

ACT

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THE PETROLEUM (EXPLORATION AND PRODUCTION) ACT, 2011

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SIGNED this 25th day of July, 2011.

DR. ERNEST BAI KOROMA,
President.



No. 7

2011

Sierra Leone

THE PETROLEUM (EXPLORATION AND PRODUCTION) ACT, 2011. Short title.

Being an Act to provide for the management of petroleum operations, to regulate and promote petroleum exploration, development and production; to regulate the licensing and participation of commercial entities in petroleum operations; to provide for proper supervision of petroleum operations, to promote the participation of Sierra Leoneans in the petroleum industry; to provide for efficient and safe petroleum operations; to provide for an open, transparent and competitive process of licensing and for other related matters.

[] Date of commencement.

ENACTED by the President and Members of Parliament in this present Parliament assembled.

PART 1—PRELIMINARY

Interpretation. 1. In this Act, unless the context otherwise requires—

“affiliate” means any person, whether an individual, corporation, partnership, unincorporated association or other entity—

- (a) in which a licensee directly or indirectly holds more than fifty percent of the share capital or voting rights;
- (b) which holds directly or indirectly more than fifty percent of the share capital of or voting rights in a licensee;
- (c) in which the share capital or voting rights are directly or indirectly and to an extent more than fifty percent held by a company or companies holding directly or indirectly more than fifty percent of the share capital of or voting rights in a licensee or;
- (d) which holds directly five percent or more of the share capital of or voting rights in a licensee;

“appraisal” means a programme carried out following a discovery of petroleum for the purpose of delineating the accumulation of petroleum to which that discovery relates in terms of thickness and lateral extent and estimating the quantity of recoverable petroleum therein;

“arms length commercial transaction” means a sale to a purchaser or purchasers that are independent of the seller, which do not involve petroleum exchange or barter transactions, government to government

transactions, sales directly or indirectly to affiliates, or sales involving consideration other than payment in U.S. Dollar or currencies convertible thereto, or affected in whole or in part by considerations other than usual economic incentives for commercial arms length petroleum sales;

“call for negotiations” means an invitation for prequalified persons to enter into negotiations within a specified period, for a petroleum licence in relation to an area specified by the Minister;

“call for tenders” means an invitation for prequalified persons to submit a tender for a petroleum licence in relation to an area specified by the Minister;

“carried interest” means an interest held by the State in respect of which the contractor pays for the exploration and development costs without any entitlement to reimbursement from the State;

“contractor” means any person with whom a holder of a petroleum right has entered into a contract for the performance of obligations under a petroleum right;

“crude oil” means hydrocarbons which are solid or liquid under normal atmospheric conditions and includes condensates and distillates obtained from natural gas;

“decommission” means to undertake activities in respect of a petroleum facility upon the permanent cessation of petroleum operations to ensure that the facility is safely removed or left in a permanent, safe and secure condition;

“development” includes the building and installation of facilities for the production of petroleum and the drilling of development wells;

“development area” means part of an area which, following a commercial discovery of petroleum has been delineated for production according to the terms of the petroleum licence;

“Directorate” means the Petroleum Directorate established by section 4;

“Director-General” means the person appointed to be Director-General under section 8;

“discovery” means a discovery of petroleum which has not previously been known to have existed and which has been recovered at the surface in a flow measurable by conventional industry testing methods;

“drilling” includes all preparations for and implementation of operations surrounding the drilling of a well and operations such as well completion, data acquisition, monitoring, well control, modification and plugging of existing wells;

“exploration” means the search for petroleum via geological, petrophysical, geophysical, geochemical or geotechnical activities and the drilling of exploration wells, including appraisal wells, and activities connected therewith;

“facility” means—

- (a) any plant, structure, equipment, device or other associated installations or infrastructure including pipelines, cables, valve stations, pump stations and compressor stations constructed, placed or used in order to carry out petroleum operations;

- (b) vessels, vehicles or craft when stationary and used for drilling or support of ongoing petroleum operations; and

- (c) vessels, craft or vehicles for transportation of petroleum in bulk when connected to a facility for loading of petroleum, but not when in transport;

“field” means a geological structure or feature playing host to one or more reservoirs from which petroleum production may be commercially undertaken through a defined set of facilities;

“flaring” means combustion of hydrocarbons without application of the resulting heat or gases for any useful purpose;

“gas venting” means the release to the atmosphere of combustible gas without flaring;

“Government” means the Government of Sierra Leone;

“land” includes—

- (a) land beneath the territorial waters, and
- (b) the subsoil below the seabed;

“licence area” means an area covered by a petroleum licence;

“licensee” means a person to whom a petroleum licence is granted under this Act;

“market price” means the price at which oil value will be assessed as the base for calculating royalty payments;

“Minister” means the minister responsible for the management of petroleum matters and, until the establishment of a ministry with responsibility for petroleum matters, the person appointed by the President to oversee the administration of this Act and all aspects of petroleum resources management; and “ministry” shall be construed accordingly;

“National Company” means the Sierra Leone National Petroleum Company established under section 11;

Act No. 11
of 2002.

“National Revenue Authority” means the National Revenue Authority established by section 3 of the National Revenue Authority;

“natural gas” means hydrocarbons which are gaseous under normal atmospheric conditions and includes wet gas, dry gas and residue gas remaining after the extraction of liquid hydrocarbons from wet gas;

“operator” means any company executing on behalf of a licensee, the day-to-day management of petroleum activities;

“participant” means a person who has a beneficial interest in a petroleum right;

“petroleum” means crude oil or natural gas or a combination of both;

“petroleum licence” means an authorisation to carry out exploration, development and production of petroleum issued by the Minister;

“petroleum operations” means the exploration, development or production of petroleum, transportation and disposal of petroleum;

“petroleum reservoir” means a naturally occurring discrete accumulation of petroleum in any form whatever;

“petroleum right” means a right as established in section 15;

“pollution” means any direct or indirect alteration of the physical, thermal, chemical, biological or radioactive properties of any part of the environment that affects any beneficial use adversely, to cause a condition which is hazardous or potentially hazardous to public health, safety or welfare, or to animals, birds, wildlife, fish or aquatic life, or to plants;

“pollution damage” means damage or loss caused by pollution as a consequence of petroleum operations;

“production” means the extraction and disposal of petroleum, including development operations and all other works and services connected therewith;

“production activities” means activities related to the development of fields, the production of petroleum or the construction, installation, operation or maintenance of production facilities and includes activities—

- (a) for the recovery of petroleum;
- (b) to establish the nature and extent of a discovery and the appropriate techniques to be employed in respect of the production of petroleum; and
- (c) for the transportation, treatment, processing and separation of the petroleum

but does not include exploration activities, drilling activities and workover activities;

“reconnaissance” means the undertaking of activities for the purpose of assessing the geological, geophysical, geochemical and geotechnical characteristics of an onshore or offshore geographic area covered by a reconnaissance permit, but not drilling;

“reserved area” means an area that has been designated by the Minister as not to be subject to a petroleum licence;

“State” means the Government of Sierra Leone;

“storage facility” means any bulk storage facility and its auxiliary equipment that is or is intended to be used for storage of petroleum either on the surface or subsurface of the land;

“sub-contractor” means any person with whom a contractor has entered into a contract for the performance of obligations under a petroleum right;

“sub-period of exploration” means the initial exploration period, first extension period, or second extension period, as established in section 43;

“tariff” means a written statement of rates, terms and conditions governing access to pipelines or storage facilities;

“territorial waters” means the territorial sea and includes inland waters;

“territorial sea” means any part of the open sea within twelve nautical miles of the coast of Sierra Leone measured from the low water mark;

“transportation” means the use of a facility for the purpose of conveying petroleum from the point of extraction to a designated point;

“well” means a borehole obtained by perforation of the earth’s surface using conventional drilling either in a vertical, inclined or horizontal configuration, and drilled with the aim of discovering, appraising, producing or injecting petroleum.

PART II—OWNERSHIP OF PETROLEUM

2. (1) All rights of ownership in and control of petroleum in its natural state in, under or upon any land of Sierra Leone are vested in the Republic of Sierra Leone notwithstanding any right of ownership or otherwise that any person may possess in and to the soil or water in, under or upon which petroleum is found or situated. Ownership of petroleum resources.

(2) This section applies to all land, including land covered by water, which—

- (a) is in Sierra Leone;
- (b) is under the territorial waters of Sierra Leone;
- (c) forms part of the continental shelf; or
- (d) forms part of the Exclusive Economic Zone of Sierra Leone.

(3) The State shall ensure in the public interest that the petroleum resources of Sierra Leone are explored and exploited in the most efficient, effective and timely manner.

PART III—ADMINISTRATION

3. Subject to this Act, the Minister shall— Minister to be responsible for administration of Act

- (a) be responsible for the general management of the petroleum resources and the administration of this Act;

- (b) have sole authority to accept applications and bids submitted pursuant to a call for tenders or a call for negotiations;
- (c) have sole authority to grant petroleum rights under this Act for and on behalf of the State;
- (d) ensure that this Act is complied with by all persons carrying out petroleum operations under this Act;
- (e) issue such directives as may be necessary for the implementation of this Act.

Establishment of Directorate

4. There is hereby established the Petroleum Directorate.

Functions of the Directorate.

5. (1) The object for which the Directorate is established is to monitor petroleum operations in Sierra Leone.

(2) Without limiting the generality of subsection (1), the Directorate shall—

- (a) assist in the assessment of prospective holders of petroleum rights for purposes of prequalification pursuant to this Act;
- (b) review proposed reconnaissance, exploration and appraisal work plans, plans for development and operation and decommissioning plans submitted by holders of petroleum rights, as the case may be, and make recommendations to the Minister;

- (c) review budgets submitted by a holder of petroleum rights in respect of a work programme and make recommendations to the Minister;
- (d) participate in the tender process and negotiations of petroleum licences, and in the administration of petroleum rights;
- (e) participate in the measurement of petroleum to allow for assessment of royalty and bonuses due to the State;
- (f) ensure that holders of petroleum rights uphold laws, regulations, rules and contract terms;
- (g) ensure optimal levels of recovery of petroleum resources;
- (h) promote well planned, well-executed and cost-efficient operations;
- (i) ensure optimal utilisation of existing and planned facilities;
- (j) contribute to national budgetary planning and control;
- (k) ensure the establishment of a central database of persons involved in petroleum operations, manage petroleum data and provide periodic updates and publication of the status of petroleum operations;

- (l) encourage, monitor and enforce the standards of operation and code of practice for petroleum operations;
- (m) review all tariffs for third party access to petroleum facilities and make recommendations to the Minister;
- (n) ensure that holders of petroleum rights comply with health, safety and environmental standards;
- (o) ensure and facilitate access to and utilisation of facilities by third parties;
- (p) monitor conditions of operators and their trade practices to ensure that competition and fair practice is maintained;
- (q) provide information relevant to the National Revenue Authority for the collection of taxes, royalties and fees from petroleum operations;
- (r) assess tail-end production and cessation of petroleum operations and decommissioning;
- (s) prepare an annual report on the status of petroleum activities in Sierra Leone, for submission to the Minister for further submission to Parliament and publication in the Gazette and in such other manner as the Minister may determine; and
- (t) perform any other function incidental or consequential to its functions under this Act.

(3) The Directorate shall, to the greatest extent possible and consistent with this Act, consult and co-operate with ministries, departments and agencies of Government having duties, aims or functions related to those of the Directorate.

6. The Directorate shall, subject to subsection (1) of section 7 and subsection (2) of section 8, be independent in the performance of its functions and duties and the exercise of its powers.

Operational independence of Directorate.

7. (1) The Minister may give directives in writing to the Directorate with respect to the policy to be observed and implemented by the Directorate, and the Directorate shall comply with the directives.

Powers of Minister.

(2) The Minister shall not issue directives under subsection (1) that would adversely affect or interfere with the performance of the functions and exercise of the powers of the Directorate under this Act.

8. (1) The Directorate shall be headed by the Director-General.

Director-General of Directorate.

(2) The Director-General shall be appointed by the President subject to the approval of Parliament, and upon such terms and conditions as shall be stated in his letter of appointment.

(3) The Director General shall—

- (a) possess technical expertise and experience in the petroleum industry;
- (b) not have been convicted of any offence involving fraud or dishonesty, and
- (c) not have any history of serious misconduct relating to his official duties in any previous employment.

(4) Subject to this Act, the Director-General shall be responsible to the Minister for—

- (a) the day-to-day administration of the affairs of the Directorate;
- (b) the supervision and discipline of the other staff of the Directorate;

- (c) preparing an annual report on the activities of the Directorate for the approval of the Minister who shall lay it before Parliament, and
- (d) performing such other functions as are assigned by this Act or as directed by the Minister.

(5) The Director General shall be required to disclose any beneficial interest he holds in a petroleum enterprise or company that may become involved in the petroleum industry in Sierra Leone.

Other staff of Directorate.

9. (1) The Directorate shall also have such other staff as shall be required for the efficient performance of the functions of the Directorate and who shall be appointed by the President on the advice of the Public Service Commission.

(2) Public officers may be seconded or otherwise render assistance to the Directorate.

(3) No action shall lie against the Director-General or other staff of the Directorate in respect of anything done or omitted to be done in good faith in the performance of any function under this Act.

