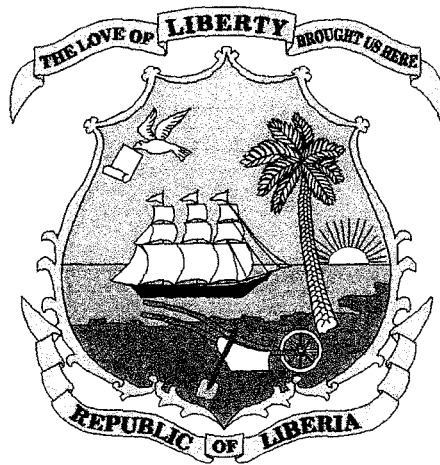


**AN ACT  
ADOPTING THE NEW PETROLEUM LAW  
OF  
THE REPUBLIC OF LIBERIA**



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I

# AN ACT ADOPTING THE NEW PETROLEUM LAW OF THE REPUBLIC OF LIBERIA

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AN ACT  
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**WHEREAS**, Chapter II Article 7 of the Constitution of the Republic of Liberia mandates that:

*"The Republic of Liberia shall, consistent with the principles of individual freedom and social justice, enshrined in this Constitution, manage the National Economy and the Natural Resources of Liberia in such manner as shall ensure the maximum feasible participation of Liberian citizens under conditions of equality as to advance the general welfare of the Liberian people and the economic development of Liberia; and*

**WHEREAS**, Chapter III Article 22 (a) of the Constitution grants every citizen the right to own property and defines the limitation on private property rights in Chapter III, Article 22 (a) which provides that:

*"Private property rights, however shall not extend to any mineral resources on or beneath any land or to any land under the seas and water ways of the Republic of Liberia. All mineral resources in and under the seas and waterways shall belong to the Republic and be used by and for the entire Republic; and*

**WHEREAS**, in furtherance and consistent with the constitutional mandate, that, the Republic shall manage the National Economy and the Natural Resources, to ensure the maximum feasible participation of Liberian citizens, the National Legislature on April 20, 2000, enacted a law establishing the National Oil Company of Liberia. Accordingly, that law provides:

*"Section 3. Powers of the Corporation: The Corporation shall (among others) have the following powers: (d) To enter into, perform and modify contracts, leases, agreements or other transactions on such terms as may be deemed appropriate with any agency or instrumentality of the Republic of Liberia, with any foreign governmental agency, or with any other person, partnership, association, corporation, organization or other entity, public or private, singly or in combination;*

*"Section 4. Purpose: The Corporation is established for the purpose of holding all of the rights, title and interest of the Republic of Liberia in the deposits and reserves of liquid and gaseous hydrocarbons within the territorial limits of the Republic of Liberia; whether potential, proven, or actual with the aim of facilitating the development of the oil and gas industry in the Republic of Liberia;*

Section 5. Functions: To implement the purpose for which the Corporation is established, the Corporation shall (among others) have the following functions: (b) To undertake and/or facilitate the exploration of established deposits of liquid and gaseous hydrocarbons in Liberia, where economically feasible, through the negotiation and conclusion, subject to approval as otherwise herein provided, of appropriate agreements, loans financing, and exploration arrangements with potential investors and other relevant parties, entities, corporations, or foreign governments, in collaboration with the relevant ministries and agencies of the Government of Liberia. All such agreements and arrangements shall require the final approval of the President of Liberia.

**WHEREAS**, cognizant of the above, the National Legislature hereby promulgates these Codes of Law to govern, direct and regulate Hydrocarbon or Petroleum operations in Liberia and to implement the intent and purposes of the laws of the Republic of Liberia.

**NOW THEREFORE;**

It is hereby enacted by the Senate and the House of Representatives of the Republic of Liberia in Legislature Assembled:

SECTION I: Part I of Title 23 of the Liberian Code of Laws Revised, and an Act Adopting a New Minerals and Mining Law, which repealed chapter 5 and chapter 6 of Title 24 volume II of the Liberian Code of Laws of 1956; and chapter 6 of Title 14 of the Liberian Code of Laws Revised and all amendatory Acts thereto are hereby amended to provide for An Act Adopting the New Petroleum Code of the Republic of Liberia. Also, an Act to Regulate the Operation of Petroleum Industry in Liberia and all amendatory Acts thereto are hereby repealed. In lieu thereof, there is enacted a new Code to be known and called; An Act Adopting the New Petroleum Code of the Republic of Liberia; as Part II Title 23 of the Liberia Code of Laws Revised.

## **CHAPTER I GENERAL PROVISIONS**

SECTION 1.1 Title

SECTION 1.2 Short Title

SECTION 1.3 Definition of Terms

SECTION 1.4 General Rules

**Section 1.1 - Title:** This Act is and shall be called An Act Adopting The New Petroleum Law of the Republic of Liberia.

**Section 1.2 - Short Title:** This Act shall be cited as The New Petroleum Law of Liberia.

**Section 1.3 - Definition of terms:** Unless otherwise required or unless a different definition is expressly provided in a given case, the following definitions for the purposes of this law shall apply as follows:

- 1.3.1 **"Agent"** – means an employee of NOCAL or any entity, who is directly responsible for the negotiation of Hydrocarbon contracts as fiduciary of the National Oil Company of Liberia, the Liberia Petroleum Refining Company, the Government of the Republic of Liberia or such similarly situated persons.
- 1.3.2 **"Block (Blocks)"**- means the area(s) each of which shall be declared open to Licensing for petroleum operations whose dimensions shall be defined in the Petroleum Agreement.
- 1.3.3 **"Crude Oil"** - means naturally occurring liquid hydrocarbons.
- 1.3.4 **"Deep Water Areas"** – that portion of the submarine, which is part of the exclusive economic zone of the Republic of Liberia which is seaward of the 200-meter isobar; which is defined as such in the administrative regulations and the present law.
- 1.3.5 **"Development"** – the activities involved in the extraction of hydrocarbons for commercial purposes, specifically the development, production and activities related to operations of oil and gas fields.
- 1.3.6 **"Environmental Impact Assessment (EIA)"** \_ means activities designed to identify and predict the impact on the bio-ecophysical environment and on human health and well being resulting or likely to result from legislation, legislative proposals, policies, programs, projects, petroleum exploration and operational procedures.
- 1.3.7 **"Exploration"** –means a form of reconnaissance activities, which include the drilling of exploration wells, for the purpose of discovering commercially viable hydrocarbon deposits. The activities may also involve the evaluation and demarcation of a discovered hydrocarbon deposit, which is presumed to have commercial value.
- 1.3.8 **"Exploration License"** - means a right or permit granted by NOCAL for the purpose of exploring for Hydrocarbons within the Economic Zone of the Republic of Liberia.
- 1.3.9 **"Exploration Period"** - means the period of time, including any extension thereof, specified in the Exploration License.
- 1.3.10 **"Hazardous"** - means anything that is flammable, explosive, corrosive, toxic or radioactive.
- 1.3.11 **"Holder"** – means a party to a petroleum contract or any legal entity or entities, or person or persons having a contract or holding a permit signed by the National Oil Company of Liberia for the development, exploration or exploitation of hydrocarbon deposits within the territory of Liberia.

- 1.3.12 **"Hydrocarbons"** means the naturally occurring liquid or gaseous carbon-hydrogen compounds including related products and substances such as, bituminous schist, organic minerals or liquid petroleum, crude oil, natural gas, fossil fuels and all other liquids, gases, solids or semi-solid organic and associated non-organic compounds in their natural state in the subsoil.
- 1.3.13 **"Hydrocarbons Exploitation License"** designates a permit for the exploitation of hydrocarbons granted by the National Oil Company of Liberia which exclude any permit or concession for non-petroleum related operations.
- 1.3.14 **"Licensed Area"** – means the area which is granted to a licensee that is covered by the License. It shall apply to the original area set out in a License or to such part or parts thereof that shall remain at the disposal of the Licensee from time to time, in accordance with the terms of such License.
- 1.3.15 **"License"** – means any right granted in accordance with the provision of this Act and Regulations issued hereunder. Licenses shall include, but not limited to Reconnaissance Licenses, Exploration Licenses and Production Licenses.
- 1.3.16 **"Licensee"** – means any person to whom a License has been granted and includes his agents, representatives and assignees.
- 1.3.17 **"National Oil Company of Liberia"** – the corporate body established by an Act of Legislature for the purpose of administering and holding all the rights, title and interest of the Republic of Liberia in the deposit and reserves of liquid and gaseous hydrocarbon within territorial limits of the Republic of Liberia.
- 1.3.18 **"Natural Gas"** – means all gaseous hydrocarbons, which may occur in association with oil accumulation; or the residue gas remaining after extracting of liquid hydrocarbons from wet gas.
- 1.3.19 **"Petroleum Agreement"** – shall mean the agreement between the Licensee and NOCAL, which shall be substantially in conformity with the Model Petroleum Agreement set forth in the Annex of this Law. It is a contract between the National Oil Company and one or more petroleum companies granting the company an exclusive right to explore and develop hydrocarbons within a defined area.
- 1.3.19 (a) **"Petroleum Contract"** A Petroleum Contract may be a contract, which include a production-sharing contract, a hydrocarbon exploration permit for the development and exploitation of hydrocarbon deposits within the territory of Liberia.
- 1.3.20 **"Petroleum Company"**– any legal entity having demonstrated the requisite technical, financial, and legal capacity to successfully carry out petroleum operations.
- 1.3.21 **"Petroleum Operations"** include each of the following activities: prospecting, exploration, assessment, development, production transportation



or marketing of hydrocarbons, including the processing of natural gas, but excluding refining and the distribution of petroleum products.

- 1.3.22 **"Petroleum Products"** – Means any finished or semi-finished product derived from petroleum by any process.
- 1.3.23 **"President/CEO"** means the President and Chief Executive Officer of the National Oil Company of Liberia responsible for the administration of petroleum operations in Liberia.
- 1.3.24 **"Production Sharing Contract"** – a petroleum contract which grants the contracting party a share of production, as provided for the present law. It is a service contract whereby the holder is entitled to a portion of the production of hydrocarbons derived from the pertinent contract area.
- 1.3.25 **"Reconnaissance"** – preliminary activities of detection of indicators of the existence of hydrocarbons, particularly by geologic, geo-chemical or geophysical means, but not to include the drilling of exploration wells at depths greater than 300 meters, unless otherwise specifically provided for in the reconnaissance permit.
- 1.3.26 **"Service Contract"** is the risk service contract for the exploration and exploitation of hydrocarbons whereby the National Oil Company of Liberia or such other State owned Company grants to a qualified entity, exclusive rights for the exploration and exploitation of hydrocarbons within a defined perimeter. The holder of such contract shall assume all the financial risks associated with the operation. In keeping with this Law, any service contract that does not grant exclusive rights for the exploration and exploitation of hydrocarbons does not constitute a service contract.
- 1.3.27 **"Shelf Area"** means the portion of the submarine, which is part of the economic zone of the Republic of Liberia, which is shoreward of the 200-meter isobar.
- 1.3.28 **"Solid Wastes"** \_ means garbage, rubbish, refuse matters, scrap, etc. of all kinds including both hazardous and non-hazardous substances.
- 1.3.29 **"State"** means the Republic of Liberia.
- 1.3.30 **"State Company"** means a company constituted for the purpose of carrying out petroleum operations in the form of a public establishment, a national company or a company with a majority public holding.
- 1.3.31 **"Submarine Area"** – means land underlying the sea waters surrounding the coast of Liberia below high water mark, including the seabed and subsoil situated beneath the territorial waters and the continental shelf of Liberia.
- 1.3.32 **"Territory of the Republic of Liberia"**: means the onshore portion of the Republic of Liberia, as well as the Liberian maritime areas that comprise the

territorial waters and the continental shelf, as defined by the National Law and in

accordance with the Convention of the United Nations on Maritime Rights, ratified by Liberia; refers to territory as used in this Law.

**1.3.33 "Threshold Limit Values"** \_ means standard values approved or published by the appropriate agency of the Government of Liberia to represent the limit values for exposures to toxic or hazardous materials and harmful agents, and these values have full effect of law.

