

TERMS OF REFERENCE FOR THE LICENSING OF THE BOMANA, LUNGAHE AND BAKASSI EAST BLOCKS, IN THE RIO DEL REY BASIN, ETINDE EXPLORATION AND ELOMBO BLOCKS, IN THE DOUALA/KRIBI-CAMPO BASIN, AND MANYU BLOCK, IN THE MAMFE BASIN, CAMEROON

I. SUBJECT

Within its mandate to promote and valorise hydrocarbon resources in the national mining domain of the Republic of Cameroon, and recognizing the interest of **Petroleum Companies** to obtain petroleum Exploration Authorizations for the **BOMANA, LUNGAHE** and **BAKASSI EAST** Blocks in the Rio del Rey basin, **ETINDE EXPLORATION** and **ELOMBO** blocks in the Douala/Kribi-Campo basin, and **MANYU** Block in the Mamfe basin, the **National Hydrocarbons Corporation (SNH)** announces to oil and gas companies, a **restricted consultation** for the **six (6)** blocks cited above. **This one-on-one consultation is effective as from February 23rd, 2015**, for the conclusion with the STATE, of Production Sharing Contracts (PSC) over the above cited blocks. Petroleum Companies are called upon to submit proposal(s) for the said blocks under the following conditions.

II. CONTEXT

The purpose is to conclude a **Production Sharing Contract (PSC)** under provisions of the Petroleum Code and its enabling acts, for the exploration, appraisal, development and exploitation of hydrocarbons within these six (6) blocks.

The BOMANA (139.67 Km²), LUNGAHE (83.60 Km²), ETINDE EXPLORATION (1698.00 Km²) and ELOMBO (2 405.00 Km²) blocks are within very close proximity to existing oil producing fields and have 3D seismic data coverages, as well as hydrocarbon discovery wells. These four (4) blocks are in **Conventional Petroleum Operations Zones** as defined by the Petroleum Code.

The BAKASSI EAST block (364.07 Km²) has sparse 2D seismic data coverage, as well as identified leads; it is located in shallow water, near-shore, mangrove and inland environments. The MANYU block (1209.00 Km²) is covered by inland forest and neither has seismic coverage nor well data. These two blocks are qualified as **"Special Petroleum Operations Zones"**, as defined in the Petroleum Code.

In accordance with the Petroleum Code, the **Bomana, Lungahe, Etinde Exploration and Elombo** blocks will be licensed for an initial period of up to three (3) years, renewable twice, for periods of two (2) years each, while the **Bakassi East** and **Manyu** blocks will be licensed for an initial period of up to five (5) years, renewable twice for a period of two (2) years each.

III. CONTENT OF PROPOSALS TO BE SUBMITTED

Proposals submitted must contain the following:

- Technical evaluation of the block of interest;
- Work programme and corresponding budgets for each of the three periods of the Exploration Phase;
- Pertinent documentation on the company(ies) involved in submitting a proposal, and in particular, on the company that shall be Operator in the PSC with such company's organization and its technical and financial capabilities including, but not limited to:
 - ✓ Certified balance-sheets for the past three (03) years;

- ✓ Names and experience of exploration and production staff, as well as geoscience capabilities;
- ✓ Company portfolio in the oil industry, especially in similar environments in exploration and production;
- ✓ Company capabilities in environmental protection and decommissioning;
- ✓ Local content.

During the Exploration Phase, the Contractor shall commit to fulfil the minimum Work Programme defined in the minimum contractual terms below; **it being understood that the work obligations have precedence over expenditures.**

IV. CONTRACTUAL TERMS

The following **minimum contractual terms** should be taken into consideration in formulating the proposals:

- **Work programme:**
 - ✓ **For Bomana, Lungahe, Etinde Exploration and Elombo blocks:** drilling of at least one (01) exploration well during the initial period of the Exploration Phase, as well as seismic data acquisition/ processing/ reprocessing and geoscience studies;
 - ✓ **For Bakassi East and Manyu blocks:** drilling of at least one (01) exploration well during the initial period of the Exploration Phase, as well as geophysical work and geoscience studies.
- **Signature bonus** : at least 1.5 million US dollars, for the blocks qualified as the Special Petroleum Operations Zones (**Bakassi East and Manyu**), at least 2 millions US dollars, for the blocks situated in the Conventional Petroleum Operations Zones (**Bomana, Lungahe, Etinde Exploration and Elombo**).
- **Production bonus** :
Minimum values of expected production bonuses are:
 - ❖ **Liquid hydrocarbons** :
 - ✓ USD 1.000.000 when cumulative production of crude petroleum from the contract area attains 25.000.000 barrels,
 - ✓ USD 2.000.000 when cumulative production of crude petroleum from the contract area attains 50.000.000 barrels
 - ✓ USD 3.000.000 when cumulative production of crude petroleum from the contract area attains 100.000.000 barrels
 - ❖ **Gaseous hydrocarbons** :
 - ✓ USD 250.000 when cumulative natural gas production from the contract area attains 30 BCF,
 - ✓ USD 500.000 when cumulative natural gas production from the contract area attains 100 BCF,
 - ✓ USD 1.000.000 when cumulative natural gas production from the contract area attains 200 BCF.
- **Company Tax** : 40 %
- **State Participation** : 25 %
- **Training Budget** : USD 50.000 per year during the Exploration Phase, and USD 100.000 per year during the Development/Exploitation Phase
- **Cost gas** : open and negotiable.
- **Cost oil** : 60 %

- **Profit oil/profit gas** split is open and negotiable for both liquids and gas (condensate being considered as oil and LPG as gas), in function of an “R” factor to be proposed by the Company. For a given calendar year, “R” factor refers to the ratio of “**Net Cumulative Revenue**” over “**Cumulative Investments**”, calculated at the close of the preceding year. It is understood that gas terms are negotiable in accordance with the prevailing STATE's policy for the valorisation of Natural Gas resources.

The Signature Bonus and Training Budget are not cost recoverable, but are tax deductible.

If the proposals submitted do not meet the minimum requirements set above, SNH reserves the right to declare a termination of the one-on-one consultation process.

V. PREQUALIFICATION OF PROPOSALS

Law n°99/013 of 22nd December 1999 instituting the Petroleum Code provides the conditions to be fulfilled by any company wishing to conclude a Petroleum Contract in Cameroon (Sections 2 and 7). **The fulfilment of the said conditions, especially the technical and financial capabilities of the bidder, is a prerequisite for consideration of proposals received.**

The State reserves the right to enter into negotiations with several companies at the same time on a block, after evaluation of the proposals and notification of the results, with the objective of concluding the best PSC terms for the given block. The State, at its sole discretion, reserves also the right to accept or reject any proposal without assigning any reason, whatsoever.

The legal terms constituting the Company or a Consortium of Companies submitting a proposal, will be considered before the evaluation of proposals.

VI. EVALUATION OF PROPOSALS

The following main criteria will be considered to evaluate the proposals:

N°	Criteria/Sub Criteria	Points
1	General presentation of offer • Conformity of the content of the offer with chapters enounced in the Terms of Reference (4 points) • Quality of the documents (1 point)	5
2	Technical evaluation of the block • Presentation of the regional geology of the basin (5 points) • Geoscience evaluation of the block (15 points) • Future exploration strategy on the block (10 points)	30
3	Work programme and corresponding budgets • Work programme of the first phase (15 points) • Work programme of the second and third phases (5 points) • Adequacy of work programme with the results of the technical evaluation of the block (5 points) • Adequacy of the budget with work programme (5 points) • Planning of the work programme (5 points)	35
4	Contractual and fiscal terms • Signature bonus (2 points) • Production bonus (2 points) • Tax rate (5 points) • Participation of the STATE (3 points) • Training budget (2 points) • Cost Oil (6 points)	20

5	Local content • Employment of local staff (5 points) • Recourse to the local providers of services (5 points)	10
	TOTAL	100

VII. SUBMISSION OF PROPOSALS

Proposals should be submitted in three (03) originals in the sealed envelopes to SNH's Headquarters in Yaoundé, with the following address:

Société Nationale des Hydrocarbures (SNH)

BP 955 Yaoundé - Cameroun

Tel : (237) 22 20 19 10 / 22 20 98 64

Fax: (237) 22 20 98 69 / 22 20 46 51

ATTN.: Mr Adolphe MOUDI KI, Executive General Manager

It is worth mentioning that within the framework of this consultation, each proposal received will be immediately opened in the presence of the company(ies) or their representatives. The proposal shall then be evaluated by the Permanent Commission of Opening and Evaluation of Offers. The results will be notified to the company(ies) as soon as the evaluation is completed.

Any questions or comments needing clarification on the Terms of Reference should be addressed to SNH in writing.

Done in Yaoundé, on February 20th, 2015