Use of independent professionals and experts.

10. The Directorate may, where it considers it expedient to do so, hire or retain the services of such professionals, consultants, and experts as may be necessary for the proper and effective performance of its functions.

Establishment of Sierra Leone National Petroleum Company.

Act No. 5 of 2009. **11.** (1) There shall be incorporated under the Companies Act, 2009 the Sierra Leone National Petroleum Company to manage on behalf of the State, the commercial aspects of petroleum operations and the participating interests of the State in a petroleum licence.

Act No. 5 of 2009. (2) The National Company shall, in addition to the provisions of this Act, be subject to and managed in accordance with the Companies, 2009.

12. (1) The National Company shall conduct its affairs on sound commercial principles and in particular shall take the necessary steps to ensure that its revenues are sufficient to produce a reasonable long-term return on the fair value of its assets. Conduct of affairs of National Company.

(2) In determining what constitutes a reasonable return, the National Company shall take into account the relevant economic and financial considerations, including the need to generate net operating income in an amount sufficient to—

- (a) meet interest payments on borrowings and to provide for the repayment of loans made to the National Company;
- (b) provide for a reasonable proportion of the funds needed for expanding the National Company's activities and for increasing its working capital; and
- (c) provide reserves for replacement of fixed assets and equipment, expansion or any other purpose.

13. (1) Not later than six months after the end of its financial year, the National Company shall submit to the Minister, an annual report of its activities, operations, and finances for that year. Annual report of National Company.

(2) The annual report shall include the following:—

- (a) a certified copy of the audited accounts of the National Company together with the audit report on the accounts;
- (b) a detailed report on production from all licence areas in which the National Company participates;
- (c) a statement of reserves in all licence areas in which the National Company participates;

- (d) full disclosure of the payments made by the National Company to the State, in accordance with its fiscal obligations and including taxes and royalties; and
- (e) a summary of training and internal development initiatives undertaken by the National Company over the course of the preceding year to increase its technical and financial capacity, and a description of training and internal development initiatives planned for the forthcoming year.

(3) The Minister shall not later than one month after receipt of the annual report, lay it together with his comments on it, before Parliament.

(4) Within fifteen days of being laid before Parliament, the report shall be published in its entirety in the Gazette and in such other manner as the Minister may determine.

PART IV—ACQUISITION OF PETROLEUM RIGHTS

Acquisition of petroleum rights.

14. Subject to this Act, the right to explore for and produce petroleum shall be acquired and held under and in accordance with a petroleum right granted under this Act.

Types of petroleum rights.

15. The following petroleum rights may be acquired under this Act:—

- (a) a reconnaissance permit;
- (b) a petroleum licence and;
- (c) a permit for the laying and operation of pipelines to transport petroleum produced from fields subject to more than one licence.

Prequalification of applicants for petroleum rights.

16. (1) Any person may, upon payment of a prescribed fee, apply to the Minister to qualify as an applicant for a petroleum right or operator thereunder and the application shall include—

- (a) the name and address of applicant;
- (b) description of the project;
- (c) evidence of satisfaction of pre-qualification criteria;
- (d) such other information as may be required by the Minister.

(2) Where the Minister is satisfied on the advice of the Directorate, that the applicant for a petroleum right or to be an operator thereunder has been evaluated and accepted to possess such technical, financial, operational, industrial or other expertise to qualify as a permit holder, licensee or an operator, he may issue to the applicant a notice of qualification.

(3) Subject to section 18, no person shall apply for a petroleum right or qualify to be an operator this Act, unless the person possesses a notice of qualification.

(4) Any person in possession of a notice of qualification shall give written notice to the Minister as soon as practicable, regarding any material change in status, corporate or otherwise, financial, technical or operational capabilities.

(5) The Minister may cancel a notice of qualification where—

- (a) there is an adverse material change in the status or capabilities of the person; or
- (b) the person or its representatives supply false or misleading information or fails to supply material information, in respect of the application for qualification.

Conduct of petroleum operations.

17. (1) Subject to sections 16 and 18 and notwithstanding any right of ownership or otherwise that any person may possess in and to the soil or water, in or under which petroleum is found or situated, no person shall conduct any petroleum operations except in accordance with petroleum rights granted under this Act.

(2) Any person who contravenes subsection (1) commits an offence and is liable on conviction—

- (a) in the case of an individual, to a fine not less than three hundred thousand United States Dollars or its equivalent in leones or to imprisonment for a term not exceeding two years or to both the fine and imprisonment; and
- (b) in the case of a body corporate, to a fine not less than five hundred thousand United States Dollars, or its equivalent in leones.

Scientific investigations.

18. (1) The Minister may, in the public interest by instrument in writing, consent to the carrying out by any designated person, of non-commercial research activities in the course of a scientific investigation.

(2) Such consent shall be subject to such conditions if any, as are specified in it.

Register of qualified persons.

19. (1) The Minister shall keep, maintain and update a register of qualified persons in which every person that has been issued a notice of qualification and are qualified to apply for a petroleum right, including operators and non-operating participants.

(2) A person may, upon payment of the prescribed fee, inspect the register of qualified persons.

PART V—RECONNAISSANCE PERMIT

20. (1) A company or group of companies may, upon payment of the prescribed non-refundable application fee, apply to the Minister for a reconnaissance permit. Application for reconnaissance permit.

(2) An applicant may withdraw its application by giving the Minister a written notice of withdrawal.

(3) Each application shall, upon receipt by the Minister, be filed in the register of petroleum rights applications which will be updated regularly.

21. In addition to any other particulars as may be prescribed, an application for a reconnaissance permit shall contain— Content of application for reconnaissance permit.

- (a) the name of the company or companies applying for a permit, particulars of incorporation and registration, the names and nationalities of directors, the share capital of the company or companies, and the name of each person who is the beneficial owner of more than five per cent of the shares issued by the company or companies;
- (b) an identification of the area to which the application relates;
- (c) the period for which the permit is required;
- (d) the reconnaissance work programme and expenditure proposed to be carried out or expended in respect of the area to which the application relates, and the period within which the operations will be carried out;

- (e) an assessment of the impact which the proposed reconnaissance operations may have on the environment;
- (f) a description of the financial, technical and industrial resources available to the applicant; and
- (g) any other matter which in the opinion of the applicant is relevant to the application.

22. The Minister may, on the advice of the Directorate grant a reconnaissance permit to the applicant or applicants.

23. A reconnaissance permit shall indicate -

- (a) the date and registration number of the permit;
- (b) the name and particulars of the permit holder;
- (c) the term for which it is granted;
- (d) the particulars of the area covered by the reconnaissance permit;
- (e) the terms and conditions under it;
- (f) the work programme to be undertaken in the reconnaissance period, the estimated expenditure in respect of the work programme and the financial guarantees for non-fulfilment of any part of the work programme; and
- (g) fees and other financial conditions.

24. (1) A reconnaissance permit shall confer on the holder a non-exclusive right to undertake reconnaissance operations in the permit area.

(2) A reconnaissance permit may permit the holder to sell data acquired from reconnaissance operations or exchange the results of any survey undertaken during the reconnaissance operations.

(3) Where reconnaissance permits are issued to two or more persons for the same or overlapping area, each of the holders shall ensure that its activities are not detrimental to the other.

25. (1) A reconnaissance permit shall be valid from the effective date, which is the date of registration, unless sooner cancelled or terminated as provided under this Act.

Terms of a reconnaissance permit.

(2) A reconnaissance permit shall not be extended or renewed.

(3) A holder of a reconnaissance permit shall without undue delay, submit to the Directorate all data obtained under the permit, but shall not be required to submit interpretation of such data.

26. (1) A holder of a reconnaissance permit shall complete the reconnaissance work programme within the term of the reconnaissance permit.

Reconnaissance work programme.

(2) A holder of a reconnaissance permit shall not amend the reconnaissance work programme without the prior written approval of the Minister.

(3) A request for approval shall be submitted to the Minister and be accompanied by the prescribed handling fee.

(4) The Minister, on the advice of the Directorate, shall approve an amendment to a reconnaissance work programme on such terms as he may think fit.

(5) A holder of a reconnaissance permit who contravenes subsection (2) commits an offence and shall be liable on conviction to a fine of one hundred thousand United States Dollars or its equivalent in leones.

Holder of a reconnaissance permit to provide guarantees.

27. (1) A holder of a reconnaissance permit shall within thirty days of the effective date of the reconnaissance permit and in a form approved by the Minister, provide the Minister with an expenditure obligation as a guarantee for fulfilment of the reconnaissance work programme.

(2) The expenditure obligation shall be equivalent to the estimated costs of the reconnaissance work programme and shall remain effective for the duration of the reconnaissance period.

(3) Where the holder of a reconnaissance permit completes part of the reconnaissance work programme, the Minister may permit the holder to reduce the guarantee by an amount equivalent to the expenses incurred in respect of the work completed.

(4) Upon completion of a reconnaissance work programme, the Minister shall return the guarantee to the holder of the reconnaissance permit.

(5) Where a holder of a reconnaissance permit fails to complete the reconnaissance work programme within the stipulated period, the Minister may revoke the permit and the holder shall pay to the State the part of the expenditure obligation which is equivalent to the uncompleted part of the reconnaissance work programme.

Permit area fee.

28. Upon the grant of a reconnaissance permit, the permit holder shall pay a non-refundable fee as may be prescribed by the Minister.

Cessation of reconnaissance operations.

29. (1) A holder of a reconnaissance permit shall cease all reconnaissance operations on the cancellation or expiration of the reconnaissance permit.

(2) A holder of a reconnaissance permit who contravenes subsection (1) commits an offence and shall be liable on conviction to a fine of Fifty Thousand United States Dollars or its equivalent in Leones.

PART VI—PETROLEUM LICENCES

30. (1) Subject to this Act and such rules as the Minister may prescribe, a petroleum licence shall be acquired through a call for tenders. Petroleum licence to be acquired by tender.

(2) The Minister shall not be obligated to grant a petroleum licence following a tender process.

(3) Subject to this Act, the Minister may through a competitive tender, invite a prequalified company or group of companies to apply for a petroleum licence.

31. (1) Subject to subsection (2), where— Call for direct negotiation.

(a) the Minister, on the advice of the Directorate, is not satisfied that the terms and conditions offered pursuant to the tender process are the most favourable to the State; or

(b) the tender process is for any prescribed reason unsuccessful,

the Minister shall not grant a petroleum licence pursuant to the call for tenders but may within a reasonable period after that issue a call for direct negotiations for a petroleum licence.

(2) For the purposes of joint development of a reservoir under subsection (2) of section 61, the Minister shall invite the National Company for direct negotiations for a petroleum licence.

32. (1) A call for tenders or direct negotiations shall be published in the *Gazette* and in such other manner as may be determined by the Minister.

(2) The Minister shall in a call for tenders or direct negotiations, specify the terms of the tender in accordance with section 34 and the period within which the call remains valid and open to applications. Calls for tenders or direct negotiations to be published.

(3) Subsections (1) and (2) shall not apply to direct negotiations entered under subsection (1) of section 31.

(4) The results of tenders, including the content of winning and losing bids shall be published in the Gazette and in such other manner as may be determined by the Minister.

Restrictions on grant of a petroleum licence.

33. No petroleum licence shall be granted to an individual or a company—

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- (a) which is not registered or incorporated under the Companies Act, 2009; or
- (b) which is bankrupt or which is in liquidation other than a liquidation which forms part of a scheme for the reconstruction or amalgamation of the body corporate;
- (c) in respect of which an order has been made by a court for its winding up or dissolution;
- (d) which has made a composition or arrangement with its creditors;
- (e) which has among its directors or shareholders a person holding at least ten percent of its share capital and who—
 - (i) is under the age of 18 years;
 - (ii) is an un-discharged bankrupt, having been adjudged or otherwise declared bankrupt under any enactment, or enters into any arrangement or scheme of composition with his creditors;
 - (iii) has been convicted of an offence involving fraud or dishonesty;

(f) which has not been pre-qualified as an operator or participant under section 35.

34. (1) A call for tenders made by the Minister shall—

Invitation to submit tenders.

- (a) specify the co-ordinates of the block or blocks to which it relates;
- (b) specify the duration of the petroleum licence, including the exploration period and any sub-periods mentioned in this Act;
- (c) invite applicants to offer a minimum work programme which shall include provisions for seismic surveys, drilling of wells and estimated expenditure for the work programme;
- (d) specify the terms of the licence, including those that are not subject to variation and those that are to serve as the basis for the analysis of tenders;
- (e) specify the criteria against which tenders will be evaluated and winning tenders will be selected and;
- (f) specify the date on and the address to which tenders and the number of copies are to be submitted.

(2) A call for tenders shall not include a licence area or part of a licence area or any reserved area or part of a reserved area.

35. (1) Subject to section 33, no company other than a company that qualifies as an operator or a participant shall apply for a petroleum licence in response to a call for tenders or direct negotiation.

Qualification to respond to call for tenders or direct negotiation.

(2) Notwithstanding subsection (1)—

- (a) a company shall not apply on its own unless the company is qualified as an operator;
- (b) an application shall not be made by two or more companies jointly unless—
 - (i) at least one party to the application is qualified as an operator; and
 - (ii) the parties identify in the application, the company which is both qualified and intended to act as the operator.

