

Offshore Petroleum

Resources

law

Chapter one

Introductory Provisions

Article 1 : Definitions :

The terms used in this law shall have the following meaning:

“Waters”:

Territorial waters, waters of the Exclusive Economic Zone and continental shelf and areas beyond to the extent it is not in contradiction with international law except internal waters.

“Discovery”:

The first Petroleum encountered in a Reservoir by drilling a Well that is recoverable at the surface by conventional and modern Petroleum industry methods.

“Area” :

Any part of the territory of the Republic of Lebanon and those maritime areas subject to Lebanese jurisdiction over which a Petroleum Right is awarded, on condition that any variation to that Area shall be pursuant to relinquishment rules under this law and the Exploration and Production Agreement related to the Area.

“Minister”:

The Minister of Energy and Water.

“Right Holder”:

Any joint stock company which is participating in Petroleum Activities pursuant to this law through an Exploration and Production Agreement or a Petroleum License that permits it to work in the petroleum sector.

“Petroleum”:

The oil and natural gas or both, and all kinds of gas or other hydrocarbons existing in their natural state in the subsoil of the seabed, as well as other hydrocarbons in a liquid or gaseous state.

“Exploration and Production Agreement”:

An agreement concluded between the State and no less than three Right Holder and those standard appurtenant agreements made an integral part of the Exploration and Production

Agreement that regulate the relationship between Right Holders and the State for the performance of Exploration and Production Petroleum Activities within a defined Area.

“Petroleum License”:

The authorisation awarded to one or more Right Holders for the performance of Petroleum Activities as specified by such authorisation.

“Petroleum Activities”:

The planning, preparation, installation and execution of activities associated with a subsea Reservoir, such as Reconnaissance, Exploration, Production and exploitation, laying pipelines, Development of Facilities, Production from Reservoirs, Transportation, as well as cessation of any such activities and decommissioning of a Facility. Transportation of Petroleum in bulk by vessel and vehicle shall not be included.

“Petroleum Right”:

The right which arises from a Petroleum License, Exploration and Production Agreement or other authorisation awarded by the State to carry out Petroleum Activities awarded pursuant to this law.

“Petroleum Register”:

A register to record Petroleum Rights pursuant to article 52 of this law.

“Reservoir”:

A separate accumulation of Petroleum in a geological unit limited by rock characteristics, structural or stratigraphic boundaries, contact surfaces between Petroleum and water in the formation, or a combination of these, so that all Petroleum comprised is in pressure communication through liquid or gas.

“Facility”:

One or more installations, plant and other appurtenant equipment for the purpose of Petroleum Activities, with the exception of vehicles and vessels that transport Petroleum in bulk. Facilities also comprise pipelines and cables for the purpose of Petroleum Activities unless otherwise provided by law. The installations and essential equipment must be defined in each Exploration and Production Agreement.

“Reconnaissance”:

Activities aiming at defining the existence of one or more Petroleum Reservoirs, by means of geological, petrophysical, geophysical, geochemical or geotechnical surveys, as well as other activities as stipulated by a Petroleum Right.

“Exploration”:

Drilling of Wells to discover or assess the content of the Reservoir, as well as operation and use of a Facility to the extent it is used for the purpose of Exploration drilling.

“Production”:

Extraction of Petroleum from a Reservoir, including drilling of Production Wells, injection into the Reservoir as part of the activity, Development, improved recovery from a Reservoir, processing and conversion of substances extracted from a Reservoir, except destructive distillation, and storage of Petroleum for Transportation, and shipment of Petroleum, as well

as the planning, preparation, construction, placing, operation and use of Facilities for the purpose of Production.

“Transportation”:

Shipment of Petroleum by pipeline as well as the planning, preparation, construction, placing of pipelines, operation and use of a Facility for the purpose of Transportation.

“Utilisation”:

Generation and transmission of power and other use of produced Petroleum, as well as the construction, placing, operation and use of a Facility for the purpose of Utilisation.

“Operator”:

A company whose appointment is approved by the Council of Ministers, to execute on behalf of a Right Holder the day to day management of Petroleum Activities.

“Well”:

A borehole made in the subsoil of the seabed by drilling performed for the purpose of penetrating Petroleum bearing strata, except for shallow drilling conducted for seismic calibration purposes.

“Development”:

The design, engineering, construction and operation of a Facility for the purpose of Petroleum Activities, including planning, preparations and submission of plans.

“Cost Petroleum”:

That portion of Petroleum extracted from a Reservoir and available to each Right Holder to cover the cost and expenses incurred in carrying out Petroleum Activities as stipulated by applicable law and specified in each individual Exploration and Production Agreement.

“Profit Petroleum”:

That portion of Petroleum extracted from a Reservoir in excess of Cost Petroleum which is available and allocated to each Right Holder and the State as stipulated by applicable Lebanese law and specified in each individual Exploration and Production Agreement.

“Royalty”:

The State entitlement as owner of Petroleum resources to a percentage of Petroleum extracted from Reservoirs as determined by decree.

“State”:

The Republic of Lebanon and its institutions as provided by the Constitution and the applicable laws of the Republic of Lebanon.

“Government”:

The Republic of Lebanon executive branch as defined by the Constitution and applicable laws of the Republic of Lebanon.

“Petroleum Administration”:

The dedicated establishment specially organised to handle functions stipulated by this law.

Article 2 : Scope of the Law

- (1) This law applies to Petroleum Activities within Waters in connection with Reservoirs subject to the Republic of Lebanon jurisdiction, and to other areas or rights to the extent this is not in contradiction with international law.
- (2) Waters subject to the jurisdiction of the State shall be divided into Areas with determined coordinates of latitude minutes and longitude minutes, according to a Council of Ministers Decree taken on the basis of a proposal by the Minister based upon the opinion of the Petroleum Administration.

Article 3: Principles for the Management of Petroleum :

- 1- The aim of this law is to allow the State to manage Petroleum resources in Waters.
- 2-The net proceeds collected or received by Government arising out of Petroleum Activities or Petroleum Rights shall be placed in a sovereign fund.
- 3- The statute regulating the Fund, the rules for its specific management, the principles of investment and use of proceeds shall be regulated by a specific law, based on clear and transparent principles for investment and use of proceeds that shall keep the capital and part of the proceeds in an investment fund for future generations, leaving the other part to be spent according to standards that will guarantee the rights of the State and avoid serious, short or long-term negative economic consequences.