**1.3.34 "Transportation"** – Means the method of conveying extracted hydrocarbons by pipelines to loading or wholesale delivery sites in the Republic of Liberia. This does not include the networks of pipelines for collection or delivery to the oil and gas field; the use of other means to transport may be provided for in the administrative regulations of the present law.

**1.3.35 "Treatment, Storage and Disposal Facility (TSDF)"** \_ means any area used to store hazardous wastes for more than (90) ninety days, even if on the same site where the wastes were generated. Such place automatically becomes a "treatment, storage and disposal facility" (TSDF) for short. Permit is required in order to create TSDF of any kind.

## CHAPTER II

### PROVISIONS COMMON TO ALL PETROLEUM CONTRACTS

**Section 2.1 – Binding Effective:** In collaboration with the Hydrocarbon Technical Committee, all petroleum contract, shall be negotiated by the National Oil Company of Liberia pursuant to the Act establishing the National Oil Company of Liberia. A Petroleum Contract, pursuant to its terms, shall become effective and binding on the parties thereto, their principals, successors and assignees, upon signing of same by the Parties, attested by the Minister of Justice and approved by the President of the Republic of Liberia.

**Section 2.2 –Content of Petroleum Contract:** All Petroleum Contracts, without limiting their contents, shall specifically contain, in addition to other terms and conditions, the following:

2.2.1 The work obligations for each of the exploration periods, with the corresponding guarantees;

2.2.2 The conditions under which the exploration and the exploitation are carried out;

2.2.3. The provisions regarding the cancellation of the exploration permit or the withdrawal of an exploitation concession;

2.2.4 The financial and fiscal provisions;

2.2.5 The work program and obligations for each period and phase of the petroleum operation or permit;

- 2.2.6 The rules pertaining to the assignment or transfer of the rights and obligations of the holder;
- 2.2.6 The provision pertaining to the participation of the State company, in all or part of the petroleum operations;
- 2.2.7 The delivery of the information, documents and samples pertaining to the petroleum operations to the President/CEO of NOCAL;
- 2.2.8 The arbitration procedure selected to resolve any disputes that may arise from the enforcement of the convention;
- 2.2.9 The rules pertaining to the transfer of assets and permanent facilities upon expiration of the convention;
- 2.2.10 The perimeter of the area under an exploration permit;
- 2.2.11 The duration of the contracts and the different periods of validity of the exploration permits, the appraisal permits, and development permits, as well as the conditions for periodic review, renewal and extension, including the surface rights;
- 2.2.12 The investment obligations for each of the period of the various permits and validity of the exploration permit;
- 2.2.13 The conditions establishing the operation programs and budgets, the control of their execution, the presentation of reports, data, and information related to petroleum operations to the National Oil Company of Liberia;
- 2.2.14 The reciprocal rights and obligations of the contracting Parties;
- 2.2.15 Obligations relative to a commercial discovery and the development of a commercial field as well as the methods of granting a development permit, the requirement of goods, both real property and real estate, needed for the realization of a petroleum operation;
- 2.2.16 The holder's rights and obligations appurtenant to the transportation of extracted hydrocarbons;
- 2.2.17 The rules regarding production property and its distribution between the contracting Parties, as well as the methods for determining the price of Extracted Hydrocarbons;
- 2.2.18 If necessary, the methods for participation by the National Oil Company of Liberia in a society of the State, as well as the rules for association with the holder;

- 2.2.19 Fiscal, customs and financial clauses, as well as specific accounting rules, petroleum operations including the eventual keeping of books and registers in foreign currency;
- 2.2.20 Conditions for recession of the contracts and for canceling or annulment of permits in the event of various circumstances;
- 2.2.21 Obligations pertaining to the hiring and training of skilled and unskilled Liberian personnel;
- 2.2.22 Legal conditions concerning the applicable law, the stability of the circumstances, cases of force majeure and dispute resolution;
- 2.2.23 Conditions for cession and transfer of the contract and any permits derive thereof; and
- 2.2.24 An environmental impact study.

When circumstances so require, the object of a petroleum contract may be limited to the development of one or more hydrocarbon fields already discovered and demarcated, without being linked to the grant of any exploration permit.

**Section 2.3 – Assignment or Transfer of Interest** – Pursuant to the terms and conditions of the contract, the provisions of law and regulations, the rights and obligations may be assigned or transferred, upon the prior written approval of the National Oil Company of Liberia. The assignment or transfer of the whole or a part of any petroleum contract or related hydrocarbon exploration and development permit, must be submitted to the National Oil Company of Liberia for prior written approval, in keeping with the provisions set forth in this Law. Accordingly,

- 2.3.1 The holder of a petroleum contract must submit to the National Oil Company of Liberia for its written approval, any contract or agreement containing the below listed provisions and conditions which it promises to deliver, cede or transfer, in whole or in part, the rights and obligations granted and undertaken in the petroleum contract.
- 2.3.2 The approval of the National Oil Company of Liberia is required for any operation or action, which directly or indirectly affects the rights and benefits of the National Oil Company of Liberia or has the effect of bringing about a change in the management of the holding company.
- 2.3.3 Any agreement which is entered into in violation of the provisions of the present article, is null and void and without effect and may form a basis for material breach leading to the cancellation of the petroleum contract.
- 2.3.4 All assignments or transfers must comply with the conditions set by the present law, the administrative regulations, and the applicable provisions of the petroleum contract.

- 2.3.5 The withdrawal of one or more of the holders of petroleum contract, which is entered into with several joint holders, shall not affect the rights and obligations granted in the contract nor cause the cancellation of the permits derived from the contract. The remaining holder or holders assume the right and obligations which have been subscribed to and undertaken in the said contract. The National Oil Company of Liberia, if accepted by the party, shall accept such a withdrawal.

**Section 2.4 General Rules:** Except as otherwise provided in this Law, all entities, individuals or companies applying to carry on hydrocarbon or petroleum operations in Liberia shall adhere to and be governed by the following general provisions:

- 2.4.1 All hydrocarbon reserves or natural accumulations in the ground or of the territory of the Republic of Liberia, its territorial sea, exclusive economic zone, and continental shelf, whether discovered or not, are and shall remain the exclusive property of the State substratum.
- 2.4.2 All holders of petroleum contracts within the territory of the Republic of Liberia shall, pursuant to the terms of the respective agreements, be subject to the provisions of the tax laws of general applications and the relevant laws and regulations applicable thereto. The territory of Liberia as referred to herein, includes Liberia's territorial waters, exclusive economic zone, and continental shelf.
- 2.4.3 The State, through the National Oil Company, shall exercise sovereignty over petroleum operations in the territory of the Republic of Liberia, its territorial sea, exclusive economic zone, and continental shelf.

No party, including the owner of the surface estate, may carry out petroleum operations without prior authorization according to the provisions of the present law.

- 2.4.4 The State, through the National Oil Company, may also authorize legal entities whether Liberian or foreign to undertake petroleum operations in keeping with the terms of the relevant contracts between such entity and NOCAL, in accordance with the provisions of the present law. If necessary, the State, through NOCAL, may also issue permits for the purpose of obtaining technical information.
- 2.4.5 The State, through the National Oil Company, reserves to itself, the right to participate directly in shares or equity under any legal form whatsoever, with any entity in a petroleum operation, in keeping with the relevant petroleum contracts, according to its terms, conditions and methods set forth therein.
- 2.4.6 The National Oil Company, without prejudice to the rights already acquired, shall determine the areas that are open for reconnaissance, exploration and development, and which shall be broken into blocks for petroleum contracts or reconnaissance permits on conditions that:

- i. The National Oil Company shall, at its discretion, evaluate the requests or bids on petroleum contracts or permits.
- ii. A total or partial refusal shall not give the requesting party a right of legal recourse against NOCAL, nor shall they have the right to any compensation whatsoever from NOCAL as a result of NOCAL's partial or total refusal.
- iii. In the event that competing requests or bids are made, and without prejudice to any rights previously granted, no priority shall be claimed.
- iv. The Law or the Regulation shall prescribe the requisite procedure and content of each application for the petroleum contract.
- v. Each petroleum contract, pursuant to its terms, shall provide the terms and conditions and method of renewal, right to transfer and the nature of the agreement whether petroleum operation, exploration or exploitation.

2.4.7 A petroleum contract or hydrocarbon exploration and/or exploitation permit which accompany the Contract as well as a reconnaissance permit may only be granted to a commercial enterprise or jointly to several commercial enterprises, of either Liberian or foreign nationality; provided,

- i. If said companies are foreign nationals, they shall be required to maintain, during the entire period of validity of the petroleum contract, a permanent representative in the Republic of Liberia.

The representative, who may be either a Liberian Company or a subsidiary, shall be required to register in the Commerce Registry.

- ii. No person or company may hold a hydrocarbon exploitation license or a service contract without demonstrating the technical and financial capabilities required to successfully carry out the petroleum operations.
- iii. No party may be the holder of a petroleum contract, or related exploration permit or license, a reconnaissance permit, unless he demonstrates that he has the requisite technical, financial, and legal capacity to successfully carry out the petroleum operations for which he has requested a permit to be issued.
- iv. Several petroleum companies may jointly undertake the execution of a petroleum contract and may be granted the accompanying mining permits or licenses. In exceptional

cases, a petroleum company may also associate itself with a non- petroleum company, in keeping with the terms set forth in the law. Subject to prior written approval, the Petroleum Company, which will assume the duties of named operator responsible for directing the petroleum operations, must be declared to the National Oil Company of Liberia in keeping with the conditions set forth in this Law.

- v. Any petroleum company may hold title to several petroleum contracts or reconnaissance permits. Activities such as reconnaissance, exploration, development, and transport of hydrocarbons are considered to be commercial acts.
- vi. Activities of reconnaissance, exploration, development, and transport of hydrocarbons are considered to be commercial acts; therefore are not subject to sovereign immunity or Act of state doctrine.

2.4.8 Excluding state own corporation, no Public Official or a contracting party or an agent of a state owned corporation shall hold a direct or indirect interest in the petroleum operations, nor may he/she be the title holder or beneficiary of a petroleum operation or contract.

2.4.9 Notwithstanding the above, a corporation which existed five (5) years prior to the Effective Date of this Law, shall not be denied the right to hold interest in a petroleum operation or contract. This exception remains valid and applicable provided that said corporation becomes a successful bidder in keeping with the international standards for the awarding of petroleum contract. However, the public official, a contracting party of the State, or an agent of the State owned corporation should not be simultaneously involved in the management of the corporation which has signed the Petroleum Agreement during his/her tenure in office.

2.4.10 The validity of a petroleum contract, in a given area, shall not prohibit the issuance of a Hydrocarbon Development or Exploration Permit for the whole or a part of said area to another person who may explore and develop such other mineral substances other than hydrocarbons. Likewise, the validity of such permits for other substances other than hydrocarbons shall not prevent the formation of a petroleum contract or the issuance of a reconnaissance permit for all or a part of the area concerned. In the event that multiple rights are granted to the same surface area for different mineral substances or hydrocarbon, the activity of the most recent holder of a right shall not be carried out in such manner to prejudice or prevent the activities of the prior holder of the right.

2.4.11 Except for Seismic Work Program or technical data collection, no Production Sharing Contract, or Petroleum Agreement of any kind, for any form of Petroleum Development, shall be awarded or deemed valid, prior to the

conclusion of the Seismic data collection or survey, or the technical evaluation of data so collected.

