

Disclaimer: The English language text below is provided by the Translation and Terminology Centre for information only; it confers no rights and imposes no obligations separate from those conferred or imposed by the legislation formally adopted and published. Only the latter is authentic. The original Latvian text uses masculine pronouns in the singular. The Translation and Terminology Centre uses the principle of gender-neutral language in its English translations. In addition, gender-specific Latvian nouns have been translated as gender-neutral terms, e.g. chairperson.

Republic of Latvia

Cabinet

Regulation No 691

Adopted 13 September 2005

Regulations regarding Prospection, Exploration and Production of Hydrocarbons

*Issued pursuant to
Section 4, Paragraph four,
Section 10, Paragraphs two, four,
seven and ten of the
Law On Subterranean Depths*

I. General Provisions

1. These Regulations prescribe the procedures for the licensing of hydrocarbon prospection and hydrocarbon exploration and production activities, the procedures for the prospection of hydrocarbons and the exploration and production of hydrocarbons in the territory and exclusive economic zone of Latvia, as well as the fee amount for a permit (licence) for the utilisation of subterranean depths and the payment procedures.

2. Terms used in these Regulations are the following:

2.1. **experimental production of hydrocarbons** – production of hydrocarbons from an exploration well;

2.2. **deposit** – spatially bounded accumulation of hydrocarbons in the subterranean depths;

2.3. **licensee** – a merchant to whom a permit (licence) has been issued in accordance with the procedures specified in these Regulations;

2.4. **licence area in the sea** – an area specified by the Cabinet for the prospection, exploration and production of hydrocarbons in the territorial sea, exclusive economic zone of the Republic of Latvia (hereinafter – sea), which is limited by lines with specified coordinates of latitude and longitude, as well as state borders, borders of economic zones and the coastlines thereof, in which the licensee has the right to perform hydrocarbon prospection or exploration and production activities;

2.5. **licence area on dry land** – an area on dry land in the territory of the Republic of Latvia specified by the Cabinet, in which a licensee has the right to perform hydrocarbon prospection or hydrocarbon exploration and production activities;

2.6. **operator** – a manager of hydrocarbon exploration and production activities;

2.7. **production of hydrocarbons** – activities which are performed in order to extract hydrocarbons from a licensed area, as well as the construction works of the equipment for the prospection of hydrocarbons, the installation and use of the facilities for the arrangement of

drilling for the prospection of hydrocarbons, pumping of petroleum, injection of gas or water, preliminary processing, accumulation and storage of hydrocarbons, as well as transporting of hydrocarbons to the embarkation place;

2.8. **exploration of hydrocarbons** – geological, geophysical, geochemical and other activities performed in order to evaluate the extent of a hydrocarbon field and the value thereof, also the drilling of exploration wells and experimental prospection of hydrocarbons, the documenting of wells, as well as the processing and evaluating of the data obtained; and

2.9. **prospection of hydrocarbons** – geological, geophysical and geochemical activities in order to find perspective deposits of hydrocarbons for further exploration, as well as the processing and evaluation of the data obtained during the referred to activities.

II. General Licensing Procedures in the Territory and Exclusive Economic Zone of the Republic of Latvia

3. A merchant may commence and perform the prospection of hydrocarbons, as well as the exploration and production of hydrocarbons only after –such merchant has received a permit (licence) in accordance with the procedures specified by these Regulations.

4. The Ministry of Economics shall issue the following permits (licences):

4.1. a permit (licence) for the prospection of hydrocarbons; and

4.2. a permit (licence) for the exploration and production of hydrocarbons.

5. The Ministry of Economics shall issue a permit (licence):

5.1. for the prospection of hydrocarbons (without tender);

5.2. for the exploration and production of hydrocarbons in the sea or lands that belong to the State through a tender procedure, except for the case specified in Paragraph 68 of these Regulations; and

5.3. for the exploration and production of hydrocarbons (without tender) in lands that do not belong to the State to the owner of the land or a merchant selected by his or her authorised representative if it complies with the requirements specified in Paragraphs 71 and 76 of these Regulations.

6. The Ministry of Economics shall issue and register a permit (licence) for the prospection of hydrocarbons and the exploration and production of hydrocarbons.

7. An initiator for the determination of a licence area (hereinafter – initiator) in the sea may be the Ministry of Economics or a merchant who wants to perform hydrocarbon prospection or hydrocarbon exploration and production activities in sea.

8. An initiator of determination of a licence area on dry land may be the owner of the relevant plot of land or his or her authorised person.

9. Landowners or their authorised person may unite their land properties into one licence area if such land properties have common borders. Landowners or their authorised person shall submit to the Ministry of Economics a joint submission regarding the proposal to determine a licence area.

10. The Ministry of Economics shall prepare a proposal regarding a licence area for the prospection of hydrocarbons, as well as the exploration and production of hydrocarbons on the basis of a submission of initiator.

11. The initiator of the hydrocarbon prospection or hydrocarbon exploration and production activities shall submit to the Ministry of Economics a submission regarding the proposal to determine a licence area (Annex 1).

12. The Ministry of Economics shall examine the submission within a time period of 30 days.

13. If the initiator has not submitted all information and documents specified in Annex 1, the Ministry of Economics shall request they be submitted to them within a time period of 30 days. If the initiator has not submitted the requested information within the specified period of time, the Ministry of Economics shall take a decision to reject the submission and shall inform the initiator regarding such decision by sending the submission back.

14. The initiator may re-submit the submission.

15. If the submission and information attached thereto and the documents comply with the requirements of these Regulations, the Ministry of Economics shall prepare a draft of the Cabinet Order regarding the determination of a licence area.

16. The landowner or his or her authorised person, in accordance with Paragraph 93 of these Regulations, may propose to expand a licence area of prospection of hydrocarbons or the exploration and production of hydrocarbons to plots of land that are located nearby if the owners of the relevant plots of land agree on such a proposal. In such case the landowners or their authorised person shall submit to the Ministry of Economics a submission regarding the making of amendments to the licence area (Annex 2).

17. In the case referred to in Paragraph 91 of these Regulations a licensee may propose to expand a licence area for the prospection of hydrocarbons or the exploration and production of hydrocarbons in the sea or land that belongs to the State. In order to propose making amendments to the licence area, the licensee shall submit to the Ministry of Economics a submission regarding the making of amendments to the licence area (Annex 2).