(3) A company may, upon payment of the prescribed fee, apply to the Minister to qualify as an operator or a participant.

(4) Where the Minister is satisfied on the advice of the Directorate, that the applicant is suitable to qualify as an operator or a participant, as the case may be, he may issue to the applicant a notice of qualification.

(5) A company qualified as an operator or a participant shall give written notice to the Minister as soon as practicable, regarding any material change in its status or financial or technical capabilities.

(6) The Minister may cancel the qualification of a company where—

- (a) there is an adverse material change in the status of that company; or
- (b) the company or its representatives supply false or misleading information or fails to supply material information, in respect of or following the application for qualification.

36. (1) An applicant for a petroleum licence pursuant to a call for tenders or direct negotiations may withdraw its application by giving the Minister a written notice of withdrawal.

Conditions of application for a petroleum licence.

(2) Each application for a petroleum licence shall, upon receipt by the Minister, be filed in the register of petroleum rights applications.

37. Subject to sections 30 and 31 and upon payment of the prescribed fee, a company or group of companies may apply to the Minister for a petroleum licence and the application shall contain—

Application for a petroleum licence.

- (a) the name of the company or group of companies applying for a licence, particulars of incorporation and registration, the names and nationalities of directors, the share capital of the company or companies, and the name of every person who is the beneficial owner of more than five per cent of the shares issued by the company or companies;
- (b) an identification of the area to which the application relates;
- (c) the period for which the licence is required;
- (d) the minimum exploration operation programme and expenditure proposed to be carried out in respect of the area to which the application relates, and the period within which the operations will be carried out;
- (e) an assessment of the impact which the proposed exploration operations may have on the environment;

- (f) a plan for the prevention of pollution, the handling of wastes, the safeguard of the natural resources and minimization of the harmful effects of petroleum operations;
- (g) a description of the technical and industrial resources available to the applicant;
- (h) particulars of the financial resources available to the applicant, including capital, credit facilities and guarantees including parent company guarantees satisfactory to the Minister;
- (i) proposals with respect to the training and employment of citizens of Sierra Leone;
- (j) the applicant's proposals for insurance for petroleum operations, including accidental death and health insurance cover for its employees;
- (k) any other matter which in the opinion of the applicant is relevant to the application; and
- (l) any other particulars as may be prescribed by the Minister.

Notification of intention to grant a petroleum licence.

38. (1) The Minister shall cause the prospective licensees to be notified in writing of his intention to grant them a petroleum licence and the conditions on which the licence will be granted.

(2) The prospective licensees shall within thirty days of receipt of the notification, notify the Minister of their willingness or otherwise, to accept the proposed licence.

39. The Minister may, following a transparent, fair and competitive process and on the advice of the Directorate, grant a petroleum licence to two or more applicants who offered the most favourable terms and conditions to the State.

Grant of petroleum licence.

40. (1) A petroleum licence granted by the Minister becomes valid and binding on the parties only after ratification by Parliament.

Ratification and publication of a petroleum licence.

(2) Each petroleum licence, and any accompanying agreement between the State and the licensee providing details on the licence conditions attached to the licence, shall be published in its entirety in the Gazette and in such other manner as may be prescribed.

41. A petroleum licence shall indicate—

Content of a petroleum licence.

- (a) the licensees and their respective participating interests in the licence;
- (b) the name and particulars of the company which has been approved to be the operator;
- (c) the date of registration and the registration number of the licence;
- (d) the date and term of the area under petroleum licence;
- (e) the particulars of the petroleum licence;
- (f) the terms and conditions upon which the petroleum licence is granted;
- (g) the date of registration and the registration number of the licence;
- (h) the minimum work programme to be undertaken in the exploration period;

- (i) the estimated expenditure and financial guarantees for the non-fulfilment of any part of the minimum work programme ; and
- (j) fees payable and other financial conditions in accordance with this Act

Rights conferred by a petroleum licence.

42. A petroleum licence shall confer on the licensee an exclusive right to undertake exploration and production within a licence area.

Term of a petroleum licence.

43. (1) A petroleum licence shall be valid for a maximum period of thirty years from the effective date, unless sooner cancelled or terminated as provided in this Act.

(2) The petroleum licence shall comprise an exploration and production period.

(3) Subject to this Act, the exploration period shall last a maximum of seven years which shall be divided into an initial exploration period of three years, a first extension period and a second extension period of up to two years each.

(4) An exploration period shall commence on the effective date of the petroleum licence.

Extension of a petroleum licence.

44. (1) A licensee may apply to the Minister for an extension of the licence—

- (a) upon payment of the prescribed handling fee; and
- (b) not less than ninety days before the expiration of a petroleum licence.

(2) An extension may only be granted where the Minister is satisfied, on the advice of the Directorate that the licensee has fully complied with this Act and the plan for development and operation.

(3) A petroleum licence may be extended only once and for a period not exceeding ten years and on the terms and conditions that the Minister may, on the advice of the Directorate, think fit.

(4) Notice of any extension approved under this section shall be published in the Gazette and in such other manner as the Minister may prescribe.

45. (1) A licensee shall complete the minimum exploration work programme for the initial period of exploration and any other extension. Minimum exploration programme.

(2) A licensee shall not amend the work programme without the approval of the Minister.

(3) The Minister shall not approve an amendment to a work programme if the Minister, on the advice of the Directorate, is satisfied that there is sufficient evidence to conclude that continued drilling activities in the licence area would not result in a discovery.

46. (1) Where a licensee wishes to exercise its option to enter into the first extension period or the second extension period, it shall not later than ninety days before the expiration of the relevant period, submit to the Minister a request in writing for approval of such extension. Extension of exploration period.

(2) Every request made under subsection (1) shall contain—

(a) particulars of the actual operations carried out, results from those operations and the amount expended in relation to those operations during the relevant period;

(b) particulars identifying the licence area proposed to be relinquished in accordance with Section 49 and the area to be retained by the licensee; and

- (c) any other matter which in the opinion of the licensee is relevant to the application.

(3) The Minister shall grant an approval if after consultation with the Directorate, he is satisfied that—

- (a) the licensee has fulfilled its minimum work and expenditure obligations for the relevant period; and
- (b) the licensee is not in breach of any provision of this Act.

(4) The Minister may extend any first or second extension period after consultation with the Directorate, if he is satisfied that the reason for non-completion of the work programme within the prescribed sub-period justifies an extension; but the extension shall not exceed a period of six months and shall be subject to the terms and conditions that the Minister may think fit.

(5) If at the expiration of any sub-period of exploration there is in progress an appraisal work programme with respect to a discovery, the Minister shall grant an additional extension of the relevant sub-period to enable the licensee to complete the approved appraisal work within the period mentioned in paragraph (c) of subsection (2) of section 51.

Guarantee in respect of work programme.

47. (1) Within sixty days of the effective date of a petroleum licence and in a form approved by the Minister, the licensee shall provide the Minister with a guarantee for fulfilment of the minimum exploration programme during the initial exploration period.

(2) Upon the expiration of the initial exploration period and within sixty days of the date upon which the first extension period or the second extension period commences, the licensee shall provide the Minister with a guarantee for the fulfilment of the minimum exploration work programme during the first extension period or second extension period respectively and for any further extension.

(3) Subject to subsections (1) and (2) of section 46, the quantum of each guarantee shall be equivalent to the estimated costs of the minimum exploration work programme for such period and the guarantee shall remain in effect for the duration of the stipulated period.

(4) Where the licensee completes part of the minimum exploration work programme, the Minister may permit the licensee to reduce the guarantee by an amount equivalent to the expenses incurred in respect of the work completed for the stipulated period.

(5) Upon completion of the minimum exploration work programme for a stipulated period, the Minister shall return the guarantee to the licensee.

(6) Where the licensee fails to complete the minimum exploration work programme within the stipulated period, the Minister may revoke the licence and enforce the guarantee.

48. (1) A petroleum licence shall establish an area fee for the licence area. Licence area annual fee.

(2) The area fee shall be payable on the grant of a petroleum licence and thereafter annually on the anniversary of the grant until the termination of the licence.

(3) The area fee may increase at given intervals during the production phase.

(4) Where the licensee fails to pay the annual fee under subsection (1), the petroleum licence shall be revoked.

49. (1) A licensee shall relinquish the licence area as follows:— Relinquishment of licence area.

- (a) fifty percent of the initial licence area at the expiration of three years after the effective date of the licence;

- (b) twenty five percent of the initial licence area at the expiration of five years after the effective date of the licence, or the expiry of the first extension period, whichever comes first;
- (c) the remainder of the licence area at the expiration of the exploration period if the licensee has by then not declared a commercial discovery;
- (d) where a discovery is declared commercial, the licensee shall at the expiration of the exploration period relinquish that portion of the licence area which is not covered by the commercial discovery;
- (e) subject to paragraph (d), if at the end of the initial exploration period or the first extension period, as the case may be, a licensee elects not to enter into the first or second extension period, the licensee shall relinquish the entire licence area.

(2) An extension of any sub-period of exploration shall not be construed as an extension of the obligation to relinquish.

(3) A licensee shall, prior to relinquishing an area, plug or close off all wells in the area to the satisfaction of the Directorate.

(4) A licensee who contravenes subsection (1) commits an offence and shall be liable on conviction to a fine not exceeding two Hundred and Fifty Thousand United States Dollars or its equivalent in leones.

Discovery of petroleum.

50. (1) When a discovery is made, the licensee shall—

- (a) forthwith and prior to informing a third party, inform the Minister of the discovery; and

- (b) within seven days of the discovery, submit written particulars of the discovery to the Directorate, including identification of the area where the discovery was made, the nature of the discovery and such other particulars as the Directorate may require.

(2) The licensee shall within sixty days of the discovery, submit a report in writing to the Directorate stating whether the discovery merits appraisal.

(3) A licensee who contravenes paragraph (a) of subsection (1) commits an offence and shall be liable on conviction to a fine not exceeding Fifty Thousand United States Dollars or its equivalent in Leones.

51. (1) Where a licensee reports that a discovery merits appraisal, the licensee shall, within ninety days of submission of the report referred to in subsection (2) of section 50, submit an appraisal plan to the Minister for approval.

(2) An appraisal plan shall include a detailed appraisal work programme and corresponding budget and shall specify—

- (a) the estimated size of the hydrocarbon reserves of the discovery;
- (b) the area proposed to be designated as the appraisal area and shall include all seismic, drilling, testing and other appraisal operations necessary to carry out an appropriate appraisal of the discovery;
- (c) a period not exceeding two years within which the appraisal work programme is to be completed.

(3) The licensee shall execute the minimum exploration work programme in accordance with the approved appraisal plan.

(4) The licensee shall not amend the approved appraisal plan without the prior approval of the Minister.

(5) A licensee shall not be deemed to have completed its minimum work obligations under a minimum exploration work programme by virtue of undertaking an appraisal work programme.

(6) A licensee who contravenes subsection (3) or (4) commits an offence and shall be liable on conviction to a fine not exceeding one Hundred Thousand United States Dollars or its equivalent in Leones.

(7) The Minister may revoke the approval of an appraisal work plan where the licensee contravenes subsection (3) or (4).

Appraisal
report.

52. (1) A licensee shall, within one hundred and twenty days of completion of the appraisal work programme, as approved under the appraisal plan, submit to the Minister a detailed report of the results of the appraisal work.

- (2) The appraisal report shall include—
- (a) all technical and economic data relevant to a determination of commerciality, including geological and geophysical conditions such as structural configuration, physical properties and the extent of reservoir rocks, areas, thickness and depth of pay zones, pressure, volume and temperature analysis of the reservoir fluids;
 - (b) preliminary estimates of crude oil and natural gas reserves, recovery drive characteristics, anticipated production performance per reservoir and per well;
 - (c) fluid characteristics, including gravity, sulphur percentage, sediment and water percentage;

(d) a statement on whether, in the opinion of the licensee—

- (i) the discovery is commercial;
- (ii) the discovery is not commercial or;
- (iii) the discovery will be of eventual commercial interest.

(3) If the licensee reports that the discovery is not commercial, the licensee shall relinquish the discovery area.

(4) Within thirty days of the submission of the appraisal report declaring a discovery to be commercial, the Ministry shall notify the licensee whether the declaration of commerciality has been approved, rejected or approved with modification.

(5) If the Ministry does not notify the licensee in writing, of its decision during the thirty day period, the declaration will be deemed to have been approved in its entirety.

PART VI—DEVELOPMENT AND PRODUCTION

53. A licensee that has fulfilled all its obligations as required in the exploration phase and has received the Minister's approval for a declaration of commerciality pursuant to the requirements in this Act, shall have the right to enter into the production phase for the remainder of the petroleum licence period and to retain that part of the licence area to which the declaration relates.

Entry into
production
phase.

54. (1) Once a licensee's declaration of commerciality has been approved by the Minister, the licensee shall prepare and submit to the Minister for approval, a detailed plan for development and operation of the petroleum field to which the discovery relates.

Plan for
development
and
operation.

(2) The Minister may set a deadline for the submission of a plan.

(3) The plan for development and operation shall be accompanied by a social and environmental impact assessment to be approved in accordance with any relevant enactment.

