

THE PETROLEUM EXPLORATION AND PRODUCTION ACT, 2001

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SIGNED this 30th day of *September*, 2001

ALHAJI AHMAD TEJAN
KABBAH
President

No. 11 2001

Short title. The Petroleum Exploration and Production Act, 2001

Being an Act to provide for the terms and conditions of petroleum exploration and production agreements and for other related matters.

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

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

"contractor" means any person, firm, body corporate or other entity which has entered into a petroleum agreement with the State under this act;

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

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

"Director-General" means the person appointed to be Director-General under section 4;

"discovery" means petroleum not previously known to have existed, recovered at the surface in a flow measurable by conventional industry testing methods;

"exploration" means the search for petroleum by geological, geophysical or other means and drilling of exploration wells, including appraisal wells, and activities connected therewith;

"land" includes —

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

"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;

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

"petroleum agreement" means an agreement for the exploration, development or production of petroleum entered into between any person and the Unit acting on behalf of the State

"petroleum sub-contract" means any contract between a contractor and another person for the provision of services for petroleum operations;

"petroleum operations" means the exploration, development or production of petroleum;

"petroleum product" means any product derived from petroleum by any refining or treatment process;

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

"State" means the Government of Sierra Leone;

"sub-contractor" means any person with whom a contractor has entered into a contract for the provision of services for petroleum operations;

"Unit" means the Petroleum Resources Unit referred to in section 2.

Establishment
of Petroleum
Resources Unit.

2. (1) There shall be a unit in the Office of the President to be known as the Petroleum Resources Unit, under the authority of the President.

(2) The Unit shall be headed by a Director-General.

Functions of
Unit.

3. (1) The object for which the Unit shall be established is to represent the State exclusively in negotiations with interested parties for the exploration, development or production of petroleum, to act on behalf of the State in petroleum agreements and to regulate the petroleum industry in Sierra Leone.

(2) Without prejudice to the generality of subsection (1), it shall be the function of the Unit to—

- a. receive applications from owners or occupiers of land claiming compensation from contractors or subcontractors for damage or loss caused them in the course of petroleum operations carried out by the latter and to arrange for the payment of such compensation:

Provided that where the parties concerned are unable to reach agreement as to compensation, the matter shall be referred to the Director-General;

- b. monitor the use by contractors for petroleum operations of physical assets required to be transferred to the Unit and to ensure that contractors discharge their obligations in respect of the maintenance, insurance and other costs associated with such use;
3. respond in an appropriate manner to any option to acquire physical assets used for petroleum operations given by a contractor after the termination of petroleum operations in any area;
4. respond reasonable to any application by a contractor or subcontractor for the written consent of the Unit to assign his rights or obligations under a petroleum subcontract;
5. take appropriate action on reports on petroleum operations in Sierra Leone required to be furnished by contractors or subcontractors;
6. ensure safety in the petroleum industry in Sierra Leone in accordance with regulations made under this Act and with the best international practices, with power to recover from a defaulting contractor or subcontractor the costs and expenses of any remedial work or action done by it to ensure safety;
7. appoint auditors and other inspectors to inspect, test or audit, as appropriate, the works, equipment, operations and financial books of accounts, records and registers relating to petroleum operations carried out by contractors or subcontractors under this Act, and
8. do all such things as will, in its opinion, contribute to the attainment of the object stated in subsection (1).

Director-
General of Unit.

4. (1) The Unit shall have a Director-General who 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.

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

- a. the day-to-day administration of the affairs of the Unit;
- b. the supervision and discipline of the other staff of the Unit;
- c. preparing an annual report on the activities of the Unit for the approval of the President who shall cause a copy of the report to be laid before Parliament; and
- d. performing such other functions as are assigned by this Act or as directed by the President.

Other staff of
Unit.

5. (1) The Unit shall also have such other senior management staff and other employees as shall be required for the efficient performance of the functions of the Unit appointed by the President after consultation with the Public Service Commission.

PART III — PETROLEUM RIGHTS

Ownership of
petroleum.