Article 4 : Title to Petroleum Resources :

The State has the exclusive right to Petroleum resources and their management.

Article 5 : Authorisations :

Petroleum Activities shall not be performed by anyone, unless authorised in accordance with the provisions of this law.

Likewise any activities by any foreign company conducting or participating in operations or transactions related to Petroleum Activities shall be subject to Lebanese law.

Article 6 : State Participation :

- 1- The State reserves the right to carry out or participate in Petroleum Activities pursuant to this law and its share shall be stipulated in the Petroleum Licence or the Exploration and Production Agreement, and shall be determined according to a Council of Ministers Decree taken on the basis of a proposal by the Minister based upon the opinion of the Petroleum Administration.
- 1- When necessary and after promising commercial opportunities have been verified, the Council of Ministers may establish a national oil company on the basis of a proposal by the Minister based upon the opinion of the Petroleum Administration.

Article 7 : Preparations for Licensing Round:

- 1- Subject to the approval of the Council of Ministers and prior to granting exclusive Petroleum Rights or allowing Petroleum Activities, the Minister shall in coordination with other concerned ministries, and based upon a study by the Petroleum Administration, undertake the necessary preparations for the announcement of a Petroleum licensing round including a strategic environmental assessment study.
- 2- The State shall conduct a strategic environmental assessment study prior to any Petroleum Rights being awarded or Petroleum Activities initiated. The scope for this study shall be stipulated by a Council of Ministers Decree made on the basis of a proposal by the Minister based upon the opinion of the Petroleum Administration.

Chapter two
Powers of the Government

Article 8 : Council of Ministers :

- 1- The Council of Ministers sets forth the State's general Petroleum policy, particularly that related to the management of its Petroleum resources and settles differences between concerned stakeholders. It shall authorise the Minister to sign on its behalf the Exploration and Production Agreements subject to this law.
- 2- Conditions for the invitation to participate in licence rounds, terms of reference and conditions of the model Exploration and Production Agreement and agreements between companies relevant to their prequalification as applicants, shall be stipulated by a Council of Ministers Decree made on the basis of a proposal by the Minister based upon the opinion of the Petroleum Administration.

Article 9 : Minister :

The Minister shall in cases of emergency ensure the implementation of the Petroleum policy and implement this law for granting Petroleum Rights, and he shall endeavour to enhance the State Petroleum capabilities, be responsible for monitoring and supervising Petroleum Activities, and take necessary measures to protect water, health, property and environment from pollution.

Article 10 : Petroleum Administration :

- A Petroleum Administration shall be created pursuant to this law, shall enjoy financial and administrative autonomy with the Minister exercising tutelage authority. Certain financial and administrative decisions of the Petroleum Administration shall be subject to the approval of the Minister as stipulated by a decree regulating its organisation.

The Petroleum Administration is subject to the provisions of this law and its internal regulations. It shall neither be governed by the provisions of decree 4517 nor be subject to the council of civil service, and shall be subject only to a posteriori audit of the Public Audit Court.

- The board of the Petroleum Administration shall be appointed by a Council of Ministers Decree taken on the basis of a proposal by the Minister. The Council of Ministers shall by Decree determine the organisation of the Petroleum Administration, its internal regulations, modes of work and conditions for employment, positions and salary scales. The Petroleum Administration shall have the following duties and powers:
 - a- Conducting studies to promote the Lebanese Petroleum potential.
 - b- Reporting to the Minister about the assessment of qualifications and capabilities of applicants and applications for Petroleum Rights.
 - c- Draft invitations for bids, conditions for applications, model Exploration and Production Agreement and appurtenant licences and agreements in accordance with this law.
 - d- Assisting the Minister in negotiating Exploration and Production Agreements and submitting reports on results of negotiations to the Minister to enable the Council of Ministers to take the final decision.
 - e- Managing, monitoring and supervising Petroleum Activities and the proper implementation of licenses and agreements, and in this regard submit quarterly reports to the Minister for approval.
 - f- Evaluation of plans for Development, Transportation and cessation of Petroleum Activities and decommissioning of Facilities.
 - g- Management of Petroleum Activities data.
 - h- Keeping and managing the Petroleum Register.

Chapter three **Reconnaissance**

Article 11 : Reconnaissance License :

- 1- The Council of Ministers shall issue a decree on the basis of a proposal by the Minister based upon the opinion of the Petroleum Administration, to stipulate general conditions to award a Reconnaissance license, its scope and the fees to be paid.
- 2- The Minister may by a decision based upon the opinion of the Petroleum Administration, award a Reconnaissance licence for a period of up to 3 years.
- 3- A Reconnaissance license shall not be exclusive and shall not give the Right Holder any preference or privilege with regard to obtaining any other Petroleum Right pursuant to this law.
- 4- The data resulting from the Reconnaissance license shall be the property of the State.

Chapter four

***Award of Exploration
and Production Rights***

Article 12 : Awarding Right:

- 1- The Council of Ministers may, on the basis of a proposal by the Minister based upon the opinion of the Petroleum Administration, award an exclusive Petroleum Right to carry out Petroleum Activities in accordance with an Exploration and Production Agreement pursuant to this law.
- 2- The Exploration and Production Agreement shall include two phases:
 - a- an Exploration phase not exceeding ten years;
 - b- a Production phase not exceeding thirty years.

Article 13 : Invitation to submit Applications :

- 1- The Council of Ministers decide on the launching of invitations to apply for a licence on the basis of a proposal by the Minister based upon the opinion of the Petroleum Administration.
- 2- After consulting the Petroleum Administration, the Minister launches invitations to participate in a licensing round.
- 3- The announcement of the Petroleum Administration's to receive applications for licences shall be published in the Official Gazette, as well as in local and international publications and websites selected by the Minister.
- 4- The invitation shall be made public at least six months prior to the application closing date. The requirement to announce an invitation may not be waived unless the Council of Ministers on the basis of a proposal by the Minister based upon a study by the Petroleum Administration makes a decision to the contrary.

