

PETROLEUM LAW

In order to effectively conserve, exploit and utilize Petroleum resources for the development of the national economy and the promotion of cooperation with foreign countries;

Pursuant to Articles 17, 29 and 84 of the 1992 Constitution of the Socialist Republic of Vietnam;

This Law governs Petroleum exploration and production activities carried out within the territory, the exclusive economic zone and the continental shelf of the Socialist Republic of Vietnam.

CHAPTER I GENERAL PROVISIONS

Article 1

All the Petroleum existing in the subsoil of the land, islands, internal waters, territorial sea, exclusive economic zone and continental shelf of the Socialist Republic of Vietnam is the property of the Vietnamese People under the sole management of the State of Vietnam.

Article 2

The State of Vietnam encourages Vietnamese and foreign organizations and individuals to invest capital and technology to conduct Petroleum Operations on the basis of respect for the independence, sovereignty, territorial integrity and national security of Vietnam and in compliance with the Laws of Vietnam.

The State of Vietnam protects ownership rights with respect to the capital investments, assets and other lawful rights of Vietnamese and foreign organizations and individuals conducting Petroleum Operations in Vietnam.

Article 3

As used in this Law, the following terms shall have the following meanings:

1. **Petroleum** means crude oil, natural gas, and hydrocarbons whether in natural liquid, gaseous, solid or semisolid state including sulphur and other similar substances associated with hydrocarbons except coal, shale, bitumen or other minerals from which oil can be extracted.
2. **Crude Oil** means hydrocarbons in natural liquid state, asphalt, ozokerite and liquid hydrocarbons obtained by distillation or extraction of Natural Gas.
3. **Natural Gas** means hydrocarbons in gaseous state produced from wells, including wet gas, dry gas, wellhead gas and residue gas after the extraction of liquid Hydrocarbon from wet gas.

4. **Petroleum Operations** mean activities in exploration, field development, and production of Petroleum, including services directly related to or supporting such activities.
5. **Petroleum Contract** means a written agreement entered into by and between the Vietnam Oil and Gas Corporation and any organization or individual to carry out Petroleum Operations.
6. **Petroleum Services** mean activities conducted by Sub-Contractors related to exploration, field development and production of Petroleum.
7. **Block** means an area delimited by geographical coordinates, designated for the exploration and production of Petroleum.
8. **Contractor** means any Vietnamese or foreign organization or individual who is permitted to conduct Petroleum Operations under a Petroleum Contract.
9. **Sub-Contractor** means any Vietnamese or foreign organization or individual who enters into a Contract with a Contractor or Petroleum Joint Venture Enterprise to render Petroleum Services.
10. **Petroleum Joint Venture Enterprise** means a joint venture enterprise established under a Petroleum Contract or a Treaty entered into by and between the Government of Vietnam and a foreign government.

CHAPTER II PETROLEUM OPERATIONS

Article 4

Any organizations, individuals conducting Petroleum Operations shall utilize advanced technology and comply with Vietnamese Laws regarding the protection of natural resources and the environment, and the safety of person and property.

Article 5

Any organizations, individuals conducting Petroleum Operations shall have a plan for environmental protection, take all measures to prevent pollution, promptly eliminate sources of pollution, and be responsible for remedying all results of pollution.

Article 6

Any organizations, individuals conducting Petroleum Operations shall establish a safety zone around installations servicing Petroleum Operations in compliance with regulations of the Government of Vietnam.

Article 7

Any organizations, individuals conducting Petroleum Operations shall obtain and maintain insurance for facilities, installations servicing Petroleum Operations, environmental insurance and other forms of insurance in compliance with Vietnamese Laws and in accordance with the international practices of the petroleum industry.

Article 8

The exploration acreage covered by a Petroleum Contract shall be determined based upon the blocks delimited by the Government of Vietnam.

Article 9

Petroleum Operations shall not be conducted in any areas declared by the State of Vietnam to be off-limits or provisionally off-limits for reasons of national defense, national security or public interest.