- 2.4.12 All contracts with respect to Production Sharing or Petroleum Agreement shall be awarded only when the presence, the quantity and/or volume of liquid or gaseous hydrocarbon deposits is ascertained, within a specified distribution or division of blocks found within the territorial limits of the Republic of Liberia.
- 2.4.13 No production Sharing Contract or the rights to any block of Hydrocarbon Deposits shall be valid if it is awarded prior to, or in the absence of competitive bid.
- 2.4.14 The National Oil Company of Liberia, on the basis of priority, may require from licensees of production or exploitation permits, such quantity of hydrocarbons and/or bunker fuel, for domestic consumption, at competitive international market rate; to be agreed upon between the National Oil Company of Liberia and the licensee.
- 2.4.15 In the event that there shall be more than one production licensee, the National Oil Company of Liberia shall apportion the quantity of petroleum needed for domestic purposes, in such manner that no inequity shall be exercised towards a particular licensee.
- 2.4.16 When production of crude oil or any type of hydrocarbon shall commence and become available, giving rise to the National Oil Company of Liberia to exercise the rights prescribed in this law, all persons engaged in refining operations in Liberia shall be required to use Liberian crude oil. The President/CEO may however, grant dispensation from this requirement if the refiner can prove to his/her satisfaction that the use of such crude oil would, for any reason, not be suitable for its plant or equipment.
- 2.4.17 Each and every license shall contain provisions to ensure that, at the expiration of the term of the license, all fixed installations, assets and properties of the licensee appropriated to the conduct of petroleum operations, shall revert gratuitously to the National Oil Company of Liberia.
- 2.4.18 Each license shall provide for adequate sanctions for failure by the licensee to fulfill the obligations undertaken by him. The regulation to be promulgated and issued by the National Oil Company in keeping with the relevant Laws of Liberia, shall provide for penalties in the event of a breach of certain provisions and conditions laid down in the license. When such breach occurs, a fine commensurate with the nature of the breach shall be imposed and payable to the Ministry of Finance, which shall not be less than US\$500,000.00. In the event of a continuing breach, the fine, not less than US\$1,000 per day, shall be imposed.
- 2.4.19 The licensee shall, at all times, indemnify and hold harmless, the National Oil Company of Liberia and its agent against any claim for any injury, damage or loss suffered by third parties as a result of acts or omissions of the licensee's, relating to its petroleum operations.



- 2.4.20 Where a licensee fails or omits to fulfill its contractual obligation by virtue of force majeure, such failure or omission shall not be treated as a failure or omission of the licensee to comply with the provisions provided such failure is a direct consequence of such force majeure.
- 2.4.21 Force majeure shall mean any event beyond the reasonable control of the parties, such as, but not limited to, war, insurrection, civil commotion, strike, storm, tidal wave, flood, epidemic, fire lighting, earthquake, or any Act of God, or legitimate Act of State, or regulation or national order.
- 2.4.22 The period during which the fulfillment of an obligation under a license was interrupted or was rendered impossible as a result of force majeure, shall automatically be added to the period fixed by the license. Provided, however, that such extension does not exceed a reasonable period, which shall be agreed upon in each case as specified in the license.
- 2.4.23 All licensees of hydrocarbon permits, whether for seismic survey, data collection, evaluation, interpretation, or hydrocarbon development, or petroleum operations, shall be required to issue an appropriate performance bond to the National Oil Company of Liberia.
- 2.4.24 The National Oil Company of Liberia and/or all licensees shall mutually indemnify and insure one another against damages caused to the other party or a third person through the activities or negligence of the parties.
- 2.4.25 Except as otherwise provided by this Act, the minimum financial obligations to which Licensees shall be committed shall be set forth in the License and shall be determined by mutual agreement between NOCAL and the licensee.
- 2.4.26 Unless otherwise provided in a License, upon expiry of each portion of the exploration period, NOCAL and the Licensee shall determine the total amount spent on exploration jointly. The Licensee shall pay any sum by which the said total may fall short of the expenditure obligations laid down in the License to the Government.

**Section 2.5 – General Requirements:** All persons or holders of hydrocarbon or petroleum operation contract must conform or adhere to the following requirements:

- 2.5.1 All persons or holders must carry out the petroleum operations under his direct supervision and responsibility with due diligence and in compliance with the current practices in the international petroleum industry.
- 2.5.2 All holders of petroleum contracts or reconnaissance licenses shall abide by the Environmental Protection Laws of Liberia. Such holders shall avail their sites, installations to the agent(s) of the National Environmental Protection Agency of the Republic of Liberia.
- 2.5.3 In conformity with the above, the holder must carry out all operations and work using the techniques commonly used in the international petroleum

industry, and undertake particularly, all measures necessary to preserve and protect the environment, ecosystems and natural settings, as well as the security of persons and goods.

- 2.5.4 The holder of a petroleum contract is required to furnish and submit to the National Oil Company of Liberia copies of all information, data, documents and samples generated from the petroleum operations in addition to the periodic reports required by the regulations and the petroleum contract.
- 2.5.5 All such reports submitted to the National Oil Company of Liberia are considered confidential and may not be made public except as provided for in the petroleum contract, consistent with the applicable provisions of the administrative regulations and the present law.
- 2.5.6 The holder of a petroleum contract may, at his own risk, subcontract with qualified companies for petroleum operations for which he is responsible, but without prejudice to the National Interest
- 2.5.7 All subcontractors shall assume and have the same rights and obligations held by the holder of a petroleum contract to the extent and limits of the rights and operations entrusted to them. The National Oil Company of Liberia must be served a copy of the subcontract for its consent and approval.
- 2.5.8 The holder of a petroleum contract, as well as his subcontractors, shall give preference to Liberian companies for construction, supply, and service contracts, provided they offer equal quality, price, quantity, time of performance and payment conditions.
- 2.5.9 The holder of a petroleum contract, as well as his subcontractors, shall give preference to Liberians in the hiring of qualified personnel, provided the Liberians meet the need and requirements of the operations. To this end, from the outset of the petroleum operations, the holder of a petroleum contract must establish and finance a program for the training of Liberian personnel for all positions and qualifications, and in accordance with the terms established in the petroleum contract and the Labor Law of Liberia.
- 2.5.10 The holder of a petroleum contract shall comply with the safety and health standards in use in the international petroleum industry, and make certain that his subcontractors likewise comply with said measures. All accident shall be immediately reported to the competent authorities.
- 2.5.11 The holder of a petroleum contract shall, in the case of commercial production of hydrocarbons, give priority to meeting the needs of the internal Liberian market, with a part of the production obtained by this market. The conditions and methods of this requirement shall be specified in the petroleum contract, including the price of assignment. Once the internal consumption needs of the country have been met, the holder of a petroleum contract shall freely dispose of the part of production of hydrocarbons, which he will possess from said contract. The termination of a petroleum contract shall not confer, in any event, the right to refine or transform the hydrocarbons and/or the right to sell

related products, without express authorization by the National Oil Company of Liberia.

- 2.5.12 In the event a hydrocarbon field extends over several contracted areas under contract with different holders, these may be required, if necessary, to join a "pooling" agreement so as to develop the field in the best technical and economic manner. The agreement, as well as the plan of joint development, shall be presented to the National Oil Company of Liberia for approval.
- 2.5.13 In order to ensure their best use, from an economic and technical perspective, the National Oil Company of Liberia may impose on holders of petroleum contracts, conditions of realization and development of their operations and installations referred to in this law affecting the transportation of hydrocarbons by pipelines. Provided, however, that these conditions do not harm the normal economic operations of the contract holders. In the event of a disagreement between the interested developers regarding the modalities of said association, the National Oil Company may proceed to impose them as provided for in the petroleum contracts.
- 2.5.14 Consistent with the duration and the nature of their operations, the holders of reconnaissance permits shall have the benefit of the same rights and assume the same obligations as holders of petroleum contracts for similar operations, as provided for in this law or other regulation and agreements.
- 2.5.15 Licensees and their non-Liberian sub-contractors, shall award the purchase contract for Liberian or imported goods or services valued at US\$3m or less to Liberians contractors. Provided, of course, that such goods and services are competitive in quality, quantity, price and availability. In the event Liberian goods and services are not competitive with imported goods and services, and subject to the provisions of the License, Licensees shall be entitled to import all articles which may be needed exclusively for the conduct of petroleum operations, subject to the Liberian Laws of General Applicability.

**Section 2.6 – Categories or Phases of Hydrocarbon Agreements:** Consistent with this law, all agreements, permits and licenses affecting hydrocarbon deposits within the territory of Liberia, shall be divided and issued into three categories or phases. Namely: (1) Reconnaissance, Seismic & Technical Evaluation; (2) Exploration & Development (3) Exploitation & Production. License or permit shall be issued only after an appropriate and relevant agreement has been negotiated and signed by the parties, pursuant to its terms, attested to by the Minister of Justice; and approved by the President of the Republic of Liberia.

**Section 2.7 – Signatories:** The required signatories to all hydrocarbon contracts shall be as follows:

1. The Applicant
2. National Oil Company of Liberia
3. Ministry of Finance
4. National Investment Commission
5. Attested by the Ministry of Justice
6. Approved by the President of the Republic of Liberia

**Section 2.8 – Incentive:** The National Oil Company of Liberia, in collaboration with the National Investment Commission, shall consider, review and decide upon each request for investment incentives by the holder of hydrocarbon contracts with investment of US\$10 million and above, in keeping with the provision of the New Investment Incentives Code of the Republic of Liberia. All other investments below US\$10 million shall be subject to the Tax Laws of General Applications as per the Revenue Code of Liberia.

**Section 2.9 – Fishing and Navigation:** The Licensee shall not carry out any operation or authorize any operations in such a manner as to interfere unjustifiably with navigation or fishing in the Licensed Area. Additionally, the Licensee shall comply with all directions, which may reasonably be given by NOCAL concerning the following matters:

- 2.9.1 The marking by lights, buoys, signals or other means, of all structures, installations and vessels;
- 2.9.2 The marking and entire removal at the Licensee's cost and expense, any structures, installations or vessels which may become a partial or total wreck;
- 2.9.3 The provision of life saving appliances or structures on all installations or vessels;
- 2.9.4 The provision of radio and telephone communication facilities on all structures, installations or vessels for the use of the workers;
- 2.9.5 The use of aircraft in connection with petroleum operations; and,
- 2.9.6 The towing or transportation of a structure or installation into or through Liberian territorial waters.

The Licensee shall comply with the written instructions given regularly by NOCAL, from time to time, controlling the flow and preventing the escape or waste of petroleum in the Licensed Area.

### CHAPTER III OWNERSHIP OF HYDROCARBON DEPOSITS

**Section 3.1. - State's Rights in Hydrocarbon Deposits:** All Hydrocarbon deposits belong to and are the properties of the Republic of Liberia, which are held in trust by NOCAL. Whether such deposits are found on the surface of the ground or in the soil or subsoil, under the surface of rivers, ocean, streams, watercourses, territorial waters and Continental Shelf of Liberia, they remain the property of the State as stated above. Accordingly:

- i. No person or company including landowners may undertake any petroleum or hydrocarbon operation without receiving prior written authorization from the State through NOCAL.
- ii. This Law shall govern any agreement pertaining to the exploration, development or extraction and export of all types of hydrocarbons.
- iii. All holders of hydrocarbon permits or rights, shall acquire ownership of and title only to the hydrocarbon they extract by drilling pursuant to this Law and the relevant Agreement.

**Section 3.2. - Hydrocarbon Deposits, Field or Blocks:** Consistent with Chapter III of this Law, the President/CEO of NOCAL may declare an area in which hydrocarbon deposits have been discovered, as "Hydrocarbon Fields or Blocks" and may cause any unallocated rights to be awarded pursuant to the provision of this Law.

**Section 3.3. - The National Oil Company's Participation in Ownership:** The National Oil Company, in addition to other rights, interests and benefits it is entitled to receive under any and all Production Sharing Agreements, it shall also receive, free of charge, equity interest in all production operations and exploitation of hydrocarbon deposits in the Republic of Liberia. The value of such equity interest shall be twenty (20%) percent of the authorized, issued and outstanding capital shares existing at any time, without dilution.

- i. Notwithstanding the above, the State, through its National Oil Company (NOCAL), reserves the right to undertake petroleum or hydrocarbon operations on its own account or in conjunction with any party of its choice.

**Section 3.4. Stock Purchase:** The holder of the rights to hydrocarbon deposits shall notify the National Oil Company of Liberia, that shares equivalent to ten percent (10%) of its stock are available for purchase by Liberians and/or any such interested citizens.