(4) A plan for development and operation shall be based on engineering studies and shall include—

- (a) a description and an illustrating map of the development area;
- (b) a description of the development strategy and concept;
- (c) an economic assessment of the different development methods and selection criteria;
- (d) where the development is planned in two or more phases, to the extent possible, the total development project;
- (e) a description of the links between the development of the production area and the development of other petroleum fields, where applicable;
- (f) area studies for the possibility of co-ordination with other petroleum activities;
- (g) proposed drilling and well completion plans;
- (h) geological parameters and reservoir engineering methodology;
- (i) a description of facilities for production, storage, transportation and delivery of petroleum;
- (j) a development schedule;

- (k) a long term production schedule, including the estimated start of production;
- (l) a description of the petroleum field, the nature and estimate of the quantity of the petroleum in the field and any by-products and the estimated overall recovery of the petroleum;
- (m) a description of technical solutions including possible solutions for enhanced recovery;
- (n) a description of the capacities of the facilities;
- (o) solutions for efficient use of energy, and the prevention and minimisation of environmentally harmful discharges and emissions;
- (p) methods for the disposal and use of associated gas where applicable;
- (q) information on management systems, including information on the planning, organisation and implementation of the development;
- (r) information on operation and maintenance;
- (s) a detailed forecast of capital investment, operating costs and income from sales and a financing plan for the development;
- (t) a health and safety assessment;
- (u) insurance strategy for petroleum operations, including life and health cover for licensee's employees;

- (v) emergency preparedness plans;
- (w) a preliminary plan for end of production, decommissioning and disposal of facilities;
- (y) information on any applications for petroleum rights and authorisation required under the applicable enactment in connection with the planned petroleum operations.

Plan for development and operation to be effective on approval.

55. (1) A plan for development and operation shall become effective upon the written approval of the Minister on the advice of the Directorate.

(2) Approval of a plan for development and operation—

- (a) may be limited to the development of individual reservoirs or phases;
- (b) may be subject to requirements for additional capacities, additional resources or third party access; and
- (c) may be subject to such other conditions as may be determined by the Minister on the advice of the Directorate.

(3) The Minister may, on the advice of the Directorate, revise the long term production schedule earlier approved, if warranted by resource management considerations or other significant socio-economic considerations, and the Minister may in this connection prescribe the use of improved recovery methods.

Execution of plan for development.

56. (1) Unless otherwise determined by the Minister, a licensee shall not enter into contracts of significant value or commence construction works without written approval of the plan for development and operations by the Minister.

(2) The licensee shall immediately notify the Minister in writing of any significant deviation from the assumptions and preconditions on which a plan for development and operation has been submitted or approved, and any significant alteration of facilities or use of facilities.

(3) Any deviations or alterations to the plan for development and operation or significant alterations to the facilities shall require the prior written approval of the Minister.

(4) The Minister may require a new or amended plan for development and operation to be submitted prior to the approval of any deviation or alteration, or require amendments to an approved plan where it is necessary for efficient production or in the public interest.

(5) A licensee who contravenes subsection (1), (2) or (3) commits an offence and shall be liable on conviction to a fine not exceeding two hundred and fifty thousand United States Dollars or its equivalent in Leones.

(6) The licensee's proposals for the procurement of goods and services obtainable within the country shall be in accordance with the local content policy of the State.

(7) The licensee shall have adequate insurance cover for its employees.

57. (1) A plan for development and operation submitted under section 54 shall be approved by the Minister only if—

- (a) the plan will ensure the most efficient, beneficial and timely conduct of the petroleum operations concerned;
- (b) the plan takes proper account of best petroleum industry practice and safety factors;

Restrictions on approval of plan for development and operation.

- (c) the licensee continues to have the requisite experience to carry out effective development and production operations;
- (d) the licensee's descriptions and proposals under subsection (3) of section 54 are satisfactory to the Minister on the advice of the Environmental Protection Agency;
- (e) the licensee undertakes to comply with the conditions on which a plan for development and operation will be granted;
- (f) the licensee's proposals for the employment and training of citizens of Sierra Leone are satisfactory;
- (g) the licensee's proposals for the procurement of goods and services obtainable within the country are in accordance with the local content policy of the Government;
- (h) the licensee has adequate insurance cover for petroleum operations and its employees;
- (i) a social and environmental impact assessment for the development area has been approved in accordance with the Environmental Protection Act 2008; and
- (j) the licensee has complied with the relevant provisions of this Act.

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of 2008.

(2) Where the Minister, on the advice of the Directorate, is not satisfied with the proposed plan for development and operation, he shall notify the licensee in writing, stating his reasons, and shall afford the licensee an opportunity to make, within such period as may be specified in the notice, representations in relation to all matters concerned and to present proposals for amendments to the plan.

(3) Where the licensee has made the necessary and appropriate amendments to the proposed plan before the date set out in the notice in subsection (2), or otherwise dealt satisfactorily with the matters referred to in the notice, the Minister shall reconsider the plan for development and operation.

(4) Where the licensee does not submit a plan for development and operation within the prescribed time limit or has not satisfactorily availed itself of the opportunity referred to in subsection (2), the licensee shall relinquish the area which is the subject of the proposed plan for development and operation.

(5) Where a proposed plan for development and operation is not approved by the Minister, the licensee shall relinquish the area covered by the proposed plan.

58. (1) A licensee shall submit to the Minister for approval, a revised plan for development and operation at any time to take into account, any changes in circumstances which, in accordance with best petroleum industry practice, require changes in the scope, cost or other attributes of the plan. Amendment of plan for development and operation.

(2) Where the Minister extends the period of a petroleum licence, the licensee shall amend the plan for development and operation to take into account the petroleum operations to be undertaken during the extension period.

(3) Unless the Minister decides otherwise, the licensee shall not continue production activities in the extension period until the amended plan for development and operation is approved by the Minister.

(4) A licensee that fails to comply with any requirement under this section commits an offence and shall be liable to an administrative penalty not exceeding One Hundred Thousand United States Dollars or its equivalent in Leones.

(5) The Minister may, on the advice of the Directorate and after consultation with the licensee, amend by written notice, an approved plan for development and operation, where the amendment is necessary for safe, appropriate or efficient production or in the public interest.

Postponement
of develop-
ment.

59. (1) Where significant public interests so require, the Minister may, after consultations with the licensee, postpone the development of a field.

(2) In the event of a postponement under subsection (1), the term of the petroleum licence shall be extended for the period of postponement, and the obligation to pay licence area fees during that period shall be suspended.

Prudent
operations.

60. (1) The licensee shall conduct petroleum operations in accordance with best international techniques and practices and sound economic principles and in a manner that will—

- (a) ensure maximum recovery of petroleum in each individual or several combined petroleum accumulations;
- (b) minimize pollution and the effect of petroleum operations on land adjoining or adjacent to the production area;
- (c) safeguard natural resources, particularly fishery resources; and
- (d) ensure that wastage of petroleum or reservoir energy is avoided.

(2) The licensee shall carry out continuous evaluation of production strategy and technical solutions for optimal development and production of petroleum.

Joint develop-
ment.

61. (1) Where—

- (a) a petroleum reservoir extends beyond the boundaries of a petroleum licence area into one or more areas subject to a petroleum licence or licences, as the case may be; and
- (b) the Minister establishes, on the advice of the Directorate and after consultation with the relevant licensees, that the joint development of several petroleum accumulations would be more efficient and advantageous,

the relevant licensees shall, within the time limit prescribed by the Minister, prepare and submit to the Minister for approval, a plan for joint development and operation for the petroleum reservoir or accumulations in accordance with section 54.

(2) (a) Where a petroleum reservoir extends beyond the boundaries of a petroleum licence area into an area not subject to a petroleum licence, the Minister shall grant a petroleum licence to the National Company for the area covering the part of the reservoir which is not already the subject of a petroleum licence and the licensee shall, within the prescribed time limit, prepare and submit to the Minister for approval a plan for joint development and operation of the petroleum reservoir in accordance with section 54.

(3) The existing petroleum licence will be modified to incorporate the areas proposed for joint development.

(4) Where a plan for joint development and operation has not been submitted within the time limit prescribed under subsection (1) or (2), the Minister may, on the advice of the Directorate, give directives to the relevant licensees regarding the joint development and operation of the petroleum reservoir or accumulations.

(5) An agreement for joint development of a petroleum reservoir or accumulations shall be negotiated by the relevant licensees.

(6) Where, within ninety days of receipt of the Minister's directives, the parties fail to reach agreement for joint development of the petroleum reservoir or accumulations, the Minister may instruct the parties to commence a formal process for dispute resolution.

(7) Where agreement is not reached within one hundred and twenty days of commencement of a formal dispute resolution process, the Minister may set the terms for and enforce a joint development agreement between the parties.

Cross border petroleum operations.

62. (1) Where a petroleum reservoir extends into the territory or continental shelf of another state, the State shall seek to reach agreement with that state for the most efficient coordination of petroleum operations in connection with the petroleum reservoir and the apportionment of the petroleum reserves.

(2) Where the construction and operation of a petroleum facility extends to another state, efforts shall be made to reach agreement on the most efficient way of coordinating the use of the facility.

Directives for recovery of petroleum.

63. (1) Where—

- (a) petroleum is not being recovered in a development area and the Minister is satisfied that there is recoverable petroleum in that area; or
- (b) where petroleum is being recovered in a development area at a reduced rate;

the Minister may instruct the licensee to take all necessary and practicable steps to recover the petroleum in accordance with this Act, or as the case may be, to increase the rate at which the petroleum is being recovered to a rate not exceeding such capacity as may be specified.

(2) Nothing in this section, or in any directive given under this section, requires the licensee to do anything which is not in accordance with best available international techniques and practices and sound economic principles.

64. (1) A licensee shall measure or weigh by a method customarily used in best oil field practices, and from time to time approved by the Minister, all petroleum recovered from a licence area. Measurement of petroleum obtained.

(2) The Minister shall prescribe the equipment, methods and standards to be applied for measurement of petroleum for resource management, operational, economic and fiscal purposes.

(3) A licensee shall not make any alteration in the method of measurement or weighing in any equipment used for that purpose without the prior consent in writing of the Minister, and the Minister may in any case require that no alteration shall be made except in the presence of a person authorised by him.

(4) The Minister may, from time to time, direct that any weighing or measuring equipment be tested or examined in a manner, upon occasions or at intervals, and by means specified in the directive.

(5) The licensee shall ensure that there is regular maintenance and recalibration of the equipment.

(6) Where the equipment and appliances used for measurement of petroleum is found to be defective, such defect shall be deemed to occur from date of the last inspection.

(7) Where the inspection reveals that the equipment is defective, the Minister shall by notice to the licensee direct the licensee to properly maintain or recalibrate the equipment as the case may be, within such time as the Minister may determine.

(8) If the licensee fails to comply with the direction of the Minister within the stipulated time, the Minister shall require the licensee to give reasons for the failure to so comply with the directions within seven days of the requirement

(9) A licensee who fails to comply with subsection (8) commits an offence and shall be liable on conviction to a fine not exceeding fifty thousand United States dollars or its equivalent in leones.

Inspection and sampling of petroleum.

65. The Minister may authorise any qualified public officer to enter any facility where petroleum is being produced or stored and inspect or take samples for testing of any petroleum products found in that facility and the cost of the test shall be borne by the licensee.

Purpose of inspection and sampling.

66. A licensee shall submit to the Minister on a monthly basis, information pertaining to—

- (a) the volume of petroleum produced, the composition of the petroleum, including test production and the extraction of petroleum in connection with formation testing;
- (b) the use, injection, cold venting and burning of petroleum based as far as possible, on metering; and
- (c) the volumes and other results of monitoring as well as monitoring procedure.

Property in petroleum passes to licensee at wellhead.

67. (1) The title to petroleum produced shall pass to the licensee at the well head.

(2) The licensee shall be liable for any damage caused by spills or in respect of petroleum produced in the licence area.

(3) Notwithstanding subsection (1), any loss of petroleum before it reaches the well head shall be attributed to the licensee.

Supplies to cover national requirements.

68. (1) The Minister may direct the licensee to make deliveries from the licensee's production to cover national requirements and may further direct to whom the petroleum shall be delivered.

(2) The price paid for the petroleum delivered under this section shall be agreed by the parties which shall be at fair market value.

69. (1) In the event of war, threat of war, natural disaster or other extraordinary crisis, the Minister may, with the approval of the President, direct licensees to place petroleum at the disposal of the State in such proportions as the Minister may determine, without discriminating against any licensee.

Supplies in the event of war, threat of war, other crisis.

(2) The price paid for the petroleum delivered under this section shall be agreed by the parties.

70. A licensee shall have the right to use natural gas produced in petroleum operations as prescribed and in accordance with an approved plan for development and operation if the use is in accordance with best petroleum industry practice, including—

Use of natural gas.

- (a) re-injection in a reservoir for increased pressure or pressure maintenance for the purpose of extracting more oil from the reservoir; and
- (b) power generation.

71. (1) A licensee shall not vent or flare natural gas unless authorised by the Minister under the following circumstances:—

Restrictions on flaring and venting of natural gas.

