SEVEN**

### **MISCELLANEOUS**

#### **Regulation 72          Datum**

For the purposes of these Regulations, in determining the position of the boundaries of any Block, calculating areas, identifying any position within the Zone or any other activity relating to the identification of geodetic positions, the WGS 84 Datum shall be used.

#### **Regulation 73          Insurance**

- 73.1 The Authority shall require each Licensee, Lessee or Contractor to take out and maintain from the effective date of the licence or lease, to the satisfaction of the Authority, insurance on a strict liability basis and for an amount determined by the Authority in consultation with the applicant for such licence or lease. It shall also agree with the Licensee, Lessee or Contractor on a mechanism whereby compensation claims can be determined. The insurance shall cover expenses or liabilities or any other specified things arising in connection with the carrying out of petroleum operations and other activities associated with those operations in the area of the licence or lease, including expenses associated with the prevention and clean-up of the escape of petroleum.
- 73.2 Licensees and lessees shall ensure that transportation of petroleum in bulk as cargo from the Zone takes place only in tankers with appropriate insurance commensurate with relevant international agreements.

#### **Regulation 74          Interference with holders of Licences, Leases or PSCs and other Offences**

- 74.1 Any person who interferes with or obstructs the holder of a licence or lease granted under these Regulations (or his representatives or agents) in the exercise of any rights, power or liberty conferred by the licence or lease shall be guilty of an offence and on conviction shall be liable to a fine not exceeding two hundred thousand dollars or to imprisonment for a period not exceeding six months, or to both.
- 74.2 Any person who:
- (i) Prospects for petroleum without an oil prospecting licence, or
  - (ii) Wins or works petroleum otherwise than in pursuance of a licence or lease granted under this Petroleum Regulation 2003,

- (iii) Does, without the appropriate licence, any act for which a licence is required under any regulations,

shall be guilty of an offence and shall be liable on conviction to a fine not exceeding two hundred thousand dollars.

74.3 Where a person is convicted of an offence under paragraph 74.2 in respect of any petroleum or petroleum products, then, in addition to any penalty imposed under the subsection in question, the convicting court may:

- (a) Order the petroleum or petroleum products to be forfeited; or
- (b) Order that person to pay to the Authority the value of the petroleum or petroleum products.

## **Regulation 75          Further Regulations and Power to make Regulations**

The Authority may, subject to the approval of the Council, issue guidelines:

- (a) Prescribing anything requiring to be prescribed for the purposes of these Regulations;
- (b) Providing generally for matters relating to licences and leases granted under these Regulations and operations carried on there under, including;
  - (i) safe working,
  - (ii) the conservation of petroleum resources,
  - (iii) the prevention of pollution of sea areas and the atmosphere,
  - (iv) the making of reports and returns (including the reporting of accidents),
  - (v) inquiries into accidents,
  - (vi) the keeping and inspection of records, books, statistics, accounts and plans,
  - (vii) the measurement of production, and
- (c) Regulating the construction, maintenance and operation of installations used in pursuance of these and any other Regulations;
- (d) Regulating the storage of petroleum and in particular (without prejudice to the generality of the foregoing);

- (i) defining dangerous petroleum,
  - (ii) regulating the loading, unloading, and shipment of petroleum and petroleum products,
  - (iii) providing for the examination and testing of petroleum and prescribing the tests to be applied to ascertain its flash point and the method of applying those tests, and
  - (iv) regulating the transport of petroleum prescribing the quantity of petroleum and petroleum products which may be carried in any vessel, the manner in which they shall be stored when being so carried, the receptacles in which they shall be contained when being so carried and the quantities to be contained in those receptacles, and providing for the search and inspection of any such vessel;
- (e) Conferring or imposing on public officers, powers and duties additional to those conferred or imposed by these Regulations;
- (f) Where paragraph (a) of this subsection does not apply; prescribing;
- (i) forms to be used for the purposes of these Regulations, and
  - (ii) fees to be charged in connection with the operation of these regulations (including, without prejudice to the generality of the foregoing, fees for the giving of any permission by the Council of Ministers and for the supplying of any document or other material, the carrying out of any examination and the doing of any other thing by him); and
- (g) Providing for such other matters as in his opinion may be necessary or desirable in order to give proper effect to this Act.

## **Regulation 76                      Publication of Regulations**

These Regulations and any modification thereto adopted pursuant to paragraph 4 of Article 21 of the Treaty, shall be promptly published by the Authority, following their adoption, as provided by paragraphs 3 and 5 of Article 21 of the Treaty.

## **Regulation 77                      Settlement of Disputes by Arbitration**

- 77.1    Where by any provision of these Regulations or any regulations made there under a question or dispute is to be settled by arbitration, the question or dispute shall be settled in line with the provision of the Treaty
- 77.2    If any question or dispute arises in connection with any licence or lease to which these Regulations apply between the Authority and the Licensee, Lessee or Contractor (including a question or dispute as to the payment of any fee, rent or royalty), the question or dispute shall be settled by arbitration unless it relates to a matter expressly excluded from arbitration or expressed to be at the discretion of the Authority.

## **Regulation 78                      Circumstances beyond control**

- 78.1    Failure on the part of the holder of a licence or lease to which these Regulations applies to fulfil any of the terms or conditions of the licence or lease shall not (except as may be otherwise provided for in or in relation to the licence or lease) give the Authority any claim against the Licensee, Lessee or Contractor, or be deemed a breach of the licence or lease, if the failure arises from causes beyond the control of the Licensee, Lessee or Contractor.
- 78.2    If from any such cause the fulfilment by any such Licensee, Lessee or Contractor of any term or condition of his licence or lease or of any provision of these Regulations is delayed, the period of delay shall be added to the period fixed for the fulfilment of the term or condition.