

Republic of Equatorial Guinea

Ministry of Mines, Industry and Energy



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PETROLEUM LEGISLATION

The current Law concerning hydrocarbon exploration and production activities is Decree Law No. 8/2006 of November 2006 (the Hydrocarbons Law - [Official Spanish version](#), [English translation](#)). The Hydrocarbons Law provides the framework for the licensing and award of exploration and production rights and authorises the Minister of Mines, Industry and Energy to enter into contracts with oil companies.

The taxation of petroleum exploration and production activities is covered by the general tax provisions in Decree Law No. 1/1986, as augmented by Decree Law No. 4/2004. Additionally, Equatorial Guinea is a member of CEMAC (formerly UDEAC) and is signatory to certain regional agreements concerning tax and trade.

The regulation of petroleum related exploration activities is governed by Petroleum Regulations, issued by Ministerial Order and referenced by the Hydrocarbons Law.

Contracts And Fiscal Terms

The Model Petroleum Production Sharing Contract ([Spanish version](#), [English translation](#)) includes the following provisions:

- INITIAL EXPLORATION PERIOD: normally of four to five years divided into two sub-periods, extendible twice on a yearly basis.
- RELINQUISHMENT: of 40% after the initial exploration period, with a further 25% of the remaining area at the end of each renewal period. Voluntary relinquishment at the end of each contract year is permitted.
- EXPLORATION COMMITMENT: is negotiable, but usually involves purchase and interpretation of all existing data relating to the contract area and seismic acquisition and/or exploration drilling in the initial exploration period and a well in each of the annual extensions.
- ROYALTY: Minimum rate of 13%, escalating in steps according to average daily production.
- COST RECOVERY: from a negotiated share of production net of royalty with unrecovered costs carried forward.
- PRODUCTION SHARING: from profit oil according to a stepped scale related to cumulative production.
- BONUS PAYMENTS: on contract signature, on notification of a commercial discovery and on production targets.
- STATE PARTICIPATION: a minimum of 20% carried working interest during exploration phase.
- INCOME TAX: According to the Tax Law, currently at the rate of 35%.