

Unofficial translation from Latvian

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THE CABINET OF MINISTERS OF THE REPUBLIC OF LATVIA

Regulations No.52 of February 8th, 2000

**COMPETITION PROCEDURES FOR THE AWARD OF PERMITS (LICENCES) FOR
HYDROCARBON PRE-INVESTIGATION, EXPLORATION AND PRODUCTION
ACTIVITIES**

Amendments: Regulations of the Cabinet of Ministers No. 268 of 25.06.2002 (Latvijas Vestnesis, 28.06.2002, No. 97; Regulations of the Cabinet of Ministers No. 153 of 08.04.2003 (Latvijas Vestnesis, 15.04.2003, No. 58; Regulations of the Cabinet of Ministers No. 1010 of 14.12.2004 (Latvijas Vestnesis, 17.12.2004, No. 201).

(Minutes No.7, Paragraph 12)

Issued in compliance with
the law 'On the Subsoil',
Item 4, Part 4 and Item 10, Part 10

I. General Issues

1. These Regulations establish the competition procedure for the award of permits (licences) for the hydrocarbon pre-investigation (prospecting), exploration and production activities (hereinafter referred to as the 'Competition').

(As amended by the Regulations of the Cabinet of Ministers No. 153 of 08.04.2003, which came into force on 16.04.2003).

2. A competition shall be announced and organised by the Ministry of Economics on the basis of the order of the Cabinet of Ministers on a respective competition for a particular licence are within the territory or exclusive economic zone of the Republic of Latvia.

(As amended by the Regulations of the Cabinet of Ministers No. 153 of 08.04.2003, which came into force on 16.04.2003).

3. *(Deleted by the Regulations of the Cabinet of Ministers No. 1010 of 14.12.2004).*

4. The competition for a permit (licence) for hydrocarbon pre-investigation may be announced simultaneously with the competition for a permit (licence) for exclusive exploration and production of hydrocarbons (hereinafter referred to as the 'Permit (Licence) for exploration and production of hydrocarbons').

II. Preparation and announcement of the Competition

(This section - as amended by the Regulations of the Cabinet of Ministers No. 153 of 08.04.2003, which came into force on 16.04.2003).

5. A person, wishing to carry out hydrocarbon pre-investigation or exploration and production in a certain area, submits an application (see Attachment) to the Ministry of Economics.
(As amended by the Regulations of the Cabinet of Ministers No. 1010 of 14.12.2004).

5¹. The Ministry of Economics considers the Application within 90 days and, if necessary, requests additional information from the relevant persons.

5². *(Deleted by the Regulations of the Cabinet of Ministers No. 1010 of 14.12.2004).*

6. A Competition Invitation (hereinafter referred to as the 'Invitation') shall be published in the newspaper 'Latvijas Vestnesis' and in the Official Journal of the European Union.
(As amended by the Regulations of the Cabinet of Ministers No. 1010 of 14.12.2004).

7. The Invitation shall include the following information:

7.1. reference to the Ministry of Economics as the entity announcing the Competition;

7.2. the type of the permit (licence);

7.3. place, where the Competition Statute can be obtained and the contact person;

7.4. payment for the Competition Statute, if any;

7.5. other information necessary for the announcement of the competition.

8. The period for the submission of the competition applications (hereinafter referred to as Applications) shall be at least 90 calendar days from publishing the Invitation in the newspaper 'Latvijas Vestnesis' and in the Official Journal of the European Union.

(As amended by the Regulations of the Cabinet of Ministers No. 1010 of 14.12.2004).

8¹. The Competition Statute is approved by the Minister of Economics.

8². The requirements included in the Competition Statute cannot be changed until the end of the competition.

(As amended by the Regulations of the Cabinet of Ministers No. 1010 of 14.12.2004).