6. (1) All rights or ownership in or of exploring, producing and disposing of petroleum existing in its natural state within Sierra Leone, including the sea-bed and the subsoil below the seabed, are vested in the

State on behalf of the people.

(2) Subsection (1) shall have effect notwithstanding any right of ownership or otherwise that any person may possess in and to the soil on or under which petroleum is found or situated.

No petroleum right except by agreement.

7. (1) Except in accordance with a petroleum agreement with the Unit, no person, other than the State, shall engage in the exploration, development or production of petroleum.

(2) Any person who contravenes subsection (1) commits an offence punishable under section 64.

Application for petroleum agreement.

8. (1) An application for a petroleum agreement may be made by any person or company and shall be addressed to the Director-General and shall be accompanied by such fees as may be prescribed.

(2) An application may be in respect of one or more blocks in the reference map of blocks under section 10, and shall provide the Director-General with the following information:—

- a. the address, nationality and principal place of business of the applicant;
- b. a copy of a map designating the area for which the applicant is applying;
- c. a copy of the applicant's certificate of incorporation, if a company;
- d. evidence of technical and financial capabilities;
- e. the intended minimum work programme and minimum expenditure obligation;
- f. any other information as may be requested by the Director-General

(3) All information furnished in an application to the Director-General shall be treated as confidential.

Best practices in petroleum operations.

9. (1) Any operations undertaken under a petroleum agreement shall be carried out in accordance with such regulations as may be prescribed and with the best international practices in comparable circumstances relating to the exploration, development or production of petroleum, including secondary recovery and the prevention of waste of petroleum, so as to maximize the ultimate recovery of petroleum from a petroleum field.

(2) The best practices referred to in subsection (1), shall include all reasonable steps to secure the safety, health and welfare of persons engaged in the operations concerned and shall be in accordance with any directions given, restrictions imposed or requirements made by the Director-General to ensure compliance with the regulations prescribed.

(3) Without prejudice to any right to cancel the petroleum agreement on account of any non-compliance therewith, non compliance with this section shall be an offence punishable under section 64.

Reference map of blocks.

10. The Director-General shall prepare a reference map showing areas of potential petroleum fields within the jurisdiction of Sierra Leone divided into numbered areas, each of which shall be described as a "block."

Number of blocks.

11. Subject to such guidelines as the Director-General may issue in respect of the maximum number of blocks or portions of a block or of different blocks that may be held under a petroleum agreement, a petroleum agreement may be entered into in respect of such number of blocks or portions of a block or of different blocks as may be specified in such agreement.

Determination of blocks.

12. The Director-General may from time to time decide to close certain blocks and redefine the boundaries of the existing blocks, where such blocks are not covered by any petroleum agreement and may open new blocks after due notice published in the Gazette.

Change of blocks.

13. Any decision of the Director-General to close or redefine the boundaries of existing blocks shall not become operative until the expiration of ninety days after the closure or redefinition of the boundaries has been notified in the *Gazette*.

Representation to Director-General.	14. Within the period of ninety days referred to in section 13, all parties with an interest in any petroleum agreement may make representation to the Director-General regarding the decision to close or redefine the blocks concerned.
Agreements not affected.	15. For the avoidance of doubt, no closure or redefinition of existing blocks shall operate to reduce the area which, at the time of such closure or redefinition, is subject to a petroleum agreement.
Single unit development.	16. Where a petroleum field extends beyond the boundaries of an area covered by a petroleum agreement, the Director-General may determine that such petroleum field shall be developed as a single unit and may give appropriate directions to the contractor or any other person concerned.
Right to enter land.	17. Subject to section 18, and such regulations as may be prescribed, a contractor or sub-contractor shall have the right to enter upon any land to carry out petroleum operations.
Notice to owners or occupiers of land.	18. Any person holding a title to or an interest in land on which a contractor or sub-contractor proposes to enter and to carry out petroleum operations shall permit the carrying out of such operations: Provided that— a. before the commencement of such operations, all persons having a title to or interest in the land on which the operations are to be carried out shall be notified of the purpose, nature and location of the proposed operations; and b. any person having a title to or interest in any land referred to in paragraph (a), who suffers any loss or damage as a result of the petroleum operation shall be entitled to such compensation as may be determined by law.
Right to compensation.	19. The owner or occupier of any land on which a contractor or sub-contractor, as the case may be, has carried out petroleum operations shall apply to the Unit for compensation for any disturbance or loss of the owner's or occupier's surface rights and for any damage to the surface of the land, buildings, works or improvements or to livestock, crops and trees as a result of such petroleum operations.
Amount of compensation.	20. The amount of compensation payable under this Act shall be determined by agreement between the parties concerned, but if the parties are unable to reach agreement as to the amount of compensation, the matter shall be referred to the Director-General who shall determine the amount payable.
Non-assignment without approval.	21. A petroleum agreement shall not directly or indirectly be assigned, in whole or in part, by the holder of the agreement to another person without the prior consent in writing of the Director-General, which consent shall not be unreasonably withheld.