The National Oil Company of Liberia shall notify and make available to the National Investment Commission (NIC) the shares for purchase by the interested citizens.

- i. The offer shall be made not later than one hundred and eighty (180) days after the expiration of the Exploration License or any extension thereof.
- ii. The price charged to be paid for said stock, shall be at fair market value on reasonable terms and conditions.
- iii. This offer shall remain open for one hundred and twenty (120) days.

**Section 3.5. Shares Purchased by NOCAL:** In the event the National Oil Company of Liberia elects to exercise the rights to participate in equity, as provided in Section

3.3 above, such shares shall jointly be held in trust for the Government of Liberia by National Oil Company of Liberia, the Ministry of Finance and the National Investment Commission.

- i. The Republic shall have the right to equally allocate and distribute among the several counties of the Republic of Liberia, in keeping with the directives of the President and the laws of the Republic of Liberia.
- ii. Any dividends derived from it shall be deposited with the National Government for disbursement in keeping with budgetary appropriation as provided by law.

**Section 3.6 - NOCAL'S Income in Excess of Operating Cost:** All incomes or benefits accruing to or generated by the National Oil Company of Liberia, after deducting operating cost, shall belong to and become the property of the Government of the Republic of Liberia. Neither the National Oil Company of Liberia, its agent, affiliate, contractor, nor corporate business partner, shall pledge, hypothecate, encumber or dispose of the above income or benefit, in whole or in part, without the express written consent and approval of the Government. The approval shall be valid and binding on the Republic of Liberia if granted by the President of the Republic of Liberia or through the authorized statutory agent of the Republic of Liberia.

**Section 3.7 Royalty as Tax** – The Royalty, like Tax, is the prerogative of the sovereign and therefore it is the right and property of the State. All corporations including, NOCAL, who shall engaged in the exploitation or extraction of the hydrocarbon deposits of Liberia, shall be subject to the payment of royalty on gross production, before deduction of any other cost and shall pay tax in keeping with the law of general applications. Neither the Royalty, nor the Tax of the Republic of Liberia, shall be waived, diminished, compromised, pledged or hypothecated without the appropriate written consent and approval of the Government of Liberia.

Accordingly, Royalty shall be calculated and paid on the total quantity of hydrocarbons produced by the permit holder directly to the Government on the total production from its petroleum operation. The Royalty rates applicable to the production of hydrocarbons, whether liquid or gaseous shall range as follows:

- i. Fifteen – Eighteen (15-18%) percent for liquid hydrocarbon exploited on shore;
- ii. Twelve – Fifteen (12-15%) percent for liquid hydrocarbon exploited offshore; and
- iii. Twelve – Fifteen (12-15%) percent for gaseous hydrocarbon exploited onshore or offshore.

## CHAPTER IV

### ADMINISTRATION OF THE NEW PETROLEUM LAW

**Section 4.1. Administration** - Subject to, and in keeping with the provisions of this Law, the President/CEO of the National Oil Company of Liberia shall be responsible for the administration, implementation and enforcement of this Law. Consistent with this law, the President/CEO shall promulgate or institute such other rules and regulations necessary for the achievement of the purposes and promotion of the policies set forth in the Act establishing the National Oil Company of Liberia.

**Section 4.2. Authority to Investigate** - The President/CEO or the Company's designee or such appropriate authority thereof, shall be clothed with the authority to conduct such investigations as may be necessary, appropriate and in keeping with the laws of Liberia. The objective of such investigations shall be to ensure compliance and implementation of this Law and other regulations by all persons or companies.

**Section 4.3. President/CEO's Authority to Delegate** - The President/CEO may delegate any power conferred upon him/her by this Law, excluding the power to make Regulations hereunder. The persons to whom he/she may delegate such power shall be those at the level of Deputy and Assistant Directors; and such other competent and qualified subordinate officials of the Company, commensurate with their respective functional responsibilities and in keeping with the laws of Liberia.

**Section 4.4. Establishment of a Hydrocarbon Technical Committee** - For the purpose of collaboration and cooperation, there is hereby established an ad-hoc National Hydrocarbon Technical Committee under the chairmanship, supervision, and direction of the National Oil Company of Liberia. The membership of the Hydrocarbon Technical Committee, which shall function on an ad-hoc basis, as needed by the National Oil Company of Liberia, may include but not necessarily limited to the following:

- 4.4.1 The President/CEO of National Oil Company of Liberia or his/her designee shall be Chairman;
- 4.4.2 The Ministry of Lands, Mines & Energy;
- 4.4.3 The Ministry of Justice;
- 4.4.4 The Ministry of Finance;
- 4.4.5 The National Investment Commission;
- 4.4.6 The Chairman of the Council of Economic Advisors to the President;
- 4.4.7 The Ministry of Labor; and
- 4.4.8 Ministry of Planning and Economic Affairs.

- 4.4.9 The President of Liberia may, from time to time, designate, not more than three (3) such other persons, who shall not be officials of Government, to serve as members of the Hydrocarbon Technical Committee.

**Section 4.5. Power of the Committee:** The Hydrocarbon Technical Committee shall have the power, under the chairmanship and direction of the President/CEO of NOCAL, or his/her designee, to negotiate and conclude agreements with all applicants for hydrocarbon development and exploitation rights and such related permits. The agreement so negotiated and concluded, shall become effective and binding upon the parties and the Republic of Liberia, when signed by the applicants, the National Oil Company, the Minister of Finance, the Minister of lands, Mines and Energy, the Chairman of the National Investment Commission; attested by the Minister of Justice and approved by the President of Liberia.

**Section 4.6 – Enforcement Power:** The National Oil Company of Liberia shall superintend and enforce the application of this law and shall promulgate the appropriate administrative regulations affecting hydrocarbon operations in Liberia.

- 4.6.1 It shall ensure compliance of the law and the fulfillment of all obligations assumed by the holders of petroleum contracts.
- 4.6.2 In furtherance and performance of its administrative functions assigned under this law, the National Oil Company of Liberia may make use of every regulatory means it has at its disposal and exercise all the rights of supervision and inspection of all petroleum operations.
- 4.6.3 The National Oil Company of Liberia shall, upon its own initiative, take all appropriate measures, deemed necessary and proper, or through its agent or intermediary, or through such competent administrative entities, to ensure compliance and that proper administrative and technical surveillance, economic and accounting review, provided for in the present law, are adhered to.
- 4.6.4 The holders of petroleum contracts shall, give the personnel of the National Oil Company of Liberia access to the work sites, installations, information and records required for the implementation and administration of the petroleum operations.
- 4.6.5 The holder of the hydrocarbon contract shall assist the National Oil Company of Liberia with the ways and means necessary for the implementation of its administrative and technical supervisions, as well as the review of the economic and accounting practices of the industry.
- 4.6.6 The National Oil Company of Liberia shall monitor and advise the industry and the State on methods of financial management and control of the activities, which are the subject of the present law.



**CHAPTER V**  
**HYDROCARBONS**  
**RECONNAISSANCE, SEISMIC SURVEY DATA**  
**& TECHNICAL EVALUATION AGREEMENTS**

**Section 5.1 - Seismic Survey, Reconnaissance and Technical Evaluation Agreement for Hydrocarbon Deposits:** A seismic survey, reconnaissance, and technical evaluation shall comprise all aspects of exploration, which include reconnaissance seismic survey or data collection, processing, evaluation, and interpretation of data, including experimental and exploratory drilling for hydrocarbons. A seismic Survey and Technical Evaluation Agreement for Hydrocarbon Deposit anywhere within the territory of the Republic of Liberia shall form a part of work obligations in all petroleum agreements or permits. The Seismic Survey and Technical Evaluation Agreement shall precede the granting of any other petroleum agreement or permits; except if combined in a single contractual document. In such a case, seismic work must be concluded to the satisfaction of the National Oil Company of Liberia prior to the commencement of any other phase of hydrocarbon or petroleum operation, provided such survey and evaluation have not been done. In the event the survey and evaluation have been concluded, the data must be purchased from NOCAL if the Licensee chooses not to, at its own cost, conduct a re-survey. Accordingly, the National Oil Company of Liberia (NOCAL) may enter into the following types of agreements for which it shall issue licenses or permits:

- 5.1.1 Seismic Survey and Hydrocarbon Evaluation Contract;
- 5.1.2 The reconnaissance, exploration and seismic data development permit for hydrocarbons shall be issued and remain valid for a period of one year and may be renewed once for an additional term of only one-year;
- 5.1.3 A Reconnaissance Permit shall not constitute an exploitation license or permit;
- 5.1.4 The Reconnaissance or Exploration Permits or license so granted shall not be ceded nor transferred to another person except upon special written permission from the President/CEO of NOCAL;
- 5.1.5 The conditions for obtaining and renewing the Hydrocarbon Reconnaissance Permits shall be established by Regulations promulgated by the National Oil Company of Liberia; and
- 5.1.6 A reconnaissance, exploration and seismic data collection permit shall be granted to an applicant on a nonexclusive basis to carry out hydrocarbon reconnaissance work within a specified area.
- 5.1.7 A permit with respect to reconnaissance, and seismic data collection so granted, does not give the holder any right to conclude a petroleum contract except where such privilege is expressly granted in keeping with relevant provisions of this Law or the permit.

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5.1.8 Where such privilege is granted, the disposal of the products found and extracted during the process of reconnaissance or seismic operations shall be in keeping with the relevant provision of this law.

- i. The results of the reconnaissance operations shall be communicated to the National Oil Company of Liberia in keeping with the provisions set forth in the reconnaissance permit or agreement.
- ii. The National Oil Company of Liberia may call for reconsideration of the permit granted, upon the issuance of appropriate notice that may affect the whole or a part of the area for which the reconnaissance permit has been issued.
- iii. Where a termination becomes necessary, the said permit shall cease to have any legal effect as to the affected area, but this will not give the party holding the contract the right to any damages.

Notwithstanding the provisions of the above chapter, under exceptional circumstances, and particularly in the case of deep-water areas, a reconnaissance permit may provide for its holder, the opportunity or the right to apply for and conclude a petroleum contract. In addition, all information and data collected and established pursuant to the terms of the relevant agreement under this chapter, shall be the property of the NATIONAL OIL COMPANY upon payment of the agreed fees stipulated in the agreement. Such property belonging to NOCAL may not be sold, transfer or hypothetic without NOCAL'S consent.

## **CHAPTER VI HYDROCARBON EXPLORATION AND DEVELOPMENT AGREEMENTS**

**Section 6.1 Petroleum Agreement** –A Petroleum Agreement that includes a hydrocarbon exploration permit, may be executed between the parties when a commercially exploitable reserve or deposit of hydrocarbon is discovered. The Agreement shall clearly establish the rights and obligations of the National Oil Company of Liberia and the contracting party. A petroleum agreement shall be called a “services and risks contract” when it provides for the reimbursement of petroleum costs and the remuneration to the holder shall be paid in cash.

- 6.1.1 The holder of a Petroleum Agreement for Exploration and Seismic Data Development shall assume the risks of financing the petroleum operations. The holder may exercise ownership rights over the extracted hydrocarbons during the period of validity of the contract, in keeping with the terms of the agreement and consistent with the applicable provision of the law.
- 6.1.2 Petroleum Agreements which accompany the grant of licenses or permits for the exploitation of hydrocarbons which consist of and include, exploration

permit or license as well as development agreement may also include a Production Sharing Agreement (P.S. C.).

**6.2 Exploration and Development** - The permit for Hydrocarbon Exploration and Development shall consist of the following:

- 6.2.1 A hydrocarbon exploration permit may be either a permit for exploration of hydrocarbons, if a Petroleum Agreement involves either an exclusive permit for exploration or, in case of discovery, or an exclusive permit for appraisal, if it is merely a production - sharing contract.
- 6.2.2 As to hydrocarbon development permits, they may be either a development Agreement, if a Petroleum Agreement is involved, or an exclusive exploration permit, if it is a production Sharing Contract.