18. The Ministry of Economics shall examine the submission regarding the making of amendments to a licence area and prepare a relevant draft of the Cabinet Order in accordance with the procedures specified in Paragraphs 12, 13, 14 and 15 of these Regulations.

19. A licensee shall be the owner of the geological and geophysical data obtained in hydrocarbon prospection or hydrocarbon exploration and production activities.

20. If hydrocarbon prospection or hydrocarbon exploration and production activities are related to ship traffic or the use of aircraft, a licensee shall have to receive a relevant permit for these activities and shall have to comply with regulatory enactments regarding the procedures for the issuance of permits to foreign research ships, as well as special aviation activities.

21. The Ministry of Economics and the Latvian Environmental, Geological and Meteorological Agency shall operate with geological and geophysical data and information

obtained in hydrocarbon prospection or hydrocarbon exploration and production activities in accordance with Section 5, Paragraph two and Section 7 of the Freedom of Information Law.

III. Procedures for the Licensing of Hydrocarbon Prospection Activities

22. The following shall be indicated in a permit (licence) for the prospection of hydrocarbons:
- 22.1. justification for the issuance of permit (licence);
 - 22.2. information regarding the licensee (firm name of the merchant, registration number, place of registration and legal address thereof);
 - 22.3. time of operation of the permit (licence);
 - 22.4. licence area and the geographic coordinates of the vertices thereof;
 - 22.5. programme of hydrocarbon prospection activities; and
 - 22.6. procedures for the submission of information, data, reports and samples that are obtained during hydrocarbon prospection activities.
23. The permit (licence) for the prospection of hydrocarbons shall not be exclusive. Several permits (licences) may be issued for one licence area of prospection of hydrocarbons.
24. If the licensee has a permit (licence) for the prospection of hydrocarbons, such permit (licence) shall not provide a privilege for the receipt of a permit (licence) for exploration and production of hydrocarbons.
25. The permit (licence) for prospection of hydrocarbons shall be issued for a time period up to five years.
26. After the taking of the Cabinet Order regarding the determination of the licence area for hydrocarbon prospection activities, the Ministry of Economics shall inform the initiator regarding such Order within a time period of 15 days.
27. After the taking of the Cabinet Order regarding the determination of the licence area for the prospection of hydrocarbons on the dry land that does not belong to the State, the land owner or his or her authorised person shall choose a merchant (hereinafter – applicant) who will apply for the receipt of a permit (licence) for the prospection of hydrocarbons.
28. After taking of the Cabinet Order regarding the determination of the licence area for the prospection of hydrocarbons in the sea or lands that belong to the State, the Ministry of Economics shall publish an invitation for the applicants to apply for the receipt of a permit (licence) for hydrocarbon prospection activities in the newspaper *Latvijas Vēstnesis* [the official Gazette of the Government of Latvia], as well as in the Official Journal of the European Communities.
29. In order to receive a permit (licence) for the prospection of hydrocarbons in the licence area specified by the Cabinet, the applicant shall submit to the Ministry of Economics a submission regarding the receipt of the permit (licence) for the prospection of hydrocarbons (Annex 3). The documents indicated in Annex 3 shall be attached to the submission.
30. The Ministry of Economics shall evaluate the compliance of the submission of the applicant with the requirements specified in Annex 3 within a time period of 30 days. If the

information and documents submitted comply with the referred to requirements, the Ministry of Economics shall issue a permit (licence) for hydrocarbon prospection activities.

31. If the applicant has not submitted all information and documents specified in Annex 3, the Ministry of Economics shall request such information and documents be re-submitted within a time period of 30 days. If the applicant has not submitted the requested information within the specified period of time, the Ministry of Economics shall take a decision to reject the submission and shall inform the initiator regarding such decision by sending the submission back.

32. The applicant may re-submit the submission.

IV. Procedures for Hydrocarbon Prospection Activities

33. The licensee shall, not less than within a time period of 30 days before the commencement of the relevant activities, submit to the Ministry of Economics a schedule for the performance of the hydrocarbon prospection activities. The time periods planned for the commencement and termination of prospection activities provided in programme of activities specified in permit (licence) shall be indicated in the schedule for the performance of activities.

34. The licensee has the duty, in accordance with the procedures specified in the licence (permit), to submit to the Latvian Environmental, Geological and Meteorological Agency the data, samples and information that is obtained during the hydrocarbon prospection activities.

35. In performing seismic exploration in the sea, the licensee has the right to continue seismic measurements in the territory that is located adjacent to the licence area, not exceeding a distance of 2000 metres from the border of the licence area. The licensee shall inform the Ministry of Economics regarding the referred to activities and the time of performance thereof and enter into a written agreement regarding the performance of seismic activities (hereinafter – agreement) with the licensee of the neighbouring licence area if such exists. The licensee shall submit the written agreement to the Ministry of Economics within a time period of five days after the signing thereof and commence activities.

36. In performing seismic exploration on dry land, the licensee has the right to continue seismic measurements in the territory that is located adjacent to the licence area, not exceeding a distance of 500 metres from the border of the licence area. The licensee shall enter into a written agreement with the landowner of the relevant territory regarding the seismic exploration activities and the time of performance thereof. The licensee shall submit the written agreement to the Ministry of Economics within a time period of five days after signing thereof and initiate the activities.

V. General Licensing Procedures for Hydrocarbon Exploration and Production Activities

37. The following shall be indicated in a permit (licence) for the exploration and production of hydrocarbons:

37.1. justification for the issuance of the permit (licence);

37.2. the information regarding the licensee (firm name of the merchant, the registration number, place of registration and legal address thereof);
37.3. the time of operation of the permit (licence);
37.4. the licence area and geographic coordinates of the vertices thereof;
37.5. the division of hydrocarbon exploration activities according to years;
37.6. the minimum programme of exploration activities and costs thereof; and
37.7. the procedures for the submission of the information, data, reports and samples that are obtained during hydrocarbon exploration and production activities.

38. The permit (licence) for the exploration and production of hydrocarbons shall be issued for a period up to 30 years, inclusive of an exploration phase – up to five years. If the permit (licence) for hydrocarbon exploration and production is issued for a shorter period, the Ministry of Economics may extend the term of the permit (licence) for hydrocarbon exploration and production for a period not exceeding 30 years, inclusive of the period previously specified.