In the event that any Petroleum Operations which have been permitted are prohibited or temporarily prohibited, the Government of Vietnam shall make appropriate settlement for the damages to organizations or individuals resulting from such prohibition or temporary prohibition.

Article 10

The Government of Vietnam permits organizations, individuals to conduct scientific research, exploration for and production of minerals and natural resources other than Petroleum in the area covered by a Petroleum Contract in compliance with Vietnamese Laws. These operations shall not hinder or be detrimental to Petroleum Operations.

Article 11

All the samples, cores, data and information acquired during the conduct of Petroleum Operations are the property of the State of Vietnam. The handling and utilization of such samples, cores, data and information shall comply with Vietnamese Laws.

Article 12

Any organizations, individuals conducting Petroleum Operations is permitted to install, operate and maintain fixed installations and equipment servicing Petroleum Operations; to construct and use transport routes, pipelines, warehouses for the purpose of transporting and storing Petroleum in compliance with Vietnamese Laws.

The ownership of the above installations and equipment shall belong to the State of Vietnam from the date agreed upon by the parties to a Petroleum Contract.

Article 13

Upon the termination of Petroleum Operations, the organizations, individuals shall clear the used acreage, remove fixed installation and equipment at the request of the competent State management authorities.

Article 14

The Vietnam Oil and Gas Corporation (known in its international dealings as "PETROVIETNAM") is a State owned business enterprise founded by the Government of Vietnam to conduct Petroleum Operations and enter into Petroleum Contracts with

organizations, individuals for the conduct of Petroleum Operations in accordance with this Law.

CHAPTER III PETROLEUM CONTRACT

Article 15

A Petroleum Contract may be entered into in the form of a production sharing contract, joint venture agreement or other forms of contract.

A Petroleum Contract shall conform to the Model Contract issued by the Government of Vietnam, and shall contain the following essential provisions:

1. Legal identity of organizations, individuals who shall enter into the contract;
2. Objects of the contract;
3. Acreage delimitation and schedule for the relinquishment of the contract area;
4. Duration of the contract;
5. Conditions for early termination or any extension of the contract;
6. Commitments on work programme and financial investment;
7. Rights and obligations of each party to the contract;
8. Recovery of capital investment, determination and sharing of profit; rights of the host country to fixed assets after the recovery of capital investment and termination of the contract;
9. Conditions for assignment of rights and obligations of the parties to the contract; the right of the Vietnam Oil and Gas Corporation to participate in the capital investment;
10. Commitments on training and preferential employment of Vietnamese personnel and use of Vietnamese services;
11. Obligations to protect the environment, and to secure safety during the conduct of Petroleum Operations;
12. Procedures for the settlement of disputes which may arise from the contract.

In addition to the provisions of the Model Contract, the parties to the contract may agree upon other provisions which are not inconsistent with the provisions of this Law and Vietnamese Laws.

Article 16

Any organizations, individuals wishing to enter into a Petroleum Contract shall be subject to the bidding or other procedures stipulated by the Government of Vietnam. Such organizations, individuals shall explicitly present their financial resources, technical competence and professional expertise in the conduct of Petroleum Operations.

Article 17

The duration of a Petroleum Contract shall not exceed twenty five (25) years during which the exploration period shall not exceed five (5) years.

The duration of a Petroleum Contract with regard to deep-water or remote offshore areas, and contractual duration of exploration for and production of Natural Gas shall not exceed thirty (30) years during which the exploration period shall not exceed seven (7) years.

At the request of the Contractor and subject to the decision of the Government of Vietnam, the duration of a Petroleum Contract may be extended provided that the extended term does not exceed five (5) years, and the exploration period may be extended provided that the extended period does not exceed one (1) year.

A Petroleum Contract may terminate prior to its stated term provided that the commitments and obligations of the Contractor have been fulfilled and that such early termination has been agreed upon by the parties to the contract.

