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REPUBLIC OF ANGOLA

PETROLEUM ACTIVITIES LAW

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Law No. 13/78, of 26 August 1978 (General Petroleum Activities Law) constitutes a landmark in Angolan petroleum legislation, setting forth the fundamental principles regulating the exploitation of the country's petroleum potential in the post-independence years, and thanks to which this major sector of the economy has gone from strength to strength.

Although the above Law may still be considered up-to-date in its general outline, in view of factors such as the natural growth of the Angolan oil industry, the consequently greater store of experience which has been built up and the implications of this for the implementation of new concepts and practices in petroleum concessions, it has been decided to revise the Law, in order to enrich and update its contents.

This new Law, which maintains the fundamental principle of state ownership of petroleum resources enshrined in the Constitutional Law, and the regimes of a sole concessionaire and mandatory association for petroleum concessions, also retains a number of other principles contained in Law No. 13/78, of 26 August 1978, which, in view of their importance, shall be maintained fully valid in the Angolan legal system.

In this context, this law envisages to safeguard, inter alia, the following principles of economic and social policy for the sector, namely, the protection of the national interest, the promotion of the development of the employment market and the valorisation of mineral resources, the protection of the environment and the rational usage of petroleum resources and the increase of the Country's competitiveness on the international market.

It has also been decided to include in this new Law a number of other issues of recognized importance for the Angolan oil industry, in order to bring it into line with the most recent changes in Angolan petroleum law and in international law.

Now, therefore, under subparagraph (b) of Article 88 of the Constitutional Law, the National Assembly hereby approves the following:

PETROLEUM ACTIVITIES LAW

CHAPTER I GENERAL PROVISIONS

Article 1 (Object)

1. This law seeks to establish the rules of access to and the exercise of petroleum operations in the available areas of the surface and subsurface areas of the Angolan national territory, inland waters, territorial waters, exclusive economic zone and the continental shelf.
2. Other petroleum activities, including the refining of crude oil and the storage, transportation, distribution and marketing of petroleum shall be regulated by separate law.

Article 2 (Definitions)

For the purposes of this law, and unless otherwise expressly stated in the text, the words and expressions used herein shall have the following meaning, it being understood that the reference to the singular includes reference to the plural and vice versa:

1. Affiliate shall mean:
 - (a) (a) A company or any other entity in which the associate holds, directly or indirectly, the absolute majority of the votes in the shareholders' meeting or is the holder of more than fifty percent of the rights and interests which confer the power of management on such company or entity, or has the power of management and control over such company or entity;
 - (b) (b) A company or any other entity which holds, either directly or indirectly, the absolute majority of votes at the shareholders' meeting or equivalent corporate body of the associate or holds the power of management and control over the latter;
 - (c) (c) A company or any other entity in which either the absolute majority of votes in the respective shareholders' meeting or the rights and interests which confer the power of management on said company or entity are, either directly or indirectly, held by a company or any other entity which directly or indirectly holds the absolute majority of votes at the shareholders' meeting or equivalent corporate body of any of the associate or holds the power of management and control over the latter.
2. Foreign Associate - a corporate entity incorporated abroad and which in

its capacity as foreign investor associates itself to the National Concessionaire, in any of the forms set forth in Article 14, paragraph 2.

3. National Associate – a corporate entity which is formed under Angolan law, with registered office in Angola which in such capacity associates itself to the National Concessionaire in any of the forms set forth in Article 14, paragraph 2.
4. Appraisal - the activity carried out following the discovery of a petroleum deposit aimed at better defining the parameters of the reservoir in order to assess its commerciality, including, but not limited to:
 - (a) drilling of appraisal wells and running deep tests;
 - (b) collecting special geological samples and reservoir fluids;
 - (c) running supplementary studies and acquisition of geophysical and other data, as well as the processing of same data.
5. Petroleum Bonus – the pecuniary compensation which the associates pay to the National Concessionaire in consideration for executing the Petroleum Operations.
6. National Concessionaire - the entity to which the State grants mining rights.
7. Commercial Discovery - the discovery of a petroleum deposit deemed able to justify development.
8. Mining Rights – the set of powers granted to the National Concessionaire.
9. Development - the activities carried out after the commercial discovery, including, but not limited to:
 - (a) geological, geophysical and reservoir studies and surveys;
 - (b) drilling of production and injection wells;
 - (c) design, construction, installation, connection and initial testing of equipment, pipelines, systems, facilities, machinery and related activities necessary to produce and operate said wells, to take, save, treat, handle, store, reinject, transport and deliver petroleum, and to undertake repressuring, recycling and other secondary and tertiary recovery projects.
10. Natural Gas - a mixture essentially comprising methane and other hydrocarbons which are in a petroleum deposit in a gaseous state or which change into such state when produced under normal conditions of pressure and temperature.
11. Licensee - the entity that has been granted a prospecting license under Chapter IV herein.

12. Petroleum Operations - the activities of prospecting, exploration, appraisal, development and petroleum production, carried out under this law.
13. Operator - the entity that carries out petroleum operations in a given petroleum concession.
14. Exploration - the prospecting activities and the drilling and testing of wells leading to the discovery of petroleum deposits.
15. Petroleum - crude oil, natural gas and all other hydrocarbon substances that may be found in and extracted from, or otherwise obtained and secured from the area of a petroleum concession.
16. Crude Oil - a mixture of liquid hydrocarbons deriving from any petroleum concession which is in liquid state at the wellhead or in the separator under normal conditions of pressure and temperature, including distillates and condensates, as well as liquids extracted from natural gas.
17. Continental Shelf – the sea bed and the subsoil of the submarine zones adjacent to national territory, up to the limits set forth in international conventions or other agreements to which Angola is a party.
18. Production – the set of activities intended to petroleum extraction, including the running, servicing, maintenance and repair of compelled wells, as well as of the equipment, pipelines, systems, facilities and plants completed during development, including all activities related to planning, scheduling, controlling, measuring, testing and carrying out of the flow, gathering, treating, storing and dispatching of petroleum from the underground petroleum reservoirs, to the designated exporting or lifting location, and furthermore, the operations of abandonment of the facilities and petroleum deposits and related activities.
19. Prospecting – the set of operations to be carried out onshore or offshore, through the use of geological, geochemical or geophysical methods, with a view to locating petroleum deposits, excluding the drilling of wells, the processing, analysis and interpretation of data acquired from the respective liftings or of the information available in the archives of the supervising Ministry, or the National Concessionaire, as well as regional studies and mapping leading to an appraisal and better knowledge of the petroleum potential of a given area.

Article 3
(State ownership of petroleum deposits)

Petroleum deposits existing in the areas mentioned in Article 1 are an integral part of the public property of the State.

CHAPTER II
PRINCIPLES OF ORGANIZATION AND EXECUTION OF PETROLEUM
OPERATIONS

Article 4
(Principle of exclusivity of National Concessionaire)

1. The National Concessionaire is Sociedade Nacional de Combustível de Angola, Empresa Pública - (Sonangol, E.P.), as the holder of mining rights.
2. Mining rights shall be granted to the National Concessionaire under the terms of Article 44.

Article 5
(Non-transferability of mining rights)

The National Concessionaire cannot transfer its mining rights, whether in all or in part and any actions to that effect shall be deemed null and void.

Article 6
(Conditions for the exercise of Petroleum Operations)

Petroleum operations may only be carried out under a prospecting license or petroleum concession in accordance with this law.

