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(as amended)

ARTICLE 1

Petroleum Property of State

- (1) All petroleum in the SPLAJ in its natural state in strata is the property of the Libyan State.
- (2) No person shall explore or prospect for, mine or produce, petroleum in any part of the SPLAJ, unless authorized by a permit or concession issued under this law.

ARTICLE 2

The Secretary of Petroleum shall submit matters set forth in paragraphs (a) and (b) below to the General People's Committee for study and the issuance of a final decision in that connection.

- (a) The granting of reconnaissance permits and the complete surrender of concession areas.
- (b) Granting or cancellation of concession agreements and the acceptance or refusal of assignment of them and the decision to resort to arbitration and the fixing of the dates for opening of concession applications.

ARTICLE 3

Petroleum Zones

For the implementation of this Law the Libyan territory will be divided into four Petroleum Zones:

The first Zone includes the regions of Tripoli, the Western Mountain, Zavia, Homs and Misurata.

The second Zone includes the regions of Benghazi, Green Mountain and Derna, which are north of latitude 28.

The third Zone includes the regions of Benghazi, Green Mountain and Derna, which are south of latitude 28.

The fourth Zone includes the regions of Sebha and Ubari.

ARTICLE 4

Boundaries

- (1) This Law shall extend to the seabed and subsoil which lie beneath the territorial waters and the high seas contiguous thereto under the control and jurisdiction of the Socialist People's Libyan Arab Jamahiriya. Any

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such seabed and subsoil adjacent to any Zone shall for the purpose of this Law be deemed to be part of that Zone.

- (b) If there is doubt as to the boundary of any Zone the Secretariat of Petroleum shall determine the boundary of such Zone for the purposes of this Law only; and if by reason of such determination it becomes necessary for the applicant to amend his application, or to make a new application, he shall be allowed one month to do so after receipt of a request to do so, without loss of priority.
- (3) If a subsequent determination of the boundaries leads to an adjustment of the boundaries as determined by the Secretariat of Petroleum, such adjustment shall not affect the validity or extent of permits or concessions granted within the area or areas affected by the adjustment.

ARTICLE 5

Eligible Applicants

- (1) The Secretariat of Petroleum shall consider applications for permits or concessions submitted by eligible applicants only, and in determining the eligibility of any applicants the Secretariat of Petroleum shall have regard to the following:
 - (a) The furtherance of the public interest:
 - (b)
 - i) The applicant's compliance with relevant Laws and Regulations.
 - ii) His previous activities in the Petroleum Industry.
 - iii) His previous experience in the conduct of similar operations.
 - iv) His financial and technical capacity to conduct the contemplated operations.
- (2) In determining the eligibility of an applicant who is a subsidiary of a company or a member of a group of companies, there shall be taken into consideration the possession of the aforesaid qualifications by the parent company or group of companies of which he is a member and the extent of the availability to the applicant of such qualifications.

ARTICLE 6

Permits

- (1) Applications for permits shall be submitted in triplicate to the Secretariat of Petroleum, which shall forward a copy to the Secretary. Separate applications shall be submitted in respect of each petroleum Zone.

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- (2) The application shall show the area the applicant desires to work, and contain short particulars in respect of the matters referred to in Article 5 of this Law. The applicant shall, at the Secretariat of Petroleum's request, furnish any further relevant information. All information submitted under this paragraph shall be treated as confidential.
- (3) The Secretariat of Petroleum may grant a permit in the form set out in the First Schedule to this Law and not otherwise, provided that the permit may contain such minor nondiscriminatory variations as may be required to meet circumstances of any particular case.
- (4) Such a permit may be granted in respect of any area and shall entitle the holder thereof to carry out the operations permitted therein within the specified area and in accordance with the terms of the permit; provided however, that nothing in this paragraph shall entitle the holder of the permit to impede in any way the work of any concession holder, or to enter into prospecting and development sites without the express permission of the concession holder.
- (5) The grant of a permit does not of itself entitle the holder thereof to a concession in respect of any area.
- (6) A permit shall be granted on payment of the fee specified in the First Schedule hereto.
- (7) A permit may be granted for a period of one year and may be renewed on payment of the specified fee.

ARTICLE 7

Application for Concessions

- (1) The Secretariat of Petroleum shall announce from time to time by notice published in the local and world press the areas in respect of which concessions may be applied for.
- (2) The Secretariat of Petroleum shall by notice published in the local and world press invite those who wish to apply for concessions in the areas mentioned in paragraph (1) of this Article to submit their applications in triplicate in a sealed envelope delivered to the main offices of the Secretariat of Petroleum. The Secretariat of Petroleum shall fix a closing time and date for the delivery of the applications and shall not consider any application which is delivered after such time and date.
- (3) The Secretariat will invite by registered mail every applicant for concessions to send a representative to the Secretariat's Offices on a fixed hour and day to attend the opening of the application for

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concessions. If the representative of the applicant fails to attend at the fixed hour and day this shall be considered as a refusal to the invitation. Applications will be opened by those entrusted by the Secretary to do so in the presence of the representatives of the applicants who accepted the invitation. The first copy of each application will be signed by those entrusted to open them and by the representatives of the applicants who accepted the invitation.

- (4) It shall not be permissible to amend or vary an application after it has been opened and signed as mentioned in paragraph (3) hereof.
- (5) The Secretariat of Petroleum shall send a copy of each application to the Secretary.
- (6) Each application shall contain short particulars in respect of the matters referred to in Article 5 of this Law. The applicant shall, at the Secretariat of Petroleum's request, furnish any further relevant information which may be required by the Secretariat of Petroleum and which relates to his application. All information supplied under this paragraph shall be treated as confidential.
- (7) The applicant may include in his application particulars of any economic and financial benefits and advantages and other things which he is willing and able to offer in addition to those stated in this Law and the Second Schedule hereto.

ARTICLE 8

Conflicting Applications

In the event of more than one application being submitted for a concession over the same area, the Secretariat of Petroleum shall have absolute discretion as to which application to accept. In making its decision, the Secretariat of Petroleum shall take into account such additional economic and financial benefits and advantages and other things mentioned in paragraph (7) of Article 7 of this Law as are offered in the applications.

ARTICLE 9

Grant of Concessions

- (1) The Secretariat of Petroleum may grant concessions in the form set out in the Second Schedule to this Law provided that they may contain any additional benefits and advantages which are offered by the applicant under paragraph (7) of Article 7 of this Law and accepted by the Secretariat of Petroleum and provided that those additions shall not contain conditions or terms that reduce any of the rights, benefits of

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privileges to which the Secretariat of Petroleum is entitled under the terms of this Law and the Second Schedule hereto.

- (2) Before the granting of a concession, the Secretariat of Petroleum may require the applicant to furnish a written undertaking to abstain from all political activities in the SPLAJ.
- (3) An applicant may be required before the granting of a concession, to deliver to the Secretariat of Petroleum a guarantee by way of bond or banker's guarantee in a sufficient sum not exceeding fifty thousand Libyan Dinars (LD 50,000) to secure the due performance of his obligations under all concessions held by him in the SPLAJ. Such bond or banker's guarantee shall be maintained as a constant figure throughout the life of the concession, and such bond or banker's guarantee shall be accepted by the Director of Customs I lieu of any bond he may require under the Customs Law.
- (4) Concessions shall be granted for the period of time requested by the applicant provided that such period shall not exceed fifty (50) years. A concession may be renewed for any period such that the total of the two periods does not exceed sixty (60) years.
- (5) No concession may be granted in respect of any area included in any existing concession granted hereunder.
- (6) The Secretariat of Petroleum may however grant concessions covering adjoining areas lying in two or more Zones.
- (7) The boundaries of every concession granted hereunder shall conform as far as possible to the grid lines of the official map of the Secretariat of Petroleum.
- (8) The maximum number of concessions and the total areas which may be held at one time by any person are as follows:
 - (a) Three concessions in each of the First and Second Zones and four concessions in each of the Third and Fourth Zones provided that:
 - i) The Secretariat of Petroleum may grant concessions in excess of the maximum number permitted hereunder and shall give reasonable consideration to applications submitted for that purpose.
 - ii) No concession in which there is an oil or gas well shall be included in computing the number of concessions held by a concession holder.

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- (b) 30,000 square kilometers in each of the First and Second Zones and 80,000 square kilometers in each of the Third and Fourth Zones.
- (9) (Repealed by 3rd July 1961 Amendment).
- (10) The concession holder shall have the right to enter and occupy free of charge for the purpose of his operations under any concession granted under this Law any land within the concession area other than private land, provided it is not then in the lawful occupation of some person.
- (11) If the concession holder fails to agree with a private landowner or lawful occupier of other than private land as to the terms on which he may enter and occupy the land in question, the concession holder shall immediately notify the Director. If the occupation is to be of a temporary nature, not exceeding one year, the Director shall authorize such temporary occupation upon deposit by the concession holder with the Secretariat of Petroleum of a sum by way of reasonable compensation to such landowner and/or lawful occupier for loss of use of and damage to the interest in the land as the Director shall determine. If the occupation is to be for a longer period than one year, the Secretariat of Petroleum shall authorize occupation by the concession holder of the land in question upon deposit by the concession holder with the Secretariat of Petroleum of such sum by way of reasonable compensation as the Secretariat of Petroleum shall determine and the Secretariat of Petroleum shall direct appropriate proceedings to be taken to put the concession holder into possession of the land under the law from time to time in force, as if the concession holder's operations were in all respects a work of public utility. In the event of any dispute as to the nature and extent of the interest of claimants to the land or the amount of compensation payable by the concession holder, the Secretariat of Petroleum shall refer the dispute for determination by an appropriate court of law and the Secretariat of Petroleum shall pay to the respective claimants such sum by way of compensation as may have been determined by the Court. The Secretariat of Petroleum shall pay to or obtain from the concession holder (as the case may be) the amount by which the sum deposited by the concession holder exceeds or falls short of the total compensation payable to the claimants.
- (12) The concession shall not confer the concession holder the right to do any work within the precincts of cemeteries, places used for religious worship and places of antiquity as defined in the Antiquity Laws from time to time in force. Any works of art or antiquity discovered by the concession holder shall be subject to the law from time to time in force.

