PETROLEUM REGULATIONS
OF
THE REPUBLIC OF EQUATORIAL GUINEA
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PRELIMINARY RECITALS


Considering, the expressed necessity by both Contractors and Subcontractors that operate in the industry, of clarifying and interpreting certain rules of the abovementioned Law.

Considering, the technical comments issued by the Companies of the sector.

At the behest of the Directorate General of Hydrocarbons, after deliberation and approval by the Board of Directors of this Ministry, in its extraordinary meeting dated on 24th August 2012;

DECREE:

CHAPTER I
FUNDAMENTAL AND GENERAL PROVISIONS

Article 1

The Petroleum Regulations is approved and adopted, pursuant to The Hydrocarbons Law of the Republic of Equatorial Guinea, Law No. 8/2006 of 3 November.

Article 2
Purpose

The Subject Matter of these Regulations is to define and establish the procedures and performance standards to be observed in carrying out Petroleum Operations in Equatorial Guinea, which include Exploration Operations, Operations, evaluations, development, transportation, distribution, storage, refining, commercialization and other related activities under the Hydrocarbons Law and sets out the penalties for non-compliance.

Article 3
Scope

1. These Regulations apply to all Petroleum Operations conducted in Equatorial Guinea, whether onshore or offshore, internal and territorial waters, the exclusive economic zone and continental shelf under the terms of the Hydrocarbons Law.

2. These Regulations apply to Exploration and Production Operations and to Refining and Commercialisation and the other related to the Subject Matter of these Regulations.
CHAPTER II
DEFINITIONS

Article 4
Definitions

For the purposes of these Regulations, capitalised words and expressions used herein shall have the following meanings:

1. **Joint Development Agreement** means the joint development agreement referred to in Article 112;

2. **Joint Operating Agreement** or **JOA** means the joint operating agreement that regulates the internal relations of the Parties comprising the Contractor for the conduct of Exploration and Production Operations in the Contract Area;

3. **Calendar Year** or **Year** a period of twelve (12) months commencing on 1 January and ending on the following 31 December of the same year according to the Gregorian Calendar;

4. **Contract Area** means the geographic area of the territory of Equatorial Guinea which is subject to a Contract from time to time, as further described and delineated in the Exhibits to the Contract, as it may be reduced by relinquishments by the Contractor in accordance with the Contract;

5. **Development and Production Area** means an area within the Contract Area encompassing the geographical extent of a Commercial Discovery subject to a Development and Production Plan demarcated in accordance with Article 47;

6. **Appraisal Area** means an area within the Contract Area encompassing the geographical extent of a Discovery that is subject to an Appraisal work program and corresponding budget in accordance with Article 41;

7. **Article** refers to an Article of these Regulations, unless the context requires otherwise;

8. **Associate** means any subcontractor, affiliate, subsidiary or other Person associated with a Contractor in the conduct of Exploration and Production Operations;

9. **Barrel** means a quantity or unit of Crude Oil equal to one hundred and fifty eight point nine eight seven four litres (158.9874 litres) (forty-two (42) United States gallons) at a temperature of fifteen point five six degrees (15.56°) Centigrade (sixty degrees (60°) Fahrenheit) and at one (1) atmosphere of pressure;

10. **Block** means an area designated as a block on a map with defined coordinates designated by the Ministry pursuant to the Hydrocarbons Law for the purposes of a Contract;

11. **Field** means a Discovery or an aggregation of Discoveries that is established as a Field in accordance with Article 49 and can be developed commercially after taking into account all pertinent operational, economic and financial data collected during the performance of the Appraisal work program or otherwise, in accordance with generally accepted practices in the international petroleum industry. A Field may consist of a Hydrocarbon reservoir or multiple Hydrocarbon reservoirs all grouped on or related to the same individual geological structural or stratigraphic conditions. All deposits superimposed, adjacent to or underlying a Field in the Contract Area shall form part of the said Field;

12. **Chapter** refers to a Chapter of these Regulations, unless the context requires otherwise.
13. **Commercialisation** means all activities (other than Refining) relating to Hydrocarbons for the purpose of adding value and the commercialisation of the products obtained, including without limitation the import, export, blending, packaging, repackaging, storage, transportation, distribution, wholesaling and retailing of Hydrocarbon products and **Commercialisation Activities** shall be construed accordingly;

14. **Affiliated Company** or **Affiliate** of any specified Person means any other Person directly or indirectly Controlling or Controlled by or under direct or indirect common Control of such Person;

15. **National Gas Company** means Sociedad Nacional de Gas de Guinea Ecuatorial (Sonagas), *Empresa Nacional de Gas*, which was established as the national gas company by Presidential Decree No. 45/2005 of January 24th 2005 and its amendments;

16. **National Oil Company** means Guinea Ecuatorial de Petroleos (GEPetrol), *Empresa Nacional de Petróleos*, which was established as the national oil company by Presidential Decree No. 9/2001 of February 7th 2001 and its amendments;

17. **National Companies** means the National Gas Company and/or the National Oil Company, or any other State-owned company that operates in the Hydrocarbons industry, as the context may require, or any other that may replace them;

18. **Contractor** means a Person with whom the State has entered into a Contract;

19. **Contract** means any agreement between the State and a Contractor that authorises the performance and regulates the conduct of Exploration and Production Operations;

20. **Control**, when used with respect to any specified Person, means the power to direct, administer and dictate policies of such Person through the ownership of a percentage of such Person's equity sufficient to hold a majority of voting rights in an ordinary shareholders meeting; and the terms **Controlling** and **Controlled** shall be construed accordingly;

21. **Development** means activities carried out pursuant to a Contract for a Commercial Discovery in order to achieve Production;

22. **Discovery** means the finding by the Contractor of Hydrocarbons whose existence within the Contract Area was not known prior to the Effective Date or Hydrocarbons within the Contract Area which had not been declared a Commercial Discovery prior to the Effective Date and which are measurable by generally accepted practices in the international petroleum industry;

23. **Commercial Discovery** means a Discovery that the Contractor has determined to be economically viable and so submits a Development and Production Plan for such Discovery for the approval of the Ministry;

24. **Working Day** means a day on which the banks in Equatorial Guinea are generally open for commercial business;

25. **Dollars** or $ means the legal tender of the United States of America;

26. **Appraisal** means the activities carried out, excluding tasks or operations in the hole of a discovery Well, following a Discovery in accordance with a Contract and aimed at better defining the parameters of the reservoir in order to assess its commerciality, including without limitation:
(a) drilling of appraisal wells;

(b) running supplementary analyses, and the acquisition, study and processing of geological and other data;

27. Exploration means the set of operations carried out onshore or offshore, through the use of geological, geochemical or geophysical methods, with a view to locating Hydrocarbon deposits, as well as the processing, analysis and interpretation of data so acquired as well as regional studies and mapping, in each case leading to an appraisal and better knowledge of the Hydrocarbon potential of a given area and the drilling and testing of wells that may lead to the discovery of Hydrocarbons;

28. Effective Date means in relation to a Contract the date of receipt by the Contractor of the ratification by the State of the Contract;

29. Reserve Fund has the meaning ascribed to it in Article 178;

30. Natural Gas means those Hydrocarbons that, at atmospheric conditions of temperature and pressure, are in a gaseous state including dry gas, wet gas and residual gas remaining after extraction, treatment, processing or separation of liquid Hydrocarbons from wet gas, as well as gas or gases produced in association with liquid or gaseous Hydrocarbons;

31. Associated Natural Gas means all Natural Gas produced from a reservoir the predominant content of which is Crude Oil and which is separated from Crude Oil in accordance with generally accepted practices in the international petroleum industry, including the free gas cap, but excluding any liquid Hydrocarbons extracted from such gas either by normal field separation, dehydration or in a gas processing plant;

32. Unassociated Natural Gas means all gaseous Hydrocarbons produced from gas reservoirs, including wet gas, dry gas and residual gas remaining after extraction of liquid Hydrocarbons from wet gas;

33. Equatorial Guinea or State means the Republic of Equatorial Guinea;

34. Hydrocarbons means all natural organic substances composed of carbon and hydrogen, including Crude Oil and Natural Gas that may be found and extracted from, or otherwise produced and saved from a Contract Area, and includes all Products;

35. Appraisal Report means the appraisal report referred to in Article 42;

36. Participation Interest means for each Party comprising the Contractor, the undivided percentage share of that Party in the rights and obligations under a Contract;

37. Environmental Law means Law No. 7/2003 of November 27, 2003, that regulates the environment, and any law that amends or replaces it;

38. Hydrocarbons Law means the Hydrocarbons Law of the Republic of Equatorial Guinea, Law No. 8/2006 of 3 November, and any law that amends or replaces it;

39. Tax Law means Law No. ( ) of Equatorial Guinea, and any law that amends or replaces it;

40. LIBOR means the interest rate at which Dollar deposits of six (6) months duration are offered in the London Inter Bank Market, as published in the Financial Times of London. The applicable LIBOR rate for each month or part thereof within an applicable interest period shall be the interest rate published in the Financial Times of London on the last Business Day of the immediately
preceding calendar month. If no such rate is quoted in the Financial Times of London during a
period of five (5) consecutive Business Days, another rate (for example, the rate quoted in the
Wall Street Journal) chosen by mutual agreement between the Ministry and the Contractor will
apply;

41. Licence means a licence granted to a Person by the Ministry to conduct Refining or
Commercialisation Activities;

42. Licensee means a Person holding a Licence;

43. Ministry means the Ministry of Mines, Industry and Energy of Equatorial Guinea, the entity
responsible for supervising Petroleum Operations in coordination with other Government bodies
within the respective areas of their competence, and any successor;

44. Model Production Sharing Contract means the model contract issued or reissued by the
Ministry which shall be used as a basis for negotiations between the State and Persons who have
expressed an interest in carrying out Exploration and Production Operations;

45. Enforcement Notice has the meaning given in Article 89;

46. Prohibition Notice has the meaning given in Article 89;

47. Development and Production Operations means all operations, other than Exploration
operations and Appraisal operations, conducted to facilitate the Development and Production of
Hydrocarbons from the Contract Area to the Delivery Point, but excluding Refining and
Commercialisation Activities;

48. Exploration and Production Operations means all operations related to Exploration,
Development, Production, transportation, storage, conservation, decommissioning, sale and/or
other disposal of Hydrocarbons from a Contract Area to the Delivery Point and any other work or
activities necessary or ancillary to such operations, but shall not include transport outside of
Equatorial Guinea;

49. Petroleum Operations means all Exploration and Production Operations and all Refining and
Commercialisation Activities;

50. Operator means the Person responsible for carrying out Exploration and Production Operations
in a Contract Area;

51. Administrative Operator means the Person designated as such under a Joint Operating
Agreement;

52. Technical Operator means one of the Persons comprising the Contractor who, with the approval
of the Ministry, is designated as the technical operator under a Joint Operating Agreement;

53. Development and Production Period means the development and production period referred to
in Article 44;

54. Exploration Period means the Initial Exploration Period, the Extension Periods and any further
extensions thereof granted under the relevant Contract;

55. Initial Exploration Period means the period so defined in a Contract, divided into two sub-
periods, the First Exploration Sub-Period and the Second Exploration Sub-Period;
56. **Extension Period** means the period so defined in a Contract, comprising the First Extension Period and the Second Extension Period;

57. **Person** includes any individual or legal entity, consortium, joint venture, partnership, trust, heir, unincorporated organisation or government or any agency or local entity;

58. **Crude Oil** means Hydrocarbons which are produced at the wellhead in a liquid state at atmospheric pressure including asphalt and ozokerites (fossil waxes), and the liquid Hydrocarbons known as condensate and/or Natural Gas liquids obtained from Natural Gas by condensation or extraction through field separation units;

59. **Abandonment Plan** means the plan for the abandonment of facilities referred to in Article 173;

60. **Joint Development Plan** means the joint development plan referred to in Article 112;

61. **Development and Production Plan** has the meaning ascribed to it in Article 46;

62. **Continental Shelf** means the seabed and subsoil of the submarine zones adjacent to the national territory of Equatorial Guinea, up to the limits set forth in the laws of Equatorial Guinea and in international conventions to which Equatorial Guinea is a party;

63. **Well** means any opening in the ground or seabed made or being made by drilling or boring, or in any other manner, for the purpose of exploring and/or discovering, evaluating or producing Crude Oil or Natural Gas, or for the injection of any fluid or gas into an underground formation other than a seismic hole;

64. **Development Well** means a Well, other than an Exploration Well or an Appraisal Well, drilled with the purpose of producing or improving the Production of Hydrocarbons, including Exploration Wells and Appraisal Wells completed as production or injection Wells;

65. **Appraisal Well** means a Well drilled following a Discovery, with the objective of delimiting and mapping the reservoir, and also to estimate the quantity of recoverable Hydrocarbons;

66. **Exploration Well** means any Well whose sole objective is to verify the existence of Hydrocarbons or to study all the necessary elements that might lead to a Discovery;