39. The permit (licence) for the exploration and production of hydrocarbons shall provide exclusive rights to extend the validity period of the permit (licence) for the exploration for hydrocarbons up to 30 years.

40. Licence area, not smaller than 15 hectares, shall be provided for in the draft of the Cabinet Order for the exploration and production of hydrocarbons on dry land.

41. If several merchants wish to perform hydrocarbon exploration and production activities jointly, they shall establish a partnership that shall apply for the receipt of a permit (licence).

42. If the permit (licence) is issued to a partnership, the merchants that compose the partnership shall be indicated in the permit (licence).

43. The Ministry of Economics shall issue a permit (licence) for the exploration and production of hydrocarbons on the basis of a decision of the Hydrocarbon Exploration and Production Licensing Commission (hereinafter – commission).

44. The Cabinet shall approve the commission composed of seven members upon the proposal of the Minister for Economics. The commission shall include the delegated representatives of the Ministry of Economics, the Ministry of Finance, the Ministry of Justice and the Ministry of the Environment.

45. The Commission can take decisions provided that more than a half of the commission members are present. Minutes shall be taken at commission meetings.

46. The work of the commission shall be technically provided for by the Ministry of Economics.

VI. Procedures for the Licensing of Hydrocarbon Exploration and Production Activities in the Sea or Lands that Belong to the State

47. The Ministry of Economics, within a time period of 180 days after taking of the Cabinet Order regarding the determination of a licence area, shall announce a licensing tender

regarding exploration and production of hydrocarbons in the sea or lands that belong to the State (hereinafter – tender).

48. An invitation to participate in the tender (hereinafter – invitation) shall be published in the newspaper *Latvijas Vēstnesis* and the Official Journal of the European Communities.

49. The following information shall be indicated in the invitation:

- 49.1. the validator of the tender (the Ministry of Economics);
- 49.2. the permit type (licence);
- 49.3. the place, time for the receipt of the tender regulations and the contact person;
- 49.4. the fee for the receipt of the tender regulations – 350 lats;
- 49.5. the deadline for the submission of the application; and
- 49.6. other information that may be necessary to participants in order to prepare an application of good quality for the tender.

50. The time period for the submission of applications shall not be less than 90 calendar days since the publishing of the invitation in the newspaper *Latvijas Vēstnesis* and the Official Journal of the European Communities.

51. The Ministry of Economics shall develop and approve the tender regulations.

52. The following shall be indicated in the tender regulations:

- 52.1. the information regarding the subject of the tender;
- 52.2. the procedures for the drawing up, submission and registration of applications;
- 52.3. the content of application and qualification requirements for the participants of the tender in accordance with Paragraph 53 of these Regulations;
- 52.4. the validity period of applications;
- 52.5. the procedures for explanation of tender regulations;
- 52.6. the procedures for the amending, supplementing and repealing of applications;
- 52.7. the procedures for the opening of applications;
- 52.8. the procedures and evaluation criteria of applications in accordance with Paragraph 54 of these Regulations;
- 52.9. rights and obligations of the commission;
- 52.10. the amount of non-repayable tender participation fee – 1500 lats – and the procedures for the payment thereof;
- 52.11. a sample of the drawing up of the application; and
- 52.12. other information necessary for the procedures of the tender.

53. A participant shall be qualified for a licensing tender. The following documents and information shall confirm the qualification of the participant in accordance with the sample specified in tender regulations:

- 53.1. application form of the participant;
- 53.2. information regarding the participant;
- 53.3. information regarding the experience of the participant, which describes the capability thereof to perform hydrocarbon exploration and production activities in the licence area;
- 53.4. the minimum programme of hydrocarbon exploration activities, which includes amounts, terms and costs of the exploration activities;

53.5. a document, which confirms that the participant has introduced a quality management system in accordance with LVS EN ISO 9001:2000, *Quality Management Systems – Requirements*, or similar standard;

53.6. a document which confirms that the participant has introduced Regulation (EC) No. 761/2001 of the European Parliament and of the Council of 19 March 2001 allowing voluntary participation by an organisation in a Community eco-management and audit scheme (EMAS) or LVS EN ISO 14001:2005, *Environmental Management System – Requirements with Guidance for Use*, or environmental management standard that is equal thereto;

53.7. the annual accounts of the participant regarding the last two financial years;

53.8. a copy of the merchant's registration certificate;

53.9. a bank guarantee or equal document which confirms that the participant is able to financially ensure the implementation of the minimum programme of hydrocarbon exploration activities; and

53.10. a document, which confirms that the participant has paid the participation fee.

54. The following criteria shall be included in tender regulations for the granting of a permit (licence):

54.1. the financial parameters of the participant;

54.2. the way in which the participant offers to perform the exploration for hydrocarbons and to initiate production thereof (the minimum programme of activities); and

54.3. work experience in the exploration and production of hydrocarbons.

55. Commission shall evaluate the compliance of the tender participant with the qualification requirements.

56. The commission shall examine the applications of the participants and evaluate only such applications that comply with Paragraph 53 of these Regulations and the requirements specified in the tender regulations.

57. The commission shall evaluate the applications of the participants, granting them points in accordance with the criteria specified in Paragraph 54 of these Regulations.

58. The procedures for the granting of points for each criterion shall be specified in the tender regulations.

59. The meetings of the commission shall be closed ones, except the meeting of the opening of applications.

60. The participant, to whose application the largest score has been granted, but not less than specified in the tender regulations, shall be recognised as the winner of the tender.

61. If the application does not comply with these Regulations or tender regulations, the commission shall not evaluate such application, but draw up a relevant protocol regarding such application and inform the applicant in writing within a time period of 15 days after the commission meeting.

62. If the applications of several participants receive an identical score, the participant whose application receives the highest score for the minimum programme of activities and experience of the participant in hydrocarbon exploration and production activities shall be recognised as the winner.

63. If only one application has been received in the licensing commission and such complies with the requirements specified in these Regulations and tender regulations, the commission is entitled to decide that the relevant applicant is the winner of the tender.

64. The commission shall grant a permit (licence) to the participant after he or she has been recognised as the winner.

65. The results of the tender, within a time period of 15 days after taking of the decision of the commission, shall be published in the newspaper *Latvijas Vēstnesis*, sent for publishing in the Official Journal of the European Communities and notified in writing to all participants of the tender.