**Section 6.3 – Hydrocarbon Exploration Permit:** A hydrocarbon exploration permit confers upon the holder the exclusive right to execute, at his own risk and expense, and within the perimeter defined therein and to an unlimited depth, without exclusion, any operations for the reconnaissance and exploration of hydrocarbons.

- 6.3.1 The National Oil Company of Liberia shall issue exploration permit for an initial period of not more than (3) three years and may, in accordance with its terms, extend same for an additional period of (2) two years each in cases where such extension is justified.
- 6.3.2 However, in the case of a hydrocarbon exploration permit for deep-water area which includes production-sharing contract, or a service risk contract, the contract shall be valid for an initial period of (4) four years and maybe extended for two consecutive terms of (3) three years each. The exploration permit so granted shall be exclusive to the holder.

**Section 6.4 – Extension & Renewal:** The validity of the hydrocarbon exploration permit may be renewed twice or extended, by the National Oil Company of Liberia, if requested by the holder prior to the expiration of the initial term. Such renewal shall be granted only if the holder has fulfilled the obligations required under the contract during the initial term. The initial (3) years term of the exploration permit, extended by two consecutive terms of (2) two years each, may not exceed the total of seven years for continental shelf, nor more then ten years for deep-water ocean zones.

The extension so granted may be necessary in order to allow for the completion of the exploration of the wells and the appraisal and demarcation of a hydrocarbon discovery; particularly if such discovery includes natural gas not associated with a discovery in the deep-water zones. Accordingly:

- 6.4.1 On the date of each renewal, the surface area covered by the permit may be reduced in keeping with the terms of the petroleum contract.
- 6.4.2 The period of validity of the permit may be extended according to the conditions fixed in the contract by the Parties.

**Section 6.5- Work Program and Related Requirements** - The petroleum contract shall prescribe the minimum work program and budget for exploration, which the exploration permit holder shall be required to carry out during the initial term of the validity of the permit, as well as during each extension or renewal term.

- 6.5.1 If the holder does not meet the operational work program or obligations during the time periods provided, he must pay the National Oil Company of Liberia a reasonable compensation as shall be provided pursuant to the terms established in the contract.
- 6.5.2 If a discovery during exploration suggests the existence of a commercially exploitable field, the holder is required with due diligence, to carry out the necessary operations for appraisal and demarcation of such a field. At the conclusion of said operations, the holder must determine whether the discovery is commercially exploitable or not.
- 6.5.3 The petroleum contract may provide that said operations shall be carried out pursuant to a hydrocarbon appraisal permit covering the presumed area of the discovery within the exploration perimeter. The grant of an appraisal permit, by an order of the National Oil Company of Liberia, shall allow for the exploration permit to be maintained within the appraisal perimeter.

**Section 6.6 – Discovery under Exploration Permit:** The exploration permit holder must immediately report any discovery of hydrocarbons to the National Oil Company of Liberia and conform or comply with the following:

- 6.6.1 The hydrocarbon exploration permit may confer on its holder, in keeping with regulation, the right to dispose of a part or a specified quantity of the hydrocarbons, which might eventually be extracted in the course of the exploration operation and production tests.
- 6.6.2 The right to dispose of said quantity of hydrocarbon should be subject to the prior written approval or consent of the National Oil Company of Liberia.
- 6.6.3 The rights and obligations of the holder under such circumstances shall be the same as those of a developer and producer of hydrocarbons so obtained, in accordance with the relevant and applicable petroleum contract.

**Section 6.7 – Discovery of Commercially Exploitable Fields:** When the existence of a commercially exploitable hydrocarbon field is discovered, the holder of the exploration permit may apply for a development permit and shall undertake development and exploration activities when such written authorization and permit are granted. The evaluation report, work program and budget for the commercially exploitable hydrocarbon field shall accompany the application for a combined exploration and development permit.

- 6.7.1 Prior to the granting of a development permit, the applicant shall submit to the National Oil Company, a detailed appraisal, budget and work program for the hydrocarbon field the applicant intends to develop.

- 6.7.2 When the request for development permit is granted, the exploration permit within the exploration perimeter shall be subject to cancellation.
- 6.7.3 Until such cancellation takes effect, the permit may continue to have effect up to the date of expiration, without modifying the minimum operational work program and budget for exploration operations subscribed to by the holder.

**Section 6.8 – Grounds for Extension:** If a hydrocarbon exploration permit expires without the issuance of a permit or authorization for renewal, the validity of the exploration permit on the zone affected by said request shall be extended by the National Oil Company of Liberia, until a decision is made to grant the development and exploration permit.

**Section 6.9 – Procedures for Surrender:** The holder of a hydrocarbon exploration permit may surrender the whole or a part of the area which are covered by said permit, subject to a two to three months prior written notice to NOCAL.

The surrender shall not become effective until the National Oil Company of Liberia has duly received it in writing.

- 6.9.1 A total or partial surrender of the contract area shall not be accepted or become valid, unless the holder has fulfilled the contractual obligations including work program and budget, in the time frame provided by the contract or has paid the compensation stipulated in the contract, with respect to the area being surrendered.

**Section 6.10 – Conditions for Surrender:** At the expiration or upon surrender of the hydrocarbon exploration permit, either at the end of each period of validity, the holder must perform and complete the work program described by the petroleum contract and the regulations. The holder must likewise furnish NOCAL with all the information and petroleum data in the holder's possession concerning the affected area.

**Section 6.11 – Provisional Development Permit:** During the period of validity of a hydrocarbon exploration permit, the holder may, upon request, be authorized by the National Oil Company of Liberia to provisionally develop the productive wells. Such authorization shall last for a maximum period of two years, which shall be required to carry out the appraisal and demarcation of the field in question, according to the provisions of this law.

- 6.11.1 A hydrocarbon exploration permit may be withdrawn or terminated in the event the holder fails to adhere to the provisions of this law.
- 6.11.2 The exploration permit shall terminate at its expiration date, unless the holder requests for a development permit, which request shall not be unreasonably denied.
- 6.11.3 The procedure for the preliminary examination of a request for a provisional development permit, or for the extension of the permit to new ones, and the removal of the permit are fixed by law.

**Section 6.12 – Condition for the Granting of Permit:** The holder of a hydrocarbon exploration permit who presents proof of the existence of a commercially exploitable hydrocarbon field within his perimeter after he has concluded the appraisal and demarcation shall, upon request, have the right to obtain a Development Permit.

- 6.12.1 The request for Development Permit shall be accompanied by a projected development and production plan for the field.
- 6.12.2 Such request shall be submitted to the National Oil Company of Liberia, and shall specially indicate the information concerning the recoverable hydrocarbon reserves, the estimated quantities of production, the scheme and calendar for developing the field.
- 6.12.3 Additionally, the request shall also show the plan and schedule of relinquishment, the environmental impact study, the estimated investment costs as well as the study justifying or showing the commercial feasibility of the field.
- 6.12.4 The request must also clearly designate or name the petroleum company which shall act as the operator and which shall have to prove its technical, financial, and legal capacity, as well as prove that it has the requisite previous experience satisfactory to the National Oil Company of Liberia.
- 6.12.5 The holder shall show its ability to and shall assume the obligation of carrying out as diligently as possible, all the requisite operations for the development of the commercial field in keeping with the development plan or any subsequent modifications.
- 6.12.6 During the period of validity of a hydrocarbon exploration permit, only the holder may obtain a permit for development within the perimeter of the authorized exploration.

## CHAPTER VII HYDROCARBON EXPLOITATION & PRODUCTION SHARING AGREEMENTS

**Section 7.1 Production Sharing Contract** – A Production Sharing Contract is a petroleum contract, which grants the contracting party a share of production, as provided for in the law.

- 7.1.1 The National Oil Company of Liberia, on behalf of the Government, may contract the services of a petroleum company in order to carry out, on its behalf, the production and development activities, in the commercially exploitable hydrocarbon reserves exclusively within a defined area.
- 7.1.2 The holder of the contract shall assume, among other risks, the risk of financing said operations.

- 7.1.3 In the production-sharing contract, production is shared amongst the Government, the National Oil Company of Liberia and the holder of the contract in keeping with the terms of the production-sharing contract.
- 7.1.4 The holder of the production sharing contract shall receive a part of the production sufficient to reimburse his/her cost of production and to pay for such additional cost according to the following methods:
- i. A part of the total hydrocarbon production shall be designated and allocated for the reimbursement of the petroleum costs, which are borne outright by the contract holder in carrying out the petroleum operations.
  - ii. This part of production which, in the industry, is usually called "cost oil"; may not be greater than the percentage of the production fixed in the contract, which defines the recoverable petroleum costs as well as the conditions and methods for their recovery by withholding this part from production.
  - iii. The balance of the total production of hydrocarbons, after the deduction of the portion under paragraph (i) above, which in the industry is usually called "profit oil", shall be divided between the National Oil Company of Liberia and the holder in accordance with a formula fixed by the contract.
  - iv. The contract shall specify whether the division shall be made before or after taxes on industrial and commercial earnings.

**Section 7.2 - PSC for Gaseous Hydrocarbon** – The rules for production sharing set forth may be different for gaseous hydrocarbon, in order to promote the development of natural gas fields, particularly those not associated with other reserves.

- 7.2.1 In order to encourage petroleum operations in deep water zones, the contract for production sharing which provides for reimbursement of petroleum costs and remuneration of the holder, shall take into account, directly or indirectly, the incidence of the water depth of the relevant hydrocarbon fields.
- 7.2.2 The contract may likewise provide for deep water ocean zones with possibility of including therein recoverable petroleum costs as provided above, a supplemental amount equal to a fraction of investments for development known as "deep water investment credits", which are defined in the contract.

**Section 7.3 – Rights of Permit Holder:** A hydrocarbon development and exploitation license or agreement, confers upon the holder the exclusive right to execute any operations for the development of a commercially exploitable field at his own risk and expense, within the perimeter defined therein. If necessary, the permit holder may, upon the written approval of the National Oil Company, further explore, as well as dispose of all or a part of the production of the hydrocarbons, in keeping with the terms of the petroleum contract.

- 7.3.1 Hydrocarbon Development and Exploitation Permit or agreement may not be granted to an applicant or a petroleum company, unless it can prove to the satisfaction of the National Oil Company that it has the technical, financial, and legal capacity to execute the permit or agreement. The applicant or the Petroleum Company must also duly prove to the satisfaction of the National Oil Company of Liberia, that it has the requisite experience as an operator to perform the task in similar zones and under similar conditions.
- 7.3.2 The issuance of a development permit does not confer property title to a hydrocarbon field; it creates a right of limited duration which may not be mortgaged, unlike that of the title to the surface, which may be ceded or transmitted according to the conditions provided by the present law.

**Section 7.4 – Scope:** The scope of a Hydrocarbon Development Permit shall be stated in the permit and it shall cover the area stipulated in the permit.

**Section 7.5 – Relinquishment:** The holder of a development permit shall have the right to relinquish, in whole or in part, the area covered by the permit upon serving written notice on the National Oil Company of Liberia, six months prior to relinquishment; provided he meets the obligations due under the contract.

- 7.5.1 The relinquishment shall not take effect until the statutory and regulatory requirements are met.
- 7.5.2 In the case of partial relinquishment the statute and/or the regulation shall define the perimeter or area to be kept by the holder.
- 7.5.3 Total relinquishment of the perimeter or area, which is the object of the petroleum contract, shall give rise to the lapse or termination of said contract.
- 7.5.4 At anytime the Licensee may relinquish his rights subject to the requirements of notice as laid down in the License and to the fulfillment of any obligations, which were incurred with reference to the period up the date of relinquishment.
- 7.5.5 Unless otherwise provided in a license, the Licensee shall be set at liberty to terminate his License, wholly or in part, on giving to NOCAL not less than 160 days notice in writing provided he fulfills all his obligations up the date of termination.
- 7.5.6 Not less than the end of the third and fifth years after the Effective Date, the Licensed Area (less any area covered by a Production License) which pertains to the Shelf Area, shall be reduced by not less than 30% each time. Not later than the fourth and seventh year after the Effective Date, the Licensed Area (less any area covered by a Production License) which pertains to the deep Water Area shall be reduced by not less than 30% each time.
- 7.5.7 Unless otherwise provided in a License, the Licensee shall designate the area to be surrendered and shall notify NOCAL thereof not less than ninety (90)



days in advance of the date. The area to be surrendered shall consist of blocks the average length of which shall not exceed three times their average width. If this shall not prove practicable, the shape and size of the blocks shall be mutually agreed upon between NOCAL and the Licensee.