67. **Annual Budget** means the expenditure of the Contractor with respect to an Annual Work Program;

68. **First Extension Period** means the period so defined in a Contract;

69. **First Exploration Sub-Period** means the period so defined in a Contract;

70. **Production** means the activities involved in the extraction of Hydrocarbons, including without limitation, planning, scheduling, controlling, measuring, testing, gathering, treatment, transportation, storing and dispatching of hydrocarbons from the underlying reservoir to the designated exporting or lifting locations and furthermore, the decommissioning of wells, facilities, pipelines and Hydrocarbon deposits and related activities;

71. **Products** means products produced by the Refining or Commercialisation of Hydrocarbons, including without limitation gasoline, diesel, aviation kerosene, fuel oil, propane, butane, liquefied natural gas, petrochemicals and lubricants;

72. **Annual Work Program** means an itemised statement of the Exploration and Production Operations to be carried out in a Contract Area during a Calendar Year;
73. **Delivery Point** means the point at which Hydrocarbons are transferred from the custody of a Contractor to the State, an agency of the State or a National Company which is entitled to those Hydrocarbons;

74. **Refining** means the refining, distillation, purification or transformation of Hydrocarbons for the purpose of adding value and the commercialisation of the products obtained and **Refining Activities** shall be construed accordingly;

75. **Royalty** or **Royalties** means the entitlement of the state to a proportion of Hydrocarbons produced and saved from a Development and Production Area, and not utilised in Exploration and Production Operations;

76. **Second Extension Period** means the period so defined in a Contract;

77. **Second Exploration Sub-Period** means the period so defined in a Contract;

78. **Maximum Efficient Production Rate** means the maximum efficient production rate of Hydrocarbons from a Field that does not damage reservoir formations and does not cause excessive decline or loss of reservoir pressure, in conformity with good practices in the international petroleum industry;

79. **Marine Terminal** means a terminal used for the import, export or carriage of Hydrocarbons by sea;

80. **Transportation** means moving people or goods from one place to another. The modern commercial transport serves the public interest and includes all the means and facilities involved in the movement of persons and goods, as well as the reception, delivery and handling services of such goods. The commercial transport of people is classified as passenger service and the good one as goods services.

**Quarter** means a period of three (3) successive months beginning on 1 January, 1 April, 1 July or 1 October and ending on 31 March, 30 June, 30 September or 31 December, respectively; and the term **Quarterly** shall be construed accordingly.

### CHAPTER III

**COMPETENCIES AND MONITORING OF PETROLEUM OPERATIONS**

**Article 5**

**Ministry Records**

The Ministry shall maintain accurate and up-to-date records and maps of all areas of Equatorial Guinea in respect of which rights to conduct Exploration and Production Operations and Refining and Commercialisation Activities have been granted and identifying the holder of those rights. A copy of such records and maps shall be available for publication.

**Article 6**

**Provision of Information by Contractors and Licensees**

1. A Contractor or Licensee shall keep the Ministry fully and reliably informed on the performance and status of Petroleum Operations at reasonable intervals and as required under the Contract, the Licence or these Regulations and of any emergencies or accidents that may have occurred during such operations.
2. Furthermore, a Contractor or Licensee shall provide the Ministry with all documentation and information that is required to be provided under the Hydrocarbons Law, these Regulations and the terms of the Contract or Licence and as may otherwise be required by the Ministry.

**Article 7**

**Inspection of Petroleum Operations**

1. The Ministry is responsible for monitoring and inspecting all Petroleum Operations undertaken by Contractors or Licensees. All Petroleum Operations may be inspected and audited by the Ministry at such times and at such intervals as the Ministry deems necessary. Except in an emergency or other exceptional circumstance, as determined by the Ministry, the Ministry shall give the Contract or Licensee at least five (5) days notice of any inspection or audit.

2. The Ministry may arrange to be represented by other qualified Persons appointed by it. Where the Ministry appoints Persons other than Ministry officials to represent it, the Ministry shall give those Persons written evidence of their authority signed by the Minister or by who has authority to do so.

3. A Contractor or Licensee shall allow the Ministry and its representatives free access to the locations and facilities where they carry out their operations, in order to allow them to perform their duties of inspection, supervision and verification.

4. A Contractor or Licensee shall cooperate in all matters as requested by the Ministry within the scope of its powers of supervision and shall provide a full and effective assistance to the Ministry and its representatives including transportation and accommodation.

5. All costs directly related to the technical inspection, verification and audit of Exploration and Production Operations or otherwise in connection with the exercise of the Ministry's rights or the performance of the Contractor's obligations shall be borne by the Contractor and are cost recoverable to the extent so provided in a Contract, including:

   (a) outbound and return travel expenses;

   (b) local transportation, as necessary;

   (c) accommodation; and

   (d) per diems, which shall be adjusted in accordance with such amounts assigned to the ranking of each representative of the Ministry as published in the general budget law of the State approved for such Calendar Year.

**Article 8**

**Ministry’s Powers of Inspection**

1. The Ministry’s powers of monitoring and inspection include, but are not limited to, the following:

   (a) collection, for the purposes of analysis, of samples of Hydrocarbons or other substances taken from Petroleum Operations;

   (b) copying or photocopying of any book, report or document relating to Petroleum Operations;

   (c) retention, with a view to possible use as evidence of non-compliance with an obligation by a Contractor or Licensee, of samples, other substances taken from Petroleum Operations, books, reports and other documents or data relating to Petroleum Operations;
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(d) conducting the enquiries necessary to check compliance with legal or contractual obligations by a Contractor, Licensee or its Associates;

(e) inspection of construction and assembly of petroleum drilling, production and storage facilities or equipment, as well as the operation and modification of production facilities;

(f) inspection of construction and assembly of facilities or equipment used in Refining and Commercialisation Activities, as well as the operation and modification of such facilities and equipment;

(g) inspection of implementation and functioning of operational safety systems and contingency plans for fire fighting, spills and other emergencies;

(h) inspection of metering equipment calibration operations;

(i) application of health and safety at work and environmental laws, regulations and standards in accordance with the legislation in force;

(j) investigation and/or participation in enquiries into accidents, fires, explosions, spills and other events which jeopardize the security of persons, facilities or the environment;

(k) inspection and recording of certificates of conformity of fixed, moveable and floating facilities;

(l) inspection of engineering designs and general maintenance programs for facilities, and implementation of the same;

(m) identification and inspection of the type of fluids used in drilling wells; and

(n) other activities as required or instructed by the Ministry.

Article 9
Technical Standards

The Ministry may establish technical standards applicable to the conduct of Petroleum Operations which shall be in accordance with international standards or, where no such international standards exist, in accordance with the generally accepted practices in the international petroleum industry.

Article 10
Emergency Powers

Without prejudice to the generality of the powers of the Ministry under Article 13 of the Hydrocarbons Law, the Ministry’s determination that a given Petroleum Operation may cause injury, death, property damage or environmental harm shall be based on reasonable grounds and the Ministry shall exercise its powers in a manner appropriate to and commensurate with the injury, death, property damage or environmental harm that is anticipated.

CHAPTER IV
AWARD OF CONTRACTS

Article 11
Powers of Ministry

1. The Ministry is responsible for the award of all Contracts in accordance with Chapter IV of the Hydrocarbons Law and these Regulations.
2. The Ministry shall be party to all Contracts on behalf of the State.

3. The Ministry shall only enter into Contracts with Persons having suitable technical and financial capability, as well as proven experience in the oil and gas industry.

4. The Ministry may in its discretion award Contracts by means of a competitive international public tender system described in Article 14 or by means of a direct negotiation.

**Article 12**
Form of Contract

1. Contracts between Contractors and the State shall be based on the model Production Sharing Contract approved by the Ministry.

2. The Ministry may in its discretion develop, negotiate and award Contracts in a different form, for example an agreement involving the formation of an Equatoguinean corporation or a risk services agreement.

**Article 13**
Definition of Contract Areas

Contract Areas may comprise one or more Blocks or parts of Blocks and shall be defined in the relevant Contract.

**Article 14**
Competitive International Public Tender

1. The Ministry shall develop rules for the award of Contracts by means of competitive international public tender that ensures concurrence and competition between potential Contractors, in accordance with international standards of transparency.

2. In the conduct of the tender the Ministry shall:

   a) conduct a rigorous pre-qualification process by which a Person is only qualified to bid for a Contract, either as a sole operator or a member of a consortium, if it has proved its technical and financial ability to fulfil the terms of the Contract and has published its ultimate beneficial ownership and audited accounts;

   b) publish, in advance of the tender, in the Ministry’s bulletin or on the Ministry’s web site, information on the terms of the tender, including but not limited to a list of pre-qualified Persons and the terms established for the bids, including a map of the area up for tender, the schedule for submission deadlines and award, any fees required of bidders, non-negotiable fiscal terms and operational requirements and biddable items;

   c) ensure that bids are made or opened in public at the announced date and time; and

   d) publish, on the Ministry’s web site or other publications, the results of the tender, including the identity of the winning Person or consortium, the bid terms offered by the winning Person or consortium and all other bidders, and an explanation of the basis upon which the winning Person or consortium was selected.
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Article 15
Direct Negotiation or Award

1. If the Ministry, in its discretion, decides to award a Contract by direct negotiation, the Ministry shall publish on the Ministry’s web site the details of the award, including without limitation:

   (a) the definition and description of the Contract Area;

   (b) the identity of the Operator;

   (c) the identity of the parties comprising the Contractor;

Article 16
Effective Date

In accordance with the Hydrocarbons Law, a Contract shall only come into force after it has been ratified by the President of Equatorial Guinea and on the date of delivery to the Contractor of written notice of ratification.

Article 17
Guarantees of Performance

1. Within sixty (60) days after the Effective Date of each Contract, each of the parties comprising the Contractor (other than the National Company) shall provide to the State, at the sole discretion of the Ministry, either:

   a) a parent company guarantee in the form set out in the Contract or in such other form as the Ministry may agree, or

   b) an irrevocable standby letter of credit, in form and substance acceptable to the Ministry, from a first class international financial institution acceptable to the Ministry which corresponds to that party’s share of the minimum expenditure obligations of the Contractor in the Exploration Period,

which shall remain valid and effective for six (6) months after the end of the Exploration Period?

2. If the parties comprising the Contractor (other than the National Companies) fail to deliver the required parent company guarantee or letter of credit within sixty (60) days after the Effective Date, the Contract shall be considered null and void without further procedure.

3. The Ministry may call upon the parent company guarantee or letter of credit provided by a Contractor in the circumstances set out in Article 31 or if the Contractor incurs a liability to the Ministry or to a third party under the terms of the Contract which the Contractor fails to discharge within the period provided.

Article 18
Joint Operating Agreements

1 When the Contractor comprises more than one Person, the Contractor shall, within ninety (90) days after the Effective Date of the Contract (or any other period specified in the Contract or according to the discretion of the MIIE), submit to the Ministry, for its review and approval, a draft of the Joint Operating Agreement related to the Contract. That draft of the Joint Operating Agreement shall be in a form agreed by all the parties comprising the Contractor.
2. Within the thirty (30) days followings the reception of the Joint Operating Agreement draft, the MMIE shall notify the Contractor the approval or the rejection of the draft. If the MMIE rejects the draft, the reason of the rejection shall be included in the notification to the Contractor; and the parties that constitute the Contractor shall modify it, in order to answer the objections from the MMIE and present it to the MMIE for its revision and approval.

3. The parties that constitute the Contractor shall execute the Joint Operating Agreement in the form approved by the MMIE and shall provide to the MMIE a copy of the executed Joint Operating Agreement.

4. Any amendment to the executed Joint Operating Agreement shall require the previous approval of the MMIE.

CHAPTER V
OVERLAPPING AND CONFLICTING RIGHTS

Article 19
Discovery of Other Minerals

The Contractor shall promptly notify the Ministry of the discovery of any minerals or other substances in the Contract Area. If any Persons are granted a permit or license within the Contract Area for the exploration and exploitation of any minerals or substances other than Hydrocarbons, the Ministry shall take all effective measures to ensure that the operations of such Persons will not obstruct the Contractor's Exploration and Production Operations. The Contractor shall use all necessary efforts to avoid any obstruction with such permit holders or licensees' operations.

Article 20
Basis of Ministry’s Decision

In the event of a significant discovery of natural resources other than Hydrocarbons in a Contract Area and if the two activities are mutually incompatible, the decision of the Ministry as to which rights shall prevail and under what terms shall take into consideration the nature of the discoveries, the investment made, the duration and scale of the activities and their economic and social impact. Any Person whose Exploration and Production Operations have been precluded under Article 20 may apply for an extension of its rights for the duration of the interruption. If the interruption affects only part of a Contract Area, the Ministry may set a shorter period than requested, decide not to award such extension or grant the extension only for the area affected.

Article 21
Extension of Affected Person’s Rights

Any Person whose Exploration and Production Operations have been precluded under Article 20 may apply for an extension of its rights for the duration of the interruption. If the interruption affects only part of a Contract Area, the Ministry may set a shorter period than requested, decide not to award such extension or grant the extension only for the area affected.