66. The tender for the exploration and production of hydrocarbons shall be recognised as not having taken place if:

66.1. no application has been received;

66.2. all the applications submitted have been rejected by a decision of the commission; or

66.3. the winner of the tender has declined the permit (licence).

67. If the tender, in accordance with Paragraph 69 of these Regulations, has been recognised as not having taken place, the Ministry of Economics shall announce a new tender within a time period of 180 days, notifying such decision in the newspaper *Latvijas Vēstnesis* and the Official Journal of the European Communities.

68. A licensing tender shall not be organised if the licence area is being expanded in the case specified in Paragraph 91 of these Regulations.

VII. Procedures for the Licensing of Hydrocarbon Exploration and Production Activities on Lands that Do Not Belong to the State

69. After the taking of the Cabinet Order regarding the determination of the licence area for the hydrocarbon exploration and production activities, the Ministry of Economics shall inform the initiator regarding such order within a time period of 15 days.

70. After the taking of the Cabinet Order regarding the determination of the licence area for the hydrocarbon exploration and production activities, the landowner or his or her authorised person shall choose an applicant who will apply for the receipt of a permit (licence) for the hydrocarbon exploration and production activities.

71. In order to receive a permit (licence) for the exploration and production of hydrocarbons in the licence area specified by the Cabinet, the applicant shall submit a submission to the Ministry of Economics (Annex 4). The documents referred to in Annex 4 shall be attached to the submission.

72. The commission shall evaluate the submission.

73. The Commission, within a time period of 60 days after the receipt of the submission, shall evaluate whether the submission and the information submitted by the applicant complies with the requirements specified in Annex 4.

74. If the applicant has not submitted all the documents and information specified in Annex 4, the commission shall request that information and documents be submitted within a time period of 30 days. If the applicant has not submitted the necessary documents within the specified period of time, the commission shall take a decision to reject the submission and shall inform the applicant regarding such decision by sending the submission back.

75. If the submission complies with the requirements specified in Annex 4, the commission shall evaluate such submission, granting points in accordance with evaluation criteria specified in Annex 5.

76. The minimum score that must be acquired so that the commission might take a decision regarding the granting of the permit (licence), shall be 21 point.

77. If the submission complies with the stated evaluation criteria that are specified in Annex 5 and the evaluation thereof is not less than the minimum score specified in Paragraph 76 of these Regulations, the commission shall decide on the issuance of a permit (licence) for the hydrocarbon exploration and production activities.

78. If the submission does not comply with the evaluation criteria that are specified in Annex 5 or evaluation thereof is less than the minimum score specified in Paragraph 76 of these Regulations, the commission shall take a decision to reject the submission and shall send such submission back to the applicant.

79. The applicant may re-submit the submission.

80. The Ministry of Economics shall issue a permit (licence) for the exploration and production of hydrocarbons on the basis of the decision of the commission.

VIII. Procedures for Hydrocarbon Exploration and Production Activities

81. A licensee may perform the functions of an operator himself or herself or transfer the performance thereof to another merchant. Regardless of who performs the functions of the operator, the licensee shall be responsible for the process of hydrocarbon exploration and production activities in the licence area and the compliance thereof with the requirements specified in regulatory enactments.

82. In order to commence any hydrocarbon exploration activities, the licensee shall submit to the Ministry of Economics the relevant documents not less than within a time period of 30 days before the commencement of the relevant activities:

82.1. a schedule for the performance of the minimum programme of activities, in which the time limits of commencement and cessation of the hydrocarbon exploration activities provided for in the programme of activities specified in the permit (licence); and

82.2. the work protection plan.

83. The Ministry of Economics, within a time period of 60 days after the submission of documents, may request the licensee to supplement, amend or re-submit the documents referred to in Paragraph 82 of these Regulations if such documents do not comply with the requirements specified.

84. The licensee may commence the hydrocarbon exploration activities if, within a time period of 60 days after the submission of documents, supplementation or amendment thereof, it has not received the request referred to in Paragraph 83 of these Regulations from the Ministry of Economics.

85. The licensee has the duty to fulfil the minimum programme of activities specified in the licence within the time limits specified in the schedule for the performance of activities referred to in Paragraph 82 of these Regulations.

86. If the licensee, who has received a permit (licence) for exploration and production of hydrocarbons in the sea or on land that belongs to the State, does not fulfil any part of the minimum programme of exploration activities to the full extent, he or she, within a time period of 60 days after the end of the time limit specified in the schedule for the performance of activities, shall pay into the State basic budget a sum of money which complies with the costs of the activities that were not carried out and which is indicated in the permit (licence) for the exploration and production of hydrocarbons.

87. If the licensee wishes to perform additional hydrocarbon exploration activities that are not indicated in the minimum programme of activities specified in the permit (licence), he or she, within a time period of 30 days before the commencement of additional activities, shall submit to the Ministry of Economics a programme of the activities to be performed additionally and a schedule of the performance thereof.

88. If the licensee wishes to perform experimental exploration of hydrocarbons, he or she, within a time period of 15 days before the commencement of the experimental hydrocarbon production activities, shall submit to the Ministry of Economics a schedule for the performance of activities in which the planned amounts of production, as well as the time periods for commencement and completion are indicated. The licensee shall submit to the Ministry of Economics and the Latvian Environmental, Geological and Meteorological Agency a report, in which the actual amount of produced hydrocarbons, the observed debit and actual time limits for the performance of the activities are indicated, within a time period of 30 days after the completion of the experimental production.

89. The licensee may perform the experimental production of hydrocarbons for not longer than 180 days after the submission of the notification to the Ministry of Economics.

90. The wells for the exploration or production of hydrocarbons on dry land shall be drilled only in such a way so that the rectangular projection of any well point onto the geoid surface would not be closer than 180 m from the border of any land property that is not included in the licence area, except the case where the licensee has received a written permit from the owner of the relevant land property to drill a well otherwise.

91. If the licensee during hydrocarbon exploration activities discovers that the deposit of hydrocarbons exceeds the borders of the licence area, he or she shall notify thereof:

91.1. the Ministry of Economics if the deposit of hydrocarbons outside the licence area continues into the sea or land that belongs to the State; or

91.2. the landowner if the deposit of hydrocarbons outside the licence area continues into the land that does not belong to the State.

92. The extension of the licence area shall take place in accordance with the procedures specified in Paragraphs 16, 17 and 18 of these Regulations.