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- (13) No drilling or any dangerous operations shall be conducted within 50 meters of any public works or permanent buildings without the previous consent of the Director, and subject to such conditions as he may impose.

ARTICLE 10

Surrender

- (1) Within a period of five years from the date of the granting of a concession, the concession holder shall reduce the concession area to 75% of its original size; within eight years from the said date, the concession holder shall further reduce the concession area to 50% of its original size and within ten years from the said date the concession holder shall further reduce the concession area to 33⅓% of its original size in the case of areas located in the First and Second Zones and to 25% of its original size in the case of areas located in the Third and Fourth Zones.
- (2) The concession holder shall give one month's notice in writing to the Secretariat of Petroleum of the areas which it will relinquish under paragraph (1) hereof.
- (3) The concession holder shall be entitled at any time, by giving three month's notice in writing to the Secretariat of Petroleum, to surrender the whole or any part of a concession area.
- (4) Any area which the concession holder gives up under paragraphs (1) and (3) shall be freely chosen by the concession holder provided that the following conditions shall be followed:
- (a) Unless the Secretariat of Petroleum in special cases agrees otherwise, the surrendered areas shall consist of only one block except that if the concession area exceeds 12,000 kilometers it may consist of two blocks.
 - (b) The surrendered area shall be reasonably compact and be bounded as far as possible by the grid lines of the Official Map of the Secretariat of Petroleum and bordering on one or more concession borders unless the Secretariat of Petroleum in special cases agrees otherwise.
- (5) Notice of any reduction or surrender under this Article shall be accompanied by a map referring to the Official Map of the Secretariat of Petroleum and a description indicating the precise extent of the land to be surrendered and the land to be retained.

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- (6) The concession holder shall continue to enjoy the full rights granted to him under the respective concession areas over the areas retained by him, and shall in respect of any lands he gives up as aforesaid, except as provided in Clause 26 of the Second Schedule to this Law, cease to enjoy any of the rights conferred upon him by the concession and to bear any of the responsibilities thereby imposed upon him except as may relate to any act of the concession holder in the said lands before they were given up without prejudice to the rights of the concession holder to the easements he may exercise over the surrendered areas.

ARTICLE 11

Working Obligations

- (1) The holder of any concession granted under this Law shall, within eight months of the grant of such concession, commence operations to explore for petroleum within the concession area. He shall diligently prosecute all his operations under the concession in a workmanlike manner in accordance with oil industry practice based on appropriate scientific methods. In furtherance thereof he shall spend in the SPLAJ, or elsewhere, not less than the following sums or their equivalent, or in connection with the said operations including general organizational, overhead and administrative expenses connected therewith:-
- (a) In respect of all concessions in the First and Second Zones: During the first five years at the average rate, over the period and over the total area held in the Zone, of one and a half Libyan Dinars (LD 1½) per square kilometer per annum; during the next three years at the average rate, over the period and over the total area held in the Zone, of three and a half Libyan Dinars (LD 3½) per square kilometer per annum; and thereafter during each successive five year period at the average rate over such period of six Libyan Dinars (LD 6) per square kilometer per annum.
- (b) In respect of all concessions in the Third and Fourth Zones: During the first eight years at the average rate, over the period and over the total area held in the Zone, of one and a half Libyan Dinars (LD 1½) per square kilometer per annum; during the next four years at the average rate, over the period and over the total area held in the Zone, of three and a half Libyan Dinars (LD 3½) per square kilometer per annum; and thereafter during each successive five year period at the average rate over such period of six Libyan Dinars (LD 6) per square kilometer per annum.
- (2) Any sum spent during any of the working periods specified above in excess of the minimum sum prescribed for that period shall be carried

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forward as a credit to the Company against the expenditure requirements for the following period or periods.

- (3) If at the expiration of one half of any of the working periods specified in sub-paragraphs (a) and (b) above, it appears to the Secretariat of Petroleum that a concession holder has seriously neglected his obligations in respect of any Zone, the Secretariat of Petroleum may require such concession holder to deliver to it a guarantee in the form of a banker's guarantee in a sum which shall not exceed the total outstanding expenditure obligations remaining unfulfilled in that Zone. Such guarantee may at the end of the said period be forfeited to the Secretariat of Petroleum to the extent that the concession holder may have failed to fulfil his expenditure obligations.

ARTICLE 12

Pipeline Facilities

Any concession holder having pipeline capacity surplus to his own requirements shall make such surplus available for the transport of any other concession holder desiring to use the said surplus on terms agreed between them and approved by the Secretariat of Petroleum.

If they fail to agree or if the Secretariat of Petroleum does not approve the terms agreed upon, the Secretariat of Petroleum shall propose terms of user.

If any of the concession holders do not accept the terms proposed by the Secretariat of Petroleum, the Secretariat of Petroleum shall, within two months from such non-acceptance, submit the matter to a Committee of three persons, one to be nominated by the concession holder having the surplus capacity, another by the Secretariat of Petroleum and the third by the President of the Supreme Court of the SPLAJ. This Committee shall settle the terms of user and its decision or that of a majority of its members shall bind the respective concession holders and the Secretariat of Petroleum. This decision shall be published in the Official Gazette.

Pending agreement on the terms of user or decision of the Committee in accordance with the provisions of this Article, the concession holder desiring to use the surplus capacity shall be entitled to do so in accordance with the terms proposed by the Secretariat of Petroleum. Upon the terms being agreed upon or decided by the said Committee, as the case may be, they shall have retrospective effect to the commencement of such user.

ARTICLE 13

Fees, Rents and Royalties

- (1) The concession holder shall in respect of each concession granted hereunder pay the following fees, rents and royalties:-

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- (a) An initial fee of 100 Libyan Dinars per 100 square kilometers or pro-rata for part thereof of the concession area upon the grant of the concession.
- (b) An annual surface rent per 100 square kilometers or pro-rata for part thereof of the Concession Area held as follows:
 - i) For concessions located within the First and Second Zones, ten Libyan Dinars for each of the first eight years, twenty Libyan Dinars for each of the next seven years, provided that if at any time during this period of fifteen years Petroleum is found in commercial quantities the annual rent shall immediately increase to 2500 Libyan Dinars for the remainder of the said period and a pro rata proportion of this increased rent shall be payable in respect of the year in which the find occurs.
 - ii) For concessions located within the Third and Fourth Zones, five Libyan Dinars for each of the next seven years provided that if at any time during this period of fifteen years Petroleum is found in commercial quantities the annual rent shall immediately increase to 2500 Libyan Dinars for the remainder of the said period and a pro-rata proportion of this increased rent shall be payable in respect of the year in which the find occurs.
 - iii) 3500 Libyan Dinars for each of the five years from the expiry of the fifteenth year from the granting of the concession.
 - iv) 5000 Libyan Dinars for each year thereafter.
- (c) A royalty of 16.67% of the value of the total field production of all natural gasoline recovered by the concession holder from the concession area and of all petroleum (excluding natural gas) won and saved into field storage freed of water and foreign substances after deduction of the quantities of any petroleum, petroleum products and natural gasoline used in the SPLAJ by the concession holder in the course of his operations hereunder.

The value of crude oil for royalty purposes shall be calculated on the basis of the posted price as defined in Article 14(5) hereof.

The value of natural gasoline and of petroleum other than crude oil for royalty purposes shall be calculated in a manner to be

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agreed upon from time to time between the Secretariat of Petroleum and the concession holder.

- (d) A royalty of 16.67% of the sale price less any cost of transport from the Wellhead paid by the concession holder and not recovered from the purchaser in respect of all natural gas derived from the concession area and sold by the concession holder for delivery in the SPLAJ.
 - (e) A royalty of 16.67% of the value of all natural gas derived from the concession area and exported by the concession holder, the value of the natural gas for this purpose being the sale price after deducting any handling charges, duties and imposts and the cost of transport from the Wellhead paid by the concession holder and not recovered from the purchaser.
- (2) The Secretariat of Petroleum shall be entitled by notice in writing to the concession holder of not less than three months to take in kind the whole or part of the royalty stipulated in this Article and due in any complete year. Any petroleum, or natural gasoline to which the Secretariat of Petroleum becomes entitled by virtue of the exercise of this right shall be delivered by the concession holder f.o.b. Seaboard Terminal in the SPLAJ.
- (3) Sums payable by way of royalty in respect of any year from a concession area shall be reduced by the amounts paid as surface rent in respect of that year, provided that in no case shall the amounts of rent paid be less than LD 2500 per 100 square kilometers or pro-rata for part thereof.

ARTICLE 14

Taxation and Division of Profits

- (1) The concession holder shall pay such income tax and other taxes and imposts as are payable under the Laws of the SPLAJ, but shall not be subject to any form of taxation whether Government or Municipal or other exaction of such nature as to render him liable to taxation or other dues not payable by persons in general operating in the SPLAJ other than fees, royalties and surface rents made payable under this Law:-

Provided however that:-

- (a) If in respect of any complete year from and after the effective date as hereinafter defined the total amount of the fees, rents and royalties except 16.67% of the value of crude oil exported as herein defined, payable under this Law and income tax and other

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direct taxes for which a concession holder is liable in respect of his operations and income therefrom under all petroleum concessions held by him the SPLAJ falls short of 65% of his profits^{1*} as hereinafter defined for that complete year the concession holder shall pay to the Secretariat of Petroleum such sum by way of surtax as will make the total of his payments equal to 65% of the profits aforesaid.

- (b) If in respect of any complete year from and after the effective date the total amount of fees, rents and royalties except 16.67% of the value of crude oil exported, as herein defined, payable by the concession holder under this Law and income tax and other direct taxes for which the concession holder is liable as aforesaid exceeds 65% of the said profits of the concession holder during that complete year, he shall be entitled to deduct such excess from the income tax, surtax and other direct taxes payable in that year or following years.
- (c) For purposes of paragraphs (1), (2) and (9) of this Article, "16.67% of the value of crude oil exported" shall mean: 16.67% of the value calculated on the basis of the applicable posted prices of crude oil exported by the concession holder in any such complete year and on which royalty is payable by the concession holder in that year.
- (d) For purposes of this Law, crude oil sold by the concession holder for export from the SPLAJ (which term "for export" as used herein includes exported before or after sale), shall be deemed to be crude oil exported by the concession holder. With respect to crude oil taken in kind by the Libyan Government under this Law, being in payment by the concession holder in whole or in part of the royalty stipulated in this Law, such crude oil shall be deemed to be crude oil exported by the concession holder if such crude oil is delivered to the Libyan Government by the concession holder for export.