Article 7
(Principles for conducting work)

1. The licensees, the National Concessionaire and its associates shall conduct and execute, or cause to be executed, the petroleum operations, in a regular and continuous manner and in compliance with applicable laws, regulations and administrative decisions and the good oil industry techniques and practices.
2. Petroleum operations shall be conducted in a prudent manner and shall take into account the safety of persons and facilities, as well as the protection of the environment and the conservation of nature.
3. Holders of the rights granted under this law may freely program, plan and execute, or cause to be executed, the works which they are obliged or authorized to do, using the most appropriate human and technical resources in compliance with the law, the prospecting license, the concession decree and the provisions of the preceding paragraph and Articles 27 and 86.

Article 8
(Powers to issue licenses and concessions)

1. Prospecting licenses shall be issued by the supervising Minister.
2. The Government shall be responsible for granting concessions for the exercise of mining rights.

Article 9
(Overlapping and conflict of rights)

1. The granting of rights for the exercise of petroleum operations is not, in principle, incompatible with the prior or subsequent granting of rights for the

exercise of other activities relating to other natural resources or uses for the same area.

2. In the event that the exercise of the rights referred to in the previous paragraph is incompatible, the Government shall decide which of the rights shall prevail and under what terms, without prejudice to any compensation which may be due to the holders of the rights thereby overridden as per Article 55.
3. In any case, rights relating to petroleum operations may only be granted with safeguards for the country's interests in respect of defense, safety, the environment, navigation, research, management and preservation of natural resources, particularly of the aquatic biological, living or non living.
4. For the purposes of this Article, the entities with powers for specific sectors under the relevant legislation shall be consulted.

Article 10 (Concession periods and phases)

1. The duration of concessions shall, as a rule, comprise two periods, divided into phases:
 - (a) The exploration period, comprising the exploration phase and the appraisal phase;
 - (b) The production period, comprising the development phase and the production phase;
2. Concessions may cover the production period only.

Article 11 (Definition of concession areas)

The supervising Minister shall have powers to define concession areas, by executive decree, upon obtaining authorization from the Government.

Article 12 (Duration and extension of prospecting licenses and concessions)

1. The duration of prospecting licenses and of each of the concession periods shall be defined in the respective license and in the concession decree.
2. The maximum duration of a prospecting license is three years.
3. The duration of the prospecting licenses or of each of the concession periods may exceptionally be extended, upon the request of the licensee or the National Concessionaire.
4. The powers to grant such an extension shall rest with the supervising Minister, who grants or refuses the same in accordance with the reasons invoked and certification checked that the licensee or the National Concessionaire have performed their existing obligations.

5. The application referred to in paragraph 3 shall set forth the facts which have led to the need for an extension.
6. Prospecting licenses shall be deemed granted as from the effective date of the statute granting the same.
7. Concessions shall be deemed granted as from the dates indicated below:
 - (a) Should the National Concessionaire enter into an association with other entities under Article 14 herein, as from the execution of the relevant contract;
 - (b) Should the National Concessionaire not enter into an association with other entities, as from the effective date of the concession decree.

Article 13
(Obligation for association)

Any company that wishes to carry out petroleum operations in the territory of Angola outside the scope of a prospecting license, may only do so together with the National Concessionaire under the terms of the following Article.

Article 14
(Types of association and risk services agreement)

1. Subject to the prior consent of the Government, the National Concessionaire may associate with Angolan or foreign entities of recognized capacity, technical knowledge and financial capability.
2. Such association may take the following forms:
 - (a) Corporation;
 - (b) Consortium;
 - (c) Production Sharing Agreement.
3. The National Concessionaire shall also be permitted to carry out petroleum operations by means of risk services agreements.

Article 15
(Majority participation of the National Concessionaire)

1. In the associations referred to in Article 14, subparagraphs 2(a) and (b) where the National Concessionaire holds a participating interest, such interest shall, as a rule, exceed fifty percent.
2. The Government may authorize the National Concessionaire, in duly grounded cases, to hold a participating interest lower than that established in the previous paragraph.

**Article 16
(Assignment)**

1. The associates of the National Concessionaire may only assign part or all of their contractual rights and duties to third parties of recognized capacity, technical knowledge and financial capability, after obtaining the prior consent of the supervising Minister by means of an Executive Decree.
2. For purposes of this law, the transfer to third parties of shares representing more than fifty percent of the share capital of the assignor shall be equivalent to the assignment of contractual rights and duties.
3. The authorization referred to in paragraph 1 shall not be necessary in the event of assignment between affiliated companies and provided that the assignor remains jointly and severally liable for the duties of the assignee.
4. The relevant assignment contracts referred to in paragraphs 1 and 3 of this Article shall be submitted to the prior approval of the National Concessionaire.
5. The National Concessionaire shall have the right of first refusal in respect of the assignments referred to in paragraph 1 when the assignee is a non-affiliate of the assignor.
6. In the event that the National Concessionaire waives its right of first refusal, such right shall be immediately transferred to the National Associates which enjoy the special status of national company, pursuant to Article 31, paragraph 3.

**Article 17
(Management of Petroleum Operations)**

The participation of the National Concessionaire in associations with third parties shall necessarily include the right to take part in the management of petroleum operations, under the relevant contracts.

**Article 18
(Obligatory Risk)**

The risk of investing in the exploration period shall be borne by the entities which associate themselves with the National Concessionaire. These entities shall not be entitled to recover the capital invested in the event that no economically viable discovery is made.

**Article 19
(Operator)**

1. The operator shall be indicated in the relevant concession decree upon proposal of the National Concessionaire, and shall be an entity of recognized capacity, technical knowledge and financial capability.
2. The operator shall be subject to the legislation in force and shall strictly comply with the provisions of the relevant concession decree.

3. Any change of operator shall be subject to the prior consent of the supervising Minister, on the proposal of the National Concessionaire.

Article 20
(Job and service contracts)

The operator shall notify the supervising Ministry and the Ministry of Finance, through the National Concessionaire, of the contracts and sub-contracts entered into with third parties for carrying out petroleum operations, under the terms to be defined by said Ministries.

Article 21
(Rules for the exploitation and recovery of deposits)

1. The mining rights granted hereunder carry the obligation to explore and produce petroleum in a rational manner, in accordance with the most appropriate technical and scientific practices used in the international petroleum industry and in accordance with the national interest.
2. The National Concessionaire and its associates shall be subject to the specific obligations described in the preceding paragraph, together with the general obligations to preserve petroleum deposits or reserves; the breach of such obligations shall be subject to the penalties established by law and regulations.

Article 22
(Safety zones)

The supervising Ministry, after consulting with other relevant bodies, shall establish the limits and the regime of the safety zone adjacent to the site of the equipment and facilities, whether permanent or temporary, used in the petroleum operations.

Article 23
(Safety and hygiene in the workplace)

1. The petroleum operations shall be carried out in accordance with applicable law and the generally accepted practices in the international oil industry relating to safety, hygiene and health at work.
2. For purposes of the preceding paragraph, the National Concessionaire and its associates shall submit to the supervising Ministry the plans required by applicable law.

Article 24
(Environmental protection)

1. In carrying out their activities, the licensees, the National Concessionaire and its associates shall take the precautions necessary to protect the environment, in order to preserve the same, namely in respect of health, water, soil and subsoil, air, the preservation of biodiversity, flora and fauna, ecosystems, landscape, atmosphere and cultural, archeological and artistic heritage.

2. For purposes of the preceding paragraph, the licensees, the National Concessionaire and its associates shall submit to the supervising Ministry, within the required time frames, the plans required by applicable law, specifying the practical measures which should be taken in order to prevent harm to the environment, including environmental impact studies and audits, plans for rehabilitation of the landscape and structures or contractual mechanisms and permanent management and environmental auditing plans.