93. The licensee, within a time period of 60 days after the fulfilment of a minimum and additional (if such exists) programme of hydrocarbon exploration activities, shall submit to the Ministry of Economics and the Latvian Environmental, Geological and Meteorological Agency a report which contains a description of the deposit and the evaluation thereof, including stock of hydrocarbons, as well as indicates whether production of hydrocarbons from the evaluated deposit of hydrocarbons will be initiated.

94. If in the report regarding the evaluation of the deposit the licensee announces that he or she will commence the hydrocarbon production activities, he or she shall submit the following to the Ministry of Economics before the commencement of production activities:

94.1. a plan of the hydrocarbon deposit preparation activities and hydrocarbon production; and

94.2. a work protection plan .

95. The licensee shall indicate the following information in the plan of the hydrocarbon deposit preparation activities and hydrocarbon production:

95.1. the planned amounts of hydrocarbon production according to years, duration of the use of the deposit, the number of wells planned for the exploration and production of hydrocarbons and wells planned for the pumping of gas or water, as well as the location thereof;

95.2. a scheme of technical projects (in the draft stage) and the location of technological buildings and installations;

95.3. the planned amounts of hydrocarbon production and duration of the use of the deposit; and

95.4. a description of the hydrocarbon production, transporting, storage and reloading technologies.

96. The Ministry of Economics, within a time period of 60 days after the submission of documents, may request the licensee to supplement, amend or re-submit the documents referred to in Paragraph 94 of these Regulations if such documents do not comply with the requirements specified in Paragraphs 94 or 95 of these Regulations.

97. The licensee may commence the activities if, within a time period of 60 days after the submission of the documents, supplementation or amendment thereof, he or she has not received from the Ministry of Economics the request referred to in Paragraph 96 of these Regulations.

98. Each year by 1 April the licensee shall submit to the Ministry of Economics and the Latvian Environmental, Geological and Meteorological Agency a report regarding the performed activities and the amounts of the produced hydrocarbons for each month in the previous calendar year in accordance with the submitted plan of activities for the preparation of use of the hydrocarbon deposit and hydrocarbon production.

99. The hydrocarbons in the sea or on the land that belongs to the State shall become the property of the licensee the moment when they cross the place of measurements. The place of measurements shall be a point of the hydrocarbon production installation where petroleum or natural gas reaches the measurement device (counting device) linked with the flange of the well.

IX. Permit (Licence) Fee

100. The fee for a permit (licence) for the prospection of hydrocarbons shall be 500 lats.

101. The fee for a permit (licence) for the exploration and production of hydrocarbons on dry land shall be 2000 lats per licence.

102. The fee for a permit (licence) for exploration and production of hydrocarbons in the sea shall be 75000 lats.

103. The fee for a permit (licence) shall be paid prior to the receipt of the permit (licence), and such fee shall be paid into the State basic budget.

104. If the licensee changes, the fee for the issuance of a new permit (licence) shall be 250 lats. The fee for a permit (licence) shall be paid prior to the receipt of the permit (licence), and such fee shall be paid into the State basic budget.

X. Participation of the State in the Exploration and Production of Hydrocarbons in the Sea or Lands that Belong to the State

105. The State may participate in the production of hydrocarbons on the land that belongs to the State or in the sea.

106. The State shall carry out the participation thereof in the production of hydrocarbons through a capital company in which all capital shares belong to the State (hereinafter – State capital company).

107. The State capital company may participate in the production of hydrocarbons, paying a specified share (hereinafter – State participation share) of the hydrocarbon production expenditures and receiving the income share proportional thereto.

108. The State capital company shall be established within a time period of six months after the issuance of the permit (licence).

109. The Ministry of Economics shall be the holder of capital shares of the State capital company.

110. In determining a licence area in the sea or on the land that belongs to the State, a part of the State participation in the amount of 10 % in each licence area or from 0 to 50 per cent if there is a specific justification for it shall be provided for in the draft of the Cabinet Order.

111. If the State participates in the production of hydrocarbons, the following conditions shall be included in the permit (licence):

- 111.1. a State participation share in percentage;
- 111.2. the capital company shall pay only for the share of hydrocarbon production expenditures corresponding to the State participation share;
- 111.3. the licensee who is not the manager of the State participation share shall cover the hydrocarbon extraction expenditures complying with the State participation share until the moment when the licensee submits to the Ministry of Economics the plan of activities for the preparation of the use of the hydrocarbon deposit and hydrocarbon production;
- 111.4. the capital company shall receive the income from the hydrocarbon production in proportion to the State participation share, as well as from the experimental production; and
- 111.5. the licensee shall enter into a collaboration contract with the State capital company wherein the conditions of mutual co-operation of the participants of the permit (licence) are specified. A draft of the collaboration project shall be attached to the regulations of the licensing tender.

112. The collaboration contract shall be entered into within a time period of 15 months after the issuance of the permit (licence).

113. The following shall be determined in a collaboration contract:

- 113.1. the governing body of collaboration and the competence thereof;
- 113.2. mutual obligations and the responsibility of the licensee and the State capital company;
- 113.3. the responsibility of the licensee and the State capital company as regards the third persons;
- 113.4. the procedures for preparation of the programme and budget of the hydrocarbon production activities;
- 113.5. the procedures for the selection of the operator, the functions, rights, duties and responsibility thereof;
- 113.6. in deciding on collaboration issues, the State capital company and the licensee shall have a number of votes complying with the part of participation thereof;
- 113.7. the voting procedures in the governing body of collaboration; and
- 113.8. other conditions which the parties regard as important.

114. The collaboration contract shall be submitted to the Ministry of Economics within a period of 14 days after signing thereof.

115. Within a time period of 40 months after the issuance of the permit (licence) the Ministry of Economics shall submit to the Cabinet a draft of the concept regarding the financing of the State participation share for examination, providing therein the following options:

- 115.1. The State participation share shall be financed from the State budget;
- 115.2. the State capital company shall borrow the necessary means from the financial market, using the State guarantee; or
- 115.3. The State participation share shall not be financed.

116. If the Cabinet takes a decision not to finance the participation share, the State shall sell the participation share thereof in an auction or give such share up in favour of the licensee and inform the licensee thereof within a time period of 30 days.