9. The Invitation shall include the following information:

9.1. reference to the Ministry of Economics as the entity announcing the Competition on behalf of the Republic of Latvia;

9.2. place (address) for the submission of applications;

9.3. data on the official entitled to provide information to applicants – first name, surname, position, telephone and fax numbers, address;

9.4. the type of the permit (licence) for which the competition is announced (the Permit (Licence) for hydrocarbon pre-investigation or the Permit (Licence) for exploration and production of hydrocarbons);

9.5. reference to the Latvian state share provided in the Permit (Licence), if appropriate;

9.6. criteria for the determination of the competition results;

9.7. the co-ordinates of the licence area;

9.8. the procedure for and the place (address) of receipt of the necessary legal and administrative acts of the Republic of Latvia;

9.9. the commencement date of the respective activities after the award of the Permit (Licence);

9.10. submission date of applications;

9.11. competition participation fee;

9.12. if a competition for permits (licences) for onshore hydrocarbon exploration and production is announced, landowners' requirements towards the licence applicant in

- connection with the transfer of rights of the use of subsoil.
- 9.13. other information at the discretion of the Competition announcer.

III. Procedures for the submission of applications

10. An applicant may submit an application for one or several Permits (Licences), as well as a joint application of several applicants for one or several Permits (Licences)
11. The persons, wishing to obtain a Permit (Licence), may familiarise themselves with the legal and administrative acts and other documents concerning hydrocarbon pre-investigation, exploration and production including these Regulations and detailed documentation on the co-ordinates and location of the licence area at the place indicated in the Competition Regulation. The applicants shall be able to purchase geological data packages from the State Geological Survey. On receiving such packages, the applicant shall sign a Confidentiality Agreement (on the non-disclosure of business secret) with the State Geological Survey pursuant to the procedure for the use of information determined in the Regulations of the Cabinet of Ministers on Pre-investigation, Exploration and Production of Hydrocarbons.

(As amended by the Regulations of the Cabinet of Ministers No. 153 of 08.04.2003, which came into force on 16.04.2003).

12. During the submission period of applications, a representative of the Ministry of Economics shall provide consultations to the applicants with regard to drawing up applications. The information acquired while advising other applicants must not be divulged during these consultations.
13. The volume of the application (apart from appendices) should not exceed ten pages of A4 format.
14. Depending on the type of competition, the respective Appendices should be attached to the application:
- 14.1. Appendix 1 - an application summary in the form of a table;
- 14.2. Appendix 2 - in case of a legal entity: the applicant's name, address and state affiliation, notarised copies of documents or duplicates confirming the type of entrepreneurial activities, equity capital of the company, its registration place and the address of its main institution, main management institution of the company, its permanent address and its authorised person in Latvia (if any), as well as the company's annual reports for the last two years; if the applicant is a physical person: first name, surname, identity No.(if any) and address;
- 14.3. Appendix 3 – an assessment of economic prospects of the licence area applied for;
- 14.4. Appendix 4 – information on the applicant's experience proving his/its capability to carry out activities in the licence area
- 14.5. Appendix 5 – information on the applicant's experience concerning the recovery of oil production waste and regeneration of petroleum spills, which contaminate the environment;
- 14.6. Appendix 6 – documents, confirming the applicant's significant experience in managing hydrocarbon activities of pre-investigation, exploration and production in one's capacity as an Operator [should be provided by the applicant applying or being nominated for the position of Work Supervisor (Operator)].

