

THE CABINET OF MINISTERS OF THE REPUBLIC OF LATVIA

Regulations No.53 of February 8th, 2000

REGULATIONS ON THE STATE FEE FOR THE OIL PRODUCTION

(Minutes No.7, Item 13)

Amendments: Regulations of the Cabinet of Ministers No. 154 of 08.04.2003 (Latvijas Vestnesis, 15.04.2003, No. 58).

Issued in compliance with the law
'On taxes and duties', Article 10, Part 2.
(As amended by the Regulations of the
Cabinet of Ministers No. 154 of 08.04.2003,
which came into force on 16.04.2003).

I. General Issues

1. These Regulations determine the procedure for calculating and paying the state fee for the oil production (hereinafter referred to as Royalty).
2. The Royalty is a payment for the oil produced in the territory or the exclusive economic zone of Latvia.
3. The Royalty shall be paid by companies (enterprises), which have obtained a permit (licence) for the exploration and production of hydrocarbons (hereinafter - permit (licence) and produce oil in the territory or the exclusive economic zone of Latvia (hereinafter- licensee).
4. Companies (enterprises) shall calculate and pay the Royalty in Lats (LVL) for the amount of oil extracted from each separate deposit.
5. The amount of the oil produced shall be supervised by the Ministry of Economics.

II. Procedure for calculating the Royalty

6. The Royalty rate shall be determined as a percentage from the amount of oil produced in the territory or the exclusive economic zone of Latvia.
7. The Royalty rate shall be applied depending on the daily amount of oil extracted from each separate oil deposit:
 - 7.1. as regards oil produced in the territorial sea, as well in the territories, which are not state property:

Amount of oil production (Barrels of oil per day -'BOPD')	Royalty rate
Up to 10.000 BOPD	2%
10.001- 20.000 BOPD	4%
20.001- 30.000 BOPD	6%
30.001- 40.000 BOPD	8%
40.001- 50.000 BOPD	9%
50.001- 80.000 BOPD	10%
Over 80.001 BOPD	12%

7.2. as regards oil produced in the territories, which are state property: 10%.
(As amended by the Regulations of the Cabinet of Ministers No. 154 of 08.04.2003, which came into force on 16.04.2003).

8. The amount of oil produced shall be fixed at the measurement point and at the time specified in the permit (licence).
9. The daily amount of the oil produced, calculated to the precision of one decimal place, shall be determined by means of dividing the total amount of oil in barrels, extracted during the accounting week, by the number of production days in a week.
10. The procedure for assessing the grade of the oil extracted shall be specified in the permit (licence).
11. The specific amount of the Royalty shall be calculated by multiplying the respective royalty rate under Paragraph 7 of these Regulations and the market value for the daily produced oil, determined pursuant to Paragraph 12 hereof.
12. The market value for the oil produced in the territory or the exclusive economic zone of Latvia shall be assessed every calendar week (from Monday at 00.00 to Sunday at 24.00) on the basis of the price for the Reference Petroleum 'Dated Brent' extracted in the North Sea and indicated in the price-list 'Argus Crude Report' (published on the next Monday following an accounting week after closing London International Oil Exchange) of the journal 'Argus Petroleum'. The market value for oil is calculated by taking into consideration the quality of the oil extracted:

W= Vx (P + Delta) where:

W- market value for oil,

V- volume of the oil extracted (in barrels),

P- price for the Reference Petroleum 'Dated Brent' in United States dollars per bbl,

Delta- an adjustment coefficient, which depends on the quality of the produced oil in API grades, on the sulphur content and the market demand for oil of such a quality.

III. Procedure for paying the Royalty

13. The Licensee shall submit to the State Income Service and the Ministry of Economics a report on oil production from each separate deposit and on the Royalty (Appendix) to be paid for each calendar month not later than on day 10 of the month following the respective reporting month.
14. Royalty payments shall be recalculated in the monetary units of the Republic of Latvia - Lats. Recalculation shall be made by applying the exchange rate stated by the Bank of Latvia on the specified date.
15. Royalty payments shall be commenced for the quarter when the first barrel of oil is produced and subsequently paid once a quarter, not later than on day 20 of the first month following that quarter.
16. If the Ministry of Economics and the Licensee have agreed upon interruption or termination of the oil production the Royalty shall not be paid for the quarter when oil is not extracted.
17. Revenues from the Royalty payments shall be transferred into the principal state budget.

IV. Final Issue

18. By April 1st, 2000, after obtaining an endorsement by the Ministry of Finance, the Ministry of Economics shall work out and the Minister of Economics shall approve the procedure for adjusting the price of the oil produced.

Information reference to the European Union Directive

(According to the Regulations of the Cabinet of Ministers No. 154 of 08.04.2003, which came into force on 16.04.2003).

These Regulations contain legal provisions, which comply with the 94/22/EC Directive.

Prime Minister A. Skele

For the Minister of Economics -
Minister of Finance E.Krastins

APPENDIX

to Regulations
of the Cabinet of Ministers No.53
of February 8, 2000

**REPORT ON THE OIL EXTRACTED FROM THE DEPOSIT AND
ON THE PAYABLE ROYALTY**

COMPANY (ENTERPRISE) _____
(name,

_____ legal address and registration No.)

PERMIT (LICENCE) _____
(number and date of issue)

DEPOSIT _____
(name and location)

ACCOUNTING MONTH _____

Date	Amount of the extracted oil (thousand bbl)	Royalty rate (per cent)	Market value of the produced oil (in USD)	Exchange rate stated by the Bank of Latvia	Royalty (in lats) (6=2·3·4·5)
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>
1					
2					
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					
14					
15					
16					
17					
18					
19					
20					
21					

22					
23					
24					
25					
26					
27					
28					
29					
30					
31					
Total					

Head of the Company (enterprise) _____
(Signature and name)

Place for a seal

Chief Accountant _____
(Signature and name)

(date)

For the Minister of Economics -
Minister of Finance E.Krastins