Article 22
Determination of Compensation

After hearing representations from the Persons affected, the Ministry shall set the amount of just compensation to be paid by the State to the Person whose Exploration and Production Operations have been precluded.
CHAPTER VI
EXPLORATION AND PRODUCTION OPERATIONS

Article 23
Conduct of Exploration and Production Operations

1. All Exploration and Production Operations in the territory of the Republic of Equatorial Guinea shall be conducted in accordance with the Hydrocarbons Law, these Regulations, and all other applicable laws of the Republic of Equatorial Guinea and in accordance with generally accepted practices in the international petroleum industry.

2. Exploration and Production Operations may be conducted by the Ministry in its own name, when necessary, or when so designated by a National Company.

Article 24
Working Conditions

The Contractor shall provide acceptable working conditions and access to medical attention and nursing care for all of its local and international personnel and those of its subcontractors while undertaking Exploration and Production Operations. The Contractor shall also provide living accommodation for personnel based on offshore installations and an additional accommodation allowance in the remuneration of personnel based onshore.

Article 25
Standard of Equipment

The Contractor shall ensure that all equipment, plant, installations and materials used by it comply with the Hydrocarbons Law and these Regulations and generally accepted engineering standards, and that they are duly constructed and maintained in good condition.

Article 26
Duration and Phases of Contracts

1. The phases of the Contract comprising the Exploration, Appraisal, Development and Production phases shall be further set out in each Contract.

2. The Ministry may, if it deems appropriate, agree Initial Exploration Periods and Extension Periods of a shorter or longer duration than those contemplated in Article 27 of the Hydrocarbons Law or in the Model Production Sharing Contract.

Article 27
Contracts for Production Period Only

If the Ministry so determines a Contract may be awarded in respect of the Development and Production phases or in respect of the Production phase only.

Article 28
Exploration Risk

1. Except where the National Company elects to take up a paid interest under Article 153, the risk of investing during the Exploration phase and the Appraisal phase shall be borne by the Contractor. A Contractor shall not be entitled to recover that investment if no commercially viable Discovery is made.
Article 29
Exploration Periods

1. The duration of the First Exploration Sub-Period, the Second Exploration Sub-Period, the First Extension Period and the Second Extension Period shall be specified in the Contract.

2. The Ministry may, if it deems appropriate, extend the First Exploration Sub-Period, the Second Exploration Sub-Period, the First Extension Period or the Second Extension Period.

Article 30
Extension of Exploration Periods

1. If upon expiry of the First Exploration Sub-Period, the Second Exploration Sub-Period, the First Extension Period or the Second Extension Period any Appraisal work program with respect to a Discovery is still in progress, the Contractor shall be entitled to an additional extension of the then current Exploration Period necessary to complete the Appraisal work in progress.

2. Furthermore, where Appraisal work has not yet been completed by the Contractor at the time at which a relinquishment contemplated by Article 36 is due, the requirement to relinquish shall be suspended until such time as the Contractor completes that Appraisal work, commerciality is determined and, if applicable, the related establishment of a Field is approved or denied.

3. Any additional extension granted under this Article shall not normally exceed one (1) Year, or such longer period as may be approved by the Ministry, plus the period of time established under Article 45 necessary for the preparation of a Development and Production Plan and the Ministry's response.

4. In such event, the Contractor shall file a request for an extension with the Ministry at least two (2) months prior to the expiry of the current Exploration Period.

Article 31
Minimum Exploration Work Obligations

1. The minimum work obligations be conducted by the Contractor during the First Exploration Sub-Period, the Second Exploration Sub-Period, the First Extension Period and the Second Extension Period shall be specified in each Contract, including in each case the minimum expenditure for that period in US Dollars or in any other currency acceptable to the Contractor and the Ministry and specified in the Contract.

2. The completion of the minimum work obligations required under the Contract in respect of any Sub-Period or Extension Period shall be a pre-condition to the commencement of the next succeeding Sub-Period or Extension Period.

3. If the Contractor fails to perform the minimum work obligations which the Contractor is required under the Contract to perform during any part of the Exploration Period, the Contractor shall, within such time period as the Ministry may require, pay the Ministry an amount in US Dollars (or other currency specified in the Contract) equal to the minimum expenditure set out in the Contract in respect of the unperformed obligations.

4. If the Contractor fails to pay that amount to the Ministry within the time period required by the Ministry, the Ministry may call for and take that unpaid amount from the parent company guarantee or the letter of credit provided by the Contractor under Article 17.
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Article 32
Obligatory Exploration Wells

1. Each Exploration Well which the Contractor is required to drill as part of the minimum work obligations under the Contract must be drilled to the minimum depth specified in the Contract, or to a lesser depth if authorised by the Ministry, unless discontinuing drilling is justified by one of the following reasons:

   (a) the economic basement is encountered at a depth less than the minimum depth specified in the Contract;

   (b) continued drilling is clearly dangerous because of abnormal pressure in the formation;

   (c) rock formations are encountered, the hardness of which makes it impracticable to continue drilling with appropriate equipment; or

   (d) Hydrocarbon bearing formations are encountered that require the installation of protective casings which exclude the possibility of reaching the minimum depth specified in the Contract.

2. For the purposes of this Article, economic basement means any stratum in and below which the geological structure or physical characteristics of the rock sequence do not have the properties necessary for the accumulation of Hydrocarbons in commercial quantities and which also reflects the maximum depth at which any accumulation of this type can be reasonably expected.

3. Except in circumstances where a prudent operator would immediately cease drilling operations, the Contractor shall obtain the approval of the Ministry prior to the interruption or cessation of any drilling. The Ministry shall respond as soon as practicable and in any event within five (5) Business Days from the date of receipt of such request. The granting of such approval may not be unreasonably withheld or delayed, provided that the Ministry is in receipt of sufficient information to enable it to make an informed decision.

4. If any obligatory Exploration Well is abandoned due to insurmountable technical problems as set out in this Article and, at the time of such abandonment, the Exploration Costs for that Well have equalled the costs of that Well set out in the Annual Budget approved by the Ministry, for all purposes of the Contract, the Contractor shall be deemed to have fulfilled the obligation to drill that Exploration Well.

5. If any obligatory Exploration Well is abandoned due to insurmountable technical problems, and, at the time of such abandonment, the Exploration Costs for that Well are less than the monetary amount specified in the Contract, then the Contractor shall have the option to either:

   (a) drill a substitute Exploration Well at the same or another location to be agreed with the Ministry; or

   (b) pay the Ministry an amount equal to the difference between the costs actually spent in connection with that Exploration Well and the costs of that Well set out in the Annual Budget approved by the Ministry.

Article 33
Exploration

1. During the Exploration Period, the Contractor shall carry out exploration activities throughout the Contract Area on a regular basis in accordance with the requirements of the Contract and the applicable Annual Work Program.
2. During the drilling of any Exploration Well the Contractor shall submit to the Ministry daily geological and drilling reports.

3. Within sixty (60) days after completing the drilling of any Exploration Well, the Contractor shall submit to the Ministry a full well completion report on that Well. The well completion report shall include, without limitation:
   
   (a) a full geological description of the formations encountered,

   (b) log interpretations,

   (c) the results of any testing undertaken,

   (d) samples (if taken), and

   (e) such other information as the Ministry may require,

   all in accordance with generally accepted practices in the international petroleum industry and any specific requirements of the Ministry.

4. The Contractor shall also notify the Ministry of any discovery of other mineral resources, including fresh water and salts.

5. Within six (6) months of the conclusion of the Initial Exploration Period, any Extension Period and any further extensions thereof, the Contractor shall submit to the Ministry the data, reports and findings from the Exploration operations carried out during that phase.

6. In relation to any reports, data or findings submitted to the Ministry under this Article, the Ministry may request any additional information or assessments.

   **Article 34**
   **Drilling of Wells**

1. In the drilling of any Well the Contractor shall conform to generally accepted practices in the international petroleum industry, including without limitation their casing and cementing.

2. Each Well shall be identified by a name or number agreed with the Ministry, which shall be indicated on all maps, plans or similar records produced by or on behalf of the Contractor.

3. No Well may be drilled to an objective which is outside the vertical projection of the boundaries of the Contract Area.

4. A Well drilled from outside the Contract Area to an objective within the Contract Area may only be drilled with the prior approval of the Ministry and on such terms and conditions as the Ministry may establish. For the purposes of the Contract such a Well approved by the Ministry shall be considered as a Well drilled within the Contract Area.

5. The Contractor shall notify the Ministry at least ten (10) Business Days prior to the commencement of drilling any Well or prior to the resumption of drilling of any Well that has been suspended for more than six (6) months.
Article 35
Prospecting Operations in Adjacent Areas

1. Whenever the conduct of Exploration operations in an area adjacent to the Contract Area is of established interest to the study of the Hydrocarbon potential of the Contract Area, whether or not the adjacent area is covered by a Contract, the Ministry may on receipt of a duly justified request from the Contractor authorise the Contractor for a given period of time to carry out such operations.

2. Such operations shall not comprise the drilling of a Well by the Contractor outside its own Contract Area.

3. If the adjacent area is covered by a different Contract, such operations shall not jeopardise or interfere with Exploration and Production Operations in the adjacent area.

Article 36
Mandatory Relinquishment

1. At the end of the Initial Exploration Period a Contractor must relinquish to the State a minimum of forty (40) percent of the initial Contract Area, or such other percentage as the Ministry may agree to include in the Contract.

2. At the end of the First Extension Period a Contractor must relinquish to the State a minimum of twenty-five (25) percent of the remaining Contract Area, or such other percentage as the Ministry may agree to include in the Contract.

3. For the purpose of determining the percentage of the Contract Area to be relinquished, the following areas shall be excluded:

   (a) any designated Appraisal Area;

   (b) any designated Development and Production Area;

   (c) any area for which the approval of a Development and Production Plan is pending;

   (d) the area of any Field, including any Field which may be subject to unitisation or joint development discussions;

   (e) any area in relation to which the Contractor is engaged in discussions with the Ministry concerning the Appraisal of a Discovery of Unassociated Natural Gas.

4. At the end of the Second Extension Period a Contractor must relinquish to the State the remainder of the Contract Area, with the exception of:

   (a) any designated Development and Production Area;

   (b) any area for which the approval of a Development and Production Plan is pending;

   (c) the area of any Field, including any Field which may be subject to unitisation or joint development discussions;

   (d) any area in relation to which the Contractor is engaged in discussions with the Ministry concerning the Appraisal of a Discovery of Unassociated Natural Gas.

5. If for the purposes of this Article there is doubt whether a Field may be subject to unitisation or joint development discussions or whether the Contractor is engaged in discussions concerning the
Appraisal of a Discovery of Unassociated Natural Gas, the determination of the Ministry on that issue shall be final.

**Article 37**

**Voluntary Relinquishment**

1. A Contractor may voluntarily relinquish all or any part of a Contract Area at any time provided that all mandatory work obligations and all other obligations under the Contract in relation to all or that part of the Contract Area have been fulfilled.

2. Notice of voluntary relinquishment shall be given to the Ministry at least three (3) months prior to the proposed date of relinquishment.

3. The relinquishment of the Contract Area shall not be effective if the facilities located in the Contract Area have not been decommissioned.

**Article 38**

**Relinquishments Generally**

1. No relinquishment under Articles 36 or 37 shall relieve the Contractor of any liabilities or obligations under the Hydrocarbons Law, these Regulations or the relevant Contract which are accrued but unperformed at the date of relinquishment.

2. In any relinquishment the Contractor shall, in accordance with good oil field practice, propose the geographic location of that portion of the Contract Area that it proposes to retain, which shall have a continuous geometric shape going from North to South and East to West delimited as a minimum by one minute (1') of latitude or longitude or by political boundaries. Each such area shall be subject to the approval of the Ministry.

**Article 39**

**Discovery**

If a Contractor discovers Hydrocarbons in the Contract Area, it shall notify the Ministry as soon as possible, but not later than thirty (30) days after the date of the Discovery. This notice shall include all relevant information in accordance with generally accepted practices in the international petroleum industry including particulars of any logging or production testing programme which the Contractor has carried out or proposes to carry out.

**Article 40**

**Non-Commercial Discovery**

1. If a Contractor makes a Discovery which it does not wish to appraise, the area of that Discovery shall be included in the area to be relinquished in the next mandatory relinquishment.

2. If the Contractor considers that a Discovery is not in itself commercial but can be commercially developed in conjunction with one or more other reservoirs, the Contractor shall advise the Ministry of its intention to conduct studies or operations aimed at the joint development of those reservoirs, as well as the nature and expected duration of those studies or operations.

**Article 41**

**Appraisal Program**

1. If the Contractor considers that the Discovery merits Appraisal it shall diligently submit to the Ministry a detailed Appraisal work program and corresponding budget no later than six (6) months.
following the date on which the Discovery was notified to the Ministry (or such later date as the Ministry may in its discretion agree).