- 14.7. Appendix 7 – the offer on the utilisation of Latvian goods in hydrocarbon pre-investigation, exploration and production within the scope of the permit (licence);
 - 14.8. Appendix 8 – proposal to contribute to the training of the Latvian personnel;
 - 14.9. Appendix 9 – guarantee (warranty) issued by a parent company, bank or other third person (if any);
 - 14.10. the minimum Work Programme;
 - 14.11. information on the applicant’s experience in and capability of using environment-friendly technology;
 - 14.12. *(Deleted by the Regulations of the Cabinet of Ministers No. 1010 of 14.12.2004).*
(As amended by the Regulations of the Cabinet of Ministers No. 153 of 08.04.2003, which came into force on 16.04.2003).
15. The following information should be included within the contest application for the Permit (Licence) for exploration and production of hydrocarbons:
 - 15.1. name (or first name, surname), address and state affiliation of the applicant;
 - 15.2. the licence area applied for, the corresponding designations and co-ordinates in accordance with the invitation. If several licence areas are mentioned in the application, areas with a higher of priority should also be indicated. If applicants submit a joint application, they should indicate the applicant nominated as the Work Supervisor (Operator);
 - 15.3. reference to the consent to co-operate with an enterprise designated by the State if the Invitation prescribes Latvian state share.
 16. The following information is included in the competition application for the Permit (Licence) for hydrocarbon pre-investigation:
 - 16.1. name (first name, surname), address and state affiliation of the applicant;
 - 16.2. the licence area applied for, the corresponding designations and co-ordinates in accordance with the invitation;
 - 16.3. information on the applicant’s technical experience in hydrocarbon pre-investigation,
 - 16.4. the proposed Work Programme.*(As amended by the Regulations of the Cabinet of Ministers No. 268 of 25.06.2002, which came into force on 29.06.2002).*
 17. On submitting the application for the Permit (Licence) for Exploration and Production of Hydrocarbons, the applicant shall attach all the appendices mentioned in Paragraph 14 of these Regulations, but in case of the Permit (Licence) for Hydrocarbon Pre-investigation - the appendices mentioned in Sub-paragraphs 14.2, 14.4 and 14.11 of these Regulations.
 18. The applicant shall submit the application and its appendices in a sealed envelope, indicating on the envelope for which competition the application has been submitted for.
 19. Applications sent by post shall be deemed to be submitted before the deadline if received by the deadline for the submission of applications according to the Latvian time.
 20. If the application does not contain all of the necessary information or documents, the applicant shall be entitled to submit amendments by the deadline for the submission of applications, without a special invitation or request.
 21. The executive of the Competition Commission makes a note on the date of receipt on the envelopes of applications and their amendments and signs it.
 22. The envelopes of applications and their amendments shall be opened only subsequent to the deadline for the submission of applications at the meeting of the Competition Commission, and the respective minutes shall be drawn up thereof.

23. The Competition Commission shall not examine the application which do not comply with the requirements of these Regulations or the competition terms and conditions; a protocol is made regarding this and the applicant is informed in writing about it within fifteen days of the meeting of the Competition Commission as indicated in Paragraph 22 of these Regulations.
24. The Ministry of Economics may prolong the term for the submission of applications within 30 days, in compliance with Paragraph 8 of these Regulations, making announcements about it in the "Latvijas Vestnesis" newspaper and relevant foreign publications, if:
- 24.1. no applications were submitted for a concrete licence area;
- 24.2. if, based on the decision by the Competition Commission, all the submitted applications for concrete licence area(s) are rejected.
- (As amended by the Regulations of the Cabinet of Ministers No. 268 of 25.06.2002, which came into force on 29.06.2002).*
- 24¹. if the term for the submission of applications is not prolonged, the competition for that licence area shall be regarded as non-existent.
- (As amended by the Regulations of the Cabinet of Ministers No. 268 of 25.06.2002, which came into force on 29.06.2002).*
- 24². the licence area, for which no applications were submitted, may be included in the next licensing round.
- (As amended by the Regulations of the Cabinet of Ministers No. 268 of 25.06.2002, which came into force on 29.06.2002).*
25. In case a single application for a certain licence area has been received, the Competition Commission, after evaluating the offer in the Application, shall be entitled to decide on awarding the Permit (Licence) to the applicant. The only grounds for a negative decision may be a discrepancy between the offer and the established criteria.

IV. The Competition Commission

26. The Competition Commission shall be approved by the Cabinet of Ministers according to proposals of the Minister of Economics, and shall consist of five to eleven members. Authorised representatives of the Ministry of Economics, the Ministry of Environment, the Ministry of Finance and the Ministry of Justice, as well as other competent officials shall be included in the commission.
- (As amended by the Regulations of the Cabinet of Ministers No. 153 of 08.04.2003, which came into force on 16.04.2003).*
27. For the purposes of evaluating the technical, financial, economic and ecological substantiation of applications and giving recommendations, the Competition Commission may form respective expert groups. The composition of such groups shall be approved by the Minister of Economics prior to the deadline for submitting applications.
28. The Competition Commission shall have the power of decision if more than one half of its members are present at the meeting. Minutes of the meetings of the commission shall be taken.
29. Open voting shall take place at the commission's meetings. In case the number of affirmative and negative votes is equal, the chairman shall have the casting vote.
30. The Ministry of Economics shall technically support the work of the Contest commission.