Article 14 : Group Applications :

- 1- Several companies may cooperate to apply together for an Exploration and Production Agreement.
- 2- Cooperation agreements entered into with the view to apply for Petroleum Rights or conduct Petroleum Activities shall be submitted to the Minister with a copy to the Petroleum Administration.
- 1- The Minister, after consulting the Petroleum Administration, may at any time require amendments to cooperation agreements in order to ensure that such agreements comply and are consistent with applicable Lebanese law, the Exploration and Production Agreement and appurtenant agreements.

Article 15 : Qualified Applicants :

Exploration and Production Agreement shall only be awarded to pre-qualified joint stock companies.

Article 16 : Application Content and Application Fee :

- 1- An applicant shall pay the prescribed application fee.
- 2- Application content and fees to be paid for submitting an application shall be stipulated by Council of Ministers Decree on the basis of a proposal by the Minister.

Article 17 : Procedure after Closing Date :

After the closing date for submission of an application for Petroleum Rights, the Petroleum Administration shall proceed with an evaluation and propose a short list of applicants to the Minister.

Article 18 : Selection of qualified Applicants for Negotiation :

- 1- The Minister, assisted by the Petroleum Administration shall negotiate with short listed qualified applicants based on the principles and criteria stipulated by this law and the invitation.
- 2- The Minister may according to a justified decision presented to the Council of Ministers and after consulting the Petroleum Administration, stipulate in the invitation to apply for an Exploration and Production Agreement special additional conditions applicable for the individual round or a specific area.
- 3- The Minister shall submit a report to the Council of Ministers containing the results of the negotiations with the selected applicants and a recommendation for signing an Exploration and Production Agreement.

Article 19 : Exploration and Production Agreement:

1- Council of Ministers Approval

The final version of the Exploration and Production Agreement is subject to the approval of the Council of Ministers prior to signature by the Minister. Once the approval of the Council of Ministers has been obtained, the selected applicant shall be a Right Holder of a joint and undivided participating interest in the Exploration and Production Agreement.

- 2- The Exploration and Production Agreement shall become effective from the date on which it is approved by the Council of Ministers.
- 3- The Right Holders of an Exploration and Production Agreement form an unincorporated joint venture in which each Right Holder has a joint and undivided percentage participation interest.
- 4- Each Right Holder in an Exploration and Production Agreement is jointly and severally liable towards third parties and on a pro rate basis towards the other Right Holders in the same Exploration and Production Agreement.

- 5- The Right Holders of an Exploration and Production Agreement jointly hold an exclusive Petroleum Right to conduct Petroleum Activities pursuant to applicable law and the terms and conditions of the Exploration and Production Agreement.
- 6- Each Right Holder is liable for his own taxes according to applicable law.
- 7- The Exploration and Production Agreement shall define the rights and obligations of the Right Holder towards the State and between the Right Holders, and shall include :
 - (a) The coordinates of the awarded Area in accordance with the Exploration and Production Agreement.
 - (b) The allocation of participation interest between the Right Holders.
 - (c) The duration of the Exploration and Production Agreement and of each phase.
 - (d) The minimum work obligations and expenditure commitments for the Exploration phase.
 - (e) Provisions concerning potential State participation in the Exploration and Production Agreement;
 - (f) Provisions concerning environmental matters which address Area specific issues.
 - (g) Accounting rules and provisions applicable to Petroleum Activities subject to an Exploration and Production Agreement and methods for determining profits.
 - (h) Provisions relating to dispute resolution and arbitration.
 - (i) Standard minimum guarantees covering the minimum work obligations, for the approval of the Plan for Development and Production, and for cessation of Petroleum Activities and decommissioning of a Facility.

Article 20 : Appointment or Change of Operator :

- 1- Only a Right Holder to the Exploration and Production Agreement may be appointed as Operator.
- 2- Based on a proposal by the Minister in consultation with the Petroleum Administration the Council of Ministers approves the appointment of the Operator when awarding an Exploration and Production Agreement, and no change of Operator may take place without the approval of the Council of Ministers.

Article 21 : Extension of the Duration of an Exploration and Production Agreement:

- 1- If the Exploration phase, provided by the Exploration and Production Agreement is shorter than ten years, the Council of Ministers may, upon an application submitted to the Minister, and on the basis of a proposal by the Minister based upon the opinion of the Petroleum Authority, extend the Exploration phase within the ten year time limit.
- 2- If the Production phase stipulated by the Exploration and Production Agreement is less than 30 years the Council of Ministers may, upon application by the Right Holders submitted to

the Minister, and based on the opinion of the Petroleum Administration, extend the Production phase within the 30 year time limit.

- 3- Standards and Criteria for granting an extension of an Exploration or Production phase shall be stipulated by Council of Ministers Decree on the basis of a proposal by the Minister based upon the opinion by the Petroleum Authority.

Article 22: Right for Others to Place Facilities

- 1- The Right Holders may not impede the laying of pipelines or cables, nor the placing of other Facilities on, in or above the Area covered by the Exploration and Production Agreement when the placement of a pipeline, cable or other Facilities is approved by the Council of Ministers.
Any subsequently placed Facility shall not cause unreasonable inconvenience to an existing Facility in the Area or initiated Petroleum Activities.
- 2- The provision of the first paragraph applies correspondingly to necessary route and soil surveys prior to placement of the Facility.

Article 23: Natural Resources other than Petroleum Resources:

An Exploration and Production Agreement does not preclude the awarding of rights to others than a Right Holder to undertake activities related to natural resources other than Petroleum, provided such activities do not cause unreasonable inconvenience to initiated Petroleum Activities or existing Facilities. The same applies to scientific research.

Article 24 : Relinquishment of Acreage :

- 1- For each extension of the Exploration phase in accordance with article 21, the Area shall be reduced by at least 50 % of the Area currently held as stipulated by regulation issued by Council of Ministers Decree on the basis of a proposal by the Minister based upon the opinion of the Petroleum Administration.
- 2- Any Area not covered by an approved plan for Development, shall be relinquished at the expiry of the Exploration phase as stipulated in the Exploration and Production Agreement or in accordance with the provisions of this law.
- 3- Notification of relinquishment to the Petroleum Administration shall be no later than 3 months prior to the effective date of the relinquishment obligation. Relinquishment is effective from December 31st of each year.