**Section 7.6 – Effect of Force Majeure:** If a field of hydrocarbons for which a development permit has been granted remains undeveloped for six months or more, as a consequence of the event of force majeure, the permit may be withdrawn by National Oil Company of Liberia, after formal written notice is given to the holder, to recommence development operations within a maximum time period of six months.

Failure to comply with the notice to recommence development operation after the event of force majeure has expired and the formal notice has gone into effect without result, the National Oil Company of Liberia shall terminate or withdraw the permit so granted.

**Section 7.7 - Demobilization Cost Related to Termination:** At the expiration of the development permit, either at the conclusion of its normal term, or as a result of surrender or withdrawal of the permit, the holder shall, in the absence of a contrary agreement granted by the National Oil Company of Liberia, undertake at its own cost, the process of withdrawing, removing and terminating its operations from the development area or field in keeping with the regulations and/or the relevant provisions of the permits or petroleum contract. At termination, all installations, fixed assets, material, materiel, lands and other related items, which are necessary for the continuation and pursuit of the development of hydrocarbons, shall escheat and inure at no cost, to the benefit of the National Oil Company of Liberia.

## CHAPTER VIII TRANSPORTATION OF HYDROCARBONS

**Section 8.1 – The Right to Transport:** The holders of petroleum contracts, or each of their co-holders shall have the right to transport hydrocarbons within their own installations and within the territory of the Republic of Liberia, their territorial sea, their exclusive economic zone, during the period of validity of the contract, in accordance with the conditions set forth in this Law without prejudice.

- 8.1.1 The holders or their co-holders shall have the right to transport hydrocarbon or the products resulting from their development activities or their portion of said products, towards sites for collection, treatment, storage, loading and marketing.
- 8.1.2 The authorization provided herein may be transferred or assigned while the holders still maintain ownership of the means of transport including the associated liability and indemnity.
- 8.1.3 The rights to assign such authorization or rights of transport granted herein, to a third party, are subject to the prior written approval of the National Oil Company of Liberia.

- 8.1.4 The beneficiaries of the above mentioned assignments must meet the conditions stipulated in the present law and its administrative regulations for the construction and development of pipelines and concerned installations.

**Section 8.2 - The Right to Construct Pipelines:** The holder, in collaboration and in conjunction with others, including the National Oil Company of Liberia, shall have the right to install or develop pipelines for the transportation of hydrocarbons, from the production site to destinations of their choice provided such construction meets internationally accepted environmental and safety standards of the industry.

- 8.2.1 The holders of petroleum contracts may be linked among themselves to jointly undertake the transportation of extracted products from their development operations.
- 8.2.2 All agreements or contracts made between the interested parties, with respect to the construction, installation and development of pipelines for the movement or transportation of hydrocarbons, within and out of the Republic of Liberia, shall be subject to the prior written approval of the National Oil Company of Liberia.

**Section 8.3 – Technical Specifications:** The technical specifications, the layout and the characteristics of the pipelines and associated installations, must be certified in accordance with established industry and international standards.

- 8.3.1 The certification so obtained must be approved by the National Oil Company of Liberia guaranteeing the worthiness of the pipelines for the collection, transport, and movement of the products extracted from hydrocarbon fields, by using the best technical, ecological, environmental and economically sound standards.
- 8.3.2 The National Oil Company of Liberia may require the holders of petroleum contracts or their beneficiaries or assignees to join with others in the utilization of the pipelines and associated installations for the removal of the whole or a part of the hydrocarbon productions.

**Section 8.4 – Procedure for Pipelines Permit:** A permit for transportation of hydrocarbons by pipeline shall be granted in keeping with the relevant law and regulations. Accordingly, the permit shall be granted in keeping with the following procedures:

- 8.4.1 The request for the construction project for the pipelines and the related installations, accompanied by the appropriate diagrams, blue prints and maps of layouts including the declaration guaranteeing that the project meets all safety and environmental requirements, must be submitted to the National Oil Company of Liberia for approval.
- 8.4.2 The acquisition and occupation of lands needed for the pipelines and related installations shall be in accordance with the Laws of the Republic of Liberia, the provisions of these laws and related regulations and contracts.

- 8.4.3 The transportation permit also authorizes the holder with the right to construct pipelines and associated installations on parcels of land which may belong to others provided the appropriate legal requirements are adhered to.
- 8.4.4 The owner of such land, which is encumbered by the pipelines, shall refrain from any act likely to interfere or harm the proper functioning and usage of the pipelines and installations.
- 8.4.5 Just compensation in keeping with law shall be paid to private landowners for the parcel of land encroached upon or encumbered by the pipelines.
- 8.4.6 When the pipelines or installations interfere with the normal use of the land, such that the owner presents a claim, the holder must proceed to acquire said parcels.

In the event the Parties fail to amicably agree on the value or price to be paid, the State through the National Oil Company of Liberia may intervene by way of condemnation or eminent domain and pay the appropriate compensation due in accordance with law.

**Section 8.5 – Failure to Commence:** Failure to commence construction, installation, operation and utilization of the pipelines, one year after the approval of the hydrocarbon transportation project, the transportation permit for the hydrocarbon shall become null and void.

**Section 8.6 – Sharing of Pipelines:** The company which develops and owns the pipelines for the transportation of hydrocarbons may be required by the National Oil Company of Liberia to make the space in excess of its needs available to transport and carry products originating from other hydrocarbon development sites.

- 8.6.1 The National Oil Company of Liberia may intervene in this manner only in the event the parties fail to come to an amicable agreement for the sharing of the pipelines.
- 8.6.2 No discrimination as to the transportation cost shall be allowed for such products, given comparable conditions of quality, regularity, and sale.
- 8.6.3 The conditions and methods of setting transportation tariffs shall be established in the relevant contract in accordance with the administrative regulations or the present law.

**Section 8.7 – Failure to Comply:** If the holder of a hydrocarbon transportation permit fails to comply with the applicable provisions of this law and other related provisions of law and regulations, the National Oil Company of Liberia shall order the holder to comply within ninety (90) days.

- 8.7.1 If however such non-compliance poses a threat to public safety, environmental standards, National Security or Defense, compliance shall be ordered immediately or sooner than ninety (90) days.

- 8.7.2 The order given by the National Oil Company of Liberia shall take into account the application of all relevant provisions of this law, public safety, the protection of the environment, internationally accepted standards, the administrative regulations and the relevant contractual obligations.
- 8.7.3 If the holder fails to comply with the order or injunctions, the National Oil Company of Liberia shall suspend, if necessary, the operations and withdraw the transportation permit and/or the license for the construction and installation of the pipelines at the expense and risk of the holder.
- 8.7.4 All infrastructure development or investment made by the holder shall become the property of the National Oil Company of Liberia.

## **CHAPTER IX**

### **THE UTILIZATION OF PUBLIC OR PRIVATE LAND**

**Section 9.1 - Rights to Utilize Public and Private Lands:** In keeping with the applicable provisions of the Laws and Regulations of the Republic of Liberia with respect to the utilization of public and private land in each of the areas concerned, the holder of a petroleum contract may:

- 9.1.1 Occupy the land necessary for the execution of petroleum operations and related activities, particularly those activities referred to in paragraphs (b and (c) above, and related to the housing of personnel working in the work yard.
- 9.1.2 Carry out or have carried out the infrastructure development necessary for the construction of pipelines, petroleum operations and related activities, including the transportation, storage of materials, equipment and products. It may also utilize public or private land for the establishment of telecommunications and other means of communication, as well as the production or supply of energy necessary for the petroleum operations.
- 9.1.3 Carry out or have carried out drilling operations and the work required to furnish water for personnel, for operations, and for installations in keeping with the regulations affecting water production.
- 9.1.4 Take and use or cause to be taken and used, the ground materials needed for the activities referred to above, subject to the payment of fair compensation to the owner or the appropriate and corresponding fees for the utilization of ground materials extraction.

**Section 9.2 - Restricted Use of Land:** Except in cases of special authorization, the holder of a petroleum contract may not occupy nor carry on construction or execute any petroleum operations on any of the following parcels of land:

- 9.2.1 Land located less than fifty meters from any building whether religious or not, Governmental buildings, or those in use by a public entity, walled enclosures, court and gardens, residences and groups of residences, villages, settlements, cultural reserves, burial grounds, wells, water sources, reservoirs, roads, paths,

railroads, water drains, pipelines, work declared to be of public interest and works of art.

- 9.2.2 Land located less than one thousand meters from a foreign border or an airport.
- 9.2.3 Land declared by the State as national parks, protected areas, or comparable Reserves.

**Section 9.3 – Requirements for the Use of Land:** The occupation and utilization of land for the exercise of the rights referred to in this law, are subject to mutual agreements between the holder of a petroleum contract and the owners of the land and the beneficiaries. Provided that:

- 9.3.1 In the absence of an amicable agreement, the National Oil Company of Liberia may intervene so as not to delay the normal course of petroleum operations without prejudice to the rights of the legitimate owners of the land or the beneficiaries. Provided that:
  - i. The mediation of the National Oil Company of Liberia may include the payment or the reasonable and just compensation to the legitimate owners of the land.
  - ii. After successfully mediating between the parties, the National Oil Company of Liberia shall cause to be issued the appropriate permit or clearance for the occupation and use of the land.
  - iii. The permit shall indicate the location, the metes and bounds, the duration and the amount of compensation paid or due to be paid. All of the above must be fulfilled prior to the taking of possession by the holder.
- 9.3.2 The occupation of lands belonging to private persons entitles the latter to the rights of a reasonable annual compensation equal to the value of the land or the equivalent of the income the owner was receiving from the land prior to the occupation by the holder.
  - i. Such payment shall continue for the entire duration of the occupation.
- 9.3.3 When an occupation of private land deprives the owner of the use of his land for a period greater than two years, the owner of the land may require the holder of the petroleum contract to acquire the land.
  - i. The land to be thus acquired shall be purchased at the fair market value.
  - ii. The owner or any of the parties shall have the right to refer any differences, which cannot be resolved among them, to a court of competent jurisdiction within the Republic of Liberia.

- iii. Compensation other than to the State, for the occupation or possession of any land shall be made only where the claimant can present a bona-fide and convincing title to the property.

**Section 9.4 – Eminent Domain/Public Purpose:** In order to facilitate the realization of petroleum operations, installations and related activities, the State may expropriate private land and declare same for public, upon the request of the National Oil Company of Liberia, for the purposes of public interest, convenience and necessity. The holder of a petroleum contract may request, through the National Oil Company of Liberia, that the State by way of appropriate legal action, facilitate the availability of the needed land in keeping with the following:

- 9.4.1 When circumstances so require, an expropriation for reasons of public interest of all lands and goods according to the current regulations and legislation shall take place; the holder of the petroleum contract shall be responsible for any expenses, compensations and charges resulting from the procedures of expropriation.
- 9.4.2 The compensation for the cost of expropriation shall be equal to half the value paid to the owner of the expropriated land, where said value is determined by the use of the land prior to the expropriation or, as the case may be, prior to the occupation.
- 9.4.3 Any disputes related to said compensation shall be submitted to the civil courts for resolution. The transfer of property shall be effectively declared following the expropriation procedure.

**Section 9.5 – Effect of Partial Cancellation:** The partial or total cancellation of a petroleum contract shall not affect the rights granted to the holder of a petroleum contract with respect to other operations such as, pipelines installations carried out in the application of the provisions of the present section. The right granted herein shall remain valid as long as said operations, and pipeline installations are used in the course of the holder's activities affecting the part eventually kept by the holder, or affecting other petroleum contracts.