V. The evaluation criteria

31. The following criteria during competitions for permits (licences) for exploration and production of hydrocarbons shall be taken into consideration:
 - 31.1. the applicant's technical resources and previous experience;
 - 31.2. the applicant's financial capability to cover expenses related to the activities under the Permit (Licence);
 - 31.3. the way of performing the hydrocarbon exploration (the minimum work programme) and commencing their production proposed by the applicant;
 - 31.4. funds available for the minimum Work Programme and for the supplementary activities proposed by the applicant;
 - 31.5. *(Deleted by the Regulations of the Cabinet of Ministers No. 1010 of 14.12.2004).*
 - 31.6. the applicant's proposal to contribute to the training of the Latvian personnel;
 - 31.7. the applicant's experience in and capability of using environment-friendly technology and protecting the environment.

(As amended by the Regulations of the Cabinet of Ministers No. 268 of 25.06.2002 and the Regulations of the Cabinet of Ministers No. 1010 of 14.12.2004).
32. The following criteria during competitions for permits (licences) for hydrocarbon pre-investigation shall be taken into consideration:
 - 32.1. the applicant's technical capability;
 - 32.2. the applicant's experience in and capability of using environment-friendly technology and protecting the environment.
33. Prior to making a decision, the Competition Commission shall be authorised to require more detailed supplementary information or the affirmation of the facts pursuant to the competition criteria. The additionally submitted information must not change the essence of the offer included in the application.
34. Subsequent to evaluating the applications pursuant to the criteria under Paragraphs 31 and 32 herein, if several applications have equal results, the Competition Commission shall use other objective and non-discriminatory criteria to make the final decision.
35. The Competition Commission shall have the right to take into account the applicant's work efficiency and quality during the validity period of the previous Permit (Licence) if such a Permit (Licence) has been formerly issued to the applicant in Latvia.

VI. Determination of the Competition results

36. The competition applications shall be opened at the Competition Commission's meeting having a quorum, according to Paragraph 28 hereof, at a date at least five days later than the deadline for submitting the applications.
37. The Competition Commission shall consider the applications for the Permit (Licence) for hydrocarbon pre-investigation and arrive at a decision on the results thereof within 60 days following the deadline for submitting the applications; in the case of a competition for the Permit (Licence) for hydrocarbon exploration and production - the results shall be decided within 120 days following the deadline for submitting the applications.
38. In the event that the Competition Commission considers it necessary to require additional information or to check the existing information, the decision-making period may be prolonged, but not to exceed 60 days. All the applicants should be informed thereof.

39. The meetings of the Competition Commission are closed ones. The information thereof should be provided in compliance with Paragraphs 41, 42 and 43 of these Regulations.
40. The competition results are published in the newspaper 'Latvijas Vestnesis' within ten days after making the final decision.
41. The competition results are communicated in writing to all the participants by sending notifications within 10 days after making the final decision.