- (2) In applying this Article:-

"Complete year" means the financial year of the concession holder. The first year, however, shall include the period from the effective date to the

¹ * Amended by Law No. 30 of 1971, published in the Official Gazette No. 34 for 1971 and Law No. 76 for 1974, Official Gazette 5/1975 and Law No. 2 for 1975, Official Gazette 19/1975.

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end of the financial year of the concession holder and the last year shall include the period from the beginning of the financial year of the concession holder to the termination of the concession.

"effective date" means the date on which the concession holder first commences regular exports in commercial quantities or regular sales in commercial quantities of petroleum derived from any of his concessions in the SPLAJ.

"profits" for the purposes of paragraph (1)9a) and (1)(b) mean in respect of any complete year after the effective date the income resulting to the concession holder from his operations in the SPLAJ after deducting the following items (a) and (b) in so far as they are fairly, properly and necessarily attributable to the operations of the concession holder in the SPLAJ, and item (c);

- (a) Operating expenses and overheads the details of which are defined in Regulations excluding the fees, rents, royalties and income tax and other direct taxes referred to in (1)(a) and (1)(b) above.
- (b) Depreciation of all physical assets in the SPLAJ at the rate of 10% per annum and amortization of all other capital expenditure in the SPLAJ at the rate of 5% per annum until such assets and expenditure are fully written off. The unamortized balance of the costs of physical assets permanently put out of use may be deducted in the year when such assets are scrapped or sold.^{2**}
- (c) 16.67% of the value of the crude oil exported, as defined in paragraph (1)(c) above.

ARTICLE 1

If required by the situations and circumstances pertaining to petroleum investment in the Socialist People's Libyan Arab Jamahiriya, as well as those pertaining to Libyan petroleum marketing, the Secretary of Petroleum may decide to grant oil companies working in the SPLAJ some privileges concerning the depreciation of their physical assets and capital expenditure in the SPLAJ, with exception to the provisions set forth in Clause 2b) of Article 14 of the Petroleum law No. 25 for the year 1955, and Clause 26 of the eighth item in the concession contract in accordance with the conditions and rules determined by the Secretary of Petroleum.

ARTICLE 2

The period determined for the depreciation of physical assets and capital expenditure stated in accordance with the provisions of this Law may not be less than two years.

² ** Law No. 3/1983 published in the Official Gazette 25/1983:

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The Secretary of Petroleum is entitled to decide the abolition of depreciation provisions stipulated in accordance with this Law, and the application of Clause 2b) of Article 14 of the aforementioned Petroleum Law, and Clause 2b) of the eighth item in the concession contract, if it becomes apparent to him that the circumstances and situations pertaining to oil investment in the SPLAJ, in comparison with what is prevalent in the international oil industry, no longer justify such regulations.

- (3) Exploration and prospecting expenses, intangible drilling costs, as defined by Regulations but only to the extent that such expenses and costs are not incidental to the procurement or installation of physical assets, and the costs of drilling wells not productive of petroleum in commercial quantities may in respect of expenditure incurred after the effective date, be deducted in the year in which the expenditure is incurred under paragraph (2)(a) of this Article or may be capitalized and amortized as provided in paragraphs (2)(b) of this Article. The concession holder may either deduct or capitalize each such classification of expenditure. The election once made is final and binding for all time unless the Secretariat of Petroleum in special cases agrees otherwise. Expenditure capitalized under this paragraph and attributable to areas surrendered under paragraph (1) of Article 10 of this Law may be deducted in the year of surrender in so far as not already amortized.
- (4) Nothing in this Article shall be taken as permitting the deduction under paragraph (2)(a) or (b) of this Article of the following items of expense in determining the profits for the purpose of paragraphs (1)(a) and (1)(b).
 - i) Penalties paid under Article 22 of this Law or any sum forfeited to the Secretariat of Petroleum under Article 11(3) of this Law.
 - ii) Foreign taxation paid on income determined from sources within the SPLAJ.
 - iii) Interest or other consideration paid or suffered by the concession holder in respect of the financing of his operations in the SPLAJ.
 - iv) Expenditure incurred in relation to the organizing and initiation of petroleum operations in the SPLAJ.
- (5) In applying this Article:-

"income resulting from the operations of the concession holder in the SPLAJ" means:

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- (a) In relation to crude oil exported by the concession holder from the SPLAJ; gross receipts realized by the concession holder from such export.
- (b) In relation to other operations of the concession holder in the SPLAJ the income to be ascertained in a manner to be agreed between the concession holder and the Secretariat of Petroleum.

The value of petroleum and natural gasoline taken in kind under Article 13 hereof, shall be deemed to form part of such income.

"Posted price" means the price f.o.b. Seaboard Terminal for Libyan crude oil of the gravity and quality concerned at by reference to free market prices for individual commercial sales of full cargos and in accordance with the procedure to be agreed between the concession holder and the Secretariat of Petroleum or if there is no free market for commercial sales of full cargos of Libyan crude oil then posted price shall mean a fair price fixed by agreement between the concession holder the Secretariat of Petroleum or in default of agreement, by arbitration having regard to the post prices of crude oil of similar quality and gravity in other free markets with necessary adjustments for freight and insurance.

^{**3} The Secretary of Petroleum may, in case of change in the circumstances or basis of fixing prices of crude oil or its products in the market, fix the prices of crude oil or its products by a decision from him in which he takes into account market conditions in Libyan crude oil advantages. The Government may, in case the Concession Holder objects to such fixing of price, sell crude oil and its products to any purchaser it may choose, on condition that the Concession Holder's income coming from the exported crude oil or its products be calculated on the basis of the prices fixed in the decision of the Secretary of Petroleum.

- (6) Where in respect of any complete year after the effective date the total of the deductions allowed under paragraph (2) of this Article for the determination of profits exceeds the income in respect of that year before taking the said deductions the resulting excess shall be carried forward and as far as may be deducted from the profits of subsequent complete years up to a maximum of 10 years.

³ ** Added by Law No. 82/1973, First Published in the Official Gazette No. 46/1973.

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- (7) A permit or concession holder who participates in joint operations in connection with such permit or concession may, in respect of such operations, report his rateable proportion of income there from and his permitted expenses therein and make all permitted elections independently of the other person or persons participating in the joint operations, provided that one or more of the persons in the joint operations is carrying out the other independent operations in the SPLAJ under this Law. Income and permitted expenses so reported may be consolidated with those in respect of other operations being carried out by him in the SPLAJ under this Law.
- (8) In computing profits as herein defined sound and consistent accounting practices usual in the petroleum industry shall be employed. Where more than one such accounting practice prevails the Secretariat of Petroleum shall decide which practice is to be applied by the concession holder.
- (9) As soon as practicable after the end of each complete year referred to above and in any event not later than four months after the end of each complete year the concession holder shall submit to the Secretariat of Petroleum accounts showing that year's profits as defined in this Article. Simultaneously with the submission of the accounts the concession holder shall pay to the Secretariat of Petroleum, a sum which together with any fees, rents, royalties except 16.67% of the value of crude oil exported, as herein defined, and direct taxes already paid for the year equals 65% of the profits shown by the said accounts. This payment shall be treated by the Secretariat of Petroleum as a payment on account of future income tax and surtax.

If when the actual amounts of income tax and surtax payable have been finally determined the payment on account is less than the total of the income tax and surtax payable, the concession holder shall pay the balance forthwith. If when the actual amount of income tax and surtax payable has been finally determined the payment on account is more than the total of the income tax and surtax payable, the balance shall be carried forward and treated as a payment on account of future income tax and surtax.

ARTICLE 15

To Whom Fees, Rents, Royalties, Surtaxes and Income Taxes Payable

All fees, surface rents, royalties and surtax imposed by the implementation of this Law and the income tax shall be paid to the Public Treasury through the Secretariat of Petroleum.

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The total income to the Secretariat of Petroleum and other Libyan Government, Municipal and other authorities whether central or local in respect of the production, manufacture, dealings in oil or rights thereto, transport, sale, export, shipments and profits and distribution there from of crude oil produced in the SPLAJ by the concession holder and/or sold by the concession holder for export from the SPLAJ shall be equal in respect of any complete year to the amount which the Libyan Government would have been entitled to receive in respect of such year calculated in accordance with the concession holder's concession agreements, as amended in accordance with this amendment to the Petroleum Law referred to. In the event any difference or dispute arises concerning this paragraph, such difference or dispute shall be referred to arbitration in accordance with the concession holder's concession agreements.

ARTICLE 16

Exemption from Certain import and Export Duties

- (1) A permit or concession holder or any contractor employed by him may import free of duty:-
 - (a) Plant, tools, machinery, equipment, supplies and materials; and
 - (b) Such other goods as may be specified from time to time by Regulations issued under the Customs Law.

Provided that all the goods mentioned in paragraph (a) or (b) above are used for petroleum exploration, prospecting, mining, transporting, refining operations and activities connected therewith. Provided however, that such exemption shall not apply to any goods included in this paragraph which are available in the SPLAJ of suitable type and reasonably comparable quality and at no higher price provided that in comparing price to the price of imported goods shall be added customs duties and other expenses incurred up to the time the imported goods reach the SPLAJ.

- (2) Other goods which are dutiable under the Customs Law shall be subject to the payment of the appropriate duty.
- (3) Any person intending to sell or transfer any goods which have been imported free of duty under paragraph (1) hereof shall before such sale or transfer make a declaration to the Customs Department and shall, unless such goods are sold or transferred to another permit or concession holder or contractor entitled to the same exemptions, pay on demand such import duty as may be assessed by the Director General of Customs in accordance with the Customs Law.

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- (4) Petroleum or any of its derivatives produced in the SPLAJ and any goods imported free of duty under paragraph (1) hereof may be exported free of Customs duty and without an export license subject to the policy of the Government regarding exports in general and to such restrictions as the State may impose by Law on production and exports during a state of war or emergency.

ARTICLE 17

Assignment of Permits and Concessions

Permits and concessions shall not be assigned except with the written consent of the Secretariat of Petroleum which may impose any conditions which it may deem appropriate in the Public interest.