PART IV — REPORTS ON EXPLORATION AND DISCOVERY OF PETROLEUM

Periodic reports and other information on exploration.	22. A contractor shall submit periodic reports on any exploration carried out under a petroleum agreement and shall furnish such other information on such exploration as may be requested by the Director-General.
Notification of petroleum discovery.	23. Where a petroleum discovery is made as a result of an exploration, the contractor shall notify the Director-General within a period of thirty days after the date of the discovery and shall, in addition, furnish full particulars in writing of the discovery to the Director-General as soon as practicable thereafter, indicating whether such discovery merits appraisal or not.
Submission of work programme.	24. The contractor shall, after indicating that the discovery merits appraisal, prepare and submit to the Director-General a programme and time-table to carry out an adequate and effective appraisal of such discovery for the purpose of enabling a determination to be made as promptly as possible whether such discovery constitutes a commercial field, and the petroleum agreement shall specify the period for carrying out such appraisal.

Development of

commercial discovery.	25. Where a commercial field is established, such field shall be developed promptly by the contractor in accordance with such regulations as may be prescribed and with the best international practices prevailing in the petroleum industry, in order to ensure the most efficient, beneficial and timely use of the petroleum resources concerned.
Commercial development plan.	26. (1) The contractor shall submit to the Director-General for approval a development plan in respect of any petroleum field to be developed in accordance with the terms of a petroleum agreement and such plan shall take account of any regulations relating to the environment and other petroleum matters as may be prescribed. (2) The Director-General shall have exclusive jurisdiction in all petroleum matters relating to the environment under this Act but shall consult the Director of Environment on all petroleum matters relating to the environment.
Long-term commercial production plans.	27. The contractor shall submit for the approval of the Director-General long-term production programmes in respect of any petroleum field to be developed in accordance with the terms of a petroleum agreement and such regulations relating to the environment and other petroleum matters as may be prescribed.

PART V — PETROLEUM AGREEMENTS

Period of validity of petroleum agreements.	28. A petroleum agreement under this act shall be valid for a total period not exceeding thirty years, but such agreement shall terminate at any earlier time provided for in the agreement or, in any case, if no commercial discovery of petroleum is made within seven years from the effective date of the agreement.
Exploration period.	29. The period commencing from the effective date of a petroleum agreement until the date of termination of the agreement, if no commercial discovery is made, shall constitute the exploration period and such period shall be divided into an initial exploration period and one or more periods of extension.
Extension of exploration period.	30. Where a discovery of petroleum is made during the last year of the exploration period, the Director-General may grant an extension of such period in respect of a reduced area comprising the geological structure in which the discovery is located, on such terms and conditions as the Director-General deems fit, for the purpose of enabling a determination to be made within the extension period whether the discovery of petroleum constitutes a commercial field.
Review of agreement.	31. (1) A petroleum agreement shall provide for a review of its terms at any time any significant change occurs in the circumstances prevailing at the time of the entry into the agreement or at the last review of the agreement, if any. (2) Regulations may provide for the circumstances that may constitute a significant change for the purposes of subsection (1)
Relinquishment of area.	32. A petroleum agreement shall provide for the relinquishment in a phased manner of portions of an area to which the agreement relates after the expiration of the initial exploration period specified in the agreement or after the extension of any such period.
Size of relinquishment.	33. Any area relinquished in accordance with the terms of a petroleum agreement shall, as far as possible, be contiguous and compact and of such size and shape as will permit the effective carrying out of petroleum operations in the relinquished area.
Area to be retained.	34. The area to be retained at the end of the exploration period shall, as far as possible, include the petroleum reservoirs for all discoveries of petroleum which may have been made in the agreement area and shall be of such size and shape as the Director-General shall approve, consistently with the terms of the petroleum agreement.
Minimum work	35. A petroleum agreement shall provide for the minimum work and expenditure obligations to be fulfilled