2. The Appraisal work program shall specify the estimated size of the Hydrocarbon reserves of the Discovery, the area proposed to be designated as the Appraisal Area and shall include all seismic, drilling, testing and Appraisal operations necessary to carry out an appropriate Appraisal of the Discovery.

3. The duration of the Appraisal work program in the case of Crude Oil shall not exceed twenty-four (24) months. The duration of the Appraisal work program in the case of Natural Gas shall be determined in accordance with Article 144.

4. The Appraisal work program, corresponding budget and designated Appraisal Area are subject to the review and approval of the Ministry in accordance with the procedures set out in Chapter VIII of these Regulations.

5. The Contractor shall diligently carry out the approved Appraisal work program.

6. The approved Appraisal work program shall be incorporated in the corresponding Annual Work Program and Annual Budget.

**Article 42**

**Appraisal Report**

1. Within six (6) months after completion of the approved Appraisal work program, and in any event no later than thirty (30) days prior to the expiry of the Exploration Period, the Contractor shall submit to the Ministry a detailed report (“Appraisal Report”) giving all the technical and economic information on the Discovery and confirming whether, in the Contractor’s opinion, such Discovery is a Commercial Discovery.

2. An Appraisal Report shall include without limitation the following information:
   
   (a) geological and petrophysical characteristics of the Discovery;
   (b) estimated geographical extent of the Discovery;
   (c) thickness and extent of productive layers;
   (d) pressure, volume and temperature data (PVT);
   (e) productivity index of wells tested;
   (f) characteristics and quality of Petroleum discovered;
   (g) preliminary estimates of Hydrocarbons in place and reserves;
   (h) enumeration of other important characteristics and properties of the deposits and fluids discovered;
   (i) the preliminary economic study with regard to the exploitation of the Discovery;
   (j) such additional information and assessments as the Ministry may require.
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Article 43
Commercial Discovery

1. If the Appraisal Report submitted to the Ministry confirms that in the Contractor’s opinion the Discovery is a Commercial Discovery, that confirmation constitutes the declaration of a Commercial Discovery.

2. If the Appraisal Report confirms that in the Contractor’s opinion the Discovery is a Commercial Discovery, that declaration may not be revoked or withdrawn.

Article 44
Development and Production Period

1. A declaration of a Commercial Discovery marks the beginning of the Development and Production Period in respect of the Development and Production Area set out in the definitive demarcation established under Article 47.

2. The duration of the Development and Production Period shall be twenty-five (25) Years from the date of approval of the Development and Production Plan for the Field.

3. At least one (1) Year prior to the expiry of the Development and Production Period, and on condition that the Contractor has fulfilled all of its obligations under the Contract and can demonstrate that commercial Production from the Field is still possible after the expiry of that Period, the Contractor may by written notice to the Ministry request that the Development and Production Period be extended for an additional period of up to five (5) Years. The Ministry’s approval of the requested extension shall not be unreasonably withheld or delayed.

4. The Ministry may in its discretion extend the Development and Production Period for a further set period or periods if it is satisfied that the extension is in the interest of the State.

5. In the case of a Contract covering the Development and/or Production phases only, the Development and Production Period or the Production Period (as the case may be) shall commence on the date when the Contract takes effect.

Article 45
Submission of Development and Production Plan

1. Following the declaration of a Commercial Discovery the Contractor shall commence the preparation of a Development and Production Plan in respect of that Commercial Discovery.

2. Within twelve (12) months after the declaration of a Commercial Discovery (or such longer period as the Ministry may in its discretion allow), the Contractor shall submit the Development and Production Plan to the Ministry for its review and approval.

Article 46
Contents of Development and Production Plan

1. The Development and Production Plan to be submitted to the Ministry shall include, without limitation, the following details:

   (a) a technical report characterizing and describing the accumulation of Crude Oil and Natural Gas, detailing, among others, estimates of Hydrocarbons in place, the range of reserves, maps of productive horizons, chrono-stratigraphical features, depositional environment, poro-perm characteristics and fluid saturations;
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(b) proposal for the demarcation of the Development and Production Area, in accordance with Article 47;

(c) presentation of the different technical solutions examined, including, when applicable, a description of the successive development phases, together with the existing or planned possibilities of joint use and/or development with neighbouring fields;

(d) a statement of intent with regard to any parts of the proposed Field that are not addressed by the Development and Production Plan;

(e) appraisal and economic parameters which justify the selection of the proposed development type;

(f) development work program, detailing drilling, production and injection facilities and equipment, including the number and type of wells to be drilled;

(g) description of the facilities planned for the transport, storage, measurement and export of the Hydrocarbons produced;

(h) information on operation and maintenance of the facilities concerned;

(i) a detailed budget giving the anticipated costs of the Development and Production Plan and each item in it, including without limitation life-of-field capital expenditure plans and related financing proposals and costs, the costs of Wells, production units, storage systems and the disposal of production, life-of-field operating expenditures detailing fixed costs, transportation costs and any other applicable costs;

(j) expected date of start of commercial production, production profiles and possible factors of uncertainty;

(k) environmental impact assessment, focusing in particular on technical solutions for preventing, minimizing and fighting pollution;

(l) health and safety at work plan to be implemented;

(m) plan for use of any Associated Natural Gas;

(n) projected plan for abandoning facilities at the end of the useful life of the field, and the provision of funds needed for decommissioning;

(o) information on the permits obtained, indicating those which approval is still pending;

(p) plan for use of Equatoguinean goods and services;

(q) specific and comprehensive insurance for all materials and equipment referred to in the Development and Production Plan;

(r) a detailed life-of-field annual cash flow forecast showing revenue, royalty, capital expenditure, operating expenditure, abandonment costs, bonus payments, training fees, surface rentals, cost recovery, Contractor’s profit oil, the State’s profit oil, depreciation, income tax, withholding tax, net cash flow and contributions to social projects and to the National Technology Institute;

(s) a plan for the training of national employees of the Contractor hired or to be hired for the purposes of the Development and Production Plan; and
such additional information and assessments as the Ministry may require and other details required by applicable law.

2. If any of the information or documents referred to above is missing, the Ministry may notify the Contractor to provide the missing details within thirty (30) days.

Article 47
Demarcation of Development and Production Area

1. The Development and Production Plan submitted to the Ministry shall define the proposed Development and Production Area by direct reference to the Hydrocarbon reservoir which has been appraised and shall include a map using an appropriate scale. The proposed Development and Production Area shall have a continuous geometric shape going from North to South and East to West delimited as a minimum by one minute (1’) of latitude or longitude or by political boundaries.

2. The Ministry may propose amendments or modifications to the proposed Development and Production Area in accordance with Article 49.

Article 48
Extension of Field beyond Development and Production Area

1. If work performed after approval of a Development and Production Plan indicates that the Field extends outside the demarcated Development and Production Area, the Contractor shall so notify the Ministry providing supporting evidence of that extension.

2. The Ministry may extend the Development and Production Area to embrace that extension, on condition that the extension is within the Contract Area in effect at that time.

3. If the Field extends beyond the boundaries of the Contract Area in effect at that time, then the provisions of Chapter XI of the Hydrocarbons Law and Chapter XII of these Regulations shall apply.

Article 49
Review and Approval of Development and Production Plan

1. By notice to the Contractor within ninety (90) days of submission of the Development and Production Plan, the Ministry may propose amendments or modifications to that Development and Production Plan, including the proposed Development and Production Area, setting out the reasons for those proposed amendments or modifications. In that event the Ministry and the Contractor shall meet as soon as possible to review the amendments or modifications proposed by the Ministry and to establish the Development and Production Plan by mutual agreement.

2. If the Ministry and the Contractor do not reach written agreement within one hundred and eighty (180) days after the date on which the Ministry proposed amendments or modifications (or such longer period as the Ministry may in its discretion agree), or if the Ministry notifies the Contractor that it does not approve the establishment of a Field, the Field shall not be established and any extension granted under Article 30 shall expire.

3. The Ministry’s written approval of a Development and Production Plan shall authorise and oblige the Contractor to carry out the approved Development and Production Plan.

4. If the Ministry considers that the Hydrocarbon reservoir to be developed extends significantly outside the Contract Area of the Contractor that submitted the Development and Production Plan, it shall reject that Development and Production Plan and the provisions of Chapter XI of the Hydrocarbons Law and Chapter XII of these Regulations shall apply.
Article 50
Modifications to Development and Production Plan

1. When the results obtained from Development and Production Operations require modifications to the approved Development and Production Plan, the Contractor may submit its proposed modifications to the Ministry.

2. At any time during the Development and Production phases, the Contractor may propose to the Ministry revisions to the approved Development and Production Plan to allow additional Development and Production Operations to be conducted.

3. The procedure for the Ministry’s approval of modifications or revisions to the approved Development and Production Plan shall be the same as the procedure for the approval of the initial Development and Production Plan set out in Article 49.

Article 51
Mandatory Relinquishment and Future Operations

1. At any time during the Exploration Period the Ministry may on giving the Contractor at least six (6) months notice require the Contractor to relinquish promptly, without any compensation or indemnification, all of its rights over an area encompassing a Discovery, including all its rights to Hydrocarbons which may be produced from that Discovery, if:

   (a) the Contractor makes a Discovery that it does not wish to appraise;

   (b) the Contractor makes a Discovery and does not within the period specified in Article 41 submit an Appraisal Work Program and Budget,

   (c) the Contractor submits an Appraisal Report indicating that the Contractor does not consider the Discovery to be commercial, or

   (d) does not within one (1) Year after completion of the Appraisal of a Discovery of Unassociated Natural Gas establish the Discovery as a Field.

2. In that event the Contractor shall forthwith relinquish to the State all of its rights over that area. The Ministry may perform or cause to be performed any Exploration and Production Operations in respect of that Discovery without any compensation or indemnification to the Contractor, provided however that those Exploration and Production Operations shall not interfere with the Exploration and Production Operations conducted by the Contractor in the Contract Area.

3. The Ministry shall be permitted to use (free of charge) all facilities and equipment of the Contractor that are not used for the Contractor’s continuing Exploration and Production Operations in the Contract Area.

Article 52
Development and Production Operations

1. Development and Production Operations may not be commenced before a Development and Production Plan has been approved by the Ministry. Exceptionally the Ministry may authorise a Contractor to perform certain activities included in a Development and Production Plan before that plan is formally approved.

2. The Ministry’s approval of a Development and Production Plan shall authorise and oblige the Contractor to carry out the approved Development and Production Plan.
3. Within six (6) months after the Ministry’s approval of the Development and Production Plan (or such later date as the Ministry may in its discretion agree) the Contractor shall commence Development and Production Operations in accordance with the approved Development and Production Plan.

4. The Contractor shall perform at its own expense and risk all Development and Production Operations required to bring a Field into Production in accordance with the approved Development and Production Plan.

5. The Contractor shall perform all Development and Production Operations in accordance with the provisions of the Hydrocarbons Law, these Regulations and the Contract and in accordance with generally accepted practices in the international petroleum industry.

Article 53
Commencement of Commercial Production

1. Before Production begins from any Field the Contractor and the Ministry shall agree and establish the Maximum Efficient Production Rate for the Field, and shall agree the dates on which such Rate shall be re-examined and potentially revised.

2. No later than ninety (90) days prior to the commencement of commercial production from a Hydrocarbon reservoir, the Contractor shall apply to the Ministry for authorisation to commence commercial production, including a report on the execution of the Development and Production Plan. Commercial production may only commence after authorisation has been granted by the Ministry.

3. The Ministry shall grant its authorisation to commence commercial production provided that it is satisfied that the Development and Production Plan has been properly conducted according to its terms and in accordance with all relevant laws and regulations of Equatorial Guinea and that the Contractor has not committed any material breach of such laws and regulations. The Ministry’s authorisation to commence commercial production shall not be unreasonably withheld or delayed.

4. The Contractor shall keep the Ministry informed on a daily basis of the volumes of Hydrocarbons produced from the Contract Area.

Article 54
Title to Hydrocarbons

The point of transfer to the Contractor of its share of Hydrocarbons produced shall be specified in the relevant Contract and shall be situated beyond the wellhead and the metering point for Hydrocarbons produced shall be located immediately prior to the point where ownership is transferred.

Article 55
Disposal of Hydrocarbons

1. Each Contractor may freely dispose of all Hydrocarbons to which it is entitled under the terms of the relevant Contract.

2. The State Companies shall dispose of their share of Hydrocarbons to which they are entitled under the terms of the relevant Contract in accordance with the rules set out by the Ministry for this purpose.

3. The provisions of this Article shall apply without prejudice to the provisions of Chapter XXI of the Hydrocarbons Law or Article 155.
CHAPTER VII
METERING AND RECORDS

Article 56
Measurement of Oil and Gas

1. The Operator of each Contract Area shall submit for the consideration and approval of the Ministry the measurement system, equipment and procedures to be used to measure production and sales of Crude Oil and Natural Gas from that Contract Area.