ARTICLE 18

Revocation of Permits and Concessions

A permit or concession granted under this Law may be revoked only in the circumstances and in the manner set out in the permit or concession.

ARTICLE 19

Publication

Notice of the grant, renewal, assignment, revocation, termination or surrender of the whole or any part of any permit or concession shall be published in the Official Gazette.

ARTICLE 20

Arbitration and Force Majeure

- (1) Any disputes between the Secretariat of Petroleum and the concession holder arising from any concession granted under this Law shall be settled by arbitration in the manner set out in the Second Schedule hereto.
- (2) In the event of Force Majeure, the rights and obligations of the parties to a concession granted hereunder shall be those specified in the Second Schedule hereto.

ARTICLE 21

Refining

- (1) A concession holder who discovers petroleum in the SPLAJ and who desires to refine it in the country shall have the right to construct, maintain and operate a refinery for this purpose in accordance with any legislation governing the refining of petroleum.
- (2) Should refineries be established in the SPLAJ the Secretariat of Petroleum may require a concession holder to make available at field

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storage to such refineries, pro rata with other concession holders and at field storage price, sufficient quantities of crude oil from his production in all concessions in the SPLAJ to meet the domestic consumption requirements of the SPLAJ in respect of petroleum products; provided however that the concession holder shall not be required to furnish or build additional handling or transportation facilities for this purpose.

ARTICLE 22

Penalties

- (1) Any person found guilty of exploring for, or prospecting for petroleum in any part of the SPLAJ, without the authority of a permit or concession issued under this Law, shall be liable to a fine not exceeding five hundred Libyan Dinars (LD 500). If petroleum has been mined, he shall on conviction be liable to the penalty provided by law for larceny and to a fine of five hundred Libyan Dinars (LD 500) or treble the value of any petroleum produced, whichever is the greater, and any petroleum mined or produced shall be forfeited to the Government of the SPLAJ.
- (2) Any person entitled under paragraph (1) of Article 16 to import free of duty the goods referred to therein who intentionally uses such goods for purposes other than those specified therein, or transfers such goods to any person not entitled to exemption contrary to Article 16, paragraph (3), or fails to make the declaration to the Customs Department before the transfer of any such goods as required by the said paragraph hereof, shall be liable on conviction, to the penalty provided in Article 95 of the Customs Law of 1954.
- (3) Any public official or employee who has been entrusted with or who has come to know of any confidential information by virtue of this Law and who divulges such information, shall be liable to the penalties provided for in Article 236 of the Penal Code.
- (4) In the implementation of this Law, the regulations and decisions made hereunder, the officials appointed by decision of the Secretary of Petroleum shall have the capacity of investigating officials.
- (5) The persons mentioned in the previous paragraph shall have the right to enter the premises of the concession holder and inspect his work, books, registers and papers to ensure the proper implementation by the concession holder of the provisions of this Law, the Regulations and decisions made hereunder and the provisions of the Permit or Concession.

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ARTICLE 22 Bis ^{4***}

- (1) Any person acting in contradiction to the provisions of this Law or the Regulations issued thereupon, shall be subject to a fine not exceeding five thousand dinars in respect of every separate case. The total fine might reach ten thousand dinars in the event of the offence being repeated.
- (2) In the event of causing the loss or dissipation of the crude oil or other hydrocarbon materials, the Concession Holder or the Licensee shall repay the value of the said crude oil or other hydrocarbon materials, in addition to the fine referred to in paragraph (1) of this Article.
- (3) In the event of causing damages to the Crude reserves as a result of failure to observe the provisions of this Law or the Regulations issued thereupon, or failure to observe the generally accepted methods in Oil Industry, the Concession Holder, or the Licensee shall replay the proceeds of the losses resulting therefrom, in addition to the fine as stipulated in Paragraph (1) of this Article.
- (4) The Secretary of Petroleum shall issue a final decision imposing such fines and compensations as referred to in the proceeding paragraphs of this Article. The Secretary's decisions may be appealed before the Supreme Court in application to the provisions of Article s(21), (22) and (23) of the aforementioned Supreme Court.

ARTICLE 23

Definitions

In this Law:

"Secretary" means the appropriate Secretary;

"permit" means a preliminary reconnaissance permit issued under this Law;

"concession" means a petroleum prospecting, mining and production concession issued under this Law;

"person" includes anybody corporate or other juridical person;

"oil or gas well" means a well capable of producing oil and/or gas in quantities susceptible of measurement;

"petroleum" means all natural hydrocarbons, liquid or gaseous, produced or producible from the ground and all asphalt and other solid hydrocarbons suitable for the production of liquid petroleum or gas. Petroleum does not include coal.

^{4 ***} Amended by law No. 32 of 1971 published in the Official Gazette No. 34/1971.

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"direct control" means the control of any company exercised by any other company or companies holding shares carrying a majority of votes in a general meeting of the first mentioned company;

"indirect control" means the control of any company (hereinafter in this sub-paragraph called "the particular company") exercised by any other company or companies (hereinafter in this sub-paragraph called "the parent company or companies") where a series of companies can be specified, beginning with the parent company or companies and ending with the particular company, in which each company of the series, except the parent company or companies, is directly controlled by one or more of the companies in the series";

"year" means a calendar year according to the Gregorian calendar;

"barrel" means forty two (42) gallons U.S. or 158,984 litres of liquid petroleum;

"Processing" means any operation connected with the treatment of petroleum with the exception of fractional distillation.

ARTICLE 24

Regulations

The Secretary may issue the following regulations and any other regulations necessary for the implementation of this Law:

- (a) Administrative and financial regulations.
- (b) Petroleum regulations for safety precautions and the conservation of the petroleum resources in the SPLAJ, provided that said regulations or any amendment thereof shall not be contrary to the provisions of this Law or adversely affect the contractual rights expressly granted under any permit or concession and in existence at the time the regulation is made or altered.

ARTICLE 25

Title and Coming into Force

- (1) This Law may be cited as the Petroleum Law 1955 and shall come into force thirty days after publication in the Official Gazette with the exception of Articles 2 and 24 which shall come into force on publication.
- (2) As from the date on which this Law comes into force, the provisions of the Minerals Law 1953 shall cease to apply in so far as they relate to petroleum, except that any permit issued under the Minerals Law 1953 shall continue in force until the normal expiry date.

THE PETROLEUM LAW 1955

FIRST SCHEDULE

PRELIMINARY RECONNAISSANCE PERMIT FOR PETROLEUM

The Secretariat of petroleum (hereinafter called “the Secretariat of Petroleum”) hereby grants the following Permit under the Petroleum Law 1955 to (hereinafter called “the Company”) having its Registered Office at

- (1) The Company is authorized to carry out preliminary exploration for petroleum on the following conditions.
- (2) Preliminary exploration for petroleum includes surface geological reconnaissance aerial surveys and surface geophysical operations commonly used in the petroleum industry. The drilling of exploration wells, mechanical core drilling and seismic operations will not be allowed under this permit.
- (3) The area over which the Company may explore is as follows, and is described in the Annex to this Permit and is indicated on the attached map.
- (4) The duration of this Permit is for one year, commencing on the date of signature and work shall begin as soon as possible after that date. The Company shall notify the Director of Technical Department (hereinafter referred to as “the Director”) in writing of the date of commencement of its activities.
- (5) Within thirty days after the termination of the said period of one year, the Company shall submit to the Director a report containing a description of the work done. The report shall be in triplicate and accompanied by maps, records and by some rock samples.
- (6) The discovery of water or valuable minerals shall also be reported to the Director with all available data.
- (7) All reports will be treated as confidential.
- (8) The Director or officials of his Department designated by him for this purpose have the right to inspect the activities of the Company.
- (9) The Permit holder shall not impede in any way the works of any concession holder, or enter into prospecting and development sites without the express permission of the concession holder.

THE PETROLEUM LAW 1955

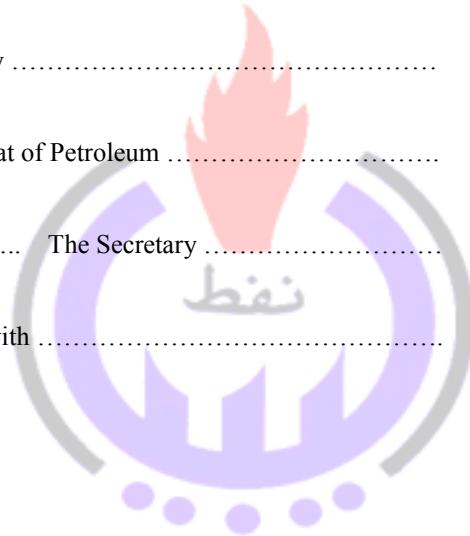
- (10) Except as provided for in Clause 2 hereof, the issue of this Permit does not confer on the Company any rights or privileges with regard to the prospecting or mining for petroleum.
- (11) If the Company fails to comply with any of the applicable provisions of the Petroleum Law 1955, or of this Permit, the Permit may be revoked by the Secretariat of Petroleum.
- (12) The Permit shall not be assigned except with the written consent of the Secretariat of Petroleum which may impose any conditions which it may deem appropriate in the Public Interest.
- (13) This Permit is granted on payment of a fee of Five Hundred Libyan Dinars (LD 500).

For the Company

For the Secretariat of Petroleum

Date The Secretary

Corresponding with



THE PETROLEUM LAW 1955

SECOND SCHEDULE

THE CONCESSION

THIS DEED

OF CONCESSION is concluded on the day of 200 .. under the Petroleum Law of 1955:

The Secretariat of petroleum (hereinafter called “Secretariat of Petroleum”) and with the approval of the Secretary

And

..... (hereinafter called “The Company”) having its registered office at represented by who is legally authorized to act on behalf of the Company by virtue of a Power of Attorney dated Which has been produced by him.

THE CONCESSION

CLAUSE 1

Grant of Concession

In consideration of the undertaking by the Company to make the annual payments and pay the fees, rents and royalties hereinafter prescribed and to perform and observe the terms and conditions of this Concession, the Secretariat of Petroleum hereby grants to the Company, subject to the conditions hereof and the provisions of the Law, the exclusive right for a period of _____ years to carry out geological investigations, including aerial surveys, and to search for by any other means, bore for, and extract _____ square kilometers situated in the _____ Zone bounded and defined as follows:

The Company shall have the right to take away such petroleum whether by pipeline or otherwise from the concession area and to use, process, store, export and dispose of the same.