**Article 25
(Liability)**

1. Licensees, the National Concessionaire and its associates shall be obliged to repair the damage they cause to third parties in the course of petroleum operations, unless they can show to have acted without fault.
2. Except as provided in Article 79, paragraph 3, the State shall not be liable for losses or damage of any type or nature, including, but not limited to, losses and damage to property or compensation payable to persons for death or accident, caused by or resulting from any petroleum operation carried out hereunder by the licensees, the National Concessionaire or its associates, or by any entity acting on behalf of the same.
3. The approvals and authorizations which the entities referred to in this Article obtain from the relevant State bodies shall not exempt them from any civil liability in which they may incur.

**Article 26
(Promotion of Angolan business community and development)**

1. The Government shall adopt measures to guarantee, promote and encourage investment in the petroleum sector by companies held by Angolan citizens and create the conditions necessary for such purpose.
2. The National Concessionaire and its associates shall cooperate with governmental authorities in developing public actions to promote the socio-economic development of Angola.
3. Before such public actions are undertaken, the parties involved shall agree upon the scope of the projects, the origin of the funds to be used and the recovery of costs related thereto, if applicable.

**Article 27
(Use of national products and services)**

1. Licensees, the National Concessionaire and its associates, and any other entities which cooperate with them in carrying out Petroleum Operations shall:
 - (a) Acquire materials, equipment, machinery and consumer goods of national production, of the same or approximately the same quality and which are available for sale and delivery in due time, at prices which are no more than ten per cent higher than the imported items including transportation and insurance costs and customs charges due;

- (b) Contract local service providers, to the extent to which the services they provide are similar to those available on the international market and their prices, when subject to the same tax charges, are no more than ten percent higher than the prices charged by foreign contractors for similar services.
- 2. For the purposes of the provisions of paragraph 1, Angolan companies shall be mandatorily consulted on the same terms as those used for consulting companies on the international market.
- 3. The supervising Ministry has the duty of supervising compliance with the preceding paragraphs, and contracts in breach with the provisions of this Article shall be deemed null and void.

CHAPTER III RIGHTS AND OBLIGATIONS

Article 28 (Rights and obligations of licensees)

- 1. Licensees shall enjoy the following rights:
 - (a) To carry out, by itself or by third parties, the works set out in the prospecting license;
 - (b) To carry out, by itself or by third parties, the infra-structures necessary for the carrying out of the works referred to in paragraph (a);
 - (c) To occupy, in compliance with the law and existing rights, the areas necessary for the execution of prospecting operations, as well accommodation in the field for personnel assigned to such operations;
 - (d) To import consumable or durable goods intended for the execution of the works set out in the prospecting license.
- 2. Licensees shall have the duties referred to in sub-paragraphs (b), (f), (g), (h), (i) and (k) of Article 30, paragraph 1.

Article 29 (Rights of the National Concessionaire)

- 1. Subject to the specific regulatory provisions related to each of the situations hereinafter described, and in addition to the mining rights of which it is the titleholder, the National Concessionaire shall also have, amongst others, the following rights:
 - (a) To carry out, by itself or by third parties, the activities related to petroleum operations;
 - (b) To carry out, by itself or by third parties, the infrastructure work required

- to perform, under the normal economic conditions of the oil industry, the petroleum operations, including the transport of materials, equipment and extracted products;
- (c) To occupy, with due respect of the law and existing rights, the land which is necessary to carry out the petroleum operations and for accommodation, in the camp, of the personnel engaged in such operations;
 - (d) To import consumable or durable goods intended for the performance of the Petroleum Operations;
 - (e) To take, transport, store, sell, load and export its share of the production, under the terms and conditions of the concession;
 - (f) With due respect for applicable law, and the national interests and security, to be assisted by the Angolan authorities in the entry, stay and departure from the Republic of Angola, of the workers of any nationality of the National Concessionaire, its associates or any entities which cooperate with them in the carrying out of petroleum operations.
2. The facilities referred to in sub-paragraph f) of the preceding paragraph shall apply to the members of the relevant employee's family, including spouse, minor children and those children who, though adults, are living under the same roof as the employee.

Article 30
(Duties of the National Concessionaire)

1. Without prejudice to its duties under Angolan law, this law and the concession decree, in relation to Petroleum Operations the National Concessionaire shall:
- (a) be subject to the guidelines of the Government in respect of the trade policy for import and export, taking into consideration at all times, in the performance of its business, the higher interests of the Republic of Angola;
 - (b) carry out the obligatory work programs and other approved work plans within the time frames established therein, under sound technical rules and in accordance with the oil industry practice;
 - (c) when petroleum shows occur in any drill hole, carry out the relevant tests in accordance with the approved programs, and to inform the supervising Ministry, without delay, of the results of the same, to enable it to form an opinion on the value of the discoveries and the viability of their exploitation;
 - (d) submit proposals for the establishment of petroleum storage and transport facilities to the approval of the supervising Ministry;
 - (e) to provide the relevant State authorities with all the data which they deem necessary for the effective control of petroleum operations, and

allow their representatives free access to all sites, facilities and equipment relating to petroleum operations, so that such representatives may perform their duties of supervision, inspection and verification;

- (f) submit to all supervision, inspection and verification activities which the State may wish to carry out;
 - (g) prepare and submit to the supervising Ministry monthly reports on the Petroleum Operations, including all technical and economic data related to the operations carried out during the month to which the report relates, and also quarterly and annual operations reports, including a statement of results and an analysis comparing these with the forecast results for the respective periods.
 - (h) keep in Angola all books and accounting records kept under the commercial law in force, the original accounting documents justifying expenses incurred in relation with the petroleum operations, as well as a complete and updated record of all technical operations conducted under the terms of the relevant concession decree;
 - (i) keep in the best storage conditions possible, significant portions of each cutting sample and each core obtained in drill holes, together with all and any data, namely geological and geophysical reports, well logs, magnetic tapes, tests, production and reservoir reports, information and interpretation of said data;
 - (j) submit to open tender, save in cases authorized by the supervising Ministry and under terms to be regulated, the execution of works provided for in the approved work programs and budgets;
 - (k) grant to the representatives of the relevant State authorities and other official organizations the same conditions granted in the camp to its own employees of equivalent professional rank;
2. The reports referred in sub-paragraph 1(g) shall also be sent to the Ministry of Finance.
3. The National Concessionaire shall comply in full with any obligations which may result from liabilities arising from risks for which it has not obtained insurance coverage.

Article 31

(Rights and duties of associates of the National Concessionaire)

- 1. In order to pursue the objectives established in the relevant contracts entered into with the National Concessionaire, the associates of the National Concessionaire shall have, amongst others, the rights set out in Article 29 herein, with the limitations established in the main body of the same Article.
- 2. The associates of the National Concessionaire shall be subject to the general obligations set forth in Angolan law regarding companies which invest and

operate in Angola, the terms herein, the concession statutes, the obligations set out in Article 30, paragraph 1, the obligations contained in the relevant contracts entered into with the National Concessionaire and, furthermore, the following obligations:

- (a) to participate in the efforts made towards the integration, training and professional promotion of Angolan citizens under Article 86 and applicable law;
 - (b) without prejudice to Article 30, subparagraph 1(e), to keep, under the terms of the law and of the contracts entered into with the National Concessionaire, strictly confidential any technical or economic information obtained in the course of the petroleum operations;
 - (c) to adopt the accounting procedures and rules established in Angolan legislation and in the contracts entered into with the National Concessionaire;
 - (d) to submit all accounting books and records to an annual audit to be conducted by the Ministry of Finance.
- 3 The national associates shall enjoy the special facilities and the consequent special rights and duties set forth in this law and in the laws on promotion of Angolan private business community, provided that such associates fulfill and maintain the special legal requirements for national companies set forth in such legislation for the purposes of promotion of the business community, as well as in the relevant regulatory legislation.

