TERMS OF REFERENCE FOR THE LICENSING OF THE LUNGAHE, BOMANA AND DISSONI EXPLORATION BLOCKS, IN THE RIO DEL REY BASIN, KOMBE-NSEPE BLOCK, IN THE DOUALA/KRIBI-CAMPO BASIN, AND MANYU BLOCK, IN THE MAMFE BASIN, CAMEROON

I. SUBJECT

Within the framework of its mandate to promote and valorise the hydrocarbon resources of the national mining domain of the Republic of Cameroon, and cognisant of the interest of **Petroleum Companies** for Exploration Authorizations on the **LUNGAHE, BOMANA and DISSONI Exploration Blocks** in the Rio del Rey basin, **KOMBE-NSEPE Block**, in the Douala/Kribi-Campo Basin, and **MANYU Block** in the Mamfe basin, **the National Hydrocarbons Corporation (SNH)** announces for the attention of oil companies, **the Licensing Round of the above five (05) blocks**. This Licensing Round is effective as from January 14th, 2013. Petroleum Companies are called upon to submit proposal for the said blocks, taking into consideration the following conditions.

II. CONTEXT

The purpose is to conclude a **Production Sharing Contract (PSC)** within the framework of the Cameroon Petroleum Code and its enabling acts, for the exploration, appraisal, development and exploitation of hydrocarbons within these five (05) blocks.

The LUNGAHE, BOMANA and DISSONI Exploration Blocks are situated within oil producing fields in the Rio del Rey Basin and have 3D seismic vintages, as well as some discoveries. These four blocks are in **the Conventional Petroleum Operations Zones**, as defined by the Petroleum Code.

The KOMBE-NSEPE Block is situated in the Douala/Kribi-Campo Basin and has 2D seismic vintages, as well as identified leads and some discoveries; but, it is covered by a forest game reserve. The MANYU Block is covered by forest and has neither seismic nor well data. These two blocks are qualified as "**Special Petroleum Operations Zone**" as defined by the Petroleum Code.

In accordance with the Petroleum Code, **Lungahe, Bomana and Dissoni Exploration** will be licensed for up to a three (03) years initial period, renewable twice, for two (2) years each, while **Kombe-Nsepe** will be licensed for up to a four (04) years initial period, renewable twice, for a period of two (2) years each **and Manyu blocks** will be licensed for up to a five (05) years initial period, renewable twice, for a period of two (2) years each.

III. CONTENT OF PROPOSALS TO BE SUBMITTED

The content of the proposals to be submitted will include:

- Technical evaluation of the block;
- Work programmes and corresponding budgets for each exploration phase;
- Pertinent documentation on the company and/or operator's organization and technical and financial capabilities including but no 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 environment in exploration and production;
- ✓ Company capabilities in environmental protection and decommissioning;
- ✓ Local content.

During the Exploration Phase, the Contractor undertakes to realize at least the minimum Work Programme defined hereafter; **it being understood that the work obligations take precedence over expenditures.**

IV. CONTRACTUAL TERMS

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

- **Work programme:**
  - ✓ ***For Lungahe, Bomana and Dissoni Exploration Blocks***: at least two (02) wells during the initial period of the Exploration Phase, including seismic data acquisition/ processing/ reprocessing/ interpretation and Geoscience studies;
  - ✓ ***For Kombe-Nsepe and Manyu Blocks***: at least one (01) exploration well during the initial period of the Exploration Phase, including seismic work and Geoscience studies.
- **Signature bonus** : at least 3 millions dollars US.
- **Production bonus :**
  Minimum values of production bonuses expected are :
  - ❖ **Liquid hydrocarbons :**
    - ✓ USD 1.000.000 when cumulative production of crude petroleum from the contract area attains 50.000.000 barrels,
    - ✓ USD 2.000.000 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 considered as oil and LPG as gas), in function of the "**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's understood that the gas terms are negotiable in accordance with the STATE's policy for the valorisation of Natural Gas resources.

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

SNH reserves the right to declare the consultation unfruitful if the offer does not meet the expectations of the minimum requirements set above.

V. PREQUALIFICATION OF PROPOSALS

The Law n°99/013 of 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 the consideration of submitted proposals**.

The State reserves the right to enter into negotiations with several companies at the same time on a block, after the evaluation of the proposals and notification of the results, with the objective of selecting the best proposal. 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 the Consortium will be considered before the evaluation of proposals.

SNH reserves the right to declare the consultation unfruitful if no company submits an offer that meets the expectations of the minimum requirements set above for any of the blocks.

VI. EVALUATION OF PROPOSALS

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

Presentation of offer	(05 points)
Technical evaluation of the block	(30 points)
Work programmes and corresponding budgets	(40 points)
Contractual and fiscal terms	(20 points)
Local content	(05 points)

VII. SUBMISSION OF PROPOSALS

Proposals should be submitted at SNH's Headquarters in Yaoundé in three (03) sealed originals at 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 MOUDIKI, Executive General Manager

The tenders should be clearly marked “**Consultation for the Licensing of five (05) blocks in the Rio del Rey, Douala/Kribi-Campo and Mamfe Basins, Cameroon**”.

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

VIII. TIME-SCALE FOR THE CONSULTATION

- January 14th, 2013 - June 13rd, 2013 : Data consultation and/or gathering and evaluation for all interested companies;

- June 14th, 2013, 12.00 noon : Latest date for submission of proposals;

- June 14th, 2013, 13.00 pm.: Public opening of proposals in the presence of all bidding companies or their representatives;

- July 5th, 2013 : Notification of results.

Done in Yaounde, on January 02, 2013