Article 25 : Surrender of an Exploration and Production Agreement:

A Right Holder may only surrender a Petroleum Right pursuant to the Exploration and Production Agreement provided the minimum work commitment has been fulfilled or the minimum expenditures, as well as financial obligations due to the State, including taxes have been paid.

Chapter five

***Plans for Petroleum Production
and Transportation***

Article 26 : Statement on Production Commencement :

- 1- No later than two years after the last Exploration Well has been drilled, the Right Holder shall notify the Minister in writing with a copy to the Petroleum Administration, whether the Right Holder has decided to commence Production or not.
- 2- A report shall be enclosed with the notification accounting for the reasons that lead to the decision and a summary of the status of the Reservoir, the technical and economic aspects related to it and the studies which have been carried out or which are planned to be carried out with a view to determine if the Reservoir is or may become commercially exploitable.

Article 27: Prudent Production :

Production of Petroleum shall take place in such a manner that as much as possible of the Petroleum in place in each individual Reservoir, or in several Reservoirs in combination, will be produced in a way that Production takes place in accordance with the most prudent technical and sound economic principles, and in such a manner that waste of Petroleum or Reservoir energy is avoided and with suitable pace to the economy of the State. Right Holder shall continuously evaluate the Production strategy and technical solutions, and shall take the necessary measures in order to improve results.

Article 28 : Notice and Appraisal of Discovery:

- 1- When a Discovery is made the Operator shall forthright notify in writing the Minister with a copy to the Petroleum Administration. The Operator shall also within six months of the Discovery, perform tests necessary to appraise the potential commerciality of the Reservoir and notify the Minister of the results. Information, data and results of the tests shall be submitted to the Minister.
- 2- If the Right Holder in accordance with requirements of applicable law and the provisions of the Exploration and Production Agreement decides to develop one Reservoir or more, the Operator on behalf of the Right Holders shall submit a plan for Development and Production to the Minister.
- 3- The Minister after consulting the Petroleum Administration may request amendments to the plan for Development and Production.
- 4- The Minister after consulting the Petroleum Administration shall present the plan for Development and Production to the Council of Ministers for approval.

Article 29 : Content of Plan for Development and Production:

- 1- The plan for Development and Production shall consist of two parts of which one part shall concern an environmental impact assessment study and the second part shall concern the manner of developing Reservoir resources as well as technical and economic aspects of available Development solutions.
- 2- A plan for Development and Production shall at least contain:
 - a- Available Production and Transportation options, required Facilities and mode of Transportation, with the Right Holders' recommended solution.
 - b- An economic, Reservoir, technical, commercial and safety evaluation of the available concepts.
 - c- Description of the mode of financing the Development and Production activities.
 - d- A detailed description of the organisation and the management systems of the project.
 - e- A health and safety assessment, and an environmental impact assessment study.
 - f- Information as to how Facilities may be decommissioned and disposed of when Petroleum Activities have ceased.
 - g- Such additional information as required by applicable law or the Exploration and Production Agreement.
3. The procedures, requirements and conditions related to the environmental impact assessment study, shall be stipulated by Council of Ministers Decree on the basis of a proposal by the Minister based upon the opinion of the Petroleum Administration after consulting the concerned ministries.
4. The Operator on behalf of the Right Holders shall notify the Minister with a copy to the Petroleum Administration of any significant deviation or amendments to the plan for Development and Production that has been approved, and any significant alteration to a Facility. The Minister based on the opinion of the Petroleum Administration may require amendments to the plan as a basis for approving a new plan for Development and Production or amending the existing plan.

Article 30 : Approval of Plan for Development and Production:

- 1- The Council of Ministers may approve the plan for Development and Production in accordance with this law on the basis of a proposal by the Minister based upon the opinion of the Petroleum Administration.
- 2- If Development is planned in two or more stages, the plan submitted shall to the extent possible, comprise each stage separately in addition to the total Development. The Council of Ministers may limit the approval to apply to one or more stages.
- 3- Substantial contractual obligations, meaning such that concern Reservoir depletion, gas offtake solutions for the area of extraction or the construction of Facilities, and contracts that may affect Development, Production or cessation of Petroleum Activities and

decommissioning of Facilities, shall not be undertaken nor construction work be started, until the plan for Development and Production has been approved.

Article 31: License and Plan for Placement and Operation of Facilities:

- 1- If the approved plan for Development and Production contains plans for construction, placement and operation of Transportation or storage Facilities, then the Council of Ministers shall award a licence to the Right Holder subject to the requirements of applicable law, the Exploration and Production Agreement and the approved plan for Development and Production.
- 2- The Right Holders may submit to the Minister with a copy to the Petroleum Administration a separate plan for construction, placement and operation of a Transportation or storage Facility, in accordance with the principles of Article 27 of this law. The Council of Ministers may on the basis of a proposal by the Minister based upon the opinion of the Petroleum Administration award a specific Petroleum License for the construction, placement and operation of Transportation or storage Facilities.
- 3- The Council of Ministers may, on the basis of a proposal by the Minister based upon the opinion of the Petroleum Administration stipulate the conditions for awarding a Petroleum License for construction, placement and operation of Transportation or storage Facilities relating to:
 - (a) Ownership of the Facility.
 - (b) Placement of Facility, including route, destination and landing point for pipelines or cables
 - (c) Facility and its Capacity
 - (d) Allocation of Facility capacity and priority of use
 - (e) Tariffs
 - (f) Tie-ins
 - (g) Appointment or change of Operator.
 - (h) Terms and conditions for the protection of existing coastal State approved activities and the environment.
- 4- A foreign legal person other than a Right Holder wishing to construct, maintain or operate a submarine cable or pipeline related to Petroleum Activities in maritime areas under the jurisdiction of the State, shall be subject to the this law to the extent it is not in contradiction with international law.

Article 32 : Obligation to Submit Environ-mental Impact Assessment :

- 1- The procedures, requirements and conditions related to the environmental impact assessment, shall be stipulated by Council of Ministers Decree upon a proposal by the Minister based upon the opinion of the Petroleum Administration after consulting the concerned ministries.
- 2- The Operator on behalf of Right Holder shall submit to the Minister a detailed environmental impact assessment based on an approved program as part of any plan for Development, Production, Transportation, storage or Utilisation.