Article 18

An exploration acreage under a Petroleum Contract shall not cover more than two (2) blocks.

In special cases, the Government of Vietnam may award an exploration acreage of more than two (2) blocks but not exceeding four (4) blocks for a Petroleum Contract.

Article 19

The Contractor shall relinquish the exploration acreage as stipulated by the Government of Vietnam.

Article 20

The Contractor and the Vietnam Oil and Gas Corporation shall agree in a Petroleum Contract upon a work programme and commitments on minimum financial investment during the exploration period.

Article 21

Upon discovering Petroleum, the Contractor and the Vietnam Oil and Gas Corporation shall submit a report and provide all the required information about such discovery to the competent State management authority.

In case a commercial discovery is made, the Contractor shall proceed immediately with an appraisal programme, prepare a reserves evaluation report, and a field development and production scheme to submit to the competent State management authority for approval.

Article 22

The language of Petroleum Contracts signed with foreign organizations, individuals and the documents attached there to shall be the Vietnamese language and a commonly used foreign language as may be agreed upon by the Vietnam Oil and Gas Corporation and such organizations, individuals. Both the Vietnamese version and the foreign language version are equally authentic.

Article 23

A Petroleum Contract shall take effect upon approval of the Government of Vietnam.

Article 24

Any total or partial assignment of a Petroleum Contract by the parties to the Contract shall only be effective after it is approved by the Government of Vietnam.

The Vietnam Oil and Gas Corporation shall have the preemptive right to acquire the Petroleum Contract or portion thereof subject to assignment.

Article 25

The Vietnam Oil and Gas Corporation shall have the right to participate in capital investment under a Petroleum Contract. Its share of capital investment, term of participation, reimbursement of expenses incurred by Contractor, and operating agreement shall be provided in the Petroleum Contract in accordance with the international practices of the petroleum industry.

Article 26

The Contractor is entitled to enter into Petroleum Service Contracts with preference given to Vietnamese organizations, individuals.

Vietnam will undertake flight service or enter into a joint venture contract with a foreign company to provide flight service in support of Petroleum Operations.

Article 27

Any disputes arising from a Petroleum Contract shall first and foremost be settled through negotiation and reconciliation.

In case no reconciliation can be made, if the disputing parties are Vietnamese organizations, individuals, the dispute will be resolved in accordance with Vietnamese Laws; if a disputing party is a foreign organization, individual, the dispute will be resolved in compliance with the provisions of the Law on Foreign Investment in Vietnam.

CHAPTER IV RIGHTS AND OBLIGATIONS OF CONTRACTORS

Article 28

Contractors shall have the following rights:

1. To enjoy privileges and guarantees as stipulated by Vietnamese Laws;

2. To use samples, cores, data and information which have been acquired for the conduct of Petroleum Operations;
3. To recruit personnel for the performance of the work under the Petroleum Contract on the basis of preferential employment of Vietnamese personnel;
4. To hire Sub-Contractors in accordance with the provisions of this Law and the international practices of the petroleum industry;
5. To be exempted from import tax with regard to equipment, materials required for Petroleum Operations and from re-export tax with regard to such equipment that are not permanently installed, or unused materials, in accordance with Vietnamese Laws;
6. To be entitled to ownership of their share of Petroleum after fulfillment of their financial obligations owing to the State of Vietnam;
7. To export their share of Petroleum as provided in the Petroleum Contract;
8. To recover their capital investment under the terms of the Petroleum Contract;
9. Foreign organizations, individuals shall have right to transfer abroad their recovered capital investment and profit obtained during Petroleum Operations in accordance with the provisions of the Law on Foreign Investment in Vietnam.

Article 29

Sub-Contractors shall have the rights stipulated at Items 1, 3 and 5 of Article 28 of this Law.

Sub-Contractors which are Foreign organizations, individuals shall also have the right provided in Item 9 of Article 28 of this Law.