2. The information to be submitted by the Operator to the Ministry shall include, without limitation, the following information:

   (a) complete specification with dimensioned designs and relevant descriptive material;

   (b) proposed operational procedures, including calibration and routine controls;

   (c) method for collection and conservation of samples; and

   (d) proposed laboratory analysis methods for determination of all physical and chemical parameters.

3. The electronic measurement of the flow of Crude Oil and Natural Gas using the measurement system (positive displacement meter or turbine) shall be effected in accordance with the Manual of Petroleum Measurement Standards of the American Petroleum Institute (API).

4. A Licensee shall maintain such measuring equipment as is appropriate to record the quantities of Hydrocarbons and Products that are imported, purchased, refined, stored, exported, used, sold or delivered under the terms of the Licence. All such measuring equipment will be calibrated and proven in accordance with the Manual of Petroleum Measurement Standards of the API. Calibration will be performed at regular intervals throughout the Calendar Year.

5. The quantities of Hydrocarbons in all tanks, road tankers and seagoing vessels shall be determined in accordance with the Manual of Petroleum Measurement Standards of the API. Tank contents shall be measured before loading and discharge to ascertain the exact quantities loaded or discharged.

6. A Contractor shall maintain full records of all Crude Oil and Natural Gas produced and exported from the Contract Area, and shall retain those records for a period of not less than five (5) Years after the expiry or termination of the Contract.

7. A Licensee shall maintain full records of all Hydrocarbons and Products that are imported, purchased, refined, stored, exported, used, sold or delivered under the terms of the Licence, and shall retain those records for a period of not less than five (5) Years.

Article 57
Measuring Instruments

1. This Article applies to measuring or weighing instruments used by a Contractor.

2. If any measuring or weighing instrument is found to be erroneous or inexact, it shall be deemed to have been in that state since the last verification, not exceeding a ninety (90) day period, except when the company reasonably proves to the Ministry that such error has not occurred during all or some of that period.
3. All payments received from the sale of Crude Oil and Natural Gas during the period in which the instrument was not or was deemed not to be operational shall be adjusted accordingly.

4. The measuring or weighing equipment shall not be repaired, changed or subject to maintenance without prior authorisation from the Ministry.

**Article 58**

**Transaction Schedule**

No later than thirty (30) days prior to the beginning of each Quarter the Operator of each Contract Area shall submit the proposed transaction schedule for that Quarter so as to allow the presence of the Ministry’s inspector.

**Article 59**

**Units of Measurement**

1. Contractors and Licensees shall maintain proper standard temperature accounting of all movements and storage of Hydrocarbons, including without limitation the quantities of Hydrocarbons loaded to or discharged from tanks.

2. Contractors shall determine the liquid volume of Crude Oil in units of cubic meters at a temperature of 15° C and pressure of 1 atmosphere (101,325 Pa). The volume in barrels, at a temperature of 60° F and 14.696 psi, shall also be determined.

3. Contractors shall determine the volume of Natural Gas in units of cubic meters at a temperature of 0° C and pressure of 1 atmosphere (101,325 Pa). The volume in cubic feet, at a temperature of 60° F and 14.696 psi, shall also be reported. Volumes of Natural Gas shall be converted to energy units by means of gas sample analysis or gas chromatography using methods issued or approved by the Ministry.

4. Licensees conducting Refining Activities shall determine the liquid volume of Crude Oil and Products in units of cubic metres at a temperature of 15° Centigrade and a pressure of one (1) atmosphere (101,325 Pa). The quantities of Products shall be expressed in SI (Systeme Internationale) metric units.

5. Licensees conducting Commercialisation Activities shall determine the liquid volume of Products in units of cubic metres (1,000 litres) at a temperature of 15° Centigrade and a pressure of one (1) atmosphere (101,325 Pa). The quantities of Products shall be expressed in either cubic metres or litres.

**Article 60**

**Components of Liquids Measurement System**

1. The system for the fiscal measurement of liquids shall, as a rule and without limitation, include the following components, which must be compatible with the liquids to be measured:

   (a) main entry pipe;

   (b) main outflow pipe;

   (c) positive displacement meter or turbine meter, or other equipped with a flow computer or similar device;
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(d) a calibrated closed circuit for inspection (two-way prover), inspection tank or connections to third party certification equipment such as a transfer meter, an inspection closed circuit with portable calibration or other meter checking device;

(e) a sampling device activated by the outflow from the meter;

(f) temperature and pressure measurement or compensation devices; and

(g) man-machine interface system.

2. The system for the fiscal measurement of liquids in Refining and Commercialisation Activities may, when metering is not appropriate and as an alternative to the requirements set out in paragraph 1 above, include the following, which must be compatible with the liquids to be measured:

(a) calibrated dipsticks or tapes;

(b) electronic tank gauging systems installed on calibrated storage tanks; or

(c) weigh bridges for road or rail tankers.

Article 61
Components of Gas Measurement System

The system for the fiscal measurement of gas shall, as a rule and without limitation, include the following components, which must be compatible with the gas to be measured:

(a) an orifice plate meter or another meter equipped with a flow computer or similar device;

(b) a set of duly configured measuring pipes, with the necessary straight extensions, upstream and downstream;

(c) a sampling device activated by the outflow from the meter;

(d) temperature and pressure measurement or compensation device.

Article 62
Measurement Facilities

1. The meters and other facilities used by a Contractor to determine Royalties, taxes, quantities sold and shares in production to be allocated in each Contract Area shall be designed, installed, maintained and calibrated in order to assure precise measurement of the Hydrocarbons produced in that Contract Area, in accordance with the provisions of these Regulations and generally accepted practices and standards in the international petroleum industry.

2. The meters and other facilities used by a Licensee to determine duties, taxes and quantities received, stored, used and sold shall be designed, installed, maintained and calibrated in order to assure precise measurement of the Hydrocarbons imported, refined, stored, exported, used, sold or delivered under the Licence, in accordance with the provisions of these Regulations and the generally accepted practices and standards in the international petroleum industry.

3. The measurement facilities shall be designed so as to:

(a) prevent flowback in the meter;
(b) provide adequate protection for meters subject to pressure thrusts or surges, through the use of compensation towers, expansion chambers or similar devices;

(c) prevent the meter being subject to shock pressures greater than the maximum working pressure;

(d) prevent bypassing of the meter; and

(e) where appropriate, be fitted with air separators such that only liquid is measured.

4. Contractors and Licensees shall ensure that tanks used for the storage of Hydrocarbons are measured regularly, and at least once before and once after each transfer of custody.

5. A storage tank in a Marine Terminal shall not be used for the delivery of product at the same time as it is receiving product, nor for a period of one (1) hour after the receipt of product has finished.

**Article 63**

**Inspection**

1. The Ministry shall have free access to all the facilities of the Hydrocarbons sector for the purposes of inspection. The Ministry’s authorised inspectors shall be fully qualified and competent in the measurement of Hydrocarbons and the related measuring equipment.

2. The inspections shall include without limitation:

   (a) verification of the measuring systems installed in accordance with the applicable rules and regulations and in accordance with the manufacturer’s guidelines;

   (b) inspection of the status of the measuring system and instruments and calibration records;

   (c) verification of seals and respective control logs;

   (d) monitoring of tank and measuring systems inspections;

   (e) monitoring of calibration of systems and instruments;

   (f) monitoring of measuring operations;

   (g) verification of volume and temperature calculations;

   (h) monitoring of sampling operations and laboratory analysis;

   (i) verification of measuring, testing and calibration reports.

3. All instruments and equipment necessary for the inspection shall be provided by the Operator or Licensee of the facilities.

4. When the Ministry expresses the intention of carrying out non-routine inspections, the Operator or Licensee shall ensure their undertaking within two (2) Business Days.

5. When inspection includes the monitoring of scheduled operations, the Ministry shall express its intention of inspecting them. The Operator or Licensee shall confirm the date and time for the operations and shall provide all the required documentation and information. The Ministry’s inspector shall be present during the act of calibration, verification, comparison, measuring and/or weighing against an approved standard of any equipment or instrument.
6. The inspector shall submit a report to the Ministry within two (2) Business Days after performing the inspection.

**Article 64**
**Rights of Inspectors**

1. The Ministry’s authorised inspector shall have the right to supervise the calibration and the control of equipment and, additionally, may control the procedures at any given time without prior notice.

2. The Operator or Licensee shall cooperate fully with the Ministry’s inspector and shall make available any equipment or personnel requested by the inspector.

3. If the inspector so requests, the Operator or Licensee shall provide transportation for the inspector to and from the facilities to be inspected and shall bear the costs of transportation. The Operator or Licensee shall be responsible for the health and safety of the inspector while carrying out his/her functions.

**Article 65**
**Operational Procedures in Case of Failure or Error**

1. This Article and Article 66 apply to the measuring system used by an Operator to measure the production of Hydrocarbons.

2. A measuring system’s actual or presumed failure or error can be detected:

   (a) during operation, if the system presents operational problems or if it provides erroneous results or if unauthorized adjustments are confirmed;

   (b) during calibration, if the system presents calibrating errors or variations above the limits or if the instruments cannot be calibrated;

   (c) when a failure of or error in the meter is detected, the meter shall be removed from operation for adjustment or calibration and substituted for a calibrated meter. The production, between failure and removal from operation, shall be estimated based on the average hourly production before the failure occurred;

   (d) when the failure or error is detected during periodic calibration, the affected production is deemed production as of the previous calibration or during the twenty-one (21) days immediately prior to calibration;

   (e) the Operator shall notify the Ministry within twenty-four (24) hours of the failure or error in the production measuring system, as well as of any other operational incidents that may cause an error in measurement or when there is a total or partial interruption of measuring. The notice shall include an estimate of the relevant volumes.

3. In the event of a meter failure, the Operator shall ensure that the levels of Hydrocarbons in tanks are measured by regular tank dipping or otherwise in order to maintain accurate surrogate records.

**Article 66**
**Measurement, Testing and Calibration Reports**

1. Each Operator shall submit Quarterly to the Ministry reports on the measuring systems which it uses to measure Hydrocarbons produced, and the testing and calibration of those measuring systems.
2. The written reports shall include as a minimum and without limitation the following elements:

(a) all measurements, analysis and calculations carried out in determining the production from a Field;

(b) information on the daily production and respective shipments;

(c) when a measurement is taken in a tank with a volume greater than the daily production, the measurement shall be adjusted according to the production for each day;

(d) in case the reports are drafted electronically, they shall contain all calculation formulae used; and

(e) all measurements, inspections, analyses and calculations carried out during calibration of measuring instruments and systems. The reports shall be drafted immediately after calibration and shall include information to allow them to be traced and verified.

3. The written reports shall include without limitation the:

(a) name of the Operator;

(b) identification of the Field or facility;

(c) date and time of preparation of the report;

(d) period of production or movement of liquid and/or gas;

(e) identification of measuring points;

(f) recorded values (totals, levels, temperatures, pressure);

(g) gross, corrected and net volumes of production or transfer;

(h) laboratory analyses results;

(i) correction factors with the parameters and methods used for their determination; and

(j) signature of the person responsible for the report and of his/her immediate superior.

4. All measurement, testing and calibration reports shall be filed, and available for examination by the Ministry or its representatives.

**Article 67**

**Acceptable Tolerances**

1. The maximum acceptable error for Crude Oil meters shall not be greater than 0.3% of the measured volume.

2. The maximum acceptable error for Natural Gas meters shall not be greater than 1% of the measured volume.

3. The maximum acceptable error for liquid Product meters shall be not greater than 0.2% of the measured volume.
Article 68
Calibration and Certification

1. Meters used by Contractors for transfer of custody of liquid Hydrocarbons shall be checked and calibrated in accordance with the following requirements:

   (a) it shall be possible to prove the integrity of the calibration of each portable calibration inspection closed circuit, of the inspection tank, of the main meter or of any other type of inspection device in accordance with inspection rules certified by the National Institute of Standards and Technology (NIST) of the United States of America or by any equivalent institution, accepted by the Operator;

   (b) custody transfer meters, inspection closed circuits (provers) and inspection tanks shall be calibrated in accordance with the Manual of Petroleum Measurement Standards (MPMS) of the API or other generally accepted practices and standards in the international petroleum industry;

   (c) the base-volumes for inspection (Base Volume of the Prover) shall be applied as from the date of calibration, and shall be within the tolerance limits;

   (d) the Operator shall give the Ministry thirty (30) days prior written notice of the calibration of the meter inspection device used for the transfer of custody of any fluid, and the Ministry may send a representative to witness such calibration.

   (e) the measurement information obtained from inspections and calibration shall be documented and recorded in specific files.

2. Meters used by Licensees for transfer of custody of liquid Hydrocarbons and Products shall be checked and calibrated in accordance with the following requirements:

   (a) All meters used for inventory control or for measuring product transfers to third parties should perform in service with a maximum tolerance of ± 0.20 % at flow rates between 20% and 100% of rated flow.