Article 33 : Testing and Test Production :

- 1- A Right Holder shall not initiate or conduct test Production without obtaining the approval of the Minister based upon the opinion of the Petroleum Administration.
- 2- Test Production shall only be conducted for such limited period of time necessary to establish and verify data required for preparing and implementing full scale Development and Production following approval of a plan for Development and Production.
- 3- Detailed conditions for the approval of an application for test Production shall be stipulated by Council of Ministers Decree on the basis of a proposal by the Minister based upon the opinion of the Petroleum Administration.

Article 34 : Surveys :

The Right Holder or other entity owning or in charge of the laying of a submarine pipeline or cable within areas subject to Lebanese jurisdiction shall, in good time prior to the commencement of surveys of pipeline or cable route and other soil surveys, submit such information to the Petroleum Administration and through it to the competent authorities as stipulated by regulation.

Article 35 : Production:

1. The Council of Ministers Decree shall on the basis of a proposal by the Minister based upon the opinion of the Petroleum Administration, stipulate the procedure and documentation required for an application and granting of a Production permit.
2. Upon application from a Right Holder the Minister shall grant a permit for fixed periods of time and the quantity of Petroleum which may be produced.

Article 36: Flaring and Venting:

1. An application for a permit to flare or cold ventilate extracted components shall describe the reasons for the application. The application shall describe the Facility involved, the volumes, composition and the timing of components to be flared or cold ventilated. The permit shall be based on the Production schedule on which the approved plan for Development and Production is based, unless new information on the Reservoir or other circumstances warrants otherwise.
2. Flaring or cold ventilation of extracted components shall only be permitted when necessary for safety or when commissioning of a Facility. Right Holder must obtain a permit from the Minister and in coordination with the Ministry of Environment before any planned flaring or cold ventilation is initiated.

Article 37: Monitoring of Production :

Taking into consideration article 10 of this law, the Minister may require the Right Holders to submit a report to the Minister on Production and Facility related matters, including alternative schemes for Production and improved or enhanced recovery techniques.

Article 38 : Coordinated Petroleum Activities and Unitisation :

- 1- Where a Reservoir extends across the delimitation line from one Area subject to an Exploration and Production Agreement into another Area, the Right Holders shall seek to reach agreement on the most efficient coordinated way of Petroleum Activities to secure optimal recovery of Petroleum, including apportionment of each Right Holder's entitlement to Petroleum.

This principle shall also apply if the Reservoir straddles the delimitation line of the continental shelf or territorial waters subject to the jurisdiction of another nation state. The same principle shall apply when it becomes clear that several Reservoirs or joint Petroleum Activities would be more efficient, based upon a decision by the Council of Ministers on the basis of a proposal by the Minister based upon the opinion of the Petroleum Administration.

- 2- Where the Reservoir extends beyond the Area of the Exploration and Production Agreement into an area which is not subject to an Exploration and Production Agreement, Right Holder may file an application to the Minister in order to extend the perimeter of the Area of the existing Exploration and Production Agreement. Extension of an Area pursuant to this paragraph is subject to Council of Ministers approval on the basis of a proposal by the Minister based upon the opinion of the Petroleum Administration.
- 3- Agreements on joint Exploration drilling shall be submitted to the Petroleum Administration.
- 4- Agreements on joint Production, Transportation, Utilisation and cessation of Petroleum Activities shall be submitted to the Minister and is subject to Council of Ministers approval on the basis of a proposal by the Minister based upon the opinion of the Petroleum Administration.
- 5- If consensus among the Right Holders on implementation of cooperative agreements pursuant to this article is not reached within reasonable time, then the Council of Ministers upon a proposal from the Minister based on the opinion of the Petroleum Administration, may determine how such joint Petroleum Activities shall be conducted, including when necessary the apportionment of Right Holders entitlements to Petroleum.

Article 39 : Third Party Access to Petroleum Facilities :

The Minister may decide on the basis of criteria stipulated by a Council of Ministers Decree established on the basis of a proposal by the Minister based upon the opinion of the Petroleum Administration, that third parties shall have the right to make use of spare capacity of a Facility for Production, Transportation, or storage of Petroleum.

Article 40 : Sale of Petroleum :

- 1- Sale or transfer of any interest in Petroleum originating from a Reservoir in an Exploration and Production Agreement Area shall be on the basis of terms and conditions obtained between independent parties in the international market.
- 2- Any sales or transfer of interest in Petroleum or volumes delivered shall be reported to the Minister and the Petroleum Administration.
- 3- Regulations for sale of Petroleum or the transfer of interest therein shall be stipulated by a Council of Ministers Decree upon a joint proposal from the Minister and the Minister of

Finance in consultation with other concerned ministries. The Council of Ministers shall resolve any conflict that may arise in this regard on the basis of a proposal by the Minister based upon the opinion of the Petroleum Administration.

Chapter six
Petroleum Entitlements and Fees

Article 41 : Area Fee :

- 1- The Right Holders shall pay an Area fee to the State for the Area covered by an Exploration and Production Agreement from the first year following the expiry of the Exploration phase initially stipulated in the Exploration and Production Agreement.
- 2- The Area fee shall be progressive and calculated per square kilometre as stipulated by Council of Ministers Decree on the basis of a proposal by the Minister based upon the opinion of the Petroleum Administration.

Article 42 : Entitlements :

- 1-Petroleum extracted from a Reservoir in an Exploration and Production Agreement Area shall be split into Royalty, Cost Petroleum and Profit Petroleum.
- 2-Each Right Holder is obliged to contribute Royalty Petroleum and is entitled to take Cost Petroleum and Profit Petroleum relative to his participating interest share in the Exploration and Production Agreement.