Article 30

Contractors shall have the following obligations:

1. To comply with by Vietnamese Laws;
2. To fulfill their commitments as stipulated in the Petroleum Contract;
3. To pay royalty, taxes, fees as stipulated by Vietnamese Laws;
4. To transfer technology, train and employ Vietnamese staff and workers and to respect their interests;
5. To take environmental protection measures;
6. To submit their Petroleum Operations reports to the competent State management authority and to the Vietnam Oil and Gas Corporation;
7. To provide documents as may be requested by the inspection team;

8. To remove installations, equipment, facilities upon the termination of Petroleum Operations at the request of the competent State management authority;
9. To sell in the Vietnamese market a portion of their share of Petroleum when requested by the Government of Vietnam.

Article 31

Sub-Contractors shall have the obligations stipulated in items 1, 2, 3, 4, 5, and 7 of Article 30 of this Law.

CHAPTER V ROYALTY, TAXES AND FEES

Article 32

Any organizations, individuals producing Petroleum shall pay royalty.

Royalty shall be calculated on the actual production rate during the relevant taxable period for each Petroleum Contract.

The rate of royalty shall range from six percent (6%) to twenty five percent (25%) for Crude Oil and can be higher in special cases.

The rate of royalty shall range from zero percent (0%) to ten percent (10%) for Natural Gas.

Specific rates of royalty will be established by the Government of Vietnam within the aforesaid rate framework depending on geographical, economic and technical field conditions and the level of production of Crude Oil or Natural Gas.

Article 33

Organizations, individuals conducting Petroleum exploration and production shall pay corporate income tax at a rate of 50% of taxable income during the relevant taxable period.

In special cases, organizations, individuals conducting of Petroleum Exploration and Production may be granted an exemption from corporate income tax or a reduction in corporate income tax rate. Such exemption or reduction will be granted by the Government of Vietnam.

Article 34

Sub-Contractors which are Vietnamese organizations, individuals with operations in Vietnam shall pay corporate income tax in accordance with the Income Tax Law.

Sub-Contractors which are foreign organizations, individuals registered to operate in Vietnam shall pay corporate income tax in accordance with the Law on Foreign Investment in Vietnam.

Sub-contractors which are foreign organizations, individuals not registered to operate in Vietnam shall pay tax in accordance with Vietnamese Laws.

Article 35

Organizations, individuals conducting Petroleum Operations shall pay export and import taxes, rental for use of land or real estate tax, other taxes and fees as stipulated by Vietnamese Laws.

Foreign organizations, individuals conducting Petroleum Operations shall pay a profit transfer tax in accordance with the law on Foreign Investment in Vietnam.

Article 36

Employees of Vietnamese and foreign nationality working for Contractors, Petroleum Joint Venture Enterprises, Sub-Contractors shall pay personal income tax as stipulated by Vietnamese Laws.

Article 37

As may be agreed in a Petroleum Contract, royalty and all other taxes payable by a Contractor or Petroleum Joint Venture Enterprise may be included in the share of production of the Vietnam Oil and Gas Corporation, provided that the Vietnam Oil and Gas Corporation undertakes to pay such royalty, taxes on behalf of the Contractor or Petroleum Joint Venture Enterprise.

CHAPTER VI STATE MANAGEMENT OF PETROLEUM OPERATIONS

Article 38

The State management of Petroleum Operations shall include:

1. Making decision on strategies, plans and policies for the development of the petroleum industry;
2. Issuing regulations with respect to the management of Petroleum Operations;
3. Monitoring, inspecting and supervising Petroleum Operations;
4. Designating and delimiting blocks or acreage for Petroleum exploration and production;
5. Making decision on policies and forms of cooperation with foreign entities;
6. Approving Petroleum Contracts;
7. Establishing policies to promote or to restrict Petroleum export to protect the interest of the State while taking into account of the Contractor's interest;
8. Monitoring, giving instruction and guidance to relevant authorities and localities in carrying out activities related to Petroleum Operations;
9. Resolving issues related to the right to conduct Petroleum Operations, and adjudicating any violation of this Law.