- (a) during production testing operations;
- (b) when necessary for the safety of petroleum operations in accordance with best petroleum industry practice; and
- (c) where re-injection is incompatible with good reservoir or petroleum engineering practice and the Minister, on the advice of the Directorate, is satisfied that there are no other means of utilizing the gas.

(2) In the case of an emergency, a licensee may undertake flaring or venting of gas under subsection (1) without the prior approval of the Minister but the licensee shall ensure that those

activities are kept at the lowest possible level and shall immediately inform the Minister of the emergency and seek the approval of the Minister for any continued flaring or venting.

(3) All facilities shall be planned and constructed so as to avoid any gas venting or flaring under normal operating conditions.

Right to enter land.

72. Subject to sections 73 and 74, and any regulations as may be prescribed, a licensee, holder of a permit for the laying and operation of a pipeline, contractor or sub-contractor shall have the right to enter upon any land to carry out petroleum operations as permitted under a reconnaissance permit or a petroleum licence

Notice to owners or occupiers of land.

73. (1) All persons having title to or an interest in land on which operations under a reconnaissance permit or a petroleum licence are to be conducted, shall not allow a permit holder, licensee, contractor or sub-contractor to enter the land to commence the operations, without prior written notification of the purpose, nature and location of the proposed operations.

(2) Subject to subsection(1), any person having title to or an interest in the land on which operations under a reconnaissance permit or a licence are to be conducted, who suffers a loss or damage as a result of the operations shall be entitled to such compensation as may be determined by law.

Right to compensation.

74. (1) Where any person having title to or an interest in land upon which a permit holder, licensee, contractor or sub-contractor has conducted operations, suffers any disturbance, loss or damage to surface rights, buildings, works or improvements, livestock, crops and trees, as a result of the operations, the person shall apply to the Minister for compensation.

(2) The Minister shall make a determination of the validity of the right that the applicant has to compensation within sixty days of receipt of an application, taking into account the extent of the disturbance or damage to the applicant's land or property.

(3) If the Minister requires additional information from either party in order to make a determination under subsection (2), he

shall inform the parties within sixty days of receipt of an application and shall determine the information required and the mode and deadline for submission of the information.

75. If the Minister determines that compensation is warranted under section 74, the amount of compensation payable shall be determined by agreement between the parties concerned, but if the parties are unable to reach agreement on the amount of compensation, the matter shall be referred to the Minister who shall determine the amount payable.

76. (1) The Minister may on specific conditions and for a fixed period grant to companies with the required technological experience and financial capacity a separate permit to install and operate pipelines referred to in paragraph (c) of section 15.

(2) Application for a permit shall be submitted to the Minister and shall contain a plan for construction, placing, operation and use of such pipeline.

(3) The relevant provisions that apply to a licence, licensee and petroleum operations shall apply correspondingly to the pipeline and the holder of the permit, unless the Minister decides otherwise.

(4) The permit period may be extended by the Minister.

PART VIII—DECOMMISSIONING

77. (1) Subject to section 54 and within not less than ninety days prior to the surrender or revocation of a licence and before petroleum operations on a facility are permanently terminated, the licensee shall submit the decommissioning plan for the prior written approval by the Minister, on the advice of the Directorate.

(2) The decommissioning plan shall include information and evaluations necessary for the Minister to decide whether to approve the plan, including proposals for the following:—

- (a) continued production;
- (b) shutdown of production;
- (c) disposal of facilities; and
- (d) the rehabilitation of the land.

(3) Where the decommissioning plan has been approved by the Minister under subsection (1), any revision or amendments to it shall be subject to approval by the Minister, on the advice of the Directorate.

(4) Subject to section 54 and at any point after the approval of a plan for development and operation pursuant to section 54, the Minister may require further information and evaluations or a revised plan for development and operation, inclusive of a revised decommissioning plan, subsequent to which the Minister shall issue directives or conditions for decommissioning, on the advice of the Directorate.

(5) A licensee shall comply with any obligations with respect to decommissioning under this Act and any other enactment and directives relating to decommissioning, notwithstanding that the obligations may take place subsequent to the expiration of the petroleum licence.

(6) Unless otherwise directed by the Minister and upon the transfer of ownership of any facility under a petroleum licence, all obligations, any directives relating to the maintenance and decommissioning of the facility shall be carried out jointly or separately, as agreed between the parties.

(7) Where the maintenance or decommissioning of a facility is not carried out in accordance with this Act or directives of the Minister within the stipulated time, the Minister may take necessary measures on behalf of the licensee, and for the licensee's account and risk.

(8) A licensee who undertakes decommissioning activities in contravention of this section, commits an offence and shall be liable on conviction to a fine not exceeding One Hundred Thousand United States Dollars or its equivalent in Leones.

78. (1) There shall be established by the Minister, after consultation with the Minister responsible for finance a Decommissioning Fund.

(2) The Minister and the licensee shall agree upon the amount of the Decommissioning Fund necessary to fund activities under the approved decommissioning plan and the manner in and time at which the licensee shall make contributions to the Fund but the first contribution shall not be made prior to commencement of production.

(3) The Decommissioning Fund shall be used only for decommissioning

(4) The Minister shall establish an interest bearing escrow bank account in a currency agreed on by the parties for the purpose of depositing contributions to the Decommissioning Fund or based on the joint determination by the parties and the Government, a suitable bank shall be selected to act as an escrow agent to operate the Decommissioning Fund.

(5) The licensee shall, in accordance with the agreement pursuant to subsection (2), submit contributions to the Decommissioning Fund to the escrow account and shall notify the Minister promptly upon the deposit of funds into the account.

(6) Where the monies in the Decommissioning Fund are insufficient to cover the implementation of the decommissioning plan, the licensee, and where applicable, the owner of the facilities shall be liable for the shortfall.

(7) The licensee shall provide the Minister with a guarantee in a form satisfactory to the Minister and in such sum as

agreed between the Minister and the licensee, in respect of any shortfall which may accrue between the amount of the Decommissioning Fund and the actual cost of decommissioning operations.

(8) The Decommissioning Fund shall be jointly managed by the Minister and the licensee.

(9) The Minister shall—

- (a) release to the licensee such amounts from the Decommissioning Fund as are necessary to meet the costs and expenses of the decommissioning operations; and
- (b) retain any amounts that remain in the Decommissioning Fund, to the extent that the contributions made by the licensee to the Fund have been set off against the tax payable by the licensee pursuant to the applicable law on taxation.

(10) Where a licensee fails to decommission in accordance with the approved decommissioning plan, the Minister may retain the whole or part of the Decommissioning Fund under a procedure prescribed in regulations .

(11) A licensee who fails to decommission in accordance with this Act commits an offence and shall be liable on conviction to a fine not exceeding Two Hundred Thousand United States Dollars or its equivalent in Leones.

Decommissioning by the State.

79. Notwithstanding section 77, where the State exercises its right to take over the petroleum facilities pursuant to section 83, the Minister shall be responsible for decommissioning in respect of any petroleum facility so taken over, subject to an agreement between the Minister and the licensee on the distribution of the decommissioning costs.

80. If the licensee does not carry out the decommissioning pursuant to the Act, the approved decommissioning plan and the Minister's directives, the Minister may dispose of any installation pursuant to the approved decommissioning plan at the cost of the licensee.

Removal and sale of property by the Minister.

81. (1) A licensee or an owner other than the licensee who is under the obligation to decommission a facility under section 77 is liable for damage or inconvenience caused in connection with the disposal of the facility.

Liability for damages for disposal of decommissioned facility.

(2) Where the licensee or owner abandons a facility, the licensee or owner is liable for damage caused in connection with the abandoned facility.

(3) Where there is more than one party liable under subsection (1) or (2), they shall be jointly and severally liable for all financial obligations.

(4) In the event that a decision has been taken for the abandonment of a facility which is to be taken over by the State, the licensee and any owner other than the licensee shall reach an agreement with the State on the future maintenance, responsibility and liability and any financial compensation payable to the State.

82. Where the Government requires the removal of a facility, any lien, charge or encumbrance on the facility shall lapse except otherwise allowed by the Minister.

Encumbrances.

83. (1) The State may take over the facilities of a licensee or a holder of a permit for the laying and operation of a pipeline when—

Take over of facilities by the State .

- (a) the licence or the permit expires or is cancelled;
- (b) where the costs of the licensee or the holder of the permit have been fully recovered; or
- (c) when the use of the facility has been terminated permanently.

(2) In the event of takeover of a facility subject to private property interests, compensation shall be paid where required by law and in accordance with the prescribed procedure, if any.

(3) Where the Government has confirmed that it wishes to exercise its option to take over a facility, the takeover shall be effective six months after expiration of the licence or the permit or after termination of the use of the facility, unless otherwise determined by the Minister.

(4) Where the Government elects to keep the facilities in order to continue petroleum operations after the withdrawal of the licensee or the holder of the permit, the Decommissioning Fund together with the related interest shall be at the Minister's disposal to cover the later decommissioning and the licensee or the holder of the permit shall be released from any further decommissioning liability in respect of the facilities.

(5) Where the State takes over a facility, the facility with its accessories shall be in such condition as adequate maintenance to ensure functional capability for petroleum operations would require.

(6) Any dispute arising under subsection (4) and, where applicable, regarding the compensation to be paid to the State for lack of maintenance, shall be determined by appraisalment.

PART IX—STATE PARTICIPATION

State participation in petroleum operations.

84. (1) The State may participate as a licensee with a specific participating interest in a petroleum licence under the auspices of the National Company.

(2) The National Company shall have all the rights and obligations of a licensee under this Act and the joint operating agreements to which it is a party.

(3) The revenue resulting from the management of the participating interests shall belong to the State.

(4) Notwithstanding subsection (3), the National Company shall retain an amount not exceeding twenty five percent of total revenues received in any financial year to meet its operational, administrative and investment requirements for that year, subject to submission of an annual cost plan to the Minister and to Parliament.

(5) Retention of the total amount of revenues received in excess of the percentage stipulated in subsection (4) shall be subject to the prior written approval by the Minister responsible for finance.

(6) The National Company shall keep and maintain separate accounts in respect of revenues and expenses relating to the participating interests of the State in each petroleum licence.

85. Where the State elects to participate in a petroleum licence, it shall have an initial carried interest of at least ten percent and may acquire an additional paying interest up to a declared maximum within a specified period of time from the date a discovery is declared to be commercial discovery. Participating interest.

86. A petroleum licence shall provide that a licensee wishing to assign, sell or transfer its interest whether in part or in whole shall give the right of first refusal to the State to acquire the interest at the same price as agreed with a potential purchaser. Right of first refusal.

PART X—EMPLOYMENT AND LOCAL CONTENT

87. (1) The licensee, its contractors and sub-contractors shall ensure that opportunities are given for employment in the various levels of their organisations and operations to adequately qualified citizens of Sierra Leone. Employment and training of Sierra Leoneans.

(2) The licensee, its contractors and sub-contractors shall not engage in discriminatory practices on grounds of race, nationality or gender in the conditions of service provided for personnel.

(3) The licensee, its contractors and sub-contractors shall prepare and implement plans and programmes to train citizens of Sierra Leone in all aspects of petroleum operations in consultation with the National Company, to enable them to qualify for positions relating to petroleum operations.

Preference for local goods.

88. (1) The licensee and its contractors and sub-contractors shall give preference to services, materials, consumables and other goods produced in Sierra Leone or provided by Sierra Leonean companies or suppliers where the quality and time of delivery of the goods and services are comparable to those available internationally.

(2) The Sierra Leonean companies or supplies referred to in subsection (1) shall—

- (a) have adequate resources and capacity to add value to the petroleum operations carried out by the licensee; and
- (b) be subject to approval by the Minister in accordance with prescribed criteria.

(3) Within sixty days after the end of each calendar year, the licensee shall provide the Minister with a report of its achievements and its contractors and sub contractors' achievements in utilizing the goods and services referred to in subsection (1) during that calendar year.

(4) The report shall be published in the Gazette and in such other manner as may be determined by the Minister.

Training, Research and Development Funds.

89. (1) There is hereby established the Training, Research and Development Fund which shall be managed by the Minister.

(2) Every licensee shall pay into the Training, Research and Development Fund, an annual training, research and development fee as may be provided in the petroleum licence.

90. A licensee, its contractors and sub-contractors shall prepare and implement such plans for the transfer to employees of the National Company of advanced technological know-how and skills related to petroleum operations as shall be agreed with the Minister.

Technology Transfer.

PART XI—ENVIRONMENT, HEALTH AND SAFETY

91. (1) The Government shall introduce and enforce integrated health, safety and environmental quality management systems with specific quality, effluent and emission targets for oil and gas related pollutants, without regard for fuel type such as gas, liquid or solid, in order to ensure compliance with best practices in the international petroleum industry.

Environment and air quality emissions.

(2) The licensee shall prepare and execute plans of a preventive nature, to guarantee the protection, conservation and restoration of the environment affected by petroleum operations and adopt and implement specific contingency plans to attend to emergencies and repair damage in the most efficient and timely way possible.

(3) No holder of a petroleum right shall commence petroleum operations without the approval of its environmental impact assessment and an environmental management plan and the issuance of a licence required under the Environment Protection Agency Act, 2008.

Act No. 11 of 2008.