CLAUSE 2

Surrender of Concession Area

In accordance with Article 10 of the Law, the Company shall progressively reduce the area of the Concession and shall have the right at any time to surrender the whole or any part of the concession area.

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CLAUSE 3

Renewal of Concession

The Concession may be extended for any period such that the total duration shall not exceed 60 years.

If the Company requires a renewal it shall submit to the Secretariat of Petroleum an application in writing for such renewal not more than five years and not less than three years before the end of the term of his concession.

The Secretariat of Petroleum shall advise the Company of its decision within one year of receipt of the application.

CLAUSE 4

Working Obligations

- (1) The Company shall, within eight months from the date of the grant of this concession, commence operations to explore for petroleum within the concession area and shall diligently prosecute all its operations under the concession in a workmanlike manner and by appropriate scientific methods. In furtherance thereof the Company shall spend in the SPLAJ or elsewhere on, or in connection with, the said operations including general organizational, overhead and administrative expenses connected therewith such sums as may be required in order to comply with the provisions of Article 11 of the Law.
- (2) Any sums pent during any of the working periods specified in Article 11 of the Law in excess of the minimum sum prescribed for that period shall be carried forward as accredit to the Company against the expenditure requirements for the following period or periods.

CLAUSE 5

Company to Follow Good Oil Field Practices

The Company shall carry on all its operations under this Concession in accordance with good oil field practices and so that when petroleum is found it shall be produced in reasonably substantial quantities having regard to the world demand for petroleum and economic exploitation of the petroleum resources of the concession.

CLAUSE 6

Surface Rents

The Company shall with respect to each concession granted to it, in accordance with Article 13 of the Law and Clauses 9(2) of this Concession, pay an annual surface rent per 100 square kilometers or pro rata for part there of the concession area held as follows:-

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- i) () Libyan Dinars for each of the first eight years from the granting of the concession; and () Libyan Dinars for each of the next seven years provided that if at any time during this period of fifteen years, petroleum is found in commercial quantities, the annual rent shall immediately increase to 2500 Libyan Dinars for the remainder of the said period and a pro rata proportion of this increased rent shall be payable in respect of the year in which the find occurs.
- ii) 350 Libyan Dinars for each of the five years commencing from the expiry of the fifteenth year to the expiry of the twentieth year from the date of the granting of the concession.
- iii) 5000 Libyan Dinars a year for the remainder of the concession period.

CLAUSE 7

Royalty

- (1) The Company shall pay a royalty of 16.67% of the value of the total field production of all natural gasoline recovered by the Company from the concession area and of all petroleum (excluding natural gas) won and saved into field storage freed of water and foreign substances after deduction of the quantities of any petroleum, petroleum products and natural gasoline used the SPLAJ by the Company in the course of its operations hereunder.

The value of crude oil for royalty purposes shall be calculated on the basis of the posted prices as defined in Article 14(5) of the Law.

The value of natural gasoline and of petroleum other than crude oil for royalty purposes shall be calculated in a manner to be agreed upon from time to time between the Secretariat of Petroleum and the Company.

- (2) The Company shall also pay a royalty of 16.67% of the sale price less any cost of transport from the Wellhead paid by the Company and not recovered from the purchaser in respect of all natural gas derived from the concession area and sold by the Company for delivery in the SPLAJ.
- (3) The Company shall also pay a royalty of 16.67% of the value of all natural gas derived from the concession area and exported by the Company, the value of the natural gas for this purpose being the sale price after deducting any handling charges, duties and imposts and the cost of transport from the Wellhead paid by the Company and not recovered from the purchaser.

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- (4) The Secretariat of Petroleum shall be entitled by notice in writing to the Company of not less than three months, to take in kind the whole or part of the royalty stipulated in this Clause and due in any complete year. Any petroleum or natural gasoline to which the Secretariat of Petroleum becomes entitled by virtue of the exercise of this right shall be delivered by the Company f.o.b. Seaboard Terminal in the SPLAJ.
- (5) Sums payable under this concession by way of royalty in respect of any year for the concession area shall be reduced by the amounts paid as surface rent in respect of that year under Clause (6) of this concession, provided that in no case shall the amounts of rent paid be less than LD 2500 per 100 square kilometers or pro rata for part thereof.

CLAUSE 8

Taxation and Division of Profits

- (1) The Company shall pay such income tax and other taxes and imposts as are payable under the Laws of the SPLAJ, but shall not be subject to any form of taxation whether Government or Municipal or other dues not payable by persons in general operating in the SPLAJ other than fees, royalties and surface rents made payable under this concession and the Law.

Provided that:-

- (a) If in respect of any complete year from and after the effective date as hereinafter defined, the total amount of fees, rents and royalties except 16.67% of the value of crude oil exported, as herein defined, payable under the Law and income tax and other direct taxes for which the Company is liable in respect of its operations and income therefrom under all petroleum concessions held by it in the SPLAJ falls short of 65% of its profits as hereinafter defined for that complete year, the Company shall pay to the Secretariat of Petroleum such sum by way of surtax as will make the total of its payments equal to 65% ^{5**} of the profits aforementioned.
- (b) If in respect of any complete year from and after the effective date the total amount of fees, rents and royalties except 16.67% of the value of crude oil exported, as herein defined, payable by the Company under this concession and the Law and income tax and

⁵ ** Amended by Law No. 30 of 1971 published in the Official Gazette No. 34 of 24 Gomeda the First of 1391 (H), corresponding to 17 July 1971.

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other direct taxes for which the Company is liable as aforesaid exceeds 65%** of the said profits during that complete year, the Company shall be entitled to deduct such excess from the income tax, surtax and other direct taxes payable in that year or following years.

- (c) For purposes of paragraphs (1), (2) and (9) of this clause, "16.67% of the value of crude oil exported" shall mean 16.67% of the value calculated on the basis of the applicable posted prices of crude oil exported by the Company in any such complete year and on which royalty is payable by the Company in that year.
- (d) For purposes of this Concession, crude oil sold by the Company or exported from the SPLAJ (which term "for export" as used herein includes export before or after sale) shall be deemed to be crude oil exported by the Company. With respect to crude oil taken in kind by the Libyan Government under this Concession and the Law, being in payment by the Company in whole or in part of the royalty stipulated in this Concession and the Law, such crude oil shall be deemed to be crude oil exported by the Company if such crude oil is delivered to the Libyan Government by the Company for export.

(2) In applying this Clause:-

"complete year" means the financial year of the Company. The first year, however, shall include the period from the effective date to the end of the financial year of the Company and the last year shall include the period from the beginning of the financial year of the Company to the termination of this concession.

"effective date" means the date on which the Company first commences regular exports in commercial quantities or regular sales in commercial quantities of petroleum derived from any of its concessions in the SPLAJ.

"profits" for the purpose of paragraph (1)(a) and (1)(b) hereof mean in respect of any complete year after the effective date the income resulting to the Company

from its operations in the SPLAJ after deducting the following items (a) and (b) in so far as they are fairly, properly and necessarily attributable to the operations of the Company in the SPLAJ, and item (c).

- (a) Operating expenses and overheads the details of which are defined in Regulations excluding the fees, rents, royalties and

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income tax and other direct taxes referred to in (1)(a) and (1)(b) above.

- (b) Depreciation of all physical assets in the SPLAJ at the rate of 10% per annum and amortization of all other capital expenditure in the SPLAJ at the rate of 5% per annum until such assets and expenditure are fully written off. The unamortized balance of the costs of physical assets permanently put out of use may be deducted in the year when such assets are scrapped or sold.^{6**}
 - (c) 16.67% of the value of crude oil exported, as defined in paragraph (1)(c) above.
- (3) Exploration and prospecting expenses, intangible drilling costs, as defined by Regulations but only to the extent that such expenses and costs are not incidental to the procurement or installation of physical assets, and the costs of drilling wells not productive of petroleum in commercial quantities may in respect of expenditure incurred after the effective date, be deducted in the year in which the expenditure is incurred under paragraph (2)(a) of this Clause or may be capitalized and amortized as provided in paragraph (2)(b) of this Clause. The Company may either deduct or capitalize each such classification of expenditure. The election once made is final and binding for all time unless the Secretariat of Petroleum in special cases agrees otherwise.
- Expenditure capitalized under this paragraph and attributable to areas surrendered under paragraph (1) of Article 10 of the Law may be deducted in the year of surrender in so far as not already amortized.
- (4) Nothing in this Clause shall be taken as permitting the deduction under paragraph (2)(a) or (b) of this Clause of the following items if expense in determining the profits for the purpose of paragraphs (1)(a) and (1)(b) hereof.
- i) Penalties paid under Article 22 of the Law or any sum forfeited to the Secretariat of Petroleum under Article 11(3) of the Law.
 - ii) Foreign taxation paid on income derived from sources within the SPLAJ.
 - iii) Interest or other consideration paid or suffered by the Company in respect of the financing of its operations in the SPLAJ.

⁶ ** See Law No. 3/1983 Amending Article 14 of the Petroleum Law (P. 21).

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- iv) Expenditure incurred in relation to the organizing and initiation of petroleum operations in the SPLAJ.

(5) In applying this clause:-

"income resulting from the operations of the Company in the SPLAJ" means:

- (a) In relation to crude oil exported by the Company from the SPLAJ: total gross receipts realized by the Company from such export, and such receipts shall not be less than the amount which results from multiplying the number of barrels of such crude oil exported by the applicable posted price per barrel of such crude oil exported less the amounts provided for under (i) and (ii) following:
 - i) A marketing allowance equal to one-half ($\frac{1}{2}$) U.S. cent per barrel of such crude oil exported multiplied by the number of barrels of such crude oil exported, such marketing allowance to be limited to this extent;
 - ii) An allowance per barrel of such crude oil exported (hereinafter called "the allowance") which shall be applied to each quality and gravity of all crude oil exported and the maximum rates of which shall be those specified below. The allowance applicable to any quality and gravity of crude oil exported may be changed from time to time by the Company to whatever rate it elects upon giving to the Secretariat of Petroleum notice in writing of such change provided that the rate so elected shall at no time exceed the applicable rates specified below. A rate so notified shall remain in effect until a further notice of change is given to the Secretariat of Petroleum.
 - (1) The maximum rates of the allowance elected by the Company pursuant to the provisions of the immediately preceding paragraph shall be such that:
 - (a) For the year 1965 the maximum monetary amount of the allowance for each quality and gravity of crude oil exported shall be equal to $7\frac{1}{2}\%$ of the applicable crude oil posted price, plus U.S. \$ 0.00132235 per barrel for each full degree of API gravity by which such crude oil exceeds 27° API gravity.