XI. Supervision of Hydrocarbon Prospection and Hydrocarbon Exploration and Production Activities

117. The Latvian Environmental, Geological and Meteorological Agency shall carry out geological supervision of hydrocarbon prospection and hydrocarbon exploration and production activities:

- 117.1. geological expert examination of the plan of activities;
- 117.2. geological control during the implementation of projects; and
- 117.3. preparation of the expert examination reports.

118. State administrative institutions, in performing control of hydrocarbon prospection and hydrocarbon exploration and production activities in locations of hydrocarbon production located in the sea, shall notify the Ministry of Economics and the licensee regarding the planned inspection 48 hours prior such inspection. The officials of the Ministry of Economics may also participate in the inspections.

XII. Termination of Hydrocarbon Prospection and Hydrocarbon Exploration and Production Activities

119. The licensee shall submit to the Ministry of Economics a plan for the termination of activities not later than 180 days before the termination of hydrocarbon production activities if:

- 119.1. the licensee relinquishes the permit (licence);
- 119.2. the validity period of the permit (licence) ends; or
- 119.3. the licensee wishes to terminate the utilisation of one or several installations of hydrocarbon exploration or production.

120. The procedures for the dismantling of installations and transportation of the dismantled installations or the possible further exploitation of such installations, plugging of the well, recovering of soil after the dismantling of installations and other activities related to the completion of the hydrocarbon production shall be provided in the plan for the termination of the activities.

121. If the licensee relinquishes the permit (licence) or intends to terminate the utilisation of installations due to unplanned circumstances, he or she shall immediately notify thereof the Ministry of Economics. The information shall be included in the notification in accordance with Paragraph 119 of these Regulations and the reason why the utilisation of installations is being terminated shall be indicated therein.

122. The permit (licence) shall be suspended or cancelled in accordance with Section 16 of the Law On Subterranean Depths.

123. The licensee has the duty to ensure that prior to leaving the licence area on the lands that belong to the State or in the sea all the activities related to the dismantling of installations, plugging of the well, recovering of the soil, as well as other activities related to the completion of activities are carried out and obligations of the licensee specified in the permit (licence) are fulfilled.

XIII. Force Majeure Circumstances

124. Within the meaning of these Regulations, *force majeure* circumstances are exceptional circumstances which do not depend on the licensee, which are not under his or her control and hinder the performance of the duties specified in the permit (licence). Natural disasters, fires that have not been caused by the licensee, as well as warfare, terrorism, civil disturbances, strikes, restrictions or decisions of the Supreme State power and State administrative institutions and other exceptional circumstances that prevent or hinder the licensee to perform the production of hydrocarbons or prevent access to the territory covered by the permit (licence) shall be considered as *force majeure* circumstances.

125. The licensee shall not be responsible for the failure to fulfil the obligations specified in the permit (licence) or for the delay of the fulfilment if the failure to fulfil or the delay is related to the circumstances of *force majeure*.

126. The licensee shall without delay notify the Ministry of Economics regarding *the force majeure* circumstances, adding the information at his disposal regarding the nature of the relevant circumstances and the effects caused thereby, and the possible actions that must be taken in order to reduce the consequences.

127. If *force majeure* circumstances discontinue, impede the hydrocarbon exploration and production activities or make them impossible, the period of validity of the permit (licence), as well as the due date for particular duties arising from the permit (licence) shall be extended for the time period equal to the length of the *force majeure* circumstances and the time period which is necessary for the resumption of the activities.

128. If due to *force majeure* circumstances it is impossible to reach the aims referred to in the permit (licence), the Ministry of Economics shall, together with the licensee, decide on amending the provisions of the permit (licence) or regarding the termination of the validity of the permit (licence).

XIV. Closing Provisions

129. The tenders for the prospection, exploration and production of hydrocarbons, which were announced prior to coming into force of these Regulations, are in effect, and applications submitted to these tenders shall be examined and evaluated, as well as permits (licences) for the prospection, exploration and production of hydrocarbons shall be issued in accordance with the norms that were in effect prior to coming into force of these Regulations.

130. The permits (licences) that were issued prior to coming into force of these Regulations shall be valid until the period of time specified in the permit (licence). The licensee shall have to comply with the conditions of the permit (licence) and these Regulations. The Ministry of Economics shall inform the licensee regarding coming into effect of these Regulations if they will have a direct impact on the operation thereof.

131. The commission referred to in Paragraph 44 of these Regulations shall be established within a time period of three months after coming into force of these Regulations. The evaluation of the submission in order to receive a permit (licence) for the exploration and

extraction of hydrocarbons shall be initiated after the establishment of the referred to commission.

132. Until the establishment of the State capital company for the carrying out of the participation of the State in the production of hydrocarbons, the Latvian Investment and Development Agency shall manage the State participation share of Latvia provided for in the permit (licence).

Informative Reference to European Union Directives

These Regulations contain legal norms arising from Directive 94/22/EEC of the European Parliament and of the Council of 30 May 1994 on the conditions for granting and using authorisations for the prospection, exploration and production of hydrocarbons.

Prime Minister

A. Kalvītis

Minister for Economics

A.K.Kariņš

**Submission for a Proposal regarding the Determination of the Licence Area for the
Prospection of Hydrocarbons or Exploration and Production of Hydrocarbons**

On the basis of Paragraph ___ of Cabinet Regulation No. 691 of 13 September 2005, Regulations regarding Prospection, Exploration and Production of Hydrocarbons, I (we) submit a proposal for the initiation of determination of a licence area, as well as the information according to this Annex.

1. Information regarding the submitter: _____
- 1.1. given name, surname/firm name _____
- 1.2. personal identity number/firm name registration number, date and place _____
- 1.3. declared place of residence/legal address _____
- 1.4. telephone number _____
- 1.5. fax number (if such) _____
- 1.6. e-mail address (if such) _____
- 1.7. Internet home page address (if such exists) _____

2. * The purpose of utilisation of subterranean depths is the proposal of the licence area for hydrocarbon

Note. * Enter the preferable variant – for the prospection or exploration and production.

3. Location of the proposed licence area on the dry land:

_____, _____, _____
(district) (parish) (county)

4. Coordinates of vertices of the proposed licence area on dry land LKS92TM system or geographic coordinates in sea: _____

5. The following documents have been attached to the submission (in submitting copies of documents, originals thereof shall be presented)

5.1. justification for the proposal to determine a licence area in free form p. ...