**Section 9.6 – Indemnity & Remedy:** All expenses, indemnities and charges caused by the occupation of land necessary to petroleum operations shall be for the account of and borne by the holder of the petroleum contract. The holder of a Petroleum

Contract or its subcontractor is required to remedy all injuries or harms caused or induced by the holder in the course of its petroleum operations or related activities or by installations located within or without the perimeter of the area under contract. Accordingly:

- 9.6.1 The National Oil of Liberia may not incur any liability, directly or indirectly, with regard to third parties for the harms caused by the holder of a petroleum contract.
- 9.6.2 Each petroleum contract shall stipulate the conditions and methods of guarantee and assurances which the holder of the contract must furnish the

National Oil Company of Liberia for the implementation of the provisions of the present law.

## **CHAPTER X**

### **FISCAL REGIMES, CUSTOMS PROVISIONS & EXCHANGE REGULATIONS**

**Section 10.1 – Fiscal Regime – Law of General Application:** All holders of petroleum contracts and their partners shall be subject to the payment of taxes and fees in accordance with the Revenue Code of Liberia Act of 2000 or the Tax Law of General Application.

**Section 10.2 – Transfer & Withdrawal Fees:** Requests for assignment, renewals, termination, transfer or withdrawal from petroleum contracts and the related permits are subject to the payment of fixed fees. The fees so charged shall be as are specified within the provisions of the Revenue Code of Liberia Act of 2000, or such other relevant and applicable regulation.

**Section 10.3 – Surface Rental:** Holders of petroleum contracts shall pay an annual surface rental to the Republic of Liberia in an amount specified within the applicable regulation and relevant provision of the Contract.

**Section 10.4 – Production Fees:** Holders of production sharing or petroleum operation contract specified in the present law, are required to pay a monthly fee proportional to production in keeping with the rate specified in the respective agreement. The rate for said fee, as well as the basic rules and regulations for the collection and payment, which may be different for liquid hydrocarbons and for gaseous hydrocarbons, shall be specified in the agreement.

- 10.4.1 The collection may be made in kind or in cash, according to the procedure or modality established in the agreement.
- 10.4.2 All Petroleum Contracts shall also specify that the National Oil Company of Liberia is subject to pay the taxes on its share of profit oil in accordance with the Tax Law of General Application in keeping with the Revenue Code of Liberia.
- 10.4.3 The contractor shall calculate and pay the amount of taxes due and payable on its share of the profit oil, in accordance with the Law of General Application as provided in the Revenue Code of Liberia. The contractor shall pay all taxes due and payable on its share of profit oil, directly to the Government of Liberia through the Ministry of Finance. Thereafter, the Contractor shall deliver a copy of the tax receipt to the National Oil Company of Liberia for its file.

**Section 10.5 – Tax on Net Profit & Accounting Methods:** Holders of petroleum contracts or companies referred to herein, shall be subject to a direct tax on their industrial and commercial profits. The tax so imposed shall be on the net profit earned from the total activities of the hydrocarbon exploration and development in the territory of the Republic of Liberia. The territory referred to herein shall apply to the

territorial waters, the exclusive economic zone, and the continental shelf in accordance with the conditions as set forth in this law. The National Oil Company of Liberia also, like any oil company, shall be subject to the Tax Law of General Application in keeping with the Revenue Code of Liberia, on their share of profit.

- 10.5.1 Holder of a petroleum contract shall maintain a separate accounting of its petroleum operations in Liberia for each fiscal year to include the accounting of productions and showing both the results, the amount of income, and expenses which are therein recorded or directly related.
- 10.5.2 Net profit subject to taxation referred to in the first paragraph, is the difference between the amounts of gross income and all expenses, including supplementary contributions, at the end of the account period.
- 10.5.3 Net assets are total assets minus claims, amortization, and all other authorized or allowable deductions.
- 10.5.4 Debts, which the company justifies as un-collectible during the course of petroleum operations, may be admitted as bad debt against taxable earnings in keeping with the Revenue Code of Liberia.

**Section 10.6 – Accounting Procedures:** The following must be particularly credited to the production account and the resulting amounts as provided herein.

- 10.6.1 The value of products sold, which must be in accordance with the current international market prices established according to the provision of petroleum contract which are applicable to the company.
- 10.6.2 If necessary, as regards petroleum agreements, the value of the share of production delivered in kind to the National Oil Company of Liberia by means of a proportional share of the production shall be in accordance with the applicable provisions.
- 10.6.3 If required, revenues from storing, treatment, and transportation of hydrocarbons as well as from the sale of related substances.
- 10.6.4 Increase in value from the assignment or transfer of any part of assets are excluded, as long as the assigning company, using the values appearing on the books of the company in question has accounted for the assets so assigned.
- 10.6.5 Any other revenues or production related to petroleum operations.

**Section 10.7 – Methods of Determining Net Profits:** Net profits are arrived at after deducting all expenses borne in the course of petroleum operations, which include; principally:

- 10.7.1 General expenses of any kind, personnel expenses and related charges and costs, rent for buildings, costs of supplies, the cost of services contracted by the holders of petroleum contracts:



However, as for the expenses referred to in the preceding paragraph:

- i. The cost of supplies, personnel and services contracted by related companies or holders of petroleum contracts should not exceed those which normally would be borne under circumstances of open competition between an independent supplier and seller for similar supplies or services offered.
- ii. Likewise, only a reasonable portion of administrative expenses for the company's head office abroad are deductible as expenses related to the petroleum operations carried out in the territory of Liberia according to the petroleum contract.

10.7.2 The amortization included in the company's accounting, with the limits and rates defined in the petroleum contract, and including the amortization, which would have been deferred in the course of previous deficit periods. The amortization begins on the date of first use of the goods and is carried out until such goods are wholly amortized. The production-sharing contract may define the particular methods of amortization of petroleum costs, which are recoverable.

10.7.3 The interest, premiums and loans placed at the disposal of the company by third parties abroad must be previously declared to the National Oil Company of Liberia;

- i. If they are for petroleum operations, for the development of fields and the transportation of hydrocarbons, to the extent that these do not exceed the normal rate of usage in international financial markets for similar loans.
  - ii. If they are the interest and premiums charged to associates or to affiliate companies by reasons of the amounts placed at the disposal of the company in addition to their part of capital.
  - iii. If said sums are destined to cover a reasonable share of investments in development of hydrocarbon fields and transportation of their production in Liberia;
  - iv. And if the interest rates do not exceed the rates mentioned above and are not in contravention of the Revenue and Finance Law of Liberia.
4. If applicable, and as regards concession contracts, the total amount due from production paid to the National Oil Company of Liberia, either in kind or cash, in the course of applying the provisions of this law.

- i. Reasonable fees incurred in the course of losses or charges specifically charged and which the then circumstances rendered likely;
6. Subject to contrary contractual stipulations, all other losses or charges directly linked to petroleum operations, with the exception of the amount of company taxes referred to above, and other charges and losses which are not deductible according to provisions of the General Revenue Code.

#### **Section 10.8 – Deduction for the Costs of Producing Income:**

10.8.1 Expenses. A taxpayer is permitted a deduction for the ordinary expenses of producing income during the tax year, as limited under Section 206. Included as an expense of producing income is the annual allowance for depreciation or amortization of capital expenditures permitted under Section 204.

10.8.2 Loses: A taxpayer is permitted a deduction for losses incurred in a business and sustained during the tax year.

- ii. Except as limited by subsection (e), a tax payer is permitted a deduction for losses incurred in a business and sustained during the tax year, including a loss from the disposition of property used in a business, provided that the loss is not compensated for by insurance or otherwise.
- iii. A tax payer is permitted a deduction for loss incurred on the disposition of property other than property used in a business if the property is held for investment, but only to the extent that the loss is offset by gain on the disposition of investment property during the tax year. Unused investment loss may be carried forward to future tax years.

10.8.3 Bad Debts. No deduction for bad debts, or for contributions to reserves for bad debts permitted except as provided in this subsection.

- i. A taxpayer is permitted a deduction for the amount of a business bad debt that becomes un-collectible and that during the tax year is charged off on the taxpayer's books of account, provided the amount was previously included in gross income.
- ii. A financial institution regulated by the Central Bank is permitted a deduction for additions to a reserve for bad debts in accordance with the rules and regulations of the Central Bank.

10.8.4 Business Interest. A taxpayer is permitted a deduction for interest on business indebtedness, limited to the interest attributable to a tax year and accrued or paid (consistent with the taxpayer's method of accounting) during that tax year. The deduction for interest payable to any person other than a resident bank is limited to the amount of interest received plus 50 percent of taxable income other than interest income.

10.8.5 Net Operating Loss Carry forward. If the taxpayer's costs of producing income for a year exceed the taxpayer's income, the excess loss is carried forward to the next tax year, and if not fully absorbed by income of the

business in the year then to succeeding tax years; but no carry forward is allowed to years following the fifth succeeding tax year.

**Section 10.9 – Payment Procedures:** The tax on profits is calculated and collected according to the methods provided for by the Revenue and Finance Law subject to the particular provisions of the present chapter.

10.9.1 A petroleum contract may however allow for payment in foreign currency or in kind with a system of possible provisional installments and specific accounting rules for petroleum operations, particularly, the conditions and methods of keeping the accounting books and registers in foreign currency.

**Section 10.10 – Bonus to NOCAL:** A petroleum contract may allow for a bonus known as “signing bonus” which the holder agrees to pay the National Oil Company of Liberia upon the signing of a contract. In addition, the holder is also obligated to pay the National Oil Company of Liberia, a bonus known as a “production bonus” payable on the amount of hydrocarbon productions.

**Section 10.11 – Petroleum Levy:** To the extent that the petroleum contract provides, the holder of said contract may be subject to an additional petroleum levy calculated on the profits of petroleum operations. The National Oil Company of Liberia shall also pay the levy on their share of profit oil in accordance with the Revenue and Finance Law.

**Section 10.12 – Tax Exemption:** Except for the tax on industrial and corporate profits referred to herein, and in the case of a levy on production of an additional petroleum levy and other taxes noted in this law, the holder of a petroleum contract is exempt from paying:

10.12.1 Any other tax on profits and earnings paid to shareholders or the holder of the petroleum contract.

10.12.2 All taxes, rights, fees, or contributions of any sort, whether national, regional, or communal, affecting the petroleum operations and any earnings hereof, or on goods, activities or actions of the holder of the petroleum contract and his establishment and functioning in the execution of the present law.

10.12.3 Value added tax, the tax on services contracted and on the installment on various taxes instituted by the general applications of the Revenue and Finance Law, regarding the acquisition of goods and services directly and exclusively related to the exercise of their petroleum activities. The practical methods of implementation shall be stipulated in a Government order.

10.12.4 Goods and services not directly affected by petroleum operations and thereby not triggering a right to a deduction, in the application of the provision in accordance with the General Revenue Code, are excluded from the benefit of exoneration offered to value added taxes.

10.12.5 The exoneration of value and taxes, of taxes on service contracts and on the installment of various taxes shall be applied in the same conditions for companies holding a petroleum subcontractor contract.

10.12.6 The petroleum contract will specify that the government will pay taxes for the contract holder out of the government's share of "Profit oil".

**Section 10.13 – Accountability of Contract Holder:** a holder of a petroleum contract is accountable under common law provisions for rights of registration, or authorization or land advertisement and the tax on motor vehicles, with the exception of rights or registration relative to loans, guarantees, or contracts, which are directly related to petroleum operations.

**Section 10.14 – Miscellaneous Fee:** All the holders of petroleum contracts are obligated for the payment of related taxes withheld at the source for the Public Treasure account, particularly as regards taxes on income, taxes on earnings, and land taxes. This does not apply to taxes and fees paid on interest to non-resident lenders for funds related to development investments.

**Section 10.15 – Declaration:** All companies are required to file copies of all declarations and all documents with the National Oil company of Liberia in keeping with the regulations under common law. This includes such declarations and documents that are related to petroleum operations whether it benefits from an exoneration of all fees or taxes, in accordance with the applicable provisions of the present law.