Article 43: Royalty :

- 1- The State is entitled to Royalty for all Petroleum extracted from Reservoirs located within its Waters.
- 2- The State has the right to collect its entitlements to Royalty either in cash or in kind proportionally as extracted in the form of liquid Petroleum and gaseous Petroleum.
- 3- A Right Holder shall pay or deliver to the State Royalty on all Petroleum extracted from a Reservoir subject to an approved plan for Development and Production, except for Petroleum which is re-injected in a Reservoir within the same Exploration and Production Agreement Area.
- 4- Royalty volumes, rates, and payment, for liquid and gaseous Petroleum shall be stipulated by Council of Ministers Decree upon joint proposal by the Minister and the Minister of Finance. The Council of Ministers shall resolve any conflict that may arise in this regard on the basis of a proposal by the Minister based upon the opinion of the Petroleum Administration.
- 5- Royalty taken in kind shall be delivered at no cost to the State at the point of delivery stipulated in the plan for Development and Production.

Article 44: Production Split :

The method of calculation and allocation of entitlements of Cost Petroleum and Profit Petroleum shall be stipulated by a Council of Ministers Decree on the basis of a proposal by the Minister based upon the opinion of the Petroleum Administration.

Article 45 : Taxes :

Petroleum Activities and Petroleum Rights pursuant to this law which are conducted in Lebanon and its Waters shall be subject to Lebanese tax as stipulated by applicable law.

Chapter seven
Decommissioning

Article 46: Termination of Use :

The Right Holders shall without undue delay notify the Minister of the time of the expected permanent cessation of operation of a Facility.

Article 47 : Cessation of Petroleum Activities and Decommissioning :

1- When an Exploration and Production Agreement or Petroleum Licence pursuant to this law expires, is surrendered or revoked, or the use of a Facility is terminated:

(a) The State may free of charge take over the ownership or right of use of Facilities.

If the Facility is placed on private land the State shall compensate the owner of the land in accordance with applicable law.

Upon take-over of a Facility by the State ,funds dedicated to covering costs of permanent cessation of Petroleum Activities or decommissioning, shall become the property of the State when such funds are accumulated and set aside in a special account by the Right Holder from revenue subject to Cost Recovery in accordance with the Exploration and Production Agreement or with tax effect pursuant to applicable law.

(b) If land use is subject to lease or rental, the State shall be entitled to continue such lease or rental on the same terms and conditions as in force prior to expiry, surrender or revocation of a Petroleum Right or termination of use of Facility.

(c) Plan for the cessation of Petroleum Activities and decommissioning of one Facility or more shall be presented to the Minister at the earliest three years prior to, and not later than one year prior to expiry of an Exploration and Production Agreement or Petroleum License pursuant to this law, or the planned surrender of a Petroleum Right or termination of the use of a Facility and its appurtenant equipment. In cases of revocation of a Petroleum Right a plan for cessation of Petroleum Activities and decommissioning shall be prepared and submitted as soon as practically possible.

2- The plan for cessation of Petroleum Activities and decommissioning shall describe alternative decommissioning solutions including an evaluation of the possibility of continued Petroleum Activities or use of a Facility, and Right Holder's recommended solution.

- 3- The plan for cessation of Petroleum Activities and decommissioning shall consist of two parts of which one part shall be an environmental impact assessment study and the second part shall evaluate relevant resource management, industrial, technical, safety, environmental and economic aspects of the alternative solutions.
- 4- The plan for cessation of use and decommissioning shall be subject to the approval of the Minister based on the opinion of the Petroleum Administration. The Minister may ask for amendments to the plan in accordance with applicable law.

Article 48: Taking Over Facility :

1. At the time of taking over a Facility by the State, the Facility shall be in good condition.
- 2- If the State wishes to take over a Facility as an alternative to decommissioning, the Right Holder shall transfer all related rights and documentation related to that Facility and its operation necessary for continued Petroleum Activities subject to conditions stipulated by Council of Ministers Decree on the basis of a proposal by the Minister based upon the opinion of the Petroleum Administration.
- 3- Rights of third party use related to a Facility approved by the Minister remains in force if the State takes over a Facility.

Article 49 : Implementation of Plan for Cessation of Petroleum Activities and Decommissioning :

- 1- Substantial contractual obligations related to permanent cessation of operations of a Facility shall not be initiated without prior approval of the Minister based upon the opinion of the Petroleum Administration on the plan for cessation of Petroleum Activities and decommissioning.
- 2- Financial securities and guarantees in a Facility shall lapse at the expense of the Right Holder upon removal or the take-over of the Facility by the State.
- 3- Right Holder and such other person responsible shall implement an approved plan for cessation of Petroleum Activities and decommissioning without undue delay.
- 4- Any person responsible for implementation of the approved plan for cessation of Petroleum Activities and decommissioning, shall be liable for any damage caused to third parties pursuant to this chapter of the law .

Chapter eight
Mortgaging and Registration of Rights

Article 50 : Mortgaging :

- 1- Rules and regulations related to mortgaging of a Facility shall be stipulated in a Council of Ministers Decree on the basis of a proposal by the Minister based on the opinion of the Petroleum Administration.
- 2- Right Holder may only mortgage his participating interest in a Petroleum Right for the purpose of financing Petroleum Activities associated with that Petroleum Right after the approval of the Minister according to the Council of Ministers Decree related to the rules and regulations of mortgaging.
- 3- Essential Facilities and equipment belonging to a main Facility shall not be mortgaged separately.
- 4- Mortgage of a participating interest in a Petroleum Right comprises those rights which at any time follow from that Petroleum Right.

Article 51 : Scope of a Mortgage :

Mortgage according to this law shall not comprise assets or rights already mortgaged and registered in a register pursuant to applicable law.

Article 52 : Petroleum Right Register and Legal Protection :

- 1- A register for registering rights shall be established and further regulated by a Council of Ministers Decree on the basis of a proposal by the Minister after taking into consideration the opinion of the Minister of Finance.
- 2- Debt that is subject to mortgaging and is registered in the Petroleum Register shall have priority over other debts effective from the date the mortgage is registered in the Petroleum Register, except preferred debts secured by law.

Article 53 : Forced Sale :

- 1- When consent is granted for a forced sale in accordance with applicable law, the execution of the forced sale shall be subject to the rules of civil procedure without any change in the terms of the Petroleum Right.
- 2- Mortgage rights shall not be transferred, re-mortgaged, be subject to distraint, arrest, debt settlement proceedings or included in the mortgagee's estate in bankruptcy, without the consent of the Council of Ministers.
- 3- The Council of Ministers may give its consent to a short list of bidders to allow forced sale, forced use or enforced receivership.