Article 32 **(Guaranty of performance of duties)**

- 1. The licensees and the associates of the National Concessionaire shall provide a bank guarantee to guarantee the performance of their work obligations under the license or the contract entered into with the National Concessionaire.
- 2. The guarantee mentioned in the previous paragraph shall be provided within thirty days of the date of issue of the prospecting license or the date of signing of the contract between the National Concessionaire and its associates.
- 3. The value of the guarantee for the prospecting license shall be equivalent to fifty percent of the work budgeted.
- 4. The value of the guarantee required from the associates of the National Concessionaire shall be equal to the value which is agreed for the obligatory work program for the petroleum concession.
- 5. The amount of the bank guarantee referred to in paragraphs 3 and 4 above shall be reduced in the extent of the work obligations set forth therein are complied as provided for in the prospecting license and the agreements mentioned in paragraph 2 above.

6. In the event that the National Concessionaire so requires, and within a period of not less than sixty days as from the date of the signing of the agreements referred to in paragraph 2, the National Concessionaire's associates shall also submit a business guarantee in the form defined thereby.

CHAPTER IV PROSPECTING LICENSE

Article 33 (Issuing of license)

In order to facilitate the acquisition and processing of information which might allow for a better assessment and technical back-up of the applications for mining rights or for the status of associate of the National Concessionaire, the supervising Minister may issue a prospecting license, under Article 8 and by means of an Executive Decree, which shall be governed by the provisions of the following Articles.

Article 34 (License holders)

Any Angolan or foreign company of recognized capacity, technical knowledge, and financial capability may apply to the supervising Minister for a prospecting license in order to evaluate the petroleum potential of a given area.

Article 35 (Object, area and nature of license)

1. The prospecting license shall cover the activities referred to in Article 2, paragraph 19.
2. The area covered by a prospecting license shall be defined in the relevant title.
3. A prospecting license does not confer upon the holder any exclusive right to carry out the activities for which it is granted in the area defined in the relevant title.
4. A prospecting license does not confer upon the holder any right of first refusal to become associate of the National Concessionaire in the area to which it relates.

Article 36 (Ownership of data)

1. The data and information acquired in the course of the petroleum operations covered by the prospecting license shall be the property of the State, notwithstanding the rights of the licensees and the National Concessionaire to use such data and information.
2. The supervising Ministry may authorize the licensee to sell the data and information referred to in paragraph 1, once the National Concessionaire has been consulted.

3. In the event that the licensee sells the data and information under the preceding paragraph, the net proceeds from such sale shall be shared equitably between the National Concessionaire and the licensee.

Article 37
(License applications)

1. Applications for prospecting licenses shall be submitted to the supervising Ministry, accompanied by documentation showing the capacity and the technical and financial capability of the applicant, under the provisions of Article 45, duly adapted.
2. The application shall clearly state the objectives, the intended area, technical and financial resources and the provisional budget, in addition to other information which the applicant deems relevant for the purpose.
3. The application shall trigger payment of a fee to be set by the relevant body pursuant to applicable law.

Article 38
(Approval of applications and award of licenses)

1. Applications shall be reviewed by the supervising Ministry, after receiving the recommendation of the National Concessionaire, which may request the applicant to provide further information on the terms of his application.
2. After reviewing the application and hearing the applicant, the supervising Minister shall decide on the application.
3. When the Minister has issued his consent order, the supervising Ministry shall issue the prospecting license and the relevant fee shall be paid under applicable law.
4. The supervising Ministry shall duly publicize the prospecting licenses awarded by it, together with the contents of the same.

Article 39
(Contents of license)

1. Issued licenses shall contain, namely, the following information:
 - (a) full identification of the licensee;
 - (b) area and duration of license;
 - (c) rights and duties of the licensee;
 - (d) description of the operations to be undertaken, and the respective schedule and budget;
 - (e) definition of the regime governing ownership of the data obtained from the prospecting, as set forth in Article 36.

Article 40
(Causes of extinguishment of prospecting licenses)

Prospecting licenses may be extinguished for the following reasons:

- (a) Termination;
- (b) Waiver;
- (c) Expiration.

Article 41
(Termination of licenses)

1. Prospecting licenses shall be terminated whenever:
 - (a) The licensee fails to perform his obligations under the license or applicable law;
 - (b) Cases of force majeure of a definitive nature occur which make it impossible for the licensee to fulfill its obligations in full.
2. The supervising Minister shall be responsible for terminating prospecting licenses after consulting with the National Concessionaire.

Article 42
(Waiver of license)

A prospecting license may lapse on waiver by the licensee provided that he has performed his legal duties and the duties imposed by the license in full by the date on which such waiver becomes effective.

Article 43
(Expiration of licenses)

1. Prospecting licenses may expire in the following cases:
 - (a) expiry of the term of the license;
 - (b) extinction of the license holder;
 - (c) accomplishment of an expiration condition provided for in the license.

**CHAPTER V
PETROLEUM CONCESSIONS**

**SECTION I
CONCESSIONS AND THE STATUS OF ASSOCIATE
OF THE NATIONAL CONCESSIONAIRE**

**Article 44
(Granting of concessions and the status of associate
of the National Concessionaire)**

1. In the event that the National Concessionaire does not wish to associate itself with any other entity in order to carry out petroleum operations in a given area, the Government may, at the request of the National Concessionaire, award it directly the concession by publication, in the Official Gazette, of the relevant concession decree.
2. In the event that the National Concessionaire wishes to associate itself with third parties in order to carry out petroleum operations in a given area jointly, the concession shall be granted by means of a concession decree and shall be deemed effective on the date referred to in Article 12, sub-paragraph 7(b).
3. To ends established in the previous paragraph, the National Concessionaire shall apply to the supervising Ministry for due authorization to carry out an open tender to define the entities with which it shall associate, whose application for authorization shall be accompanied by the draft terms of reference for the tendering process.
4. The status of associate of the National Concessionaire may be awarded through direct negotiation with the interested companies, but only in the following cases:
 - (a) Immediately following an open tender procedure which has not resulted in the awarding of the status of associate of the National Concessionaire because of the lack of bids;
 - (b) Immediately following an open tender procedure which has not resulted in the awarding of the status of associate of the National Concessionaire due to the supervising Ministry, after consulting with the National Concessionaire, considered the submitted bids unsatisfactory in view of the adopted criteria for the award.
5. In the event of receiving a proposal for direct negotiations under the preceding paragraph, the National Concessionaire, if the supervising Ministry decides to go ahead with the award of the petroleum concession, shall declare the same through a public notice, and may commence direct negotiations with the company involved if, within fifteen days from the date of the notice, no other entity declares an interest in the area in question.
6. If other entities declare an interest in the same concession area, a tender shall

be held limited to the interested companies.

7. The Government may cancel the status of associate of the National Concessionaire granted to any entity which seriously or repeatedly fails to fulfill the obligations deriving from this law.

Article 45
(Requirements of associates of the National Concessionaire)

1. The status of Operator associate of the National Concessionaire in a Petroleum concession may only be awarded to corporations which can show they have the technical and financial capacity and capability to carry out Petroleum Operations in the relevant concession area.
2. The status of non-operator associates of the National Concessionaire may only be awarded to corporations which show capacity and financial capability.
3. The requirements regarding evidence of the technical and financial capacity and capability referred to in the preceding paragraphs shall be established in the regulations referred to in Article 46.