(4) In preparing the environmental impact assessment under subsection (3), a holder of a petroleum right shall hold consultations with representatives of local communities or citizens at risk of suffering social, environmental or economic disruption as a result of petroleum operations.

(5) The environmental impact assessment and environmental management plan shall be published in the Gazette and in such other manner as may be determined by the Minister after consulting the Environmental Protection Agency.

(6) Failure by the licensee to comply with any of the obligations under this section shall be a cause for the suspension of the petroleum right until the obligations are fulfilled to the satisfaction of the Minister.

(7) The holder of a petroleum right shall ensure that necessary measures are taken to prevent or reduce harmful effects, including the measures required in order, to the extent possible, to return the environment to the condition it had been in before the occurrence of an environmental damage.

(8) The Government shall take all such reasonable steps as may be necessary to honour its international obligations relating to the environment, health and safety.

Liability party and extent of liability.

92. (1) The holder of a petroleum right shall be liable for pollution damage related to its petroleum operations without regard to fault and where the holders are more than one, they shall all be liable in proportion to their participating interest.

(2) Claims for compensation for pollution damage shall initially be directed to the operator.

(3) Where the operator fails to pay any part of the compensation, the unpaid amount shall be directed to the other holders of the petroleum right in proportion to their respective participating interests.

(4) Where any of the holders of a petroleum right fails to pay its share of the damage as apportioned under subsection (3), the unpaid amount shall be divided among the other holders in proportion to their respective participating interests.

(5) Where it is demonstrated that an inevitable event of nature, act of war, exercise of public authority or a similar force majeure event has contributed to a considerable degree to the damage or its extent under circumstances which are beyond the control of the liable party, the liability may be reduced to a reasonable extent, with particular consideration given to—

- (a) the scope of the activity;
- (b) the situation of the party that has sustained the damage; and
- (c) the opportunity for taking out insurance by the parties.

(6) Where pollution damage occurs in the course of petroleum operations which have been conducted without a petroleum right, the person who conducted those operations and any person who participated in those operations, knowing or who ought to have known that the operations were being conducted without a petroleum right, shall be liable for the damage.

93. A holder of a petroleum right carrying out petroleum operations shall be responsible for any pollution or damage caused by or resulting from the operations as well as pollution or damage caused by or resulting from petroleum operations undertaken by a contractor, sub-contractor or employee of the holder and shall take all necessary measures to remedy any pollution or damage so caused.

Pollution or damage by contractor.

94 Liability for pollution may be claimed in accordance with this Act or any other applicable law.

Claim of damages.

95. Legal action for compensation for pollution damage shall be brought before the court in the jurisdiction where—

Jurisdiction.

- (a) the petroleum operations have taken place or where damage has been caused; or
- (b) the place of incorporation of the holder of the petroleum right .

96. (1) A holder of a petroleum right carrying out petroleum operations shall maintain at the work site, an establishment capable of dealing adequately with fire, oil spills, blowouts and other accidents or emergency situations which may arise from petroleum operations so as to prevent or control such situations and to minimize loss or damage from them .

Provision for safety.

(2) The Environmental Protection Agency may prescribe minimum safety and health requirements to be maintained at a petroleum facility or establishment.

Safety precautions.

97. An operator, contractor or sub-contractor—

- (a) shall take precautions as are necessary to—
 - (i) ensure the safety of any person employed or otherwise present at or in the vicinity of an installation or facility and
 - (ii) protect the environment and natural resources, including taking precautions to prevent pollution; and
- (b) shall ensure that the persons referred to in paragraph (a) are duly informed of those precautions.

General requirements for emergency preparedness.

98. (1) A holder of a petroleum right shall, at all times maintain efficient emergency preparedness with a view to dealing with accidents and emergencies which may lead to loss of life or personal injury, pollution or major damage to property.

(2) A holder of a petroleum right shall ensure that necessary measures are taken to prevent or reduce harmful effects, including the measures required in order, to the extent possible, to return the environment to the condition it had been in before the accident occurred.

(3) The Minister may after consultation with the Environmental Protection Agency issue directives for the implementation of the measures referred to in subsection (1).

Emergency preparedness against deliberate attacks.

99. (1) A holder of a petroleum right shall initiate and maintain security measures to prevent or minimize attacks against facilities and shall at all times have contingency plans to deal with such attacks.

(2) A holder of a petroleum right shall place facilities at the disposal of public authorities for emergency and security drills and shall, where necessary, participate in the drills provided that petroleum operations are not unduly interrupted.

(3) The Minister after consultation with the Environmental Protection Agency may issue guidelines for the implementation of the measures referred to in subsections (1) and (2).

100. (1) There shall be a safety zone surrounding every facility carrying out petroleum operations, unless otherwise determined by the Minister. Safety zones.

(2) The Minister may in cases of accidents and emergencies, establish or extend the safety zones under subsection (1).

(3) The extent of zones referred to in subsections (1) and (2) shall be determined by the Minister in collaboration with the Sierra Leone Maritime Administration and where a proposed safety zone extends across the border line with another state, the Minister shall consult the Minister responsible for foreign affairs and the Attorney-General and Minister of Justice before making a determination.

(4) The Minister may direct that—

- (a) a zone corresponding to the safety zone shall be established in reasonable time before the placing of facilities as mentioned in subsection (1); or
- (b) there shall be a safety zone around and above abandoned or dumped facilities, or parts of the facilities.

(5) Unauthorised vessels, vehicles, crafts, fishing gear or other objects shall not be present in zones mentioned in this section.

Suspension of petroleum operations, etc.

101. (1) Where accidents and emergencies referred to in section 98 occur, the holder of the petroleum right shall, to the extent necessary, suspend the petroleum operations for as long as the requirement for prudent operations warrants.

(2) In emergency situations, the Minister may on the advice of the Environment Protection Agency direct that petroleum operations be suspended to the extent necessary, or may impose particular conditions to allow continuation of the operations.

Commission of inquiry.

102. Where a serious accident occurs including loss of life or major damage to property or pollution of the environment, in connection with petroleum operations, the President may appoint a commission of inquiry in accordance with the Constitution of Sierra Leone to inquire into the causes of the pollution and make such recommendations as are appropriate.

Act No. 6 of 1991

Application of Part.

103. (1) This Part applies to liability for pollution damage from a facility when the damage occurs in Sierra Leone or affects a Sierra Leonean vessel or a Sierra Leonean facility adjacent to where petroleum operations are being conducted.

(2) The Minister may, notwithstanding the provisions of this Act, by agreement with a foreign state, prescribe rules relating to liability for pollution damage caused by petroleum operations.

(3) Rules made under subsection (2) shall not restrict the right to compensation according to this Act in respect of any injured party under Sierra Leonean jurisdiction.

PART XII—FINANCIAL PROVISIONS

Royalty and taxes.

104. Notwithstanding the provisions of any other enactment holders of petroleum rights shall be liable for the following taxes without limitation—

Act No. 8 of 2000

(a) royalties payable to the State, as prescribed in the Income Tax Act 2000;

(b) area fees as prescribed ;

Act No. 8 of 2000

(c) personal income tax as prescribed in the Income Tax Act 2000;

Act No. 8 of 2000

(d) corporate tax as prescribed in the Income Tax Act 2000;

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(e) customs duties as prescribed in the Customs Act; and

Act No. 8 of 2000

(f) a special petroleum tax to be known as the Petroleum Resources Rent Tax as prescribed in the Income Tax Act, 2000.

105. Payments made to the State under this Act shall be disclosed according to the terms and procedures of the Sierra Leone Extractive Industries Transparency Initiative. Disclosure of payments to the State.

106. The fair market value on petroleum produced and saved shall be as provided under the terms and conditions of the petroleum licence. Market value on petroleum.

107. (1) Upon notice to the licensee, the State may elect to receive its royalty payment in kind in crude oil or gas with respect to the fair market value thereof. Royalty payment in kind.

(2) The State shall give at least ninety days notice in advance of each lifting period to the licensee when royalty is required in kind.

(3) The Minister may instruct the licensee to undertake transportation and storage of royalty petroleum paid in kind on terms and priority which are no less favourable than for the licensee's own petroleum from the relevant licence area.

Area fees. **108.** There shall be payable to the State by the licensee, minimum annual fees per square kilometre of licence area at the beginning of each calendar year, in the amounts prescribed in regulations.

Payment for rental of State property. **109.** There shall be payments for rental of State property, public lands or the provision of specific services requested by the licensee from public enterprises but the rate charged for such rentals or services shall not exceed the rates charged to other members of the public who receive similar rentals or services.

Bonus payments. **110.** (1) A petroleum licence may provide for the payment of one or more lump sum bonuses from the licensee, which may be conditioned upon the award of a licence or the achievement of specific production targets.

(2) Bonuses paid under subsection (1) may be included as one of the biddable items in a competitive process for the award of a petroleum licence.

National Company to have right first of refusal. **111.** (1) The National Company shall have the right of first refusal for any item imported duty free under this Part which is later sold in Sierra Leone.

(2) Where the National Company does not exercise its right of purchase, the licensee may sell to any other person subject to all import duties and taxes as if the items were being imported at the time of the sale, but no duty or tax shall be imposed if the purchaser could have imported the item sold free of custom duty or other tax under an exemption similar to that of the licensee.

Foreign currency transactions. **112.** A licensee shall be entitled to receive, remit, keep and utilise outside Sierra Leone, all the foreign currency obtained from the sale of petroleum assigned to it by the licence or purchased in or from transfers as well as its own capital, receipts from loans and in general all assets thereby acquired abroad.

PART XIII—ARBITRATION

113. (1) Any dispute arising between the State on one hand and a holder of a petroleum right on the other in relation to or in connection with or arising out of any terms and conditions of a petroleum right shall be resolved by consultation and negotiation. Arbitration.

(2) The licence shall include terms governing the resolution of disputes in the event that no agreement is reached pursuant to subsection (1), which may provide for arbitration as provided in the licence or permit.

PART XIV—TRANSFER, REVOCATION AND SUSPENSION OF PETROLEUM RIGHTS

114. (1) Subject to subsection (5), a licensee shall not directly or indirectly assign its participating interest in a petroleum right, whether in whole or in part, to a third party or an affiliate without the prior written approval by the Minister. Transfer of licence.

(2) An indirect assignment, sale or transfer under subsection (1) includes, assignment, sale or transfer of shareholding companies and other ownership shares which may provide decisive control of the holder of the petroleum right.

(3) A transfer under subsection (1) may be made only—

- (a) to a prequalified company; and
- (b) where the Minister is satisfied, on the advice of the Directorate, that all obligations of the transferor, which had not been fulfilled at the time of the transfer, are undertaken by the transferee.

(4) Every transfer or assignment of a participating interest in a petroleum licence shall be subject to the right of first refusal referred to in section 86 .

(5) A transfer of a licensee's ownership right to fixed facilities shall be subject to the prior approval of the Minister.

(6) A mortgage in a fixed facility which is subject to private property rights shall be subject to the prior approval of the Minister.

(7) An approval under this section shall not be unreasonably withheld.

(8) A transfer pursuant to this section may be subject to such handling fee as the Minister may prescribe.

(9) Notice of an approved transfer pursuant to this section and any fee collected shall be published in the Gazette and in such other manner as may be determined by the Minister,

if the person or his nominee is, or the person and his nominee are, entitled to appoint, or prevent the appointment of, a sufficient number of directors to form a quorum at meetings of directors of the company. (10) For the purposes of this section a person shall be deemed to have control of a company—

- (a) if the person or his nominee holds, or the person and his nominee hold, a total of, twenty percent or more of the equity shares in the company; or
- (b) if the person or his nominee is, or the person and his nominee are, entitled to appoint, or prevent the appointment of, a sufficient number of directors to form a quorum at meetings of directors of the company.

Revocation
or suspension
of petroleum
licence.

115. (1) A petroleum right may be revoked or suspended by the Minister on any of the following grounds:—

- (a) where there are serious or repeated violations of this Act, or any conditions or directives issued under this Act, by the holder of the petroleum right;
- (b) where an application for a petroleum right is discovered to contain false, misleading or incorrect information, or where vital information has been withheld and the Minister is satisfied that the petroleum right would not have been granted if correct or complete information had been made available ;
- (c) where the guarantee which the holder of the petroleum right is obliged to provide under this Act has become significantly weakened; or
- (d) where the holder of a petroleum right is dissolved or enters into a scheme or arrangement or composition with its creditors, or where bankruptcy or winding up proceedings are commenced in respect of that petroleum right.

(2) The Minister shall give a holder of a petroleum right forty-five days notice to show cause why the petroleum right should not be revoked or suspended and the notice shall be published in the Gazette and one or more newspapers circulating in the area where the breach occurred.

(3) A notice under subsection (2) shall set out—

- (a) the relevant condition of the licence or permit or the requirement of the Act to which the breach is related;

- (b) the acts, omission or other facts which, in the Minister's opinion, constitute a contravention of the condition or legislation and reasons why the Minister is of the opinion that any of the circumstances specified in subsection (1) exists; and
- (c) the period not being less than twenty-eight days from the date of issuing of notice within which representations or objections may be made by the licensee or permit holder.

Relinquishment, surrender and revocation of petroleum licence.