   (b) The calibration criteria for meters are:

      b.1) New meters and meters coming from repair and overhaul must be calibrated before being brought into service;

      b.2) Meters in service should be proved every six (6) months;

      b.3) To prevent unauthorised adjustment, meters must be adequately sealed following calibration and proving, and before being returned to service;

      b.4) Meter proving should be performed at a flow rate of between 70% and 80% of the rated flow of the meter under test, or normal maximum flow rate in service if this is less;

      b.5) A test record should exist for each meter in service, and the results of each test should be recorded with a description of any adjustment or repairs made; Information in this record should be retained for the lifetime of the operation;

      b.6) The meter should be checked against the master meter or proving tank and adjusted until a minimum of two consecutive results within a tolerance of ± 0.05% of the master meter or proving tank are obtained; and
b.7) In order to check meter accuracy at low flow rates, a further run should be performed at 20% of rated flow of the meter under test; the error at this flow rate should not exceed a tolerance of ± 0.20%.

(c) Meters with erratic performance should be removed from service for repair, overhaul and recalibration, or disposal.

3. Tanks used by Licensees for transfer of custody of liquid Hydrocarbons and Products shall be checked and calibrated in accordance with the following requirements:

(a) Petroleum tanks, whether a stationary tank or a road, rail or marine tanker, may be calibrated in two ways:

a.1) volumetrically, by adding and/or withdrawing measured volumes of liquid; or

a.2) by physical measurement of the tank shell and calculation of the volume.

(b) The International Standards Organisation (ISO), the Institute of Petroleum (IP) and the American Petroleum Institute (API) have issued a range of standards to cover the calibration of vertical, horizontal and spherical fixed storage tanks as well as rail tankers and barge tanks. These are not likely to be needed for normal operations, but are provided below for reference:

b.1) Vertical Tanks
- ISO 7507-1, Strapping Method
- ISO 7507-2, Optical Reference Line Method
- ISO 7507-3, Optical Triangulation Method
- ISO 7507-4, Internal Electro-Optical distance ranging method
- ISO 7507-5, Optical Triangulation Method
- IP 202 Part II, Section 1 - Vertical tanks
- API 2550, Upright Cylindrical Tanks
- API 2555, Liquid Calibration of Tanks

b.2) Horizontal Tanks
- IP 202 Part II, Section 2 - Horizontal and Inclined Tanks
- IP 202 Part II, Section 3 - Liquid calibration methods
- API 2551, Horizontal Tanks
- API 2555, Liquid Calibration of Tanks

b.3) Other Tanks
- API 2552, Calibration of Spheres and Spheroids
- API 2553, Calibration of Barges
- API 2554, Calibration of Tank Cars

Article 69
Mixing of Production

1. For the purposes of this Article, mixing of production means the mixing at the surface of Hydrocarbons produced from two or more Fields or Contract Areas, prior to their measurement for calculation of Royalties, taxes or production sharing.

2. In the event of the mixing of petroleum of differing specifications, the Ministry shall agree on the form and procedures for lifting and sharing the same.

3. The Operator shall only start mixing production after obtaining the approval of the Ministry.
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Article 70
Security of Measurement

1. Metering points for Crude Oil, Natural Gas or Products shall be operated and maintained so as to avoid any loss or theft of product and to assure accurate and appropriate measurement. The pipework arrangement should be designed to ensure that all product passing through the meter is delivered to the intended recipient and cannot be diverted elsewhere.

2. The components of metering devices for sales (metering units and tanks) shall be sealed so as to prevent any tampering.

3. Steel wire seals or any other acceptable type of seals shall be numbered and recorded.

4. A list of the seal numbers and the location of metering facilities shall be kept at the facilities in the field and be available for inspection by the representatives of the Ministry.

Article 71
Competence

1. The competence to inspect compliance with the provisions of these Regulations is vested in the Ministry.

2. Whenever deemed necessary, in case of assessment or calibration of the measurement system and all of its components set forth herein, the Ministry shall request the cooperation of such other relevant bodies or institutions with Equatorial Guinea as the Ministry deems appropriate.

Article 72
Lifting of Crude Oil from a Field

1. No later than twelve (12) months prior to the commencement of Production from a Field the Operator shall submit to the Ministry draft rules and operating procedures to govern the programming, storage and lifting of Crude Oil and any other type of Hydrocarbons produced from that Field.

2. The rules and operating procedures shall include the necessary details for effective and equitable operations, including without limitation:

   (a) rights and obligations of the parties;

   (b) availability and allocation of crude oil;

   (c) lifting schedule;

   (d) agreed lifting program;

   (e) adjustments to the agreed lifting program;

   (f) indication of oil tankers;

   (g) replacement tankers;

   (h) possible delays in arrival of tankers;

   (i) notice of readiness;

   (j) lay time and overstay;
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(k) determination of quantity and specifications of crude oil;
(l) right of inspection;
(m) claims and dispute resolution;
(n) taxes, customs duties and other rates and charges;
(o) release of guarantees;
(p) excess lifting and default lifting;
(q) failure to lift;
(r) safety and emergency procedures; and
(s) other matters agreed between the parties.

3. Within thirty (30) days of receipt of the draft rules and operating procedures, the Ministry may comment on them and recommend any proposed amendments.

4. Within sixty (60) days of receipt of the Ministry’s comments and recommendations, the Operator shall issue the final rules and operating procedures to be applied, taking full account of the Ministry’s comments and recommendations.

5. The rules and operating procedures shall comply at all times with the laws of Equatorial Guinea and in accordance with generally accepted practices in the international petroleum industry.

Article 73

Loading or Discharging at a Marine Terminal

1. Every purchase or sale of Hydrocarbons despatched by ocean-going vessel either as an import or as an export to a third country or under a supply agreement within Equatorial Guinea, shall have a contract of sale or purchase associated with it.

2. Such contract of sale or purchase will include, without limitation, detailed provisions on:

(a) identities of seller and buyer;
(b) rights and obligations of seller and buyer;
(c) price agreed between the parties;
(d) payment terms including provision for non-banking days;
(e) financial security required by the seller whether it be by letter of credit, standby letter of credit, parent company guarantee, bank guarantee, letter of indemnity, or other form of security acceptable to the seller;
(f) passing of title and risk. Notwithstanding the seller’s right to retain the documents until payment has been received, the title of and risk in the Hydrocarbons supplied under the contract shall pass to the buyer once the Hydrocarbons pass the vessel’s permanent hose connection upon loading at the load terminal;
(g) for FOB sales, delivery will be in a vessel nominated by the buyer. The buyer’s subsequent duty is to provide a vessel that complies with the ISPS (International Ship and Port Security) Code, including their duty to nominate, warrant that the vessel is owned chartered by a member of the International Tanker Owners Pollution Federation Ltd. (ITOPF) and that the vessel carries on board a certificate of insurance as described in the Civil Liability Convention for Oil Pollution Damage and meets P&I Club regulations; and that the vessel is acceptable to the seller.

(h) the seller shall procure that the load terminal shall comply with the requirements of the International Code for the Security of Ships and of Port Facilities;

(i) the rights of the seller, the operator of the load terminal, and the Ministry to reject any vessel;

(j) lay days and cargo reference number;

(k) procedure to go to notice of readiness (NOR) by the ship’s master and the buyer’s subsequent obligation to accept delivery once NOR is tendered;

(l) buyer’s and seller’s rights if the seller rejects vessel after NOR is tendered, or if the buyer fails to nominate, or if the vessel fails to tender NOR at end of the lay day period or fails to load;

(m) right of either party to appoint an independent inspector to measure the quantity and test the quality of the cargo loaded or to be loaded;

(n) seller’s duties at the load terminal, including provision pro-gratis of a safe berth and obligation to make delivery once NOR is tendered;

(o) loading time, conditions and demurrage;

(p) procedures for making and accepting demurrage claims;

(q) dues and charges. All dues and other charges on the vessel shall be the responsibility of the buyer. Buyer shall likewise be responsible for payment of any taxes, duties, imposts, fees, charges and dues of every description on the cargo once the cargo passes the vessel's permanent hose connection at the load terminal.

(r) quality and quantity. The quality of the cargo shall be that which is available at the load terminal at the time of loading. The measurement of the quantity and the base sediment and water of the cargo, and the testing of the quality of the cargo (whether by taking samples or otherwise), shall be carried out in accordance with standard industry practice. The seller shall ensure that certificates of quantity and quality are issued in accordance with standard practice and that copies of such certificates are delivered to buyer as soon as reasonably possible. The seller shall use such certificates in the preparation of invoices, and the buyer shall be obliged to pay the invoiced amount, but always without prejudice to the right of either party to claim adjustment of monies paid to the extent that such certificates are shown to be incorrect.

(s) exceptions and force-majeure clauses, covering such matters as mechanical failure, emergency, laws, regulations, strikes and labour disputes;

(t) destination and other restrictions. There may be conditions within the contract whereby the buyer shall not sell, or otherwise dispose of the cargo for supply, to any destination which is at the time of delivery not permitted under the laws, regulations, rules and guidelines of Equatorial Guinea. It is the obligation of the buyer to acknowledge that at the date of contract to purchase, they are aware of and will abide by all such laws, regulations, rules and guidelines relevant to its undertaking under such conditions. If the seller so requires, the buyer is obliged to provide the seller, within 60 Days after the date of discharge of the cargo, with appropriate documentation for
the purpose of verifying the final destination thereof. Such documentation shall include the, name of the discharge port or ports, the date or dates of discharge and the grade and quantity discharged.

(u) event of bankruptcy, or similar, by either party. In certain conditions, payment could be refused without proper banking guarantees or in other cases is required to be made in advance, in cash.

(v) applicable law. The contract is governed by and construed in accordance with English Law and the parties hereby submit to the exclusive jurisdiction of the English Courts without recourse to arbitration. The UN Convention for the International Sale of Goods (1980) shall not apply.

(w) assignment. Buyer and seller may each assign its respective rights and obligations, but only with the prior written consent of the other party.

(x) book-outs and chains for multi-transactions. Different settlement terms may be agreed between both parties.

(y) limitation of liability. Except as otherwise specified in the contract, neither seller nor buyer shall be liable for consequential or indirect loss or damage of any kind arising out of or in any way connected with the performance of or failure to perform this contract.

CHAPTER VIII
WORK PROGRAMME AND PETROLEUM OPERATIONS BUDGET

Article 74
Submission of Annual Work Programme and Annual Budget

1. No Exploration and Production Operations may be conducted under a Contract except under an Annual Work Programme and corresponding Annual Budget approved by the Ministry.

2. No later than ninety (90) days prior to the beginning of each Calendar Year, or for the first Calendar Year no later than sixty (60) days after the Effective Date of the Contract, the Contractor shall prepare and submit to the Ministry for its review and approval a detailed and itemised Annual Work Programme divided into Quarters, along with the corresponding Annual Budget, setting forth the Exploration and Production Operations that the Contractor proposes to carry out under the Contract during that Calendar Year.

Article 75
Form of Annual Work Programme and Annual Budget

1. Each Annual Work Programme and Annual Budget shall identify separately, and as applicable, the Exploration, Appraisal, Development and Production operations that the Contractor proposes to carry out in the Contract Area during that Calendar Year.

2. For the purposes of this Chapter VIII, an Annual Work Programme and Annual Budget which covers more than one of the Exploration, Appraisal, Development and Production phases shall constitute a separate Annual Work Programme and Annual Budget in respect of each such phase.

3. The Annual Budget shall be presented in the official format provided by the Ministry.
Article 76

Review and Approval of Annual Work Programme and Annual Budget

1. The Ministry shall review each Annual Work Programme and Annual Budget and may by written notice to the Contractor within sixty (60) days of receipt reject or propose amendments or modifications to that Annual Work Programme and Annual Budget, including reasons for such rejection, amendments or modifications.

2. In that event the Ministry and the Contractor shall meet as soon as possible to review the rejection, amendments or modifications proposed by the Ministry and establish by mutual agreement the Annual Work Programme and Annual Budget.

3. The Contractor shall diligently and properly perform each operation included in an Annual Work Programme approved by the Ministry in accordance with the Hydrocarbons Law, these Regulations and the terms of the Contract.

Article 77

Modifications to Annual Work Programme and Annual Budget

1. If the technical results of the work performed or unforeseen changes in circumstances may justify modifications to an approved Annual Work Programme and Annual Budget, the Contractor shall promptly notify the Ministry in writing of its proposed modifications.

2. The Ministry shall review the proposed modifications and approve or reject those modifications within sixty (60) days of receipt. If the Ministry does not respond within that period the proposed modifications shall be deemed to have been approved by the Ministry.

Article 78

Unauthorised Expenditures

1. If a Contractor incurs expenditures which are not within an approved Annual Work Programme and Annual Budget, those expenditures shall not be cost recoverable under the Contract nor deductible for tax purposes.