SECTION II
OPEN TENDER PROCEDURE AND DIRECT NEGOTIATION

Article 46
(Open tender procedures)

The open tender procedures for the award of the status of associate of the National Concessionaire shall be established by regulations to be approved by the Government within sixty days from the effective date of this law.

Article 47
(Direct negotiation regime)

1. In the cases referred to in Article 44, paragraph 4, any entity of proven capacity and technical and financial capability may apply to the National Concessionaire for the award of the status of associate of the National Concessionaire, through direct negotiation.
2. The application referred to in the preceding paragraph shall be drawn up under Article 44, paragraph 3 in fine, and shall be submitted by the National Concessionaire, which shall issue its own recommendation to the supervising Minister, for the purpose of deciding whether or not to start the relevant negotiations.
3. If the supervising Ministry, after complying with the provisions of Article 44, paragraph 5, finds that there is still only one entity interested in acquiring the status of associate of the National Concessionaire, it may decide to start the direct negotiation process.

**SECTION III
CONCESSION DECREE**

**Article 48
(Contents)**

1. The concession decree is the formal instrument of the Government whereby it awards a given petroleum concession to the National Concessionaire.
2. The Concession Decree shall cover the following issues, amongst others:
 - (a) award of mining rights;
 - (b) definition and description of the concession area;
 - (c) duration of the concession and the different phases and periods;
 - (d) identity of the operator.

**Article 49
(Approval of contract)**

1. In the event of the National Concessionaire associating with third parties for the purpose of carrying out Petroleum Operations, the concession decree shall contain the following:
 - (a) the authorization for the National Concessionaire to enter into such association;
 - (b) the identity of its associates;
 - (c) the approval of the relevant contract.
2. The contract approved under the terms of the preceding paragraph shall be executed within thirty days from the date the concession decree is published in the Official Gazette.

**Article 50
(Amendments to contract)**

Any amendments which the parties may wish to make to the contract referred to in the preceding Article may only be made by means of approval by decree of the Government.

**SECTION IV
EXTINGUISHMENT AND REVERSION OF CONCESSIONS**

**Article 51
(Extinguishment of concessions)**

Concessions may be extinguished in any of the following cases:

- (a) agreement between the State and the National Concessionaire;
- (b) termination;
- (c) relinquishment by the National Concessionaire;
- (d) redemption;
- (e) expiration.

**Article 52
(Agreement between the State and the National Concessionaire)**

1. Mining rights shall be extinguished by agreement between the State and the National Concessionaire, on the application of the latter stating the duly substantiated grounds which determine that petroleum production is technically or economical unfeasible in the concession area.
2. In the event that the National Concessionaire has entered into an association with third parties under the terms herein, the application referred to in the preceding paragraph shall also be subscribed by the associates.

**Article 53
(Termination of concession)**

1. Concessions may be terminated on the following grounds:
 - (a) unjustified failure to carry out petroleum operations under the terms of the approved plans and projects;
 - (b) abandonment of any petroleum deposit without the prior consent of the supervising Minister under Article 75;
 - (c) serious or repeated breach, whilst carrying out Petroleum Operations, of this law, the concession decree or the legislation in force;
 - (d) willful extraction or production of any mineral not covered by the concession, except when such extraction or production is inevitable as the result of operations conducted in accordance with the common practice in the oil industry.
2. The Government shall be responsible for terminating concessions following a duly substantiated proposal from the supervising Ministry.

Article 54
(Relinquishment by the National Concessionaire)

1. The National Concessionaire may relinquish all or part of the concession area at any time during the production period provided it has fully performed its legal and contractual duties up to the effective date of the relinquishment.
2. Notice of a relinquishment under the preceding paragraph shall be given to the supervising Ministry at least one year prior to its effective date.
3. Relinquishment under this Article shall cause the extinguishment of mining rights relating to the area in question.
4. Notice of relinquishment under this Article shall also be signed by the associates of the National Concessionaire, if any.

Article 55
(Redemption of concession)

1. Concessions may be redeemed by the State, in whole or in part, for reasons of public interest, against payment of fair compensation.
2. The Government shall have powers to redeem concessions, on the proposal of the supervising Minister.
3. The compensation referred to in paragraph 1 shall be negotiated between the State and the National Concessionaire and, if the latter has associated itself with other entities under this law, such associates shall also take part in the negotiations.
4. . Should no agreement be reached as to the value of compensation referred to in paragraph 1 above, such value shall be fixed by arbitration conducted in accordance with the principles established in Article 89, duly adapted.

Article 56
(Expiration of concession)

The following shall cause concessions to expire:

- (a) expiry of the exploration period or extensions thereof, except for areas where Petroleum Operations are still being carried out under the contractually agreed or duly authorized terms, or for which a declaration of commercial discovery was made;
- (b) expiry of the production period or any extension thereof;
- (c) extinction of the National Concessionaire;
- (d) accomplishment of an expiration condition provided for in the concession decree, if any.

**Article 57
(Reversion of concession)**

Upon extinguishment of a concession in any of the cases provided for in Article 51, and without prejudice to the provisions of Article 75, the equipment, instruments, facilities and any other goods acquired for carrying out the Petroleum Operations, together with all information of a technical and economic nature obtained during such operations shall revert to the National Concessionaire, at no charge to the same.

**CHAPTER VI
PETROLEUM OPERATIONS**

**SECTION I
PROSPECTING, EXPLORATION AND APPRAISAL**

**Article 58
(Approval of annual work plans)**

1. The work referred to in Article 2 shall be described in an annual plan, drawn up in due detail and with the respective budget, to be prepared by the National Concessionaire and its associates which must be submitted by the former to the supervising Ministry for review and approval.
2. The deadline for submittal of the annual plan referred to in the previous paragraph shall be set by the supervising Ministry.
3. The annual work plan shall be reviewed by the supervising Ministry, which may only order it not to be implemented if it fails to comply with the provisions of the law or of the Concession Decree.
4. In the event of all or part of the annual plan being refused, the supervising Ministry shall notify the National Concessionaire of the fact within fifteen days of receiving the plan, indicating the reasons for the refusal.
5. In the event of refusal under the preceding paragraph, the National Concessionaire and its associates shall draw up a new plan, or rectify the previous plan, which shall be submitted to the supervising Ministry by the National Concessionaire.
6. If the plan is not refused within the period referred to in paragraph 4, the plan may be freely implemented.
7. The National Concessionaire, after consulting its associates may submit addenda to the annual work plan to the supervising Ministry provided they are justified on technical grounds.

Article 59
(Prospecting and exploration activities)

1. During the exploration period, the National Concessionaire shall carry out prospecting operations and exploration drilling throughout the concession area on a regular basis, in accordance with the annual plans and relevant work programs.
2. The National Concessionaire shall notify the supervising Ministry immediately of the discovery of any petroleum deposit, and keep such Ministry regularly informed of the plans for future studies and of the findings of such studies.
3. The National Concessionaire shall also notify the supervising Ministry of the existence of beds of other mineral resources, including fresh water and salts.
4. After completing the drilling of any exploration well, the National Concessionaire shall submit to the supervising Ministry a full report on said well within the established legal deadline.

Article 60
(Appraisal activities)

1. In the event of discovery of a commercial well, the National Concessionaire shall carry out the appraisal of the petroleum deposit.
2. After completion of the appraisal, the National Concessionaire shall submit to the supervising Ministry a detailed report on technical and commercial aspects of the petroleum deposit.