and expenditure obligations.	by a contractor during the initial exploration period and each subsequent extension of such period.
Associated natural gas.	36. A petroleum agreement shall provide that any natural gas produced in association with crude oil may be used in petroleum operations, but such use shall be in accordance with the best industry practice and the approved production plans.
Right to natural gas.	37. Any natural gas produced by a contractor in association with crude oil which is not used in petroleum operations and all natural gas produced otherwise than in association with crude oil shall be the property of the contractor in accordance with the terms of a petroleum agreement.
Rental payments.	38. There shall be payable to the State by a contractor such annual rental charges as may be prescribed by the Director-General or as may otherwise be provided in accordance with the terms of a petroleum agreement.
Income tax.	39. A contractor shall pay income tax in accordance with the laws of Sierra Leone unless otherwise provided in the petroleum agreement.
Royalty on production.	40. There shall be payable to the State a royalty [word omitted] of any petroleum produced in Sierra Leone unless otherwise provided in the petroleum agreement.
Transfer of assets to State.	41. A petroleum agreement shall provide for the transfer to the Unit of all physical assets purchased, installed or constructed by the contractor for petroleum operations and the cost of which has been included in exploration expenditures, but the contractor shall have the use of such assets for the purposes of operations under a petroleum agreement and shall remain liable for maintenance, insurance and other costs associated with such use.
Option to acquire assets.	42. Without prejudice to the contractor's rights after termination of petroleum operations in any area, the contractor shall give the Unit an option to acquire any movable and immovable assets used for such petroleum operations.
Lease equipment and assets.	43. Nothing in section 42 shall be construed so as to require the contractor to transfer to the Unit equipment or any other assets rented or leased by the contractor and are imported into Sierra Leone for use in petroleum operations if they are to be subsequently re-exported therefrom, and which is of the type customarily leased for such use in accordance with best petroleum industry practice.

PART VI — RIGHTS AND OBLIGATIONS OF CONTRACTORS AND SUB-CONTRACTORS

Assignment of agreement to be approved.	44. A contractor or sub-contractor shall not assign, either directly or indirectly, his rights and obligations under a petroleum subcontract, in whole or in part, to another person without the prior written consent of the Unit.
Due diligence in petroleum operations.	45. A contractor or sub-contractor shall conduct petroleum operations under a petroleum agreement or petroleum sub-contract as the case may be, with due diligence and efficiency and in accordance with the best international practices prevailing in the petroleum industry, in a workman-like manner, observing sound engineering and technical practices and using appropriate advanced technology and effective equipment, machinery, methods and materials.
Confidentiality of data.	46. A contractor or sub-contractor shall keep all data acquired and any existing data released to it by the State confidential and shall not disclose such data to a third party without the permission of the Director-General, unless otherwise provided in the petroleum agreement or petroleum sub-contract, as the case may be.
Maintenance of records.	47. A contractor or sub-contractor shall maintain in Sierra Leone complete and accurate records of all operations carried out by him as well as complete and accurate books of account, records and registers relating to such activities.