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- (b) For the year 1966 the maximum monetary amount of the allowance for each quality and gravity of crude oil exported shall be equal to, and for the years after 1966 shall not be greater than, 6½% of the applicable crude oil posted price plus US.\$0.0026470 per barrel for each full degree of API gravity by which such crude oil exceeds 27° API gravity, provided however, that if this Concession was granted after 1966 such amount shall be that agreed upon by the parties hereto at the time of the grant hereof.
- (2)(a) Any reduction in the rate of the allowance applicable to each quality and gravity of crude oil exported by the Company in respect of a year or years after 1966, shall be made in light of the competitive, economic and market situation of the quality and gravity of such Libyan crude oil exported, which is expected at the time of such reduction to prevail during the then reasonable foreseeable future as compared with the competitive, economic and market situation of crude oil of such quality and gravity which was exported from the SPLAJ in the year this Concession was granted, or, in the event no crude oil of such quality and gravity was so exported in such year, then as compared with the competitive, economic and market situation in the year this Concession was granted. Subject to the conditions stated in sub paragraph (b) of this sub paragraph (2), the rate of the allowance applicable to crude oil of any such quality and gravity shall not be changed by the Company after a change is made to a rate greater than the rate of the allowance applicable to crude oil of such quality and gravity immediately prior to such change.
- (b) If the Company has reduced the rate of the allowance applicable to any quality and gravity of crude oil as a result of circumstances which in its judgement are extraordinary and provided that when making such reductions the Company in notifying the Secretariat of Petroleum of such reductions has referred to this condition, the Company may when such extraordinary circumstances have in its judgement ceased to exist and notwithstanding any other provision of this sub paragraph (ii) of this sub paragraph (a), increase the rate of the allowance applicable to crude oil of such quality and gravity to a rate not greater than that existing immediately prior to such reductions.

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- (3) If and when a change is requested by the Secretariat of Petroleum in the rate of the allowance applicable in respect of a year or years after 1966 to any quality and gravity of crude oil exported by the Company, the Company shall consult with the Secretariat of Petroleum and consider such data and views put forward by the Secretariat of Petroleum as are relevant to the comparison referred to below in this sub paragraph (3) and the Company shall then notify the Secretariat of Petroleum of its determination as to the change required, if any, in light of the competitive, economic and market situation of crude oil of such quality and gravity which is expected to prevail during such year or years as compared with the competitive, economic and market situation of crude oil of such quality and gravity which was exported from the SPLAJ in the year this Concession was granted, or, in the event no crude oil of such quality and gravity was so exported in such year, then as compared with the competitive, economic and market situation in such year of Libyan crude oil exports generally.
- (4) If the Company holds a petroleum concession granted before the coming into force and effect of the Decree Law by which the language of this sub paragraph (4) was incorporated into Schedule II to the Law, and such concession was amended in accordance with the conditions and provisions of the Law as last amended by such Decree Law, all references to the term "year this Concession was granted" appearing in sub paragraphs (2) and (3) above shall be deemed to mean the year in which such concession was thus amended.
- (b) In relation to other operations of the Company in the SPLAJ, the income to be ascertained in a manner to be agreed between the Company and the Secretariat of Petroleum. The value of petroleum or natural gasoline taken as royalty in kind under Article 13 of the Law shall be deemed to be part of such income.
- "posted price" means the price f.o.b. Seaboard Terminal for Libyan crude oil of the gravity and quality concerned arrived at by reference to free market prices for individual commercial sales of full cargoes and in accordance with the procedure to the agreed between the Company and the Secretariat of Petroleum or if there is no free market for commercial sales of full cargoes of Libyan crude oil, then posted price shall mean a fair price fixed by

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agreement between the Company and the Secretariat of Petroleum or in default of agreement, by arbitration, having regard to the posted prices of crude oil of similar quality and gravity in other free markets with necessary adjustments for freight and insurance.

- ^{7**} The Secretary of Petroleum may, in case of change in the circumstances or basis of fixing prices of crude oil or its products in the market, fix the prices of crude oil or its products by a decision from him in which he takes into account market conditions and Libyan crude oil advantages. The Government may, in case the Concession Holder objects to such fixing of price, sell crude oil and its products to any purchaser it may choose, on condition that the Concession Holder's income coming from exported crude oil or its products be calculated on the basis of the prices fixed in the decision of the Secretary of Petroleum.
- (6) Where in respect of any complete year after the effective date the total of the deductions allowed under paragraph (2) of this Clause for the determination of profits exceeds the income in respect of that year before taking the said deductions, the resulting excess shall be carried forward and as far as may be deducted from the profits of subsequent complete years up to a maximum of 10 years.
- (7) If the Company participates in joint operations in connection with this concession it may, in respect of such operations, report its rateable proportion of income therefrom and permitted expenses therein and make all permitted elections independently of the other person or person participating in the joint operations, provided that one or more of the persons in the joint operations is carrying out other independent operations in the SPLAJ under this Law. Income and permitted expenses so reported may be consolidated with those in respect of other operations being carried out by it in the SPLAJ under the Law.
- (8) In computing profits as herein defined sound and consistent accounting practices usual in the petroleum industry shall be employed. Where more than one such accounting practice prevails, the Secretariat of Petroleum shall decide which practice is to be applied by the Company.
- (9) As soon as practicable after the end of each complete year referred to above and in any event not later than four months after the end of each complete year, the Company shall submit to the Secretariat of Petroleum,

⁷ ** Paragraph added by Law No. 82 for 1973, published in the Official Gazette No. 46/73.

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accounts showing that year's profits as defined in this Clause. Simultaneously with the submission of the accounts, the Company shall pay to the Secretariat of Petroleum, a sum which together with any fees, rents, royalties except 16.67% of the value of crude oil exported, as herein defined, and direct taxes already paid for the year equals 65% of the profits shown by the said accounts. This payment shall be treated by the Secretariat of Petroleum as a payment on account of income tax and surtax.

- (10) The Secretariat of Petroleum shall have the right to purchase up to the maximum amount specified below, crude oil from the Company at the Seaboard Terminal in the SPLAJ where the Company normally terminals and from where it usually ships such crude oil, for delivery on board ship at such Seaboard Terminal at the following purchase price: the posted price per barrel at such Seaboard Terminal applicable to the quality and gravity of the crude oil so purchased and in effect on the date of commencement of each such delivery less (1) a marketing allowance equal to one-half ($\frac{1}{2}$) U.S. cent per barrel of the crude oil so purchased, and less (2) the applicable allowance per barrel of the crude oil so purchased referred to in paragraph (5)(a) of this Clause in effect on the date of commencement of each such delivery.

The maximum amount of such crude oil which the Secretariat of Petroleum shall have the right to purchase in any calendar year from the Company shall be the difference between:

- (1) The volume of such crude oil, the value of which at the purchase price specified above equals: 16.67% of the value calculated on the basis of the applicable posted prices of crude oil exported by the Company in that year of the gravity and quality purchased by the Secretariat of Petroleum and on which royalty is payable by the Company in such year less 16.67% of the value calculated on the basis of the applicable posted prices of the crude oil so purchased by the Secretariat of Petroleum; and
- (2) The volume of crude oil taken by the Secretariat of Petroleum in that year as royalty in kind under all the Company's concessions in the SPLAJ.

One hundred and twenty (120) days prior to the commencement of each calendar year in which the Secretariat of Petroleum wishes to exercise its right to purchase crude oil from the Company as specified above, the Secretariat of Petroleum shall notify the Company in writing of the quantity, quality and gravity

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of such crude oil the Secretariat of Petroleum shall purchase in such year. Liftings shall be spread evenly over each calendar quarter, and forty five (45) days notice of arrival of tankers nominated by the Secretariat of Petroleum for such liftings shall be given to the Company by the Secretariat of petroleum. Liftings at each Seaboard Terminal, if there be more than one, shall be proportionately of the same quantity, quality and gravity as the total quantity of the crude oil delivered f.o.b. at such Seaboard Terminal by the Company during such quarter.

The Secretariat of Petroleum shall pay to the Company for such crude oil so purchased the amount of the purchase price in the currency of the Company's country of origin or in Libyan Dinars freely convertible at payment to such amount in such currency, such payment to be made within thirty (30) days after the end of the calendar month in which deliveries of such crude oil so purchased commenced. In the event payment is not made as specified above, the Company shall have the right to set off against any sums payable to the Secretariat of Petroleum by the Company under the Law and the Company's concession agreements such past due payments, and, in addition, to suspend further deliveries hereunder until such payment is made by the Secretariat of Petroleum or the obligation therefor is fully discharged by such setoff. The Company shall be deemed to have paid to the Secretariat of Petroleum such sums to the extent of such setoff.

CLAUSE 9

Method of Making Payments

- (1) All fees, surface rents, royalties and surtaxes imposed by the application of the Law and income taxes shall be paid to the Public Treasury through the Secretariat of Petroleum. The collection of such sums shall be subject to the procedure provided by the Financial Law and Regulations of the SPLAJ.
- (2) The Company shall pay the surface rents specified in Clause 6 hereof annually in advance until such time as royalty becomes payable by the Company under Clause 7 hereof. Thereafter surface rents and royalties shall be calculated in respect of each quarter and shall be paid by the Company to the Secretariat of Petroleum within 60 days after the last day of the quarter. Sums payable by way of royalty under Clause (7) of this concession in respect of any year for a concession area shall be reduced by the amounts paid as surface rent under Clause 6 of this

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concession in respect of that year, provided that in no case shall the amount of rent paid be less than 2500 Libyan Dinars annually per 100 square kilometers or pro rata for part thereof.

