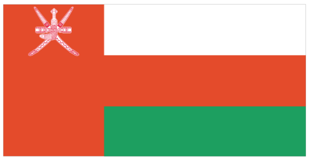


Oman – EPSA (PSC)
Fiscal Terms Guide

Prepared by Palantir

Disclaimer

The Palantir Regime Library (PRL) includes fiscal regimes and documentation of fiscal terms. Palantir Economic Solutions has developed the PRL based on a variety of available sources. The terms and regimes are interpretations of these sources. Whilst every effort has been made to ensure that they accurately reflect the fiscal terms, the user should verify the assumptions according to their standards. It should be noted that many fiscal regimes vary by individual contract and the complete set of possible terms may not be covered. Palantir will not be held responsible for any loss or damages (direct or indirect) resulting from the use of information provided in the PRL.

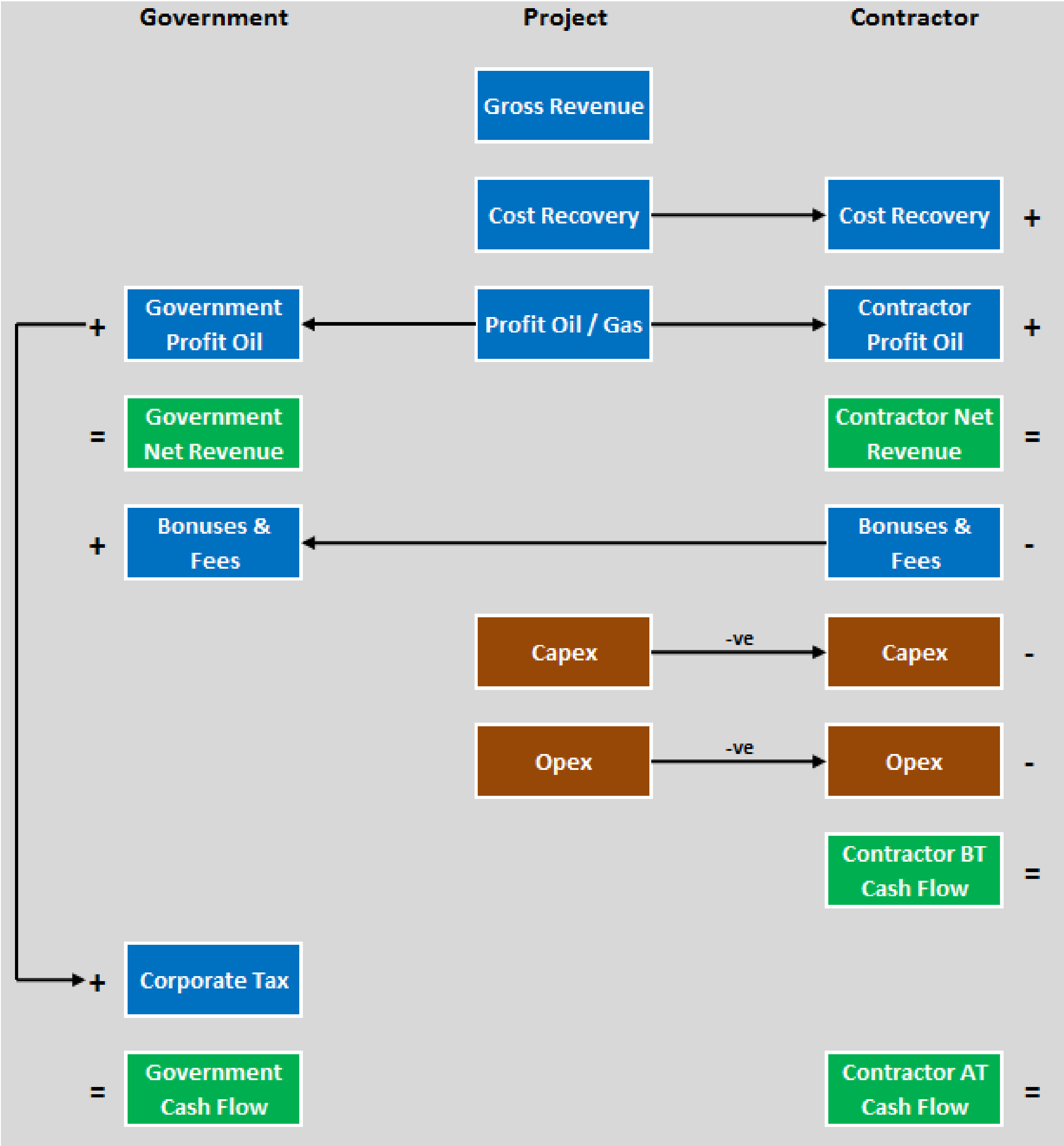
Copyright

Fiscal Terms

The Omani regime is a production sharing contract (PSC) although very early contracts were concessions. The concessions are almost entirely out of service and are not documented here.

The Government holds regular license rounds and commercial terms are negotiated directly with the ministry. The standard contract is an EPSA (Exploration & Production Sharing Agreement) although this should not be confused with the Libyan EPSA which is a highly distinctive regime type.

Type	EPSA (PSC)
Royalty	None
Production Taxes	None
Bonuses	Signature bonus variable < $500,000 Discovery bonus ~ $1,000,000 No production bonuses
Fees	Area rentals apply until production start No training fees
Cost Recovery	Oil capped at 40% Gas capped at 50%
Profit Share	Many at flat rates of 15%, 20% or 30% to Contractor Others based on production tiers
Corporate Tax	Payable on the Contractors behalf by the Government (deemed) at 55%
State Participation	None



Interest & Participation

The Government does not participate directly and there is no National Oil Company. The Government does hold a participatory share in one contract, PDO, which remains under a concession.

The Government is represented by the Ministry of Oil and Gas and this body is responsible for licensing, regulation and contract negotiations with IOCs.

There is a state-owned oil company called OOC which invests outside Oman. In addition there is an Oman Gas Company (OGC) which owns and operates a large part of the gas pipeline network.