Article 61
(Prospecting in adjacent areas)

Whenever the carrying out of prospecting operations in an area adjacent to a concession is of recognized interest to the study of the petroleum potential of the said concession, whether or not the adjacent area is covered by a concession, the supervising Ministry may, on receipt of a duly justified request from the National Concessionaire, authorize the latter, for a given period of time, to carry out such operations; however, the National Concessionaire's activities shall not jeopardize petroleum operations in the adjacent area, if it is included in a petroleum concession.

SECTION II
DEVELOPMENT AND PRODUCTION

Article 62
(Commercial discoveries and commencement of the production period)

1. The National Concessionaire may declare a commercial discovery when it deems that, in the course of prospecting, exploration and appraisal activities, there exists an economically exploitable petroleum deposit.

2. The deadline for making a declaration of commercial discovery shall be provided for in the relevant contract.
3. In the event of the National Concessionaire being associated with third parties through a production sharing agreement or if it carries out petroleum operations through a risk services agreement, the declaration referred to in paragraph 1 shall only be signed, respectively, by its associates or by the contractor.
4. Following the declaration of a commercial discovery the National Concessionaire shall then proceed to prepare a preliminary demarcation of the deposit in question, and to prepare the plan referred to in Article 63.
5. A Commercial Discovery shall be communicated to the supervising Ministry, marking the beginning of the production period.

Article 63
(Approval of the general development and production plan)

1. The National Concessionaire and its associates shall draw up a general development and production plan, which shall be submitted by the National Concessionaire to the supervising Ministry for review and approval within the following deadlines:
 - (a) three or twelve months from the date of declaration of a Commercial Discovery of crude oil or natural gas, respectively;
 - (b) three or twelve months from the date of the award of the concession in the case of a concession with a sole period for production of crude oil or natural gas, respectively;
 - (c) a longer deadline if such is granted by the supervising Ministry.
2. In the event of the occurrence of any of the situations provided for in paragraph 6 of the following Article, the deadline for submission of the plan referred to in the preceding paragraph shall be determined by the supervising Ministry after conclusion of the respective unitization process and after consulting the National Concessionaire and its associates.
3. The information to be included in the general development and production plan shall be defined by the supervising Ministry by means of special regulations.
4. Within ninety days of receiving the plan referred to in paragraph 1, the supervising Ministry shall review and approve the same, being applicable Article 58, paragraphs 4, 5 and 6, duly adapted.
5. The general development and production plan may, at any time, be amended on the express and duly substantiated request of the National Concessionaire to the supervising Ministry after consulting its affiliates; the deadline provided for in paragraph 4 shall apply to the review and approval of requests for amendments.

6. The general development and production plan may not be implemented before approval by the supervising Ministry.
7. The supervising Ministry may exceptionally authorize the National Concessionaire to start certain activities provided for in the general development and production plan before the plan is formally approved.

Article 64
(Unitization and joint development)

1. The National Concessionaire shall immediately notify the supervising Ministry as soon as:
 - (a) it discovers in the concession area a petroleum deposit capable of commercially viable development which extends beyond the area of the said concession;
 - (b) it discovers in the concession area a petroleum deposit which can only be commercially developed when in conjunction with a petroleum deposit existing in an area adjacent to the said concession;
 - (c) it considers that a commercial discovery in the concession should, for technical and economic reasons, be developed jointly with a commercial discovery in an area adjacent to the concession in question.
2. In the event of the two areas being covered by petroleum concessions, the supervising Ministry may, by means of written notice addressed to the National Concessionaire and its associates, determine that the Petroleum discovered be developed and produced on a joint basis.
3. Should the supervising Ministry exercise the rights referred to in the preceding paragraph, the entities involved shall cooperate in the preparation of a plan for the joint development and production of the petroleum in question.
4. The plan provided for in the previous paragraph shall be presented to the supervising Ministry for review and approval within one hundred and eighty days of the date the National Concessionaire received the notice referred to in the preceding paragraph, or such longer period as the supervising Ministry may grant.
5. Should the general development and production plan not be submitted within the period established in the preceding paragraph, the supervising Ministry may arrange for an independent consultant to prepare the said plan in accordance with generally accepted practice in the international petroleum industry and at the expense of the National Concessionaire and/or its associates.
6. The consultant provided for in the previous paragraph shall consult with and keep all the parties informed of his work at all times.

7. The National Concessionaire and its associates shall execute the general development and production plan drawn up under the terms of the preceding paragraph, on the penalty of the deposit or deposits in question reverting to the State.
8. In the event of unitization under paragraph 1 in respect of an area for which a Petroleum concession has not been granted, or of a neighboring country, the supervising Ministry, by means of a proposal by the National Concessionaire shall submit the strategy to be pursued in order to render the production of the Petroleum in question possible to the approval of the Government.

Article 65
(Approval of annual development and production work plans)

1. The development and production work foreseen for each year shall be stated in annual plans, drawn up in due detail and with the respective budgets, to be submitted by the National Concessionaire to the supervising Ministry for approval and decision, under the provisions of Article 58, paragraphs 4, 5, 6 and 7, duly adapted, applying.
2. The annual development and production plans may be altered, upon request of the National Concessionaire, under Article 58, paragraph 7.

Article 66
(Definitive demarcation of Petroleum deposits)

1. Except in the concessions which cover only the production period, the demarcation of Petroleum areas in which the commercially exploitable Petroleum deposits are located, shall be deemed definitive with the approval of the general development and production plan referred to in Article 63.
2. At the end of the exploration period any areas which have not been definitively demarcated shall cease to be part of the concession area and shall be deemed relinquished in favor of the State.

Article 67
(Right of way and comissioning of facilities)

1. The supervising Ministry may authorize the laying of pipelines, gas transmission lines, cables of all kinds, facilities and other equipment of a petroleum concession throughout another concession, provided that this does not hinder progress in the work of the latter and after consulting the National Concessionaire.
2. The provisions of the preceding paragraph shall also apply to all prospecting made on the relevant area prior to the installation of the referred facilities.

Article 68
(Right to use the facilities of third parties)

1. The supervising Ministry may determine that in a given petroleum concession the facilities and other equipment of another concession be used, if such use

contributes to more efficient and economic management of the existing resources and provided this does not imply reducing production levels or disrupting the satisfactory progress of Petroleum Operations in the concession to which such facilities and equipment are allocated.

2. The decision of the supervising Ministry provided for in the previous paragraph, shall be taken after consulting the National Concessionaire and its associates in each of the concessions involved.
3. The amount to be paid for use of the facilities and equipment referred to in the paragraph 1 shall be agreed between the National Concessionaire and its associates, and shall be submitted to the supervising Ministry for homologation.
4. Should no such agreement be reached within a period which the supervising Ministry deems adequate, the Ministry shall set the price for such use.

Article 69
(Commencement of commercial production)

1. No later than ninety days prior to the commencement of commercial production from a petroleum deposit, the National Concessionaire shall apply to the supervising Ministry for commencement of commercial production, submitting for this purpose a report on the execution of the general development and production plan referred to in Article 63.
2. Commercial production from a petroleum deposit may only commence after authorization has been granted by the supervising Ministry, when it has ascertained that the tasks detailed in the general development and production plan have been carried out.

Article 70
(Annual production plans)

1. By the end of October each year, the National Concessionaire and its associates shall prepare annual production plans in respect of each petroleum deposit which shall be submitted by the National Concessionaire to the supervising Ministry for approval.
2. For purposes of Article 21, the National Concessionaire, after consulting its associates, shall, when necessary, submit to the supervising Ministry for review and approval alternative production plans, including possible injection methods and respective recovery factors, together with secondary and tertiary recovery plans.
3. Any amendment to the production plans established shall require the prior review and approval of the supervising Ministry which, on its own initiative and provided such is justified by the national interest, to ensure the efficient use of reservoirs, facilities and/or transport systems, may determine an increase, reduction or maintenance of the scheduled production volumes and shall, in such cases, give the National Concessionaire a reasonable period for submittal of additional production plans.