2. In no event shall the Contractor incur any expenditure which exceeds an approved Annual Budget by more than five percent (5%) without the express prior approval of the Ministry. Expenditures incurred in excess of that figure without the approval of the Ministry shall not be cost recoverable under the Contract nor deductible for tax purposes.

3. This Article shall not prejudice the Contractor’s right to make expenditures in the event of an emergency or accident requiring urgent action under Article 79.

Article 79

Emergency or Accident

1. In the event of an emergency or accident requiring urgent action, the Contractor shall take all steps and measures as may be prudent and necessary in accordance with good oil field practice to protect its interests and those of the State and the property, life and health of any Person, the environment and the safety of Exploration and Production Operations.

2. The Contractor shall promptly notify the Ministry of such emergency or accident and the steps it has taken in response.

3. All costs incurred by the Contractor in accordance with this Article shall be cost recoverable under the Contract, provided that all costs incurred by the Contractor in the cleaning up of pollution or
damage to the environment caused by the negligence or wilful misconduct of the Contractor, its subcontractors or any Person acting on its or their behalf shall not be cost recoverable under the Contract nor deductible for tax purposes.

4. In the event of an emergency or accident attributable to the Contractor, it shall be penalised according to the extent of the damage and its effects.

**Article 80**

**Content of Annual Work Programme for Exploration Phase**

1. During the Exploration phase of a Contract the Annual Work Programme shall set out the Exploration activities to be conducted during the following Year and shall include, as a minimum and without limitation, all the minimum work obligations required by the Contract to be performed in that Year.

2. The Annual Work Programme shall include without limitation:

   (a) data on the area to be prospected and explored, indicating the location of facilities and equipment;

   (b) data on seismic and other surveys and on the drilling of wells;

   (c) work schedule;

   (d) prospecting and exploration methods;

   (e) equipment to be used, movement of equipment, ports and airports for unloading and to be used as support bases for prospecting and exploration;

   (f) form in which findings will be available;

   (g) environmental impact assessment if required by the Contract or by legislation in force; and

   (h) a detailed budget giving the anticipated costs of the Annual Work Programme and each item in it.

3. The Contractor may add other data that it deems of interest for the knowledge of the geological potential of the Contract Area.

**Article 81**

**Content of Annual Work Programme for Appraisal Phase**

1. During the Appraisal phase of a Contract the Annual Work Programme shall set out the Exploration activities to be conducted during the following year and shall include, without limitation:

   (a) aims of the appraisal strategy;

   (b) geological context of the discovery (including respective location map);

   (c) geophysical survey programmes;

   (d) number and type of Wells to be drilled; and

   (e) a detailed budget giving the anticipated costs of the Annual Work Programme and each item in it.
2. The Contractor may add other data that it deems of interest for the knowledge of the geological potential of the area under Appraisal.

**Article 82**  
**Annual Work Programme for Development Phase**

1. During the Development phase of a Contract the Annual Work Programme shall comprise those parts of the approved Development and Production Plan for that Hydrocarbon reservoir which are scheduled under the approved Development and Production Plan to be performed during the following year.

2. The Ministry may only reject the Annual Work Programme for the Development phase if the Annual Work Programme and budget submitted is inconsistent with the current approved Development and Production Plan, the Hydrocarbons Law, these Regulations, other applicable laws of Equatorial Guinea or generally accepted practices of the international petroleum industry.

**Article 83**  
**Annual Work Programme for Production Phase**

1. During the Production phase of a Contract the Annual Work Programme shall set out the Production activities to be conducted during the following year and shall include, without limitation:

   (a) the projects and other works to be undertaken;

   (b) the proposed daily production levels for Crude Oil or Natural Gas as appropriate;

   (c) well workovers and other scheduled maintenance;

   (d) any shut-down periods scheduled for the purposes of maintenance;

   (e) forecast for flaring and loss of Natural Gas;

   (f) forecast for injection of special fluids with a view to enhanced recovery;

   (g) forecast for production and management of solid waste;

   (h) a detailed budget giving the anticipated costs of the Annual Work Programme and each item in it;

   (i) a detailed life-of-field annual cash flow forecast showing revenue, royalty, capital expenditure, operating expenditure, abandonment costs, bonus payments, training fees, surface rentals, cost recovery, Contractor’s profit oil, the State’s profit oil, depreciation, income tax, withholding tax, net cash flow and contributions to social projects and to the National Technology Institute; and

   (j) such other forecasts and information as are necessary or appropriate or as the Ministry may require.

2. Approval of the Annual Work Programme shall authorise and oblige the Contractor to produce Hydrocarbons in accordance with the production levels contained in it.

3. Provided that it is in the national interest or necessary to ensure the efficient use of reservoirs, facilities and/or transportation systems, the Ministry may on its own initiative impose any reasonable increase in or reduction to the production levels contained in any current approved Annual Work
Programme. In this case the Ministry shall give the Contractor a reasonable period to submit and implement an amended Annual Work Programme.

CHAPTER IX
OPERATOR

Article 84
Technical Operator and Administrative Operator

1. If the Parties comprising the Contractor so agree, the functions of the Operator may be divided between the Technical Operator and the National Company as the Administrative Operator.

2. The appointment of the National Company as the Administrative Operator shall be subject to the approval of the Ministry.

3. The rights and obligations of the Technical Operator and the Administrative Operator shall be set out in the Joint Operating Agreement.

Article 85
Award of Contracts

1. Subject always to Article 156, the Contractor shall award all contracts for goods and services required in Exploration and Production Operations to the best qualified Person, including Affiliates of the Contractor, as determined by cost and ability to perform the contract.

2. Each Contract shall define a material contract by reference to a financial limit agreed with the Ministry. The Contractor may award a contract below this financial limit without inviting tenders, and the Ministry’s approval of the contract shall be deemed to have been granted under the Hydrocarbons Law provided that the Contractor has complied with the provisions of this Article and Article 156.

3. With a material contract above the financial limit set out in the Contract, the Contractor shall:
   
   (a) invite tenders for the contract;

   (b) add to such list any Persons who the Ministry requests;

   (c) complete the tender process within a reasonable period of time;

   (d) consider and analyse the details of the bids received;

   (e) prepare and circulate to the Ministry a competitive bid analysis stating the Contractor’s recommendation as to the Person to whom the contract should be awarded, the reasons therefor, and the technical, commercial and contractual terms to be agreed upon;

   (f) obtain the approval of the Ministry; and

   (g) provide the Ministry with a copy of the final signed contract.

4. All amendments and/or variations to a material contract above the threshold value set out in the Contract shall require the prior approval of the Ministry.

5. If the Contractor enters into a contract for goods and services required in Exploration and Production Operations without complying with the requirements of this Article and Article 156, the costs of that contract shall not be cost recoverable by the Contractor under the Contract, nor deductible for tax purposes.
6. The Contractor shall comply with the provisions in the Contract for the submission to the Ministry along with the Annual Work Programme of details of contracts entered into or to be entered into.

CHAPTER X
REFINING, STORAGE, COMMERCIALISATION AND TRANSPORTATION

Article 86
Refining and Commercialisation Licences

1. No Person may conduct Refining or Commercialisation Activities without a Licence from the Ministry in accordance with this Article.

2. A Person wishing to conduct Refining or Commercialisation Activities must apply to the Ministry for a Licence in accordance with this Article. Such application shall specify:

(a) the identity of the applicant and its representatives;

(b) the nature of the activities that the applicant wishes to conduct, and whether these are Refining or Commercialisation Activities;

(c) the premises on which those activities are to be conducted and the facilities to be used;

(d) the applicable technology, the source of feedstocks (where appropriate), the destination of the products and the economic resources to be used;

(e) the requested duration of the Licence;

(f) (where appropriate) an indication of the strategic benefits to Equatorial Guinea in granting the Licence; and

(g) such other matters as the applicant considers appropriate or the Ministry may request.

3. The Ministry may in its discretion:

(a) require the applicant to provide in writing further information or clarification of any aspect of the application;

(b) inspect the premises and facilities to be used in the Refining or Commercialisation Activities;

(c) grant or refuse any application for a Licence;

(d) grant any application for a Licence on different terms from those in the application or subject to such conditions as the Ministry sees fit to impose;

(e) determine the duration of the Licence;

(f) determine any Licence fee payable by the Licensee and/or any periodic fees payable by the Licensee while the Licence is in force.

4. The Ministry shall only grant a Licence to Persons having suitable technical and financial capability, as well as appropriate experience in the petroleum industry, to perform the activities authorised by the Licence. The Ministry may refuse an application on the grounds that it considers that the applicant is not a proper person to hold a Licence for those activities.
5. The Ministry shall provide any successful applicant with a written copy of the Licence containing its full terms and specifying, to the extent applicable:

(a) the identity of the Licensee;
(b) the commencement and expiry dates of the Licence;
(c) the nature of the Refining or Commercialisation Activities authorised by the Licence;
(d) the premises on which those activities are to be conducted and the facilities to be used;
(e) any Licence fee and/or any periodic fees payable by the Licensee and the time of payment; and
(f) such other conditions as the Ministry sees fit to impose.

6. The Ministry shall notify any unsuccessful applicant in writing. An unsuccessful applicant may submit another application for a Licence provided that the application deals satisfactorily with the Ministry’s reasons for rejecting the initial application.

7. Not later than ninety (90) days prior to the expiry of a Licence, the Licensee may apply to the Ministry in accordance with this Article for a renewal of the Licence or for a new Licence. A Licence shall not be granted retrospectively.

8. Neither a Licence nor any rights or obligations under a Licence shall be assigned or transferred without the express prior written permission of the Ministry.

Article 87
Refining and Commercialisation Activities

1. Any Person conducting Refining or Commercialisation Activities at the date on which these Regulations come into force shall have a period of eighteen (18) months from that date to apply for and obtain a Licence from the Ministry to authorise those activities. If the Ministry has not granted that Person a Licence within that time, that Person shall cease those activities at the end of that period. Except for those Contractors who meet the requirements established in Article 87.8 of these Regulations.

2. A Licensee shall conduct the Refining and Commercialisation Activities authorised by the Licence strictly in accordance with the terms of the Licence and any conditions included therein, the Hydrocarbons Law, these Regulations and any other applicable law of Equatorial Guinea.

3. If a Licensee:

(a) breaches the terms of the Licence or any condition included in it;
(b) conducts the Refining and Commercialisation Activities authorised by the Licence in a manner which contravenes the Hydrocarbons Law, these Regulations, or any other applicable law of Equatorial Guinea; or
(c) fails to pay any Licence fee or periodic fees payable under the Licence within the time stipulated;

the Ministry may revoke the Licence forthwith by written notice to the Licensee. Alternatively the Ministry may in its discretion serve a Prohibition Notice or an Enforcement Notice on the Licensee in accordance with Article 89.
4. A Licensee shall ensure that all of its staff are properly trained to carry out the Refining and Commercial Activities that the Licensee is authorised to conduct. The Ministry may from time to time establish technical standards under Article 9 setting out the training and certification requirements for personnel engaged in specified Refining and Commercial Activities.

5. All Refining and Commercialisation Activities shall be conducted, and the facilities used therein shall be operated and maintained, in accordance with generally accepted practices in the international petroleum industry, so as to avoid death, injury, property damage, spillage, pollution, fire, explosion or accident.

6. All facilities used in Refining and Commercialisation Activities shall be sited so as to avoid death, injury or property damage from blast in accordance with technical standards issued from time to time by the Ministry. In a specific case the Ministry may accept a different standard if it is satisfied that the safety arrangements at the facility meet health, safety and environmental requirements.

7. If noise levels from any premises or facility used for Refining or Commercialisation Activities are excessive, as determined by the Ministry, the Ministry may by notice to the Licensee restrict the noise levels, restrict the operations that may be performed at that premises or facility or restrict the hours during which those operations may be performed.

8. A Contractor may conduct Refining or Commercialisation Activities without a Licence from the Ministry under this Article, provided that those activities are expressly authorised by the terms or the Contract or are necessarily incidental to those authorised activities. This Chapter X shall apply to a Contractor conducting Refining or Commercialisation Activities to the extent provided herein.

Article 88
Sources of Feedstocks and Products

1. The Ministry may require any Licensee to obtain its requirements for specified feedstocks or Products from a specified source within Equatorial Guinea.

2. The Ministry may impose such a requirement:

   (a) on Licensees generally, by public notice published in the Ministry’s bulletin or web page;

   (b) on Licensees generally, by written notice to all relevant Licensees;

   (c) on specific Licensees who have a requirement for those feedstocks or Products, by written notice to those Licensees; or

   (d) on individual Licensees as a condition of the Licence.

3. Any such notice or condition shall specify the feedstocks or Products concerned and the source of those feedstocks or Products.

Article 89
Prohibition and Enforcement Notices

1. This Article applies if the Ministry becomes aware, or has reasonable grounds to believe, that:

   (a) a Person without a Licence is conducting Refining or Commercialisation Activities in Equatorial Guinea;
(b) a Licensee is conducting Refining or Commercialisation Activities in Equatorial Guinea which are not authorised by the terms and conditions of the Licence; or

(c) a Licensee is conducting Refining or Commercialisation Activities in Equatorial Guinea in a manner which contravenes the Hydrocarbons Law, these Regulations, other applicable laws of Equatorial Guinea or the terms and conditions of the Licence.