- (3) The total income to the Secretariat of Petroleum and other Libyan Government, Municipal and other authorities whether central or local in respect of the production, manufacture, dealings in oil or rights thereto, transport, sale, export shipment and profits and distribution therefrom of crude oil produced in the SPLAJ by the Company and/or sold by the Company for export from the SPLAJ shall be equal in respect of any complete year to the amount which the Libyan Government would have been entitled to receive in respect of such year calculated in accordance with the Company's concession agreements, as amended by this decree, wherein this paragraph has been incorporated into the Concession Agreements. In the event any difference or dispute arises concerning this paragraph, such difference or dispute shall be referred to arbitration in accordance with Clause 28 below.
- (4)^{8*} If the Company holds a petroleum concession granted before the coming into force and effect of the Decree Law by which the language of this paragraph (4) was incorporated into Schedule II to the Law, and such concession was amended in accordance with the conditions and provisions of the Law as last amended by such Decree Law, the conditions and provisions of paragraph (4) of Clause 9 of such concession as thus amended are hereby incorporated herein by reference and made an integral part hereof, with the same force and effect as if set forth in full herein.

CLAUSE 10

Exemption from Certain Import and Export Duties

- (1) The Company or any contractor employed by the Company may import free of duty:-
- (a) Plant, tools, machinery, equipment, supplies and materials; and
 - (b) Such other goods as may be specified from time to time by Regulations issued under the Customs Law.

Provided that all the goods mentioned in paragraph (a) or (b) above are used for petroleum exploration, prospecting, mining, transporting, refining operations and activities connected therewith.

⁸ * Note: See Article XII of the Amendment of 20 November 1965

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Such exemption shall not apply to any goods included in this paragraph which are available in the SPLAJ of suitable type and reasonably comparable in quality, and at no higher price, provided that in comparing prices to the price of the imported goods shall be added Customs duties and other expenses incurred up to the time the imported goods reach the SPLAJ.

- (2) Other goods which are dutiable under the Customs Law shall be subject to the payment of the appropriate duty.
- (3) If the Company or any contractor, as the case may be, intends to sell or transfer any goods which have been imported free of duty under paragraph (1) hereof, a declaration shall be made to the Department of Customs before such sale or transfer is effected and, unless such goods are sold or transferred to another Company or contractor entitled to the same exemptions, such import duty shall be paid as may be assessed by the Director General of Customs in accordance with the Customs Law.
- (4) Petroleum or any of its derivatives produced in the SPLAJ, and any goods imported free of duty under paragraph (1) hereof may be exported free of Customs duty and without an export license subject to the policy of the Government regarding exports in general and to such restrictions as the State may impose by Law on production and exports during a state of war or emergency.

CLAUSE 11

Exchange Control

The Company shall be subject to the normal exchange controls applicable in The SPLAJ provided however that:

- (a) The Company shall be entitled to retain abroad all funds acquired by it abroad including the proceeds of sales insofar as such funds may exceed the Company's requirements for the purposes of its operations in the SPLAJ, but statements of foreign exchange holdings or proceeds of sales of Libyan petroleum shall be rendered to the Libyan Central Bank in such form and at such periods as it may require;
- (b) The Company shall be entitled to remit any funds held by it in the SPLAJ in excess of its requirements in the SPLAJ in the primary currency in which the Company's investment in operations under this concession was made, to the country from which the primary currency originated;
- (c) The Company shall be entitled to buy and sell solely for the purpose of its own operations in the SPLAJ and remittances under paragraph (b) above any currency whether Libyan or otherwise at the most favourable

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rate of exchange available through authorized banking channels to any other buyer or seller in the SPLAJ of such currency;

- (d) No restriction shall be place on the importation of funds by the Company for the purposes of carrying out its operations under this concession.

CLAUSE 12

Ancillary Rights

For the purpose of its operations under this concession, the Company shall have the following rights in the concession area:

- (a) With the approval of the Director, to drill for water and impounds surface waters and to establish systems for the supply of water for its operations and for consumption by its employees;
- (b) With the approval of the Director, to carry away and use in the SPLAJ materials such as gravel, sand, lime, gypsum, stone and clay which shall be free of charge in the case of such materials taken from lands other than private lands;
- (c) To erect, set up, maintain and operate houses, fences, engines, machinery, furnaces, buildings, pipelines, storage tanks, compressor stations, pumping stations, processing plant, field road and all other constructions, installations and works required in furtherance of its activities. The Company may likewise for such purposes, erect, set up, maintain and operate all other communications and transportation systems facilities but shall not do so, other than for temporary purposes, unless drawings of locations of their sites have been submitted to and approved by the Director.

CLAUSE 13

Transport Rights

The Company shall have the right for the purpose of its operations to erect and operate a harbour and terminal facilities together with the necessary means of communication and transport between such facilities and any part of the concession area, provided that the consent of the Secretary of Petroleum to the location of such works shall be obtained. Such consent shall not be unreasonably withheld or delayed. The Company shall likewise have the right under similar conditions to build and maintain pipelines elsewhere outside the concession area for the transport of petroleum produced under this concession. In exercising such right, the Company may occupy land in accordance with the provisions of Clause 14 hereof and erect and maintain thereon, any communications and transportation systems and facilities and other fixtures

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which it requires for the installation, servicing, maintenance and operation of such pipelines.

CLAUSE 14

Right to Occupy Land

- (1) The Company shall have the right to enter and occupy free of charge for the purpose of its operations under this concession, any land within the concession area other than private land, provided it is not then in the lawful occupation of some person.
- (2) If the Company fails to agree with a private landowner or lawful occupier of other than private land as to the terms on which it may enter and occupy the land in question, the Company shall immediately notify the Director. If the occupation is to be of a temporary nature, not exceeding one year, the Director shall authorize such temporary occupation upon deposit by the Company with the Secretariat of Petroleum of a sum by way of reasonable compensation to such landowner and/or lawful occupier for loss of use of and damage to the interest in the land as the Director shall determine. If the occupation is to be for a longer period than one year, the Secretariat of Petroleum shall authorize occupation by the Company of the land in question upon deposit by the Company with the Secretariat of Petroleum of such sum by way of reasonable compensation as the Secretariat of Petroleum shall determine and the Secretariat of Petroleum shall direct appropriate proceedings to be taken to put the Company into possession of the land under the law from time to time in force, as if the Company's operations were in all respect a work of public utility. In the event of any dispute as to the nature and extent of the interests of claimants to the land or the amount of compensation payable by the Company, the Secretariat of Petroleum shall refer the dispute for determination by an appropriate court of Law and the Secretariat of Petroleum shall pay to the respective claimants such sum by way of compensation as may have been determined by the Court. The Secretariat of Petroleum shall pay to or obtain from the Company (as the case may be) the amount by which the sum deposited by the Company exceeds or falls short of the total compensation payable to the claimants.
- (3) This concession shall not confer upon the Company the right to do any work within the precincts of cemeteries, places used for religious worship and places of antiquity as defined in the Antiquity Law from time to time in force. Any works of art or antiquity discovered by the Company shall be subject to the law from time to time in force.

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- (4) No drilling or any dangerous operations can be conducted within 50 meters of any public works or permanent buildings without the previous consent of the Director and subject to such conditions as he may impose.

CLAUSE 15

Company's Labour

Subject to the Provision of any Immigration laws in force at the time, the Company is hereby allowed to bring into the country, such employees as may be necessary for its operations and the competent authorities shall facilitate the entry into exit from and movement within the SPLAJ of such employees and their dependents while such employees are engaged on the Company's operations hereunder. The Company shall have the right also to arrange its labour shifts that all operations may proceed by day and by night and during public holidays.

CLAUSE 16

Company's Rights Ensure

- (1) The Government of the SPLAJ will take all steps necessary to ensure that the Company enjoys all the rights conferred by this Concession. The contractual rights expressly created by this concession shall not be altered except by mutual consent of the parties.
- (2) This concession shall throughout the period of its validity be construed in accordance with the Petroleum Law and the Regulations in force at the time of granting the Concession. Any amendment to or repeal of these regulations, shall not affect the contractual rights of the Company without its consent.

CLAUSE 17

Savings for Rights of Governments and Others

Nothing in this concession shall be deemed to limit the right to grant concessions in respect of minerals other than petroleum in the concession area, or generally to limit the rights of the Government or any authority or person in the concession area, save as expressly provided herein; provided always that the Company's operations hereunder are not thereby endangered or interfered with nor its rights hereunder prejudiced. The Company shall not obstruct the exercise of any such right, but shall afford the holder thereof and of any concession holder as aforesaid, every reasonable facility for the exercise of their rights.

CLAUSE 18

Employment and Training of Libyan Subjects

- (1) Provided that the requisite number having adequate skill and ability is available, the minimum number of Libyan subjects employed by the

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Company in the SPLAJ after 10 years from the date of commencement of operations, shall have reached at least 75% of the total number of persons employed by the Company in the SPLAJ.

- (2) The Company shall as from the date of commencement of regular exports from the SPLAJ of petroleum in commercial quantities produced in the concession area make an annual payment to the Libyan Government of not less than LD 2500 and not more than LD 5000, which payment shall be applied towards giving Libyan subjects such technical training as may be agreed upon by the Director and the Company, in order to fit them for employment in the petroleum industry or in related undertakings, provided however that the Company may each year reduce such payments by the amount which during that year it expended for the training and education of Libyan subjects for such purpose in the SPLAJ or abroad.

CLAUSE 19

Water Disposal

Plugging of Boreholes and Wells

The Company shall, in accordance with good oil field practices, provide an adequate system for the disposal of its water and waste oil, and shall securely plug all boreholes and wells made by it before they are abandoned.

CLAUSE 20

Reports to be Furnished

- (1) The Company shall at its own expense, furnish to the Director during the first quarter of each year, a report of the progress of its operations in the concession area during the preceding year.