**Article 71
(Metering and records)**

The National Concessionaire shall meter and record all petroleum extracted and recovered on a daily basis, using for such purpose methods and instruments certified under the legal standards in force, in strict compliance with the rules of good technical standards and the practice in the petroleum industry, and shall inform the supervising Ministry of the volumes produced in each development area on a weekly basis.

**Article 72
(Transportation and storage)**

1. Projects relating to the installation and functioning of oil pipelines, gas pipelines and petroleum storage facilities, prepared in accordance with international oil industry practice, shall observe the provisions set forth in applicable law and are subject to approval and licensing by the supervising Ministry.
2. The transport and storage equipment referred to in the preceding paragraph may, depending on the available capacity be used by other petroleum concessions, as set forth in Article 68.

**Article 73
(Natural Gas)**

1. The natural gas produced from any petroleum deposit shall be exploited, and flaring of the same is expressly forbidden, except flaring for short periods of time when required for purpose of testing or other operating reasons.
2. The development plans for Petroleum deposits shall always be devised in such a way as to allow for the use, preservation or commercial exploitation of associated gas.
3. In the case of marginal or small deposits, the supervising Ministry may authorize the flaring of associated gas in order to make its exploitation viable.
4. The authorization referred to in the preceding paragraph may only be granted on submission of a duly substantiated technical and economic and environmental impact evaluation report evidencing that it is not feasible to exploit or preserve the natural gas.
5. The provisions of Article 64 relating to unitization and joint development shall apply, duly adapted, to the exploitation of natural gas.
6. When gas flaring is authorized, the supervising Ministry may determine that a relevant fee be charged in accordance with the quantity and quality of the gas flared and with its location.

**Article 74
(Definitive plugging of a producing well)**

The definitive plugging of any producing well requires the prior submittal of the plan therefore to the supervising Ministry for review and approval.

Article 75
(Abandonment or continuation of Petroleum Operations)

1. At least one year prior to termination of the concession or the date of abandonment of any area included therein, the National Concessionaire shall prepare and deliver to the supervising Ministry a plan providing for the cases of decommissioning the wells, facilities, equipment for the rehabilitation of the landscape and continuation of the Petroleum Operations.
2. The plan provided for in the previous paragraph shall provide the supervising Ministry with sufficient information in order to assess the future purpose of facilities from a technical, financial, safety and environmental standpoint.
3. The National Concessionaire shall inform the supervising Ministry, in the plan referred to above, of which of the two options referred to in paragraph 1 above it intends to adopt.
4. In the event the abandonment is decided, the National Concessionaire shall proceed to correctly abandon the well or wells in question, and shall also take other measures to decommission the facilities and other assets and proceed to rehabilitate the landscape, in accordance with the applicable law and, secondarily, with the normal practice in the oil industry.
5. The measures provided for in the previous paragraph shall be taken in accordance with a detailed plan to be drawn up by the National Concessionaire and approved by the supervising Ministry.
6. Should the plan indicated in paragraph 1 not be delivered within the prescribed period, or if the plan referred to in paragraph 5 is not carried out within the time frame provided for therein, the supervising Ministry may take the measures needed to ensure that they are prepared and executed at the expense and risk of the National Concessionaire.

CHAPTER VII
INSPECTION OF PETROLEUM OPERATIONS

Article 76
(Monitoring and inspection)

1. The supervising Ministry shall be responsible for monitoring and inspecting all activities undertaken by the licensees, the National Concessionaire and its associates, under the scope of the petroleum operations.
2. For the purposes of the preceding paragraph, the licensees, the National Concessionaire and its associates shall send to the supervising Ministry the information and operating reports the contents and frequency of which are provided for in the prospecting license or the concession decree.

3. Regardless of the provisions of the preceding paragraph, the licensees, the National Concessionaire and its associates shall provide the relevant State authorities with all data and information which they deem necessary for the effective technical, economical and administrative control of their activity, and they shall allow free access to the representatives of such authorities to the locations and facilities where they carry out their operations, in order to allow them to perform their duties of inspection, supervision and verification in all matters of a technical, economical and administrative nature.
4. In the exercise of the powers referred to in this Article, and without prejudice to the duty of confidentiality in respect of the information transmitted to it, the supervising Ministry may arrange to be assisted by qualified entities which it appoints.
5. Without prejudice to the provisions of the previous paragraphs, the licensees, the National Concessionaire and its associates shall cooperate in all matters as requested by the supervising Ministry within the scope of its powers of supervision.
6. If it is determined that a given petroleum operation may endanger the lives of persons or the preservation of the environment, the supervising Minister, after consulting the licensees, the National Concessionaire and its associates, may:
 - (a) order such petroleum operation to be suspended;
 - (b) order the withdrawal of all persons from the locations deemed dangerous, in coordination with the relevant State authorities;
 - (c) order the suspension of the use of any machine or equipment which may jeopardize the said values.

Article 77
(Duty of confidentiality)

1. The supervising Ministry, as well as the persons or entities which cooperate with it, shall keep confidential all data or information of a technical, economic, accounting or other nature supplied by licensees, the National Concessionaire and its associates.
2. The licensees, the National Concessionaire and its associates, as well as the persons or entities which cooperate with them, shall keep confidential all data or information supplied by the supervising Ministry.
3. The duty of confidentiality in respect of the information referred to in this Article shall expire after the period set forth in the relevant license or Concession Decree.
4. The provisions of this Article shall not be applicable whenever such data or information is to be provided to other entities as a requirement of the law, namely for budget and statistical purposes.

**CHAPTER VIII
ADDITIONAL PROVISIONS**

**Article 78
(Satisfaction of domestic consumption requirements)**

1. At any time, by giving prior notice of at least ninety days, the Government may request the National Concessionaire and its associates, to supply to an entity appointed by the same at the delivery point, from their respective share in output, with a quantity of petroleum aimed at satisfying the domestic consumption requirements of the Republic of Angola.
2. For the purposes of the preceding paragraph, delivery point shall mean the F.O.B. point of the Angolan loading facility at which the Petroleum reaches the inlet flange of the loading pipe of the means of lifting transport, or any other point which may be agreed between the supervising Ministry, the National Concessionaire and its associates.
3. The participation of the National Concessionaire and its associates in the satisfaction of the country's domestic consumption requirements shall not exceed the proportion between the annual output derived from the concession area and the total annual output of petroleum in the Republic of Angola nor exceed forty percent of the total output from the relevant concession area.
4. The value of the petroleum acquired under the provisions of paragraph 1 shall be calculated in accordance with the rules on the valuation of Petroleum for fiscal purposes and shall be paid in internationally convertible currency within thirty days of the end of the month during which the petroleum is lifted.

**Article 79
(Government's right of requisition)**

1. In the event of a national emergency, such as armed conflict, natural disaster or the imminent expectation of the same, the Government may requisition, to take effect only as long as the state of emergency lasts, all or part of the output of any petroleum concession, net of operational consumption, and require that the National Concessionaire and its associates increase such output to the technically viable maximum limit. Under the same circumstances the Government may also requisition petroleum facilities of any petroleum concession.
2. The requisition of output shall be effected by order of the Government by means of an Executive Decree from the supervising Minister, but when petroleum facilities are requisitioned, it shall be effected by resolution of the Government.
3. In the event of requisition as provided in the preceding paragraphs above, the Government shall compensate the National Concessionaire and its associates in full for the period during which the requisition is maintained, including:
 - (a) the value of all direct losses and damage directly arising from the requisition;

- (b) the value of the entire output requisitioned each month.
- 4. The value of losses and damage caused by acts of war carried out by enemy forces shall not be included in the compensation referred to in the preceding paragraph.
- 5. The value of output requisitioned by the Government under the terms provided in the preceding paragraphs shall be calculated in accordance with the rules for valuation of petroleum for fiscal purposes, and shall be paid in internationally convertible currency within thirty days of the end of the month in which the output is lifted.