Reports of operations.	48. A contractor or sub-contractor shall shall furnish to the Unit at such regular intervals as may be prescribed reports on petroleum operations being carried out in Sierra Leone.
Indemnity against claim.	49. A contractor shall at all times keep the State indemnified against claims by third parties arising from his operations or the operations of sub-contractors.
Employment of Sierra Leone nationals.	50. A contractor or sub-contractor shall, in accordance with the terms of a petroleum agreement or petroleum sub-contract, as the case may be, ensure that opportunities are given as far as possible for the employment of Sierra Leone nationals having the requisite expertise or qualifications in the various levels of the operations of the contractor or sub-contractor.
Local goods and services.	51. A contractor or sub-contractor shall, as far as practicable, in accordance with the petroleum agreement or sub-contract, as the case may be, use goods and services produced or provided in Sierra Leone for its operations, where such goods and services are competitive and in accordance with accepted international standards.
Transfer of technology.	52. A contractor or sub-contractor shall while carrying out petroleum operations prepare and implement plans for the transfer to the State of technological know-how and skills relating to petroleum operations but his section shall not be interpreted to prevent the contractor or sub-contractor from protecting his competitive position in the petroleum industry.
Provision for safety.	53. A contractor or sub-contractor carrying out petroleum operation shall maintain at the work site an establishment capable of dealing adequately with fire, oil spills, blow outs and other accidents or emergency situations so as to prevent or control such situations and to minimize loss or damage therefrom.
Pollution and other damage control measures.	54. A contractor or sub-contractor carrying out petroleum operations shall be responsible for any pollution or damage caused by or resulting from such operations as well as pollution or damage caused by or resulting from petroleum operations undertaken by an agent or employee of such contractor or sub-contractor and shall take all necessary measures to remedy any pollution or damage so caused.
Recovery of costs in provision of safety measures.	55. If at any time a contractor or subcontractor fails to carry out petroleum operations in a safe manner contrary to regulations made under this Act or to the best international practices prevailing in the petroleum industry, the Unit may, after giving the contractor or sub-contractor, as the case may be, such notice as may be reasonable in the circumstances, take all measures necessary to ensure safety and may recover the costs and expenses of so doing from the contractor or sub-contractor.
Rights of contractor.	56. Subject to this Act, a contractor shall have a right to carry out petroleum operations and execute such works as may be necessary or expedient in the area allocated under a petroleum agreement.
Right to export.	57. A contractor shall be permitted to export from Sierra Leone any petroleum which the contractor is entitled under the terms of a petroleum agreement to export.
War or other emergencies.	58. Where there is war or other emergency affecting energy supplies, the Director-General may require a contractor to sell to the State or any agency of the State, at the prevailing market price all or part of the quantity of petroleum produced by the contractor.

PART VII — MISCELLANEOUS PROVISIONS

Right of audit.	59. An auditor or other inspector appointed by the Unit for the purpose shall have the right at all reasonable times to inspect, test and audit, as appropriate, the works, equipment, operations and financial books of account, records and registers relating to petroleum operations carried out by a contractor or a subcontractor under this Act and to make extracts or copies of any document pertaining to such operations.
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Right of inspection.	60. The Director-General may authorize any person to inspect any petroleum operations and to ensure that such petroleum operations are carried out in accordance with this act and regulations made thereunder and in accordance with the terms and conditions of any applicable petroleum agreement or petroleum sub-contract.
Assistance in inspections.	61. A contractor or sub-contractor, as the case may be, shall provide any person authorized by the Director-General with all reasonable facilities and assistance to enable effective and timely performance of the inspection functions under this Act.
Restoration of environment.	62. (1) After the termination of petroleum operations in any area, the contractor shall restore the affected areas and remove all causes of damage or danger to the environment. (2) Restoration under subsection (1) shall include the removal of all property brought into the affected area but no longer required for further petroleum operations, the plugging or closing off of all abandoned wells in such a manner as may be provided by or under this Act, and other measures for the conservation and protection of natural resources in the area concerned.
Right to information.	63. (1) The Director-General may, for the purposes of this act, request in writing any person to furnish him, within such period as may be specified in the request, such information and documents as may be specified therein or as may be prescribed. (2) Any person requested by the Director-General to furnish any information or documents under subsection (1) shall comply with the request within the period specified therein.
Offences.	64. (1) Any person who undertakes petroleum operations otherwise than in accordance with this act commits an offence and shall be liable on conviction to a fine not exceeding two hundred and fifty million leones or to imprisonment for a term not exceeding two years or to both such fine and imprisonment. (2) Any person who— a. unlawfully interferes with or obstructs a contractor or subcontractor or their agents or employees in the exercise of any right under this Act; b. wilfully obstructs, hinders or assaults any other person in the exercise of any right or power or in the performance of any duty under this Act; or c. otherwise contravenes any provision of this Act; commits an offence and shall be liable on conviction to a fine not exceeding ten million leones or to imprisonment for a term not exceeding two years or to both such fine and imprisonment. (3) Where an offence is committed by a body corporate, other than a partnership, every director or officer of that body shall be deemed also to be guilty of the offence. (4) Where an offence is committed, by a partnership, every partner or officer of that body shall be deemed to be guilty of that offence. (5) No person shall be deemed to be guilty of an offence under subsection (3) or (4) if he proves that the offence was committed without his knowledge or that he exercised due care and diligence to prevent the commission of the offence having regard to all the circumstances. (6) The court before which a person is convicted under subsection (1), may order the forfeiture of any petroleum obtained by that person or, if such petroleum cannot be forfeited, of such sum of money as the court shall assess as the value of the petroleum. (7) Any petroleum forfeited under this section shall be sold or otherwise disposed of as the court may direct and the proceeds shall be paid into the Consolidated Fund.