Chapter nine
Health, Safety and Environment

Article 54 : Safety :

Petroleum Activities shall be conducted in a way which enables a high level of safety and shall benefit from operational techniques and technological development.

Article 55 : Health, Safety and Emergency Response Plan :

The Right Holder shall establish and publish, before any Petroleum Activities are started, a health and safety plan, including an emergency response plan taking into consideration the specific conditions of its Petroleum Activities, and make such plan known to employees and the public at the sites where Petroleum Activities are carried out. These requirements shall be set out by a Council of Ministers Decree on the basis of a proposal by the Minister in consultation with concerned ministries, and based upon the opinion of the Petroleum Administration.

Article 56 : Emergency Preparedness :

- 1- Any person participating in Petroleum Activities shall at all times maintain an efficient emergency preparedness with a view to dealing with incidents, accidents or emergencies which may lead to loss of life, personal injuries, pollution or damage to property.
- 2- The Right Holder shall see to it that necessary measures are taken to prevent or reduce harmful effects to persons, property or the environment, including the measures required in order, to the extent cited by law, to restore the environment to the condition it had before the incident or accident occurred.
- 3- In the event of incidents, accidents and emergencies as described in this article first paragraph, the Minister based on the opinion of the Petroleum Administration may decide that other persons than a Right Holder may be allowed to make available necessary contingency resources for the account and cost of the Right Holders. The Council of Ministers on the basis of a proposal by the Minister may for the account and cost of Right Holder take measures to obtain necessary additional resources.
- 4- Competent authorities may request the Right Holder through the Minister to cooperate, place a specified Facility at the disposal competent authorities, and facilitate and implement measures for the purpose of protection of health, safety, security and environment.

Article 57 : Safety Zones :

- 1- A safety zone shall be established surrounding a Facility unless otherwise stipulated by a justified decision by the Council of Ministers.
- 2- The extent of safety zones surrounding Facilities shall be stipulated by the Council of Ministers Decree related to the approval of the plan for Development and Production.
- 3- In the event of incidents, accidents or emergencies the Minister may establish or extend safety

zones temporarily.

- 4- The Council of Ministers may pursuant to international agreement decide that a safety zone shall extend across the boundary or delimitation line into the exclusive economic zone or onto the continental shelf of another nation state. Council of Ministers may also decide that there shall be a safety zone in the exclusive economic zone on the continental shelf of the Republic of Lebanon even if such safety zone is related to Facility located outside the continental shelf of the State.
- 5- The Minister based on the opinion of the Petroleum Administration may decide that a zone corresponding to the safety zone described in this article may be established before placing a Facility.
- 6- Based on the opinion of the Petroleum Administration the Minister may, decide on establishing a safety zone surrounding an abandoned or dumped Facility, or parts of such Facility.
- 7- Unauthorised vessels or crafts, fishing gear or other objects shall not enter or stay within a zone established pursuant to this article.
- 8- The Minister may grant access to a Facility as indicated in paragraph (1) and safety zones as indicated in paragraph (3) of this article.
- 9- This article shall not apply to submarine pipelines or cables.

Article 58 : Suspension of the Petroleum Activities :

- 1- In the event of incidents, accidents or emergencies, the Right Holder or person responsible for the operation and use of the Facility shall, to the extent necessary suspend the Petroleum Activities for as long as the requirement to prudent Petroleum Activities warrant such suspension.
- 2- The Minister based on recommendation by the Petroleum Administration may order Petroleum Activities to be suspended to the extent necessary, or impose particular conditions to allow continuation of the Petroleum Activities when exceptional circumstances occur.
- 3- When a decision is made as stipulated in the second paragraph of this article the period of time for which the Petroleum Right is awarded may be extended accordingly, taking into consideration paragraph 4 below.
- 4- Decisions taken by the Minister under emergency circumstances which result in a direct and verifiable loss for a Right Holder, entitles the Right Holder to compensation provided such loss is not result of the Right Holder's act or omission. The same is applicable to any person providing material goods or services to the Right Holder.

Article 59 : Conditions for Health and Safety:

- 1- When submitting an application pertaining to a Petroleum Right, the applicant shall submit plans and documentation related to health and safety, to the Petroleum Administration and other competent authorities, as part of implementation of regulatory health and safety supervision.

- 2- Any person managing or undertaking Petroleum Activities pursuant to or arising out of Petroleum Right awarded subject to this law shall ensure high standard of health and high level of safety for his employees and the employees of subcontractors.

Article 60 : Environmental Protection and Related Measures:

- 1- Lebanese law for the protection of the environment shall apply to Petroleum Activities in any location to the extent such Petroleum Activities are conducted in Waters.
- 1- The Ministry of Environment, in coordination with the Minister, shall be in charge of supervising and controlling environmental matters related to Petroleum Activities and shall coordinate with other concerned authorities, take initiatives or measures deemed necessary to minimize negative impact that Petroleum Activities may have on local communities and the environment.

Chapter ten
General Provisions

Article 61: Prudent Petroleum Activities :

Petroleum Activities shall be conducted in a responsible and prudent manner in accordance with this law and shall include practices and methods that reasonably would be expected from internationally experienced Operators that take due account of safety of personnel, the protection of the environment and the economic value of Petroleum resources, Facilities, vessels, vehicles or other equipment.

Article 62 : Qualifications :

- 1- The Right Holder and other persons engaged in Petroleum Activities shall possess necessary qualifications and skills to perform the work in a prudent manner.
- 2- When a company which is an applicant is owned or controlled by another company, relevant history of and experience gained with, such other person and compliance with applicable law may be taken into consideration when evaluating an application for an award of a Petroleum Right.
- 3- The Right Holder shall see to it that any person carrying out work for the Right Holder complies with the provisions contained in the first paragraph of this article.

Article 63 : Management and Organisation :

- 1- A Petroleum Right shall not be awarded to a company unless the Petroleum Administration has assured itself of the validity of the documentation with regard to company ownership, corporate

organisation, its financial and fiscal matters, as well as previous and current competence of the company in various Petroleum Activities.