116. (1) A licensee may relinquish parts of the licence area and a holder of a petroleum right may surrender the licence or the permit at the end of each calendar year, provided notice of such relinquishment or surrender has been presented to the Minister at least three months in advance and all obligations with regard to the relevant licence or permit have been complied with to the satisfaction of the Minister.

(2) The relinquishment, surrender or revocation of a petroleum right, shall not release the holder of the petroleum right from its financial and other obligations under this Act.

(3) Where a work obligation or other obligation has not been fulfilled at the relinquishment, surrender or revocation of a petroleum right, the Minister may demand payment in full or in part, of the amount required for fulfilment of the obligation.

(4) Notice of a relinquishment, surrender or revocation of a petroleum right under this section shall be published in the Gazette and in such other form as may be determined by the Minister.

Register of petroleum rights.

117. (1) The Minister shall cause to be kept and maintained at the Ministry, a register of permits and licences granted under this Act.

(2) A person may on the payment of the prescribed fee, inspect the register or take copies of an entry in the register.

PART XV—GENERAL PROVISIONS RELATING TO PETROLEUM RIGHTS

118. (1) Any report submitted by a holder of a petroleum right that is deemed to be a confidential report, shall become non-confidential ninety days after the expiration date of the petroleum right. Confidential reports

(2) Any report required to be submitted under this Act by the holder of a petroleum right that is not deemed to be a confidential report is a non-confidential report.

(3) By designation of a report as a 'confidential report', the holder of the petroleum right deems to have represented that the release of information contained in the report to third parties would materially adversely affect the holder of the petroleum right or its economic well-being.

(4) In no case shall a report be deemed to be a confidential report because it contains information that was publicly available at the time of submission of the report or is mainly of scientific rather than commercial value.

(5) In no case shall a claim to confidentiality prevent public disclosure of information as prescribed by paragraph (s) of subsection (2) of section 5, subsection (4) of section 13, subsections (1) and (4) of section 32, subsection (2) of section 40, subsection (4) of section 44, subsection (4) of section 88, subsection (5) of section 91, subsection (9) of section 114, subsection (4) of section 116 and subsection (2) of section 121.

119. (1) The Petroleum Register, non confidential agreements and non-confidential reports submitted by past and present holders of petroleum rights shall be open to inspection by members of the public during normal official hours and members of the public shall be permitted to take copies thereof on payment of the prescribed fees. Public access.

(2) In addition to disclosure of information referred to in subsection (5) of section 118, the Minister shall, subject to the confidentiality provisions of this Act and upon the payment of reproduction fees as may be prescribed make them available to the public.

Review of terms and conditions.

120. The terms and conditions of a petroleum licence or a permit for the laying and operation of a pipeline may be reviewed at any time that a significant change occurs under the circumstances prevailing at the time of the issue of the licence or the permit.

Reservation of areas.

121. (1) The Minister may, on advice of the Directorate, decide that an area not being part of a licence area, shall not be the subject of a petroleum right but may revoke such decision.

(2) Notice of a revocation of a decision under subsection (1) shall be published in the Gazette and in such other form as may be determined by the Minister.

Information, data, reports and records, etc.

122. (1) A licensee shall keep at an address in Sierra Leone notified to the Minister, complete and accurate records containing full particulars of the following matters:—

- (a) the drilling, operation, plugging or abandonment of wells;
- (b) the strata and subsoil through which wells are drilled;
- (c) the casing inserted in wells and any alteration to the casing;
- (d) any petroleum, water and minerals or dangerous substances encountered and any significant discovery of any mineral;
- (e) the areas in which any geological or geophysical work has been carried out; and

(f) such other matters as may be prescribed.

(2) The licensee shall keep at the address referred to in subsection (1), accurate geological maps and plans, geophysical records, and interpretations thereof relating to the area to which the licence relates.

(3) The licensee shall submit to the Minister—

- (a) at half-yearly intervals commencing six months after the grant of the licence—
 - (i) a summary of all geological and geophysical work carried out;
 - (ii) a summary of all drilling activities and results obtained;
 - (iii) copies of maps, tapes or reports and of other geological and geophysical data prepared for the licensee, in or in respect of the period concerned;
- (b) within sixty days after the end of each year of the term of the licence -
 - (i) a record describing the results of all exploration and production operations carried out by the licensee in the year concerned;
 - (ii) estimates, if any, of economically recoverable reserves of petroleum in the form of crude oil and natural gas at the end of the year concerned; and
 - (iii) summaries of exploration wells drilled, including lithological groups, letter classification boundaries and hydro-

carbon zones, within three months after the completion of drilling or, in the case of information that cannot reasonably be obtained in that period, as soon as possible after the completion of drilling;

- (c) such other information and at such intervals as may be prescribed

Accounts to be kept.

123. A licensee shall keep at an address in Sierra Leone notified to the Minister, complete and accurate accounts containing full particulars of the following matters:-

- (a) the gross quantity of any petroleum extracted from the area to which the licence relates;
- (b) the grades and gravity of any crude oil produced and the composition of natural gas produced;
- (c) the quantities of -
- (i) crude oil;
 - (ii) natural gas; and
 - (iii) sulphur, in any form, or any other minerals in any form or any other gases, liquids or solids;
- (d) the quantity of petroleum injected into a reservoir for enhanced recovery purposes or disposal;
- (e) the quantity of petroleum consumed during petroleum operations, other than quantities reported under paragraph (d), and consumed in pumping to field storage and refineries in Sierra Leone, of crude oil and natural gas;

- (f) the quantity of natural gas processed in Sierra Leone by the licensee or on behalf of the licensee for the removal of liquids and liquefied petroleum, and the quantity of any other gases or solids obtained from it;

- (g) the quantity of natural gas vented or flared; and

such further information as may be prescribed.

124. (1) Except otherwise provided in this Act, any other enactment or a petroleum right, a holder of a petroleum right, contractor or sub-contractor shall keep the data acquired and any existing data released by the Minister to the holder of the petroleum right, its contractors and sub-contractors confidential, and shall not disclose the data to a third party without the consent of the Minister. Protection of data.

(2) Any consent required under subsection (1) shall not be unreasonably withheld or delayed.

(3) All data disclosed to third parties shall be disclosed on terms, which to the extent possible ensure that they are treated as confidential by the recipient for so long as the data remains subject to the confidentiality undertakings.

(4) Without prejudice to subsections (1), (2) and (3), the Minister may provide data and information that may come into his possession and may be relevant to enable the holder of the petroleum right to carry out its exploration operations under this Act.

(5) The data provided under subsection (3) shall be treated with confidentiality and shall not be disclosed to third parties without the written consent of the Minister.

(6) None of the parties under this section shall be bound by the confidentiality undertaking referred to in subsection (5) with respect to any data which is in the public domain through no

fault of the party or which has already been known by the party before the effective date of the agreement or which became known to that party other than by reason of a breach of the undertakings in subsection (5).

(7) The holder of a petroleum right shall disclose to the Minister, the technology necessary for the evaluation and understanding of any raw data or processed data resulting from its work in the area to which the petroleum right relates.

(8) The information on the technology provided in subsection (7) shall not be disclosed by the Minister to third parties except with the written consent of the holder of the petroleum right.

Ownership of petroleum data.

125. The data and information obtained by a holder of a petroleum right as a result of petroleum operations and the geological, geophysical, technical, financial and economic reports, studies, interpretations and analysis prepared by or on behalf of a holder of a petroleum right shall be the property of the State.

PART XVI—OFFENCES

Disclosure of prohibited data.

126. (1) Any person who contravenes section 124 commits an offence and shall be liable on conviction to a fine not exceeding Twenty Thousand United States Dollars or its equivalent in leones or to imprisonment for a term not exceeding five years or to both the fine and imprisonment.

(2) In proceedings on a prosecution for an offence under this section, it shall be a defence if the person charged proves that the information disclosed and to which the prosecution relates was, without that disclosure, generally known to the public.

Obstruction of Minister, officer.

127. Any person who—

- (a) without reasonable excuse, obstructs, molests or hinders the Minister, or an employee of the Directorate or an authorised

officer in the exercise of his powers under this Act, or any public officer involved in the implementation of this Act; or

- (b) knowingly or recklessly makes a statement or produces a document that is false or misleading in a material particular to the Minister, an employee of the Directorate or an authorised officer engaged in carrying out his duties and functions under this Act, or any government official involved in the implementation of this Act,

commits an offence and is liable on conviction to a fine not exceeding Twenty Thousand United States Dollars or its equivalent in leones or to imprisonment for a term not exceeding five years or to both the fine and imprisonment.

128. Any person who, without reasonable excuse, obstructs, molests, hinders or prevents a holder of a petroleum right from undertaking any act which the holder is authorised to do by this Act or his petroleum right, commits an offence and is liable on conviction to a fine not exceeding Twenty Thousand United States Dollars or its equivalent in leones or to imprisonment for a term not exceeding five years or to both the fine and imprisonment.

129. (1) No public officer shall directly or indirectly, acquire any right or interest in any petroleum right and any document or transaction purporting to confer any right or interest to a public officer shall be null and void.

(2) Subject to subsection (3), no public officer shall own or retain any shares in a company carrying out petroleum operations in Sierra Leone.

(3) Where a public officer is at the assumption of the functions of his office, the holder of shares in the company referred to in subsection (2), the public officer shall divest himself from such right or interest or dispose of the shares within ninety calendar days after assumption of office.

(4) A public officer who contravenes subsections (1), (2) or (3) commits an offence and shall be liable on conviction to a fine not less than Fifty Thousand United States Dollars or its equivalent in leones or to a term of imprisonment not exceeding twelve months or to both such fine and imprisonment.

(5) For the purposes of this section, " public officer" means a public officer for the time being engaged in the administration of this Act.

Offences committed by body corporate.

130. Where an offence which has been committed by a body corporate is proved to have been committed with the consent or connivance of, or to be attributable to any neglect on the part of an officer of the body corporate or any person who was purporting to act in that capacity, he as well as the body corporate, commits that offence and is liable to be prosecuted and punished accordingly.

Order of forfeiture.

131. (1) Where a person is convicted of an offence under this Act, the court may in addition to any other penalty imposed—

- (a) make an order for the forfeiture of any funds, money instruments, documents, facilities, vehicles, crafts, vessels or equipment used in the commission of the offence; and
- (b) make an order—
 - (i) for the forfeiture of petroleum obtained or recovered in the course of the commission of the offence;
 - (ii) for the payment by that person to the State of an amount equal to the proceeds received of the sale of petroleum so obtained or recovered; or
 - (iii) for the payment by that person to the State of the value at the wellhead, assessed by the court in respect of the

quantity recovered or for the payment of a part of that amount as the court, having regard to all the circumstances, thinks fit.

(2) Where the court is satisfied that an order made under subparagraph (i) of paragraph (b) of subsection (1) cannot for any reason be enforced, the court may, upon the application of the person by whom the proceedings were brought, set aside the order and make an order referred to in subparagraphs (ii) and (iii) of paragraph (b) of subsection (1).

(3) The court may, before making an order under this section, require notice to be given to, and to hear any person as the court thinks fit.

132. Any person who wilfully or negligently contravenes any directive issued under this Act commits an offence and is liable on conviction—

- (a) in the case of an individual, to a fine not exceeding Twenty Thousand United States Dollars or its equivalent in leones or to imprisonment for a term not exceeding five years or to both the fine and imprisonment.
- (b) in the case of a body corporate, to a fine not exceeding Fifty Thousand United States Dollars or to its equivalent in leones.

133. Any person who—

- (a) in, or in connection with, any application under this Act or a petroleum right or in response to an invitation or requirement of the Minister or any public officer under this Act, knowingly or recklessly gives or permits to be given information which is false or misleading in a material particular;

Contravention of decisions and orders issued under this Act.

Miscellaneous offences.

- (b) in any report, return or affidavit submitted in accordance with this Act or a petroleum right, knowingly or recklessly includes, or permits to be included, any information which is false or misleading in a material particular; or
- (c) places or deposits, or is accessory to the placing or depositing of, any petroleum or substance in any place with the intention of misleading any other person as to the possibility of a reservoir existing in that place,

commits an offence and is liable on conviction—

- (i) in the case of an individual, to a fine not exceeding twenty thousand United States dollars or its equivalent in leones or to imprisonment for a term not exceeding five years or to both the fine and imprisonment.
- (ii) in the case of a body corporate, to a fine not exceeding Fifty Thousand United States Dollars or to its equivalent in leones.

Use of facilities.

134. (1) A person requiring the use of spare capacity of a facility owned by another party shall, on objective and non-discriminatory conditions have a right to the use of that facility in accordance with this Act.

(2) An agreement relating to the use of a facility of another party shall be based on the principle that profits from production shall primarily be earned by the producing field and the owner's incentive to maintain the capacity of the facilities and to make investments in additional capacity shall be ensured.

(3) Negotiations between the owner and user concerning the use of a facility shall be organised and conducted in a spirit of integrity and good faith, in accordance with good corporate governance and in such a way that the negotiations do not provide one party with an unreasonable advantage at the expense of the other party.

(4) Any agreement on the use of facilities referred to in subsection (1) shall be submitted to the Minister for approval.