Article 80
(Reservation of rights to other substances)

- 1. The extraction or production of substances other than those which are the object of mining rights granted hereunder is forbidden, except when such extraction or production has been expressly authorized.
- 2. In the areas of prospecting and concession licenses, the Government reserves the right to authorize the prospecting and production of any other substances, apart from those exclusively permitted hereunder.
- 3. The execution of the activities arising from the right referred to in the preceding paragraph shall not jeopardize or interfere with the petroleum operations carried out in the in the respective area.

Article 81
(Disposal of Petroleum produced)

- 1. The associates of the Concessionaire shall dispose freely of their share of the petroleum produced under this law and other applicable legislation.
- 2. The National Concessionaire shall dispose of its share of the petroleum produced in accordance with the rules set forth by the Government for this purpose.
- 3. The provisions of the preceding paragraphs shall be applied without prejudice to the provisions of Articles 78 and 79

Article 82
(Ownership of Petroleum produced)

The point of transfer of ownership of the petroleum produced shall be situated at all times outside or beyond the wellhead, and the metering point for petroleum produced shall be located prior to the point where ownership is transferred.

Article 83
(Management and support services)

The National Concessionaire, when it is not itself carrying out the petroleum activities,

shall ensure that the Operator has a system of organizational and support services in Angola which allows it to manage the Petroleum Operations independently and to carry them out efficiently, without prejudice to the Operator's right to use the services of affiliates or third parties, when duly authorized by the National Concessionaire.

**Article 84
(Bonus)**

1. Bonuses paid to the National Concessionaire resulting from agreements entered into with its associates shall fully revert to the State by way of the unique Treasury account.
2. A portion of the bonuses referred to in the previous paragraph shall be spent in projects of regional and local development and promotion of Angolan private business community, under terms to be regulated by the Government.

**Article 85
(Recourse to third party funding)**

Recourse by the National Concessionaire or its associates to third party funding for the purpose of investment in the petroleum operations which involves the assignment of rights over the petroleum production shall only be possible with the prior consent of the Minister of Finance and the supervising Minister by means of a joint executive decree.

**Article 86
(Recruitment, integration and training of Angolan personnel)**

1. Entities that carry out in national territory the activities set forth in Article 1 hereunder shall be required to employ only Angolan citizens in all categories and functions, except if there are no Angolan citizens in the national market with the required qualifications and experience, under terms to be regulated.
2. National and foreign workers employed by the entities referred to in the preceding paragraph who occupy identical professional categories and carry out identical functions shall enjoy the same rights of remuneration and the same working and social conditions, without any type of discrimination.
3. The duties of recruitment, integration and training of Angolan personnel that fall upon the entities referred to in paragraph 1 shall be established by Government decree.

**Article 87
(Technical standards)**

The supervising Minister, by means of an executive decree, may establish technical standards applicable to the carrying out of Petroleum Operations provided for herein.

**Article 88
(Infractions and penalties)**

1. The following practices shall be deemed infractions to the provisions herein, and be subject to penalties:

- (a) carrying out petroleum operations without submittal and approval of the respective plans and projects;
 - (b) refusal to deliver information gathered in the course of petroleum operations and other available data, when requested by the relevant State bodies;
 - (c) breach of the duty of confidentiality provided for in Article 77;
 - (d) Failure to provide the bank guarantee within the specified time frames;
 - (e) Failure to deliver, within the relevant time frame, the plans referred to in Articles 58, 63 and 70;
 - (f) Non-compliance with the provisions of Article 69 and 73;
 - (g) Failure to adopt the preventive measures in respect of the safety and hygiene of personnel and facilities, as provided for in Article 23 herein.
- 2. The penalties due for the infractions provided in the previous paragraph shall be regulated by decree law.
 - 3. The application and payment of fines shall not release the offender from his liability to perform the duties and obligations which gave rise to such fines.
 - 4. The supervising Ministry shall have the powers to take the initiative of commencing and conducting the procedures for charging offenders and applying the respective fines.
 - 5. The proceeds of fines shall revert as follows: sixty percent to the State and forty percent to the supervising Ministry.
 - 6. The provisions of Article 89 shall not apply to this Article, and any appeals against penalties applied shall be decided under the terms of the legislation in force.

Article 89
(Dispute Resolution)

- 1. Any disputes that may arise between the supervising Ministry and licensees, or between the National Concessionaire and its associates, which relate to strictly contractual issues shall be resolved by agreement between the parties, according to the principles of good faith and of equity and balance between the interests of the parties.
- 2. Should no agreement be reached between the parties, disputes shall be resolved by resorting to arbitration, under the terms set forth in the prospecting licenses and agreements entered into under Article 14.
- 3. The arbitral tribunal shall have its seat in Angola and apply Angolan law, and arbitration shall be conducted in the Portuguese language.

4. The provisions set forth in the preceding paragraphs shall not prejudice the application of and respect for the legal provisions in force, notably with regard to the security of the maritime and concessionary public domain, taxation, environment and supervision of petroleum operations.

Article 90
(Suspension of Petroleum Operations)

Whenever reasons of safety or national interest so require, the Government may on an exceptional basis order, by means of a decree, that the petroleum operations be restricted or suspended.

Article 91
(Challenge)

The decisions to suspend, terminate and redeem licenses and concessions may be challenged in accordance with the law.

CHAPTER IX
FINAL PROVISIONS

Article 92
(Transitional regime)

1. Rights acquired under petroleum concessions and temporary prospecting licenses, as well as under agreements relating to existing or future petroleum concessions and temporary prospecting licenses, which have been validly entered into by the National Concessionaire and are effective at the date of entry into force of this law, shall continue to be fully valid and effective, so as to protect contractual stability, without prejudice to the provisions of the following paragraphs.
2. In cases where such is deemed necessary and convenient, valid and effective contracts pursuant to the preceding paragraph may be renegotiated between the parties according to the principle of equity and balance of interests, but only in order to gradually adapt contractual provisions deemed incompatible with this law and ancillary regulations.
3. The provisions set forth in the preceding paragraphs shall not prejudice the application of the legal provisions in force, provided for in Article 89, paragraph 4.

Article 93
(Special regimes)

The fiscal, foreign exchange and customs regimes applicable to Petroleum Operations shall be contained in specific statutes.

Article 94
(Applicable law)

Angolan law shall be applicable to the Petroleum operations carried out pursuant to the terms set forth in this law.

Article 95
(Regulations)

This law shall be regulated by the Council of Ministers within 180 days.

Article 96
(Interpretation and insertion of omissions)

Any doubts or omissions arising from the interpretation and application of this law shall be resolved by the National Assembly.

Article 97
(Revocation)

Without prejudice to the provisions of Article 92, all legislation which is inconsistent with the provisions of this law, in particular Law No. 13/78, of 26 August 1978, is hereby revoked.

Seen and approved by the National Assembly in Luanda, on 11 August 2004.

The President of the National Assembly, Roberto António Victor Francisco de Almeida.

Promulgated on 4 October 2004.

Be it published.

The President of the Republic, José Eduardo dos Santos.