VII. Documentation of the Competition process and information about it

42. Subsequent to the conclusion of the Competition, the Competition Commission shall keep and commit to the care of the archives of the Ministry of Economics the documents relevant to the Competition, which comprise the following information:
 - 42.1. the competition announcer and the licence areas proposed;
 - 42.2. composition of the Competition Commission, reference to the document under which this commission has been formed;
 - 42.3. the competition Invitation;
 - 42.4. first name and surname of the commission's members being present at the Competition Commission's meeting;
 - 42.5. deadline and place for the submission of applications;
 - 42.6. place and date for opening the application envelopes and the number of the applications submitted;
 - 42.7. the applicants whose applications have been regarded valid;
 - 42.8. minutes and resolutions of the Competition Commission meetings;
 - 42.9. the applicants to whom the rights have been granted to receive the Permit (Licence);
 - 42.10. minutes reflecting the inadequacy of documents;
 - 42.11. the applicant, which has the right to receive the Permit (Licence), in case the applicant mentioned in subparagraph 42.9 of these Regulations, does not collect his/its Permit (Licence) within the appointed time, cancels his/its application, fails to sign a Joint Operating Agreement or to prepare other necessary documents;
 - 42.12. name of each applicant;
 - 42.13. description of the main points of each applicant's application;
 - 42.14. a note on the applicant compliance with the requirements of the competition or on the rejection of the offer as inadequate, and the respective motivation;
 - 42.15. a summary report on comparing and evaluating the offers and proposals by the Competition Commission, main arguments presented during the evaluation;
 - 42.16. conclusions and recommendations of the expert groups, if such groups have been established;
 - 42.17. motivation in case any of the applications or applicants have been rejected as non-complying with the requirements of the competition;
 - 42.18. a note on correcting arithmetical errors (if any) within the applications submitted, as well as on the applicant's acceptance or refusal thereof;
 - 42.19. information indicated by the applicant as strictly confidential.
43. There is no need to duplicate the information, indicated in Paragraph 42 of these Regulations being reflected in separate documents to be submitted for safe keeping, in the minutes of the Competition Commission's meeting, except the data on the applicants and applications.
44. The registration and recording of the Permits (Licences) issued in compliance with these Regulations shall be carried out by the Ministry of Economics. The Ministry of Economics

shall transfer to the State Geological Survey the information on the awarded Permits (Licences). The registration and recording of the Permits (Licences), as well as the procedures for submitting the information to the State Geological Survey shall be subject to instructions approved by the Minister of Economics.

Information reference to the European Union Directive

(As amended by the Regulations of the Cabinet of Ministers No. 1010 of 14.12.2004).

These Regulations contain legal provisions, which comply with the 94/22/EC Directive of the European Parliament and Council of May 30, 1994 as regards the provisions for the issue and use of permits for hydrocarbon pre-investigation, exploration and production.

Prime Minister A. Skele
 For the Minister of Economics - Minister of Finance E. Krastins

(Attachment - as amended by the Regulations of the Cabinet of Ministers No. 1010 of 14.12.2004).

Attachment to
 the Regulations of the Cabinet of Ministers
 No. 52 of February 8, 2000

1. Information about the Applicant	
1.1. First name, surname/name	
1.2. Identity No./Registration No., date and place	
1.3. Place of residence/legal address	
1.4. Telephone No.	
1.5. Fax No.	
1.6. E-mail address	
1.7. Internet home page address	
2. Purpose of the use of subsoil	
3. Location of the possible onshore licence area – administrative area	
4. Co-ordinates of the possible onshore licence area: onshore – in the LKS92TM system, offshore – geographical co-ordinates	

5. Information about all landowners, the land of whom is located in the licence area, information about the owners of adjacent plots of land:				
No.	Cadastre No. of plot of land	Address of plot of land	Owner's first name and surname/ name; address/legal address	Identity No. /Registration No.
6. Previous experience in oil operations (if any) of the person interested in hydrocarbon pre-investigation or exploration and production operations (applicant for the use of subsoil)				
7. Requested term of the permit (licence), if such is planned				
8. The following documents are attached to the application (if document copies are submitted, the originals must be presented):				
	Type of document			Number of pages
8.1.	Copy of businessman's registration certificate/copy of passport of physical person		1	
8.2.	The landowner's requirements to the licensee, which will be included in the Statute of Competition for hydrocarbon exploration and production operations		1	
8.3.	General substantiation of geological prospectivity of the licence area		1	
8.4.	Map of land boundaries (certified copy), if the possible licence area is located onshore		1	
8.5.	Document confirming land ownership (certified copy)		1	
8.6.	Map of the possible licence area issued by the State Land Survey, with co-ordinates (two originals) and certificate regarding plots of land existing in the licence area, with landowners and land cadastre numbers indicated		1	
8.7.	Notarised Power of Attorney for the person making transactions on behalf of the landowner, landholder or businessman		1	

(Applicant's signature and name)

(date)