This report shall contain:

- (a) A statement of the number of boreholes and wells drilled, including boreholes and wells drilled in search of water, and of the depth of each, with a plan showing their location if the Director so requires;
- (b) A statement of any petroleum, water or valuable minerals encountered during the course of the Company's operations;
- (c) A statement of all petroleum produced, of gas sold, and of natural gasoline recovered;
- (d) A statement of the amount of water produced with the oil and natural gas;

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- (e) The nature and extent of geological and geophysical surveys carried out;
 - (f) A general survey of the operations; and
 - (g) A statement showing the number of Libyan subjects and nationals of other countries employed by the Company in the SPLAJ.
- (2) The Company shall furnish to the Director not less than 30 days before the end of each year, a statement of the general programme it intends to carry out during the following year.
- (3) The Company shall keep accurate financial records of its operations under the concession which records shall be open to inspection by the appropriate authorities.
- (4) The Company shall furnish such further information relating to its operations in the concession area as the Director shall reasonably require.
- (5) The Company shall keep accurate geological and geophysical plans, maps and records relating to the lands within the concession area.
- (6) On the discovery of oil or gas, the Director shall immediately be informed of such discovery;
- (7) All information furnished by the Company under this clause, shall (except with the consent in writing of the Company) be treated as confidential.

CLAUSE 21

Inspection

The officials appointed by decision of the Secretary of Petroleum shall have the right to enter the premises and inspect the Company's works, books, registers and papers to ensure the proper implementation by the Company of the provisions of the law, the regulations and the decisions issued for its implementation and the provisions of this concession.

CLAUSE 22

Measurement of Petroleum

The Company shall measure and record by methods customary in good oil field practice all petroleum and natural gasoline produced and saved by the Company within the concession area as if freed of water and other foreign substances. The Director or any officials designated by him, shall be entitled to attend such measuring and to examine and test the accuracy of the appliances employed therein and to examine the records thereof. The Company shall

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assist such official in the performance of his duties under this Clause. If any such measuring appliance shall at any time be discovered to be inaccurate, the same shall, if the Director so decides, be deemed to have existed in the condition for a period of 90 days prior to the discovery of such inaccuracy, or for the period elapsed since the last occasion upon which the same was examined and tested, whichever shall be the less, and the Company's records shall be adjusted accordingly.

CLAUSE 23

Address of Local Manager

The Company shall before commencing operations, furnish to the Director the name and address of the Manager of the Company's operations under this concession. Any notice required to be served on the Company, shall be sufficiently served if delivered at, or sent by registered post to, the Manager at such address.

CLAUSE 24

Force Majeure

Failure by the Company to carry out any of the provisions of this Concession, shall not give rise to any claim or be deemed to be a breach of this Concession, if it be shown that the failure has arisen from force majeure, namely Act of God, insurrection, riots, war, strikes of workmen, or any other unforeseen circumstances beyond the control of the Company. If by reason of force majeure the fulfillment by the Company of any of the terms and conditions of this Concession or the enjoyment of its rights under the Concession is delayed, the period of such delay shall be added to the period fixed herein for such fulfillment or enjoyment.

CLAUSE 25

Assignment

This concession shall not be assigned except with the written consent of the Secretariat of Petroleum, which may impose any conditions which it may deem appropriate in the public interest.

CLAUSE 26

Right to Remove Property

On the surrender of any area and on the expiration or earlier determination of this concession, the Company shall, except as hereafter in this clause provided, be entitled to remove all its property of whatever nature situated within the surrendered area or the concession area as the case may be. Well casings and wellheads may not however be removed unless adequate protective measures are taken to the satisfaction of the Director. Fixtures necessary to control the flow of gas or liquid from the wellhead may not be removed without the

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approval of the Director. No taxes, duties or charges whatsoever, other than any specifically made payable hereunder, shall be imposed in connection with such removal. The Director may, however, within a period of 30 days following any surrender or expiration or earlier determination, elect to purchase any property which theretofore was used by the Company solely and exclusively in connection with its operations within the surrendered area or the concession area. Such purchases will be made at a fair price to be determined by agreement between the Director and the Company. Failing such agreement, the matter shall be referred to an independent expert, or panel of experts, as may be agreed between the Director and the Company. Such panel shall consist of one member to be appointed by the Director, another member to be appointed by the Company and a third member to be chosen by the two members appointed. The expert or panel, as the case may be, shall determine what, in the circumstances, is a fair price for the property. The wells, and any well casings, wellheads and fixtures not removed as aforesaid, shall be handed over to the Director, free of charge, within 30 days following the surrender or expiration or earlier determination. The Director may require the Company to restore the surface of the land to a reasonable condition in accordance with good oil field practice, taking into account normal wear and tear caused by the Company's operations thereon.

CLAUSE 27

Revocation

- (1) The Secretariat of Petroleum may, by notice in writing to the Company, revoke this Concession in the following circumstances, but not otherwise:
 - (a) The Company fails to commence operations within 8 months as required by Clause 4 or fails to meet its expenditure obligations within each of two consecutive periods specified in Article 11(1)(a) and (b) of the Law; or
 - (b) Any surface rents or royalties payable under this Concession are in arrears for six months after the date on which they ought to have been paid in accordance with Clause 6 and Clause 7; or
 - (c) The Company goes into liquidation except voluntarily for the purpose of reconstruction or amalgamation, or a receiver is appointed; or
 - (d) The Company fails to perform its obligations under Clause 2 or Clause 25; or
 - (e) Any sum awarded against the Company in arbitration proceedings under the following clause has not been paid within 90 days of the date stipulated in the award.

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Provided that the Secretariat of Petroleum shall give the Company previous notice in writing of the breach and require the Company to remedy the breach and pay compensation where appropriate within the period fixed by the Secretariat of Petroleum which shall not be less than 90 days; notice of revocation shall only be given if the Company has failed within the specified period to remedy the breach and pay compensation where appropriate.

- (2) Whenever the Company disputes the grounds upon which the revocation may be based and requests arbitration under Clause 28 hereof, the revocation shall only become effective subject to and in accordance with, the result of the arbitration.
- (3) Revocation shall be without prejudice to any liability incurred by the Company before revocation.

CLAUSE 28

Arbitration

- (1) If at any time during or after the currency of this Concession, any difference or dispute shall arise between the Government and the Company concerning the interpretation or performance hereof, or anything herein contained or in connection herewith, or the rights and liabilities of either of such parties hereunder and if such parties should fail to settle such difference or dispute by agreement, the same shall, failing any agreement to settle it any other way, be referred to two Arbitrators, one of whom shall be appointed by each such party, and an Umpire who shall be appointed by the Arbitrators immediately after they are themselves appointed.
In the event of the Arbitrators failing to agree upon an Umpire within 60 days from the date of the appointment of the second Arbitrator, either of such parties may request the President, or if the President is a national of the SPLAJ, or of the Country where the Company was incorporated, the Vice-President of the International Court of Justice to appoint the Umpire.
- (2) The institution of Arbitration proceedings shall take place upon receipt by one of such parties of a written request for Arbitration from the other, which request shall specify the matter in respect of which Arbitration is required and name the Arbitrators appointed by the party requiring Arbitration.
- (3) The party receiving the request shall, within 90 days of such receipt, appoint its Arbitrator and notify this appointment to the other of such parties, failing which, such other party may request the President or, in the case referred to in paragraph (1) above, the Vice-President of the

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International Court of Justice, to appoint a Sole Arbitrator and the decision of a Sole Arbitrator so appointed, shall be binding upon both such parties.

- (4) If the Arbitrators appointed by such parties fail to agree upon a decision within 6 months of the institution of Arbitration proceedings or any such Arbitrator becomes unable or unwilling to perform his functions at any time within such period, the Umpire shall then enter upon the Arbitration. The decision of the Arbitrators, or in case of a difference of opinion between them, the decision of the Umpire, shall be final. If the Umpire of the Sole Arbitrator, as the case may be, is unable or unwilling to enter upon or complete the Arbitration, then, unless such parties otherwise agree, a substitute will be appointed at the request of either such party by the President or, in the case referred to in paragraph (1) above, the Vice-President of the International Court of Justice.

- (5) The Umpire however appointed or the Sole Arbitrator, shall not be either a national of the SPLAJ or of the Country in which the Company or any Company which directly or indirectly controls it was incorporated, nor shall he be or have been in the employ of either of such parties or of the Government of the SPLAJ or of any such Country as aforesaid.

The Arbitrators or, in the event they fail to agree within 60 days from the date of appointment of the second Arbitrator, then the Umpire, or, in the event of a Sole Arbitrator is appointed, then the Sole Arbitrator, shall determine the applicability of this Clause and the procedure to be followed in the Arbitration.

In giving a decision, the Arbitrators, the Umpire or the Sole Arbitrator, as the case may be, shall specify an adequate period of time during which the party to the difference or dispute against whom the decision is given, shall conform to the decision and such party shall not be in default if that party has conformed to the decision prior to the expiry of that period.

- (6) The place of Arbitration shall be such as may be agreed by such parties and in default of agreement between them, within 120 days from the date of institution of Arbitration proceedings, as specified in paragraph (2) above, shall be determined by the Arbitrators or, in the event the Arbitrators fail to agree within 60 days from the date of appointment of the second Arbitrator, then by the Umpire, or in the event a Sole Arbitrator is appointed, then by the Sole Arbitrator.
- (7) This Concession shall be governed by and interpreted in accordance with, the principles of law of the SPLAJ common to the principles of International Law and in the absence of such common principles, then by and in accordance with, the general principles of law, including such of those principles as may have been applied by International Tribunals.

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- (8) The costs of the Arbitration shall be borne by such parties in such proportion and manner as may be provided in the decision.

CLAUSE 29

Interpretation

- (1) Words defined in the text of the Petroleum Law 1955 shall have the same meaning in this Concession.
- (2) In this Concession:
- "the law" means the Petroleum law of 1955;
- "the Director" means the Director of Technical Department;
- "land" means territory under the control and jurisdiction of the SPLAJ and includes marshes, ground underlying lakes or rivers and the seabed and subsoil beneath territorial waters and the high seas contiguous thereto;
- "concession area" means the area over which for the time being the Company enjoys the rights conferred upon it hereunder;
- "crude oil" means any unrefined oil consisting primarily of hydrocarbons;
- "natural gasoline" means any liquid hydrocarbon obtained from natural gas by any chemical or physical process;
- "natural gas" means any subsoil gas consisting primarily of hydrocarbons;
- "quarter" means a three month period of a year beginning of 1 January, 1 April, 1 July or 1 October, as the case may be.

CLAUSE 30

Fees

This Concession is granted on payment of a fee of LD

Signed _____

For the Secretariat of Petroleum

Signed _____

The Secretary

Signed _____

For the Company

Company's Seal

Date _____

Corresponding to _____