2 -A Right Holder shall be subject to Lebanese tax laws and shall have the necessary qualifications to perform Petroleum Activities within Lebanese jurisdiction

3- Conditions related to the management, location of companies and other matters relating to Petroleum Activities shall be stipulated by Council of Ministers Decree on the basis of a proposal by the Minister based upon the opinion of the Petroleum Authority.

Article 64 : Land Use :

If necessitated by Petroleum Activities, the Right Holder shall submit to the Minister a request for the use of land. Such a request for the use of land shall include the reasons why a particular plot of land is required, so that the Minister based on the opinion of the Petroleum Administration may assess whether the land requested for Petroleum Activities shall be accessed through direct agreement between the Right Holder and land owner, or need to be expropriated for the public benefit under applicable law.

Article 65: Agreement between Right Holders and contracts:

- 1- Any agreement, addition or amendment to an agreement between the Right Holders related to Petroleum Activities or between the Right Holders and associated persons shall be subject to approval by the Minister.
- 1- The Right Holder shall see to it that contractors and subcontractors act in accordance with the requirements of this law when providing material, goods and services related to Petroleum Right.
- 2- Any contract related to Petroleum Activities, Petroleum Rights or Facilities subject to this law shall be subject to applicable Lebanese law.
- 3- The Minister after consulting the Petroleum Administration may appoint as needed an international auditor.

Article 66: Operator not being a Right Holder:

For Petroleum Activities related to transport and storage the Operator does not have to be a Right Holder. An Operator who is not a Right Holder shall be subject to this law to the same extend as if such Operator was a Right Holder.

Article 67: Local content :

- 1- A Right Holder as well as its subcontractors shall give priority to Lebanese persons in the award of contracts for construction of a Facility and the supply of material, goods and services related to Petroleum Activities when terms and conditions offered by Lebanese suppliers are equal to their competitors.

- 2- A Right Holder as well as its subcontractors shall employ qualified personnel of Lebanese nationality whenever available. Right Holder shall also organise and fund the training of Lebanese personnel associated with Petroleum Activities.

Article 68: Financial Security :

Upon award of a Petroleum Right or subsequently, the Minister may require the Right Holder to provide financial security both towards the State and towards third parties in addition to the decommissioning obligations.

Article 69 : Liabilities :

- 1- The Right Holders who jointly hold a Petroleum Right are jointly and severally liable towards the State for obligations related to or arising out of Petroleum Activities.
- 2- If liability in respect of a third party is incurred by a person undertaking tasks for a Right Holder, then the Right Holder shall be jointly and severally liable for damage or loss caused by, the perpetrator or caused by any person under the instruction and supervision of the Right Holder.

Article 70 : Transfer or Assignment of Petroleum Right :

- 1- Rights and obligations obtained through a Petroleum Right shall only be transferred or assigned in whole or in part to a company qualified according to this law, and only after obtaining the approval of Council of Ministers granted on the basis of a proposal by the Minister based upon the opinion of the Petroleum Administration.
- 2- The same shall apply to any direct assignment of any right in a Petroleum Right, including inter alia, assignment of shareholdings and other ownership of shares which may provide decisive control of a person possessing a participating interest in Petroleum Right.
- 3- Transfer of Right Holder ownership or right of use of a Facility for which a Petroleum Activity is dependent, shall not take place without the Council of Ministers approval granted on the basis of a proposal by the Minister based upon the opinion of the Petroleum Administration.

Article 71 : Revocation :

- 1- In the event of serious or repeated violation of provisions of this law, applicable decisions, contracts or agreements the Council of Ministers may on the basis of a proposal by the Minister based on the opinion of the Petroleum Administration, revoke the relevant Petroleum Right.
- 2- If an application for a Petroleum Right contains incorrect information or information of significance has been withheld, and the Petroleum Right would had not been awarded had the complete information been available in the application for that Petroleum Right, then this shall be considered a serious violation in accordance with the previous paragraph.

- 3- A Petroleum Right is revoked if the person holding such Petroleum Right is dissolved, enters into debt settlement or bankruptcy proceedings.

Article 72: Subcontracting :

- 1- A Right Holder may subcontract the provision of material, goods or services for the purpose of Petroleum Activities. The Right Holder shall declare those contracts and see to that subcontractors and his employees act in accordance with the requirements of this law on procurement.
- 3- A Council of Ministers Decree shall on the basis of a proposal from the Minister based upon the opinion of the Petroleum Administration, stipulate the Right Holder's obligation to disclose sub-contracts.

Article 73 : Insurance :

- 1- Petroleum Activities pursuant to this law conducted by a Right Holder shall be insured at all times by qualified insurance company. The insurance must at least cover:
- (a) Damage to a Facility.
 - (b) Pollution damage and other liability towards third parties.
 - (c) Wreck removal and cleanup as a result of Petroleum Activities or accidents.
 - (d) Right Holder employees engaged in Petroleum Activities.
- 2- The Right Holder shall see to that contractors and subcontractors engaged by Right Holder in Petroleum Activities insure their employees to the same extent as Right Holder insures his own employees.
- 3- At the end of each year, Right Holder shall inform the Petroleum Administration about existing insurance agreements. The Minister may require further insurance coverage or modify the terms based on the opinion of the Petroleum Administration.

Article 74 : Inspection, Monitoring and Verification :

- 1-A Competent authority has the right to inspect an Area subject to a Petroleum Right and any Facility used for Petroleum Activities in order to monitor and verify the consistency of information and reports relating to Petroleum Activities or performance of Petroleum Activities.
- 2- Competent Authorities undertaking monitoring, control or verification of Petroleum Activities or Facilities pursuant to this law may charge fees as stipulated by Council of Ministers Decree upon proposal of the Minister in consultation with concerned ministries. Such fees shall be payable to the State and shall only reflect costs incurred by the competent authority.

Article 75 : Training :

The Minister may stipulate requirements relating to a Right Holder's obligation to undertake or cause, and finance the training of public sector personnel whose work is related to Petroleum Activities.

Article 76 : Implementation Decrees :

When necessary the Council of Ministers shall supplement this law by Decrees proposed by the Minister. The Decrees related to this law may be merged into a single decree.

Article 77:

This law shall enter into force immediately upon publication in the Official Gazette. All laws or decrees which are in contradiction with this law shall be considered null and void.