Bonuses & Fees

Signature Bonuses

A signature bonus is payable on the award of a block after a license round. The amount is variable but relatively small i.e. less than $500,000. A discovery bonus is payable and is typically $1,000,000 to $2,000,000. Neither is cost-recoverable.

Production Bonuses

No production bonuses are payable under the 1998 model contract but they did exist under older contracts.

Fees

Only area rentals are applicable and only payable up to production start i.e. during the exploration phase.

Royalty

There is no royalty under the PSC contracts.

Cost Recovery

The first tranche of production is available for cost recovery and this is usually capped at 40% of production for oil cost recovery. Many gas contracts have higher caps up to 50% of production. There is no revenue transfer between oil and gas cost recovery. Unrecovered costs may be carried forward without limit but there are no uplifts on unrecovered costs.

The following costs are recoverable:

- Exploration capital expenditure (not depreciation)
- Development capital expenditure (no depreciation)
- Opcosts

The following costs are explicitly not recoverable:

- Bonus payments
- Rentals
- Corporate tax
- Interest

Profit Share

All production remaining after cost recovery is eligible for profit sharing i.e. all excess cost oil and gas becomes part of the profit petroleum.

Many contracts divide the profit between Government and Contractor based on a fixed split with the contractor receiving 15%, 20%, 25% or 30% depending on the contract. Other contracts have a sliding scale based on production tiers with the Contractor receiving 35% at low production rates down to 15% at high production rates (the percentages tend to vary by contract).

Corporate Tax (Deemed)

There is a 55% corporate tax in Oman although this is paid on the Contractor's behalf by the Government i.e. a deemed tax.

- Opcosts
- Exploration capital on 5 year straight-line depreciation
- Development capital on a 5 year straight-line depreciation

Not allowable:

- Interest
- Bonus payments

Building costs are to be depreciated using the straight line method.

Losses can be carried forward for a period of 5 years with the carry back of losses not permitted.