5.2. copy of merchant's registration certificate/copy of the passport of a natural person p. ...

5.3. ** document confirming the land property rights (certified copy) p. ...

5.4. ** plan of licence area (original in two copies) (not larger than A3 format) issued by a person licensed in land surveying, scale of which is determined by the initiator and which has been co-ordinated with the relevant regional department of the State Land Service. The following shall be indicated in the plan:

5.4.1. rectangular coordinates of vertices of the licence area in LKS92TM coordinate^P ... system;

5.4.2. borders of the immovable property included in the licence area;

5.4.3. name and cadastre number of the immovable property included in the licence area;

5.4.4. space and scale of the licence area;

5.4.5. a licence area location scheme;

5.5. ** Statement issued by the State Land Service regarding the owners of the land properties included in the licence area. The following shall be indicated in thep. ... statement:

5.5.1. location of the immovable property (district, parish, county);

5.5.2. name of the immovable property;

5.5.3. cadastre number of the immovable property;

5.5.4. given name, surname and personal identity number of the owner of the immovable property or the firm name and registration number thereof;

5.6. notarially certified authorisation of the person who submits the submission regarding the proposal to determine a licence area on behalf of the owner of the land P. ...

(signature and full name of the submitter)

(date)

Note. ** The document shall be submitted if the licence area is being proposed on dry land.

Minister for Economics

A.K.Kariņš

Submission regarding Making Amendments to the Licence Area for the Prospection of Hydrocarbons or Exploration and Production of Hydrocarbons

On the basis of Paragraph ___ of Cabinet Regulation No. 691 of 13 September 2005, Regulations regarding Prospection, Exploration and Production of Hydrocarbons, I (we) submit a proposal for making an amendment to the licence area that has been determined by

the Cabinet Order of _____ No. ___
“ _____ ”,
(title of the Cabinet Order)

as well as the information in accordance to this Annex.

1. Information regarding the submitter: _____
- 1.1. given name, surname/firm name _____
- 1.2. personal identity number/firm name registration number, date and place _____
- 1.3. declared place of residence/legal address _____
- 1.4. telephone number _____
- 1.5. fax number (if such exists) _____
- 1.6. e-mail address (if such exists) _____
- 1.7. Internet home page address (if such exists) _____

2. * The purpose is to make amendments to the licence area for hydrocarbon _____

Note. * Enter the preferable variant – for the prospection or exploration and production.

3. Location of the licence area to be amended on dry land:

_____, _____, _____
(district) (parish) (county)

4. Coordinates of vertices of the proposed licence area on dry land LKS92TM system or geographic coordinates in the sea: _____

5. The following documents have been attached to the submission (in submitting copies of documents, the originals thereof shall be presented)

- 5.1. justification for the amendments to the licence area (to be submitted in a free form) p. ...
- 5.2. a copy of the merchant's registration certificate/copy of the passport of a natural person p. ...

- 5.3. ** a document confirming the land property rights (certified copy) p. ...
- 5.4. ** a plan of the licence area (original in two copies) (not larger than A3 format) issued by a person licensed in land surveying, the scale of which is determined by the initiator and which has been co-ordinated with the relevant regional department of the State Land Service. The following shall be indicated in the plan:
- 5.4.1. the rectangular coordinates of the vertices of the licence area in the LKS92TM coordinate system; p. ...
- 5.4.2. borders of the immovable property included in licence area;
- 5.4.3. name and cadastre number of the immovable property included in the licence area;
- 5.4.4. space and scale of the licence area;
- 5.4.5. licence area placement scheme;
- 5.5. ** Statement issued by the State Land Service regarding the landowners of the properties included in the licence area. The following shall be indicated in the statement: p. ...
- 5.5.1. location of the immovable property (district, parish, county);
- 5.5.2. name of the immovable property;
- 5.5.3. cadastre number of the immovable property;
- 5.5.4. given name, surname and personal identity number of the owner of immovable property or firm name and registration number thereof
- 5.6. notarially certified authorisation to the person who submits the submission regarding making amendments to the licence area on behalf of the owner of the land p. ...

(signature and full name of the submitter)

(date)

Note. ** The document shall be submitted if the licence area is proposed on dry land.

Minister for Economics

A.K.Kariņš

Submission for the Receipt of Permit (Licence) for the Prospection of Hydrocarbons

On the basis of Paragraph ___ of Cabinet Regulation No. 691 of 13 September 2005, Regulations regarding Prospection, Exploration and Production of Hydrocarbons, and the Cabinet Order of _____ No. _____
“ _____ ”, I submit the following
(title of the Cabinet Order)

information and documents for the receipt of permit (licence) for the prospection of hydrocarbons _____.
(district, parish, county)

1. Information regarding the submitter: _____

1.1. given name, surname/firm name _____

1.2. personal identity number/registration number, date and place _____

1.3. declared place of residence/legal address _____

1.4. telephone number _____

1.5. fax number (if such) _____

1.6. e-mail address (if such exists) _____

1.7. Internet home page address (if such exists) _____

2. Coordinates of vertices of the licence area on dry land in the LKS92TM system or geographic coordinates in the sea: _____

3. The programme of activities for the prospection of hydrocarbons. The following information shall be included in the programme of the activities:

3.1. division of the activities according to years which is offered by the merchant;

3.2. the amount of seismic activities to be performed (km, km²);

3.3. the way how the seismic activities are performed technically (use of 2D (two-dimensional), 3D (three-dimensional) or 4D (four-dimensional) method);

3.4. the re-processing of seismic data, processing of seismic activities, acquisition of gravimetric, geochemical and other possible data.

4. The following documents have been attached to the application (in submitting copies of documents, the originals thereof shall be presented)

4.1. a copy of the registration certificate of the merchant p. ...

4.2. * document which confirms that all land owners that are in the territory of the licence area (except the State) have chosen the applicant p. ...

(signature and full name of the submitter)

(date)

Note. * The document shall be submitted if licence area is on dry land.