(5) The Minister may, on approving an agreement according to subsection (2), or in the event that no agreement is reached within a reasonable period of time, stipulate in writing, tariffs and other conditions or subsequently amend the conditions that have been approved or stipulated in order to ensure that implementation of projects is carried out with due regard to considerations relating to resource management and to providing the owner of the facility with a reasonable profit taking into account, among other things, investments and risks.

(6) The Minister may direct that facilities may be used by others if so warranted by considerations for efficiency, resource management or for the benefit of society and that the use would not constitute any unreasonable detriment to the licensee's own requirements or those of someone who has already been assured the right of use.

PART XVII—MISCELLANEOUS

135. (1) For the purposes of this Act, the Directorate or an authorized officer may, at all reasonable times— Power of entry.

- (a) enter any area, structure, vehicle, vessel, aircraft or building used in connection with petroleum operations;
- (b) inspect and test, or cause to be tested by a qualified person, any machinery or equipment used in connection with petroleum operations;

- (c) take or remove for the purpose of analysis or testing or for use in evidence in connection with an offence against this Act, samples of petroleum, water or other substances from a well;
- (d) inspect, take extracts from, and make copies of, any document relating to any petroleum operations;
- (e) with respect to the health and safety of persons employed by a holder of petroleum rights in or in connection with any petroleum operations, impose restrictions on the holder, by instrument in writing;
- (f) order, by instrument in writing, the discontinuance of the use of any machinery or equipment, which he considers unsafe, unless and until such action as is necessary for the safety as specified in the instrument is taken and completed;
- (g) make such examinations and inquiries as are necessary to ensure that the provisions of this Act, and any directive, restrictions or orders made under this Act, are being complied with; and
- (h) obtain and record statements from witnesses, and appear at or conduct inquiries regarding accidents occurring in the course of any petroleum operations and appear at inquests, and call and examine and cross-examine witnesses.

(2) Any person who is aggrieved by a decision of the Directorate or an authorised officer made under this section may appeal in writing to the Minister who shall, as soon as practicable,

hear and dispose of the appeal, but the bringing of the appeal does not affect the execution and the operation of the decision, direction or order appealed from pending disposition of the appeal.

(3) On appeal under subsection (2), the Minister may rescind or affirm the decision, direction or order appealed against or may make a new decision, direction or order in substitution and that decision, direction or order shall not be subject to further appeal.

(4) In exercising its powers under subsection (1), the Directorate or an authorised officer may be accompanied by a person who the Director-General or the officer, as the case may be, believes has special or expert knowledge of a matter being inspected, tested or examined.

(5) The holder of a petroleum right shall provide the Directorate or an authorised officer with all reasonable facilities and assistance, including the provision of necessary means of transport, for the effective exercise of the powers under this section.

136. (1) A licensee shall allow the holder of another petroleum right to place in the licensee's licence area facilities such as pipelines, cables or wires of various kinds, provided that these facilities do not cause unreasonable inconvenience to such licensee.

Right to place facilities in a licence area.

(2) Subsection (1) applies correspondingly to necessary route and soil surveys prior to the placement.

137. Petroleum operations shall be conducted from a base in Sierra Leone and the licensee may be directed to use bases designated by the Minister.

Petroleum operations to be conducted from Sierra Leone.

138. Expenses related to the supervision of petroleum operations under this Act shall be borne by the relevant holder of a petroleum right.

Licensee to bear costs of supervision.

Survey of wells and facilities.

139. (1) The Directorate may, at any time, by notice in writing served on a licensee, direct the licensee to carry out a survey of the position of any well or facility specified in the notice and to submit promptly, a written report of the survey.

(2) A person to whom a directive is given under subsection (1) who fails or neglects to comply with the directive commits an offence and is liable on conviction to a fine not exceeding twenty thousand United States Dollars or its equivalent in leones or to a term of imprisonment not exceeding three years or to both the fine and imprisonment.

Security for fulfilment of obligations.

140. Upon granting a petroleum right, the holder of the right shall provide such security as prescribed by regulations for fulfilment of the obligations, which the licensee has undertaken, as well as for possible liability in connection with the petroleum operations.

Responsibility for commitments.

141. Participants who jointly hold a petroleum right are jointly and severally responsible to the State for financial and other obligations arising out of petroleum operations under the petroleum right.

Obligation to comply with this Act.

142. A holder of a petroleum right shall ensure that any person working for him, either personally, through employees or through contractors or subcontractors, complies with this Act.

Compliance with conditions of petroleum rights.

143. Where the Minister is of the opinion that the holder of a petroleum right is contravening a condition of such right or a requirement under this Act or regulations, codes or standards made under this Act, he shall direct the holder of the petroleum right to comply with that condition or requirement.

Powers of Minister and authorised officers.

144. (1) For the purposes of this Act, the Minister or an authorised officer may, at all reasonable times—

- (a) with respect to the health and safety of persons employed by a holder of a petroleum right in or in connection with any petroleum

operation, issue directives to and impose restrictions on the holder of the petroleum right or any persons so employed, by instrument in writing;

(b) order, by instrument in writing—

- (i) the cessation of petroleum operations on or in, and the withdrawal of all persons from any structure or building that is being used in connection with any petroleum operations; or
- (ii) the discontinuance of the use of any machinery or equipment, which he considers unsafe,

until such action as is necessary for safety and specified in the instrument is taken and completed; and

- (c) make such examinations and inquiries as may be necessary to ensure that the provisions of this Act, and any directives issued, conditions imposed or orders made under this Act are being complied with.

(2) The licensee shall provide the Minister or an authorised officer with all reasonable access to facilities and assistance including the provision of the necessary means of transport, for the effective exercise of the powers of a Minister or authorised officer under this section.

145. (1) A document or notice required or permitted to be served on, or given to, a person for the purposes of this Act, may be served—

- (a) in the case of an individual, other than the Minister or the Director-General, by

Service of documents.

delivering it personally upon the individual or by sending it by post to him at his usual or last known place of abode or business;

- (b) in the case of the Directorate, in such manner as may be prescribed;
- (c) in the case of a body corporate—
 - (i) by leaving it at the registered or principal office of the body corporate;
 - (ii) by sending it by post to the body corporate at the registered or principal office of the body corporate; or
 - (iii) by delivering it to an individual in the employment or acting on behalf of the body corporate that is authorised by the body corporate to accept service of or to receive the document.

(2) For the purposes of paragraph (c) of subsection (1), the principal officer of a body corporate incorporated outside Sierra Leone is its place of business established under Part XI of the Companies Act 2000.

Act No. 5
of 2000

(3) Any notice or document may be served on the Minister or Director General by delivering it at their respective offices, or by sending it by registered post to the office of those offices.

Indemnity of
the Republic
of Sierra
Leone.

146. A holder of a petroleum right shall, at all times, keep the Government indemnified against all actions, claims and demands that may be brought or made against the State by reason of anything done by the holder in the conduct or purported conduct of petroleum operations under this Act.

147. The Minister may issue codes of practice for the purposes of setting or endorsing standards or specifications concerning the design, construction, installation and importation of petroleum facilities. Codes of practice.

148. This Act shall take precedence over all existing enactments relating to petroleum operation in Sierra Leone and where there is a conflict between the provisions of this Act and any other enactment or any agreement made under this Act, the provisions of this Act shall prevail. Supremacy of Act.

149. (1) No default of a holder of a petroleum right in performing any of its obligations under such right shall be considered a breach of the terms of that right if the default is caused by a case of force majeure. Force majeure.

(2) If in the event of force majeure, the performance of any of the obligations under a petroleum right is delayed, that delay, extended by the period of time required to repair the damage caused during the delay shall be added to the period provided by this Act or under the petroleum right for the performance of those obligations, and the term of the petroleum right extended accordingly.

(3) Where a holder of a petroleum right considers it is prevented from performing any of its obligations by the occurrence of a case of force majeure, it shall forthwith notify the Minister by specifying the grounds for establishing force majeure and take, subject to the approval in writing by the Minister, all necessary and useful steps to ensure the normal resumption of its obligations.

(4) Obligations other than those affected by force majeure shall continue to be performed in accordance with this Act and the petroleum right.

Vesting of assets.

150. (1) Subject to subsection (2), all property and assets which immediately before the coming into operation of this Act were vested in the State for the use of the Petroleum Resources Unit, shall, with effect from the entry into force of this Act and without further assurance, vest in the Minister subject to all interests, liabilities, charges, obligations and trusts affecting the property or assets.

(2) Except as is provided in subsection (1) in relation to property, all contracts, debts, obligations and liabilities of the State on account of the Petroleum Resources Unit immediately before the coming into operation of this Act shall remain vested in the State and may be enforced by or against the Government.

Transfer of certain employees.

151. On the coming into operation of this Act, such employees of the Petroleum Resources Unit as shall be specified by the Minister in writing are transferred to the Directorate without prejudice to any entitlement to pension, gratuity or other vested or accrued rights from their previous employment and on such terms and conditions of service no less favourable as were applicable to them in their previous employment.

Regulations.

152. (1) The Minister may, by statutory instrument, make regulations generally for giving effect to the provisions of this Act and for its due administration.

(2) Without limiting the generality of subsection (1), the Minister may make regulations relating to—

- (a) the application for petroleum rights under this Act;
- (b) third party access to facilities under this Act;
- (c) working conditions in petroleum operations;

- (d) the manner and place of delivery of petroleum;
- (e) confidentiality;
- (f) the licensee's obligation to make information on its operations under this Act available to the public;
- (g) the exploration for petroleum and the carrying on of operations and the execution of works for that purpose;
- (h) the production of petroleum and the carrying on of operations, and the execution of works for that purpose;
- (i) the conservation and prevention of the waste of natural resources, whether petroleum or otherwise;
- (j) the form and content of, and conditions with respect to applications for the grant and renewal of petroleum rights;
- (k) ensuring the safe construction, erection, maintenance, operation or use of facilities and equipment used in connection with petroleum operations;
- (l) identification of facilities used in connection with petroleum operations;

- (m) the health, safety and welfare of persons employed in petroleum operations and generally for necessary safety measures;
- (n) the prevention of pollution and the taking of remedial action in respect of pollution damage which may occur in connection with petroleum operations;
- (o) the inspection of areas in which petroleum operations are being carried out and of the plant, machinery and equipment within those areas;
- (p) the reporting of and inquiries into accidents arising out of petroleum operations;
- (q) the keeping and inspection of records, accounts, statistics and plans with respect to petroleum operations;
- (u) the relinquishment of portions of areas subject to the petroleum rights;
- (r) the protection of fishing, navigation, and any other activities taking place within or in the vicinity of areas in which petroleum operations are being carried out;
- (s) the making and submission of reports, returns and programmes;
- (t) the standards for petroleum and transportation in consultation with the Standards Bureau;
- (u) the rates of royalty payable in respect of petroleum production, the methods of calculation of the amount of royalty and the manner and times of payment;

- (v) reference map of numbered areas, each of which shall be described as a block, and guidelines on the opening and closing of blocks and the maximum number of blocks that may be held under a petroleum licence by an applicant;
- (w) competitive bidding procedures for petroleum licences;
- (x) determining the value of crude oil and natural gas;
- (y) determining the domestic supply requirement; and
- (z) prescribing the model petroleum licence.

(3) Regulations made under subsection (1) may, in respect of any contravention of its provisions—

- (a) prescribe a penalty of a fine not exceeding twenty thousand United States Dollars or its equivalent in leones or to imprisonment for a term not exceeding two years, or to both the fine and imprisonment
- (b) in the case of a continuing contravention, prescribe an additional penalty not exceeding five thousand United States Dollars or its equivalent in leones in respect of each day on which the offence continues; and
- (c) prescribe a higher penalty not exceeding twenty thousand United States Dollars or its equivalent in leones in respect of a second or subsequent contravention.

Repeal and savings.

153. (1) The Petroleum Exploration and Production Act 2001 is hereby repealed.

Act No. 11 of 2001.

(2) Notwithstanding subsection (1), any rules, regulations, orders, notices, prescriptions and other instruments or directives issued under the repealed Act and in existence immediately before the commencement of this Act, shall continue in operation until their expiration or until their express repeal or revocation.

(3) All investigations, prosecutions and other legal proceedings, instituted or commenced under the repealed Act and which have not been concluded before the commencement of this Act, shall be continued and concluded in all respects as if that Act had not been repealed.

Transitional provisions.

154. (1) A licence or permit issued under the repealed Act and which is in force immediately before the commencement of this Act-

- (a) shall continue to have effect from the commencement of this Act as if granted under this Act; and
- (b) in the case of a licence or permit for a specified period, shall remain in force, subject to this Act, for so much of that period as falls after the commencement of this Act.

(2) Where necessary or desirable, the Minister may make rules to facilitate the application of this Act with respect to all or any of the licences or permits and for that purpose the rules may modify or exclude the application of any provision of this Act in circumstances or for any purposes stated in the rules.

Passed in Parliament this *14th*, day of *July*, in the year of our Lord two thousand and eleven.

MOHAMED LEBBIE,
Officer-in-Charge
Office of the Clerk of Parliament.

THIS PRINTED IMPRESSION has been carefully compared by me with the Bill which has passed Parliament and found by me to be a true and correct printed copy of the said Bill.

MOHAMED LEBBIE,
Officer-in-Charge
Office of the Clerk of Parliament.