PART VIII — REGULATIONS

Regulations.

65. (1) The Director-General may make regulations prescribing all matters that by this act are required or permitted to be prescribed or are necessary or convenient to be prescribed for carrying out or giving full effect to this act.

(2) Without prejudice to the generality of subsection (1), the Director-General may make regulations for or with respect to—

- a. ensuring the safe construction, maintenance and operation of installations and facilities used in connection with petroleum operations;
- b. the safety, health and welfare of persons employed in petroleum operations and generally for all necessary safety measures;
- c. the prevention of pollution and the taking of remedial action in respect of any pollution which may occur in connection with petroleum operations;
- d. the inspection of areas in which petroleum operations are being carried out and of any plant, machinery or equipment within those areas;
- e. the reporting of and inquiries into accidents arising out of petroleum operations;
- f. the keeping and inspection of records, accounts, statistics and plans with respect to petroleum operations;
- g. the relinquishment of portions of areas subject to petroleum agreement;
- h. the protection of fishing, navigation, and other activities carried out within or in the vicinity of any areas in which petroleum operations are being carried out;
- i. the making and submission of reports, returns and programmes;
- j. the standards for petroleum and petroleum products and transportation thereof;
- k. 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 thereof;
- l. the reference map of blocks, and guidelines on the maximum number of blocks that may be held under a petroleum agreement;
- m. competitive bidding procedures for petroleum agreements;
- n. the form or provisions of an application for petroleum agreements;
- o. the management and organization of data or other information;
- p. the conservation of natural resources and the avoidance of waste, whether petroleum or otherwise, and of the land affected by this Act;
- q. the minimum conditions of service for workers engaged in petroleum operations;
- r. the terms and conditions of petroleum agreements;
- s. the rates or methods of setting the rates at which petroleum and water may be recovered from any well or petroleum reservoir;
- t. the methods to be used for the measurement of petroleum, water and other substances from a well
- u. the pressure maintenance in, or repressuring of, a petroleum reservoir and the recycling of petroleum;
- v. the processing of crude oil and natural gas into petroleum products;
- w. the marketing and distribution in the country of all petroleum products;
- x. the penalties for offences against the regulations.

Repeal of Cap
197 and
savings.

66. (1) The Mining (Mineral Oil) Act is hereby repealed.

(2) Notwithstanding the repeal effected by subsection (1), any lease or license granted under the repealed Act and in force immediately before the commencement of this Act shall remain in force until it expires or otherwise ceases to have effect under the repealed Act.

PASSED in Parliament this 16th day of August, in the year of our Lord two thousand and one.

J.A.
CARPENTER
*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 correctly printed copy of the said Bill.

J.A.
CARPENTER
*Clerk of
Parliament*