Minister for Economics

A.K.Kariņš

Submission for the Receipt of a Permit (Licence) for the Exploration and Production of Hydrocarbons on Land that does not Belong to the State

On the basis of Paragraph ___ of Cabinet Regulation No. 691 of 13 September 2005, Regulations regarding Prospection, Exploration and Production of Hydrocarbons, and the Cabinet Order of _____ No. _____
“ _____”, I submit the following
(title of the Cabinet Order)

information and documents for the receipt of the permit (licence) for the exploration and production of hydrocarbons _____.
(district, parish, county)

1. Information regarding submitter: _____
- 1.1. given name, surname/firm name _____
- 1.2. personal identity number/firm name registration number, date and place _____
- 1.3. declared place of residence/legal address _____
- 1.4. telephone number _____
- 1.5. fax number (if such) _____
- 1.6. e-mail address (if such) _____
- 1.7. Internet home page address (if such exists) _____

2. The preferable time of operation of the permit (licence) (in years) _____

3. Information regarding the experience of the applicant which describes the capability thereof to perform hydrocarbon exploration and production activities in the licence area:

3.1. projects in which the applicant has participated

Location where hydrocarbon exploration and production activities were performed	Time when hydrocarbon exploration and production activities were performed	Title of the project	Issuer of the hydrocarbon exploration and production permit (licence)	Address of the issuer of permit (licence)

3.2. complete curriculum vitae (CV) of those executive employees of the applicant whose employment relationship with the merchant is longer than six months

Given name, surname of employee	Position	Education

3.3. amount of hydrocarbons produced by the applicant

Amount of hydrocarbons produced by the applicant during the last five years (bbl)				
_____ . year _____	_____ . year _____	_____ . year _____	_____ . year _____	_____ . year _____

4. The following documents have been attached to the submission (in submitting copies of officially registered documents, originals thereof shall be presented)

- 4.1. a copy of the merchant's registration certificate p. ...
- 4.2. document which confirms that all the land owners that are in the territory of the licence area have chosen the applicant p. ...
- 4.3. annual accounts regarding the last two financial years p. ...
- 4.4. minimum programme of activities in the exploration and production of hydrocarbons. The following information shall be included in the minimum programme of activities according to the offer of the merchant:
- 4.4.1. division of activities according to years in the exploration stage of hydrocarbon production ;
- 4.4.2. the method how seismic activities are performed technically (use of 2D (two-dimensional), 3D (three-dimensional) or 4D (four-dimensional) method);
- 4.4.3. processing and interpretation of seismic data;
- 4.4.4. the acquisition method for gravimetric and geochemical or other data;
- 4.4.5. exploration well (or wells) activities if such is planned;
- 4.4.6. programme for the evaluation of the technical condition of an existing well in order to clarify further possibilities of the utilisation thereof in exploration and production of hydrocarbons if the applicant has an intention to use the existing well, or programme for liquidation of an existing well in accordance with the requirements of environmental protection;
- 4.4.7. costs of the referred to exploration activities according to separate types of activities;
- 4.5. document which confirms that the participant has introduced quality management system in accordance with LVS EN ISO 9001:2000, *Quality Management Systems – Requirements*, or similar standard;
- 4.6. document which confirms that the participant has introduced Regulation (EC) No. 761/2001 of the European Parliament and of the Council of 19 March 2001 allowing voluntary participation by organisation in a Community eco-management and audit scheme (EMAS) or LVS EN ISO 14001:2005, *Environmental Management System – Requirements with Guidance for Use*, or environmental management standard that is equal thereto.

(signature and full name of the submitter)

(date)

Minister for Economics

A.K.Kariņš

Evaluation Criteria in Order to Receive a Permit (Licence) for Exploration and Production of Hydrocarbons on Land that do not Belong to the State

1. Financial indicators of the applicant. Maximum score 6 (six):

1.1. Own capital:

- 1) up to 70 000 lats – 0.5 points
- 2) from 70 001 lats – 210 000 lats – 1 point
- 3) from 210 001 lats – 350 000 lats – 2 points
- 4) from 350 001 lats – 490 000 lats – 2.5 points
- 5) from 490 001 lats – 630 000 lats – 3 points
- 6) from 630 001 lats – 750 000 lats – 3.5 points
- 7) from 750 001 lats – 850 000 lats – 4 points
- 8) from 850 001 lats – 950 000 lats – 4.5 points
- 9) from 950 001 lats – 1 050 000 lats – 5 points
- 10) above 1 050 001 lats – 6 points

1.2. Income. Maximum score 6 (six):

- 1) up to 140 000 lats – 0.5 points
- 2) from 140 001 lats to 280 000 lats – 1 point
- 3) from 280 001 lats – 420 000 lats – 1.5 points
- 4) from 420 001 lats – 560 000 lats – 2.5 points
- 5) from 560 001 lats – 700 000 lats – 3 points
- 6) from 700 001 lats – 2 100 000 lats – 3.5 points
- 7) from 2 100 001 lats – 4 200 000 lats – 4 points
- 8) from 4 200 001 lats – 6 300 000 lats – 4.5 points
- 9) from 6 300 001 lats – 7 700 000 lats – 5 points
- 10) above 7 700 001 lats – 6 points

2. The way in which the submitter offers to perform the exploration for hydrocarbons (minimum programme of activities) and to initiate production thereof:

- 2.1. seismic exploration 2D – 4 points
- 2.2. seismic exploration 3D or 4D – 7 points
- 2.3. exploration wells:
 - 2.3.1. for each well drilled till bedrock – 10 points
 - 2.3.2. for each well that does not reach bedrock – 5 points
- 2.4. other exploration methods – 2 points

3. The applicant's experience in the production of hydrocarbons:

- 3.1. amount of hydrocarbons produced per year (on average during the last five years):
 - 3.1.1. for each 1 mill. bbl – 1.5 points
 - 3.1.2. no production – minus 4 points
- 3.2. practical work experience of the merchant in hydrocarbon exploration and production activities. Maximum score 6 (six):
 - 3.2.1. experience is more than 21 year – 6 points

- 3.2.2. experience is from 16-20 years – 4 points
- 3.2.3. experience is from 11-15 years – 3 points
- 3.2.4. experience is from 5-10 years – 2 points
- 3.2.5. experience is from 1-4 years – 1 point
- 3.2.6. experience is less than 1 year – 0.3 points
- 3.2.7. no experience – minus 4 points

3.3. practical work experience of executive employees thereof (in years) in exploration and production of hydrocarbons, working relationship with whom is more than six months.

0.5 points shall be granted per each year, which the executive employee (whose complete curriculum vitae (CV) has been attached to the submission) has worked in hydrocarbon exploration and production activities.

Minister for Economics

A.K.Kariņš