**Section 10.16 – Service Fee:** A company remains subject to the taxes charged as against services rendered, and more generally, subject to all fees and other charges whose fiscal characteristics follow the modalities set forth in the petroleum contract.

**Section 10.17 – Subcontractor Tax Benefit:** Eligible subcontractors offering petroleum services may benefit from the simplified fiscal regime provided for in accordance with the Revenue and Finance Law.

**Section 10.18 – Petroleum Action Funds:** Petroleum Action Funds shall be established to promote research, training and development in hydrocarbon and other energy resources. The Petroleum Action funds shall be funded from a fixed percentage of the resources paid to the National Oil Company of Liberia, from the petroleum contract.

**Section 10.19 – Custom Provisions:** Subject to the particular provisions applicable to petroleum operations, the holders of petroleum contracts and their subcontractors are subject to the Customs Regulations of the Revenue Code of the Republic of Liberia.

**Section 10.20 – Procedures and Conditions for Investment Incentives:** All Holders of petroleum contracts and their subcontractors, with the minimum threshold of United States Dollars Ten Million Dollars (\$10,000,000.) shall be eligible for exemption in accordance with National Investment Incentive Code. Accordingly, the contractor(s) shall adhere to the below procedures and conditions as follows:

- 10.20.1 The National Oil Company of Liberia, upon the recommendation and approval of the National Investment Commission, shall establish a list of materiel, materials, and chemical products, machines and equipment that may benefit from these exemptions.
- 10.20.2 Said list, which shall be annexed to a petroleum contract and shall be periodically reviewed to take into account technical changes, and in accordance with the competent administrations and the approval of the Commission.
- 10.20.3 Merchandise referred to in the first paragraph, which is imported by the holder of a petroleum contract and is capable of being re-exported or transferred after being used may benefit from a temporary import treatment, with a contractual guarantee fixed by law or regulations.
- 10.20.4 Said assignments may be made only to holders of petroleum contracts and their specialized subcontractors and exclusively for activities related to petroleum operations.
- 10.20.4 Expatriate employees or holders of petroleum contracts and their subcontractors shall have the right to import into the Republic of Liberia, exempt from all entry taxes and fees, their personal and household effects used for their personal use, at the moment of their first arrival. They may likewise import automobiles for their personal use under the temporary importation regime.

**Section 10.21 – Items Subject to Custom Charges:** When merchandise imported under provisions of this law are no longer directly related to petroleum operations or to the personal use by expatriate employees, the merchandise shall lose the exemption benefit from the customs privileges allowed in the present law.

The right and taxes of the holder of the petroleum contract, his subcontractors or employees, shall be owed and are calculated on the real value of said merchandise at the date of their purchase for consumption. In the case of temporary importation, the collection is taken on a fraction of the rights and taxes, which were suspended.

**Section 10.22 – Import & Export Procedures:** Importation and exportations are subject to all formalities required by the Customs Administration. However, some particular provisions may be made so as to speed up the necessary formalities required by the Customs Administration for the importation of merchandise destined for petroleum operations. Such dispensation of administrative formalities may be applied in order to avoid the qualitative, quantitative, and price comparison inspection for materials, machines and equipment destined for petroleum operations.

**Section 10.23– Tax & Fee Exemption of Hydrocarbons:** Petroleum contract holders shall have the right to export without any fees or taxes the fraction of hydrocarbons which is due them pursuant to the petroleum contracts.

**Section 10.24 – Exchange Regulations & Banking:** Subject to compliance with the applicable provisions regarding exchange regulations and the derogation offered by

the Central Bank of Liberia, the holders of petroleum contracts may benefit from the following guarantees:

- 10.24.1 The right to open and operate in the Republic of Liberia and abroad, accounts in local and foreign currency.
- 10.24.2 The right to deposit abroad the funds acquired or borrowed, including revenues from the sale of their quota of the share of production, and to dispose of it freely, within the limits of the amounts which exceed their fiscal obligations and local requirements for their petroleum operations in Liberia.
- 10.24.3 The right to transfer abroad the receipts from local sales of hydrocarbons (if these exceed their local requirements), the dividends and products of all kinds, of invested capital as well as the products of liquidation or sale of their assets.
- 10.24.4 The right to directly pay abroad suppliers not residing in Liberia for goods and services necessary to the carrying out of petroleum operations.
- 10.24.5 Freedom to convert between the zone dollar and the West African Economic and Monetary Union local currency and convertible foreign currencies.
- 10.24.6 Expatriate employees of the holders of petroleum contract are guaranteed the right to convert and transfer to their country of origin all or part of their income earned during the course of their employment after meeting their tax obligations in accordance with the tax law of general application.
- 10.24.7 The petroleum contract may stipulate those foreign subcontractors or the holder of a petroleum contract and their expatriate employees may benefit from the same guarantees.

**Section 10.25 – Conditions for Administration:** The conditions for administration of the present chapter shall be as provided herein and or by the application of the relevant laws of Liberia and the Petroleum Contract.

## CHAPTER XI LAW, DISPUTE RESOLUTION AND PENALTIES

**Section 11.1 – Applicable Law:** All petroleum contracts and reconnaissance permits are subject to and shall be governed by the laws and regulations of the Republic of Liberia. All petroleum contracts including Seismic Survey and Technical Evaluation Agreements already signed and existing at the time of the passage of this law, shall be modified and amended to conform and comply with this law within one year as of the date the law is approved. All such Petroleum contracts in effect as of the date of passage of the present law, including exploration licenses and permits and related orders, shall remain in effect for the duration of the period of validity.

**Section 11.2 – Dispute Resolution:** The appropriate provisions in the respective contracts, licenses or permits shall govern the procedure for settlement or resolution of disputes. A choice of forum for such dispute resolution shall be as provided in the applicable provision of the contract. Any dispute arising between the parties with respect to petroleum contract, reconnaissance permit or any other agreements which

have to do with hydrocarbons, shall be governed by this law and other applicable laws of Liberia.

**Section 11.3 – Penalty:** Violations of this law and the applicable administrative regulations, shall be punishable by a fine not less than US\$100,000 depending on the gravity of the case and the damage caused by the violation. Any court of competent jurisdiction or such competent official or administrative forum shall hear the case.

**Section 11.4 – Sanctions and Fines:** Each license shall provide adequate sanctions for the failure of the licensee to fulfil the obligations undertaken by the holder. The regulations promulgated by the National Oil Company of Liberia, shall determine and establish the sanction to be thus imposed. The maximum sanction or fine imposed by the regulation shall not exceed US\$500,000.00 for a one time or single violation, except in the case of damage to individuals, properties or the environment. Notwithstanding, in the event of continuous breach of contract or violation of the regulation, the fine or penalty shall be set at US\$1,000 per day for as long as the violation continues.

**Section 11.5 – Failure to Remedy:** The holder's failure to remedy any serious violation, or breach of contract after being duly notified, shall be grounds for the National Oil Company of Liberia or the appropriate agency of Government to terminate or cancel the contract or relevant permits and rights granted to the holder.

**Section 11.6 – Supersede-as Clause:** This Act supersedes any and all Acts, Decrees, or Regulations; or provisions contained in any such other Decree, Act or Regulations found to be inconsistent with this Law or provisions hereof. Accordingly, other than the Act establishing the National Oil Company of Liberia (N.O.C.A.L.), all Regulations, Decrees, Acts or Laws that are inconsistent with this Law, are hereby repealed and declared null and void, to the extent of such inconsistency.

## CHAPTER XII MISCELLANEOUS PROVISIONS

**Section 12.1 – Application of the Law to NOCAL:** The National Oil Company of Liberia shall enjoy the same benefits and rights and be subject to the same obligations which apply to a holder of a petroleum contract. Particularly, The National Oil Company of Liberia like, all holders of hydrocarbon contracts or permits, shall be subject to the fiscal regime, customs, and exchange provisions of the present law and the administrative regulations.

**Section 12.2 – Recession:** Recession of a contract by a holder shall not become effective until the holder fulfills all obligations due and payable to the National Oil Company of Liberia, in keeping with the petroleum contract with respect to environmental protection and other regulatory requirements.

12.2.1 Each petroleum contract shall provide the procedure, which the holder is obligated to follow at the conclusion of a permit or a petroleum contract in keeping with the code and the regulations.

- 12.2.2 As provided above, all fixed assets or non-movable items remaining after the conclusion or termination of the contract or permit are residual property reserved to and for the benefit of the National Oil Company of Liberia.

**SECTION 12.3 – ENVIRONMENTAL REQUIREMENTS:** Without limiting the environmental requirements or standards, all holders of hydrocarbon or petroleum contracts, including The National Oil Company of Liberia (NOCAL), shall conform to internationally accepted standards of the industry with respect to environmental protection and regulations. Accordingly, in addition to all other internationally accepted requirements and standards, the holders of Hydrocarbon or Petroleum Contracts shall be required to meet and perform the following standards and duties as set forth:

- 12.3.1 In the construction and use of pipelines, and the use vessels, vehicles and other means of transporting hydrocarbons, all holders of Hydrocarbon Contracts, including the National Oil Company of Liberia, shall utilize such materials, equipment and construction techniques necessary to ensure maximum public safety and security. In order to avoid adverse impact on the environment and the people, the techniques, materials and equipment use shall meet internationally accepted standards that are conducive and adaptive to the region and locale.
- 12.3.2 All holders, including NOCAL, shall undertake environmental impact assessments programs.
- 12.3.3 All holders, including NOCAL, shall undertake measures to reduce emission and effluents caused by energy production and use.
- 12.3.4 All holders, including NOCAL, shall undertake measures to curtail wasteful use of energy without compromising energy efficiency and, where appropriate, introduce a conservation ethic.
- 12.3.5 All holders including NOCAL, shall undertake measures to facilitate energy research, technology development and its wider diffusion and shall promote the development and use of environmentally friendly energy sources, including renewable energy technologies that are especially compatible for rural populations.
- 12.3.6 All holders including NOCAL, shall undertake measures to ensure that energy operations are safe and secure from accidents, waste dumping and pollution.
- 12.3.7 All holders including NOCAL, shall institute necessary and proper measures to protect workers health and maintain a safe working environment and place.
- 12.3.8 The Environmental Impact Assessment (EIA) should be conducted for all energy project, activity or regulation that is likely to have significant impact on the environment. The information and impact so acquired should be interpreted and communicated to the proper authorities and stakeholders. The appraisal process for energy projects should be conducted efficiently without undue complications and as simple as practicable.



12.3.9 Energy operations, which will or are likely to generate hazardous waste, should put in place, a tracking system referred to as "cradle-to-grave" manifest system. This involves preparation of reports from generator, to transporter, to storage facility, to treating facility and disposal facility, which must be submitted to the government, to ensure that the waste cannot be surreptitiously "orphaned." Their source, carriers and destination can be traced.

- i. The polluter should be required to clean up or cause to be cleaned up and or pay for the pollution it has caused.
- ii. Provide for clean up costs of spill dumps, etc. and reimbursements to victims whose health or property was damaged by the hazards created.

12.3.10 The reclaiming of land, the creation of islands, and the construction of any railway lines, ports, telephone, telegraph and radio services, power and aviation facilities shall require the prior consent of the Government which shall not be unreasonably withheld or delayed.

12.3.11 The NOCAL shall determine the areas in which petroleum operations shall not be allowed for reasons of environmental, and national interest and security, such as, but not limited to cities, cemeteries, aqueducts and other public facilities.

**12.4.1 NOCAL'S ANCILLARY AND COLLATERAL RIGHT AND POWERS:**  
In addition to all other rights and powers granted herein this law to NOCAL, NOCAL shall or may at its sole option and discretion, exercise the rights and power to construct establish, operate and manage any number of petroleum refinery and or petrochemical plant and associated industry either alone or in conjunction with any other entity, locally or externally.

**THIS LAW SHALL TAKE EFFECT IMMEDIATELY UPON PUBLICATION  
IN HANDBILLS**

**ANY LAW TO THE CONTRARY NOTWITHSTANDING**