Article 39

The Government of Vietnam shall solely exercise the State management of Petroleum Operations.

The State Petroleum Management Authority shall be established in accordance with the Law on Governmental Organization to assume the State management of Petroleum Operations.

Ministries and other State authorities shall carry out the State management of Petroleum Operations in accordance with their respective functions, powers and responsibilities.

CHAPTER VII INSPECTION OF PETROLEUM OPERATIONS

Article 40

Inspection of Petroleum Operations constitutes an inspection in the petroleum industry with a view to ensure compliance with the provisions of this Law and regulations, technical procedures, specifications and rules, conserve Petroleum resources, protect the environment, enforce safety rules, and the performance of obligations owing to the State of Vietnam by organizations, individuals conducting of Petroleum Operations.

Article 41

The State Petroleum Management Authority shall establish and organize the implementation the Petroleum Operations inspection function.

In conducting the inspection of Petroleum Operations, the inspection team shall have the right:

1. to request relevant organizations, individuals to provide documents and clarify issues relevant to the inspection;
2. to take measures for on-site technical verification;
3. to suspend or make recommendation to the competent State authority to suspend Petroleum Operations likely to cause accident or serious damages to life or property, Petroleum resources and pollution;
4. to adjudicate any violation of this Law within its jurisdiction or make recommendation regarding the adjudication of violations to the competent State authority.

Article 42

Organizations, individuals conducting Petroleum Operations shall facilitate the inspection team's performance of its duties, and shall strictly observe all decisions made by the inspection team.

Organizations, individuals shall have the right to appeal decisions of the inspection team as stipulated by Vietnamese Laws.

CHAPTER VIII ADJUDICATION OF VIOLATION

Article 43

Any organizations, individuals violating any provision of this Law shall be subject to warning or fine or confiscation of their facilities or other administrative sanctions depending on the severity of their violation.

Any individual whose violation also constitutes a crime shall be prosecuted in accordance with Vietnamese Laws.

Article 44

Organizations, individuals conducting Petroleum Operations which cause damages to Petroleum resources, other natural resources, the environment or property of the State, any organization, any individual shall be liable for compensation for such damages in accordance with Vietnamese Laws.

Article 45

Organizations, individuals who illegally obstruct Petroleum Operations shall be prosecuted for their violation in accordance with Vietnamese Laws.

Article 46

Organizations, individuals shall have the right to appeal any decisions made on adjudication of violations as stipulated by Vietnamese Laws.

CHAPTER IX IMPLEMENTATION PROVISIONS

Article 47

This Law and other provisions of Vietnamese Laws shall also apply to:

1. All installations, structures, facilities, equipment for purpose of Petroleum Operations in the exclusive economic zone and on the continental shelf of the Socialist Republic of Vietnam;
2. Installations, structures, facilities, equipment owned by Vietnamese organizations, individuals for purpose of Petroleum Operations on the basis of cooperation with foreign entities in areas not under the jurisdiction of the Socialist Republic of Vietnam.

Article 48

The Government of Vietnam shall protect the economic interests of the parties to Treaties, Petroleum Contracts approved by the Government of Vietnam prior to the effective date of this Law.

Article 49

Based upon the provisions of this Law, the Government of Vietnam may enter into with foreign government(s) treaties of cooperation to conduct Petroleum Operations in Vietnam.

Article 50

All prior regulations which are inconsistent with this Law are abrogated.

The Government of Vietnam shall provide Regulations for the implementation of this Law.

Article 51

This Law shall take effect on the first of September, 1993.

This Law was ratified by the Ninth National Assembly of the Socialist Republic of
Vietnam
at its third Session on the sixth of July, 1993.
Chairman of the National Assembly
Nong Duc Manh