2. The Ministry may serve on that Person or Licensee a written notice (“Prohibition Notice”) which:

   (a) requires that Person or Licensee to cease unauthorised Refining or Commercialisation Activities; or

   (b) requires that Person or Licensee to cease Refining or Commercialisation Activities that are being conducted in a manner which contravenes the Hydrocarbons Law, these Regulations, other applicable laws of Equatorial Guinea or the terms and conditions of the Licence.

3. A Prohibition Notice shall specify the Refining or Commercialisation Activities which the recipient is required to cease and may, in the Ministry’s discretion, give the recipient a specified period of grace in which to apply for a Licence for those Refining or Commercialisation Activities.

4. The Ministry may serve on that Licensee a written notice (“Enforcement Notice”) which requires that Person or Licensee to carry out those Refining or Commercialisation Activities in accordance with the Hydrocarbons Law, these Regulations, other applicable laws of Equatorial Guinea or the terms and conditions of the Licence.

5. An Enforcement Notice shall specify the breach or suspected breach of the Hydrocarbons Law, these Regulations, other applicable laws of Equatorial Guinea or the terms and conditions of the Licence, and shall set out the actions that the Licensee or Person is required to take in order to cure that breach and give the Licensee or Person a specified period to take the required actions. An Enforcement Notice may require the Licensee or Person to take actions that exceed the minimum standards established by the Hydrocarbons Law and these Regulations.

6. In addition to the fines provided in Article 170, the failure of a Licensee to comply strictly and to the Ministry’s satisfaction with a Prohibition Notice or Enforcement Notice shall constitute grounds for the Ministry to terminate the Licence under Article 87.

**Article 90**

**Refining Activities**

1. No Person may build or operate a refinery in Equatorial Guinea without a Licence for Refining Activities from the Ministry in accordance with Article 87.

2. The Ministry may establish technical standards applicable to Refining Activities and the design and operation of refineries under Article 9.

3. A Person wishing to build a refinery in Equatorial Guinea:

   (a) shall co-operate closely with the Ministry in the design and location of the refinery and its facilities so as to ensure that the design, capacity and Products of the refinery meet the requirements of Equatorial Guinea; and

   (b) shall submit the final detailed design of the refinery and its facilities for the review and approval of the Ministry.
4. The Ministry shall within ninety (90) days of receipt by written notice to the applicant approve, reject or propose amendments or modifications to the final detailed design of the refinery.

5. If the Ministry proposes amendments or modifications to the final detailed design, the applicant may resubmit the design including those amendments or modifications for the approval of the Ministry under this Article.

6. A refinery shall be built and operated strictly in accordance with the detailed design approved by the Ministry, the terms of the Licence for Refining Activities, the Hydrocarbons Law and these Regulations.

7. The premises and facilities used for Refining Activities must be:
   (a) secured so that no unauthorised Persons have access to the premises;
   (b) properly supplied with protective equipment for authorised personnel;
   (c) provided with trained and defined fire-fighting teams with suitable vehicles, extinguishers and fire-fighting equipment; and
   (d) designated as no-smoking areas and strictly enforced as such.

Article 91
Commercialisation Activities

1. This Article applies to all Licensees who hold a Licence for Commercialisation Activities.

2. The Ministry may establish technical standards applicable to Commercialisation Activities under Article 9.

3. The premises and facilities used for Commercialisation Activities must be:
   (a) suitable for the Commercialisation Activities carried out there;
   (b) secured so that no unauthorised Persons have access to those parts of the premises that constitute a risk or hazard;
   (c) properly supplied with protective equipment for authorised personnel and with suitable extinguishers and fire-fighting equipment; and
   (d) designated as no-smoking areas and strictly enforced as such.

4. Where Commercialisation Activities involve the packaging or repackaging of Products into containers, the Licensee shall ensure that the containers are:
   (a) suitable for the type of Products contained in them, and
   (b) clearly labelled to identify the quantity and type of Products contained in them.

5. Where the Licensee is in possession of containers that have been used to contain Products, the Licensee shall ensure that those containers are properly disposed of or recycled. If those containers are disposed of for reuse by any other Person, the Licensee shall ensure that prior to disposal:
   (a) the containers are cleaned so as to remove all residues of the Products contained in them, and
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(b) all labels indicating the previous contents of the containers are removed from them.

**Article 92**

**Marine Terminals**

1. No Person may build or operate a Marine Terminal in Equatorial Guinea without a Licence for Commercialisation Activities from the Ministry in accordance with Article 87.

2. The Ministry may establish technical standards applicable to Marine Terminals under Article 9.

3. A Person wishing to build a Marine Terminal in Equatorial Guinea:
   
   (a) shall co-operate closely with the Ministry in the design and location of the Marine Terminal and its facilities so as to ensure that the design and capacity of the Marine Terminal meet the requirements of Equatorial Guinea; and

   (b) shall submit the final detailed design of the Marine Terminal and its facilities for the review and approval of the Ministry.

4. The Ministry shall within ninety (90) days of receipt by written notice to the applicant approve, reject or propose amendments or modifications to the final detailed design of the Marine Terminal.

5. If the Ministry proposes amendments or modifications to the final detailed design, the applicant may resubmit the design including those amendments or modifications for the approval of the Ministry under this Article.

6. A Marine Terminal shall be built and operated strictly in accordance with the detailed design approved by the Ministry, the terms of the Licence for Commercialisation Activities, the Hydrocarbons Law and these Regulations.

7. The operator of a Marine Terminal shall ensure that each vessel using the terminal:

   (a) complies with the ISPS (International Ship and Port Security) Code;

   (b) is owned or chartered by a member of the International Tanker Owners Pollution Federation Limited (ITOPF);

   (c) carries on board a valid certificate of insurance as described in the Civil Liability Convention for Oil Pollution Damage; and

   (d) meets P&I Club regulations.

**Article 93**

**Storage**

1. Except as permitted by this Article, no Person may store any quantity of Hydrocarbons or Products without a Contract or a Licence which permits that Person to store that quantity of Hydrocarbons or Products.

2. The Ministry may establish technical standards applicable to the storage of Hydrocarbons or Products under Article 9.

3. A Contractor or a Licensee may store in accordance with the requirements of this Article:

   (a) the quantities of Hydrocarbons or Products expressly permitted by the Contract or Licence, or
(b) such reasonable quantities of Hydrocarbons or Products the storage of which is necessarily incidental to the activities permitted by the Contract or Licence.

4. Premises used for the storage of Hydrocarbons or Products must be:

   (a) suitable for the volume and type of Hydrocarbons or Products that are stored there;

   (b) situated a sufficient distance from residential or industrial areas to avoid death, injury or property damage in the event of a fire, explosion or accident;

   (c) secured so that no unauthorised Persons have access to those parts of the premises that constitute a risk or hazard;

   (d) properly supplied with protective equipment for authorised personnel and with suitable extinguishers and fire-fighting equipment; and

   (e) designated as no-smoking areas and strictly enforced as such.

5. All tanks and associated equipment used for the storage and movement of Hydrocarbons or Products shall be:

   (a) of suitable materials and construction to contain the Hydrocarbons or Products stored in them safely and without corrosion or leakage;

   (b) installed on suitable foundations to bear the weight of the tank when full;

   (c) kept covered so as to prevent contaminants or sources of ignition from entering the tank;

   (d) clearly labelled to indicate the Hydrocarbons or Products contained in them and the maximum safe capacity of the tank;

   (e) at an appropriate point from which any incident will be managed, clearly labelled with instructions for fire-fighting in the event of a fire;

   (f) where possible, provided with a means of measuring the contents of the tank without dipping;

   (g) where possible, provided with a means of dipping the tank manually;

   (h) provided with appropriate systems and pumps for loading and discharging so as to minimise the risk of loss or spillage;

   (i) properly maintained throughout its working life in accordance with generally accepted practices in the international petroleum industry;

   (j) properly decommissioned, decontaminated, removed from the premises and properly disposed of or recycled at the end of its working life.

6. A Person may store in suitable containers up to one hundred (100) litres of gasoline or diesel for his or her own use without a Licence.

7. A Person may store in suitable containers Products other than gasoline or diesel in reasonable quantities for his or her own use without a Licence, provided that such quantities can be demonstrated to be commensurate with use for personal consumption.
Article 94
Data and Stockholding

1. This Article applies to any Person who has a Licence which permits that Person to store any quantity of Hydrocarbons or Products.

2. The Ministry may at any time require any Person to whom this Article applies to submit to the Ministry single or periodic written returns of the quantity of Hydrocarbons or Products actually stored by that Person.

3. The Ministry may at any time by written notice require any such Person to maintain in storage a stated minimum level of specified Hydrocarbons or specified Products. Any Person in receipt of such a notice shall ensure that he maintains in storage not less than the minimum level of Hydrocarbons or Products required by that notice.

4. In the event of a national emergency the Ministry may by means of a Presidential Decree requisition all or part of the Hydrocarbons or Products stored by a Person in accordance with Chapter XXI of the Hydrocarbons Law. The Ministry shall pay for requisitioned Hydrocarbons or Products in CFA Francs at the price prevailing in Equatorial Guinea at the date of the requisition.

Article 95
Decommissioning of Premises

1. This Article applies to any Person (whether that Person is a current Licensee, a past Licensee or has never been a Licensee) who has been using a particular premises for Refining Activities or Commercialisation Activities and who ceases to use those premises for that purpose.

2. Any Person to whom this Article applies shall ensure that:

   (a) all Hydrocarbons and Products are safely removed from the premises;

   (b) all tanks and containers are decontaminated, safely removed from the premises and properly disposed of or recycled;

   (c) so far as practicable all soil which is contaminated with Hydrocarbons or Products is removed and properly disposed of; and

   (d) the land is reinstated and restored to its original condition prior to the commencement of Refining Activities or Commercialisation Activities.

3. If any Person fails to perform and complete the operations required by paragraph 2 above within a reasonable time as determined by the Ministry, the Ministry may perform or complete those operations itself or else engage a third party to do so. The Ministry may recover all the costs of performing or completing those operations from the Person who has failed to do so.

Article 96
Road Transportation

1. A Licensee using road vehicles to transport Hydrocarbons or Products:

   (a) shall ensure that all road vehicles used by it for that purpose are suitable for that purpose, are properly maintained and are in a safe and roadworthy condition;

   (b) shall ensure that the driver of any road vehicle used by it for that purpose is properly qualified and trained for that purpose and is in a fit condition to drive and operate the vehicle safely;
(c) shall ensure that road vehicles used by it for that purpose are loaded within the nominal load capacity of the road vehicle, that those road vehicles are not overloaded and that the load is secure;

(d) shall ensure that road tankers used by it for that purpose are properly labelled to indicate what type of Hydrocarbons or Products are loaded on it on any particular journey; and

(e) shall carry within the vehicle’s cab detailed product health and safety information on the Hydrocarbons or Products carried, and advice and instructions for any emergency response organisation dealing with a spillage, fire or explosion; and

(f) shall take all necessary steps to avoid the loss or spillage of Hydrocarbons or Products during transportation or during loading or unloading.

(g) A Licensee shall be responsible for all damages and losses caused by any of the vehicles used in the transportation of Hydrocarbons.

**Article 97**

**Sale of Products**

1. This Article applies to all Licensees who hold a Licence to sell Products, whether wholesale or retail.

2. The Licensee shall ensure that:

   (a) the price of the Products on sale is clearly displayed or otherwise readily available to customers;

   (b) the Products meet the product specifications set out in Article 98 and are not contaminated;

   (c) the Products are of merchantable quality and fit for their purpose;

   (d) the quantities of Products sold to customers are accurately measured and the correct quantities supplied; and

   (e) the customer is charged the correct amount for the quantities supplied.

3. Products shall not be sold to customers if no working, accurate and calibrated measuring system is available to verify the volume of the sale.

4. The Licensee shall only dispense Products to customers who have proper containers for them. For this purpose the fuel tank of a roadworthy vehicle shall be considered a proper container.

5. The Ministry may prohibit the export of specified Products to specified Persons or locations. The Ministry may notify such requirement by written notice to exporters or by public notice published in the Ministry’s bulletin or web page.

**Article 98**

**Product Specifications**

1. No Person may sell or supply any Product for use within Equatorial Guinea which does not meet the current specification for that Product determined in accordance with this Article.
2. The Schedule to these Regulations sets out various current international specifications for the following Products:

Part 1 – Gasoline
Part 2 – Kerosene and Jet Fuel
Part 3 – Diesel and Gas Oils
Part 4 – Residual Fuels
Part 5 – LPG

3. The current specifications for Products in Equatorial Guinea are:

(a) Gasoline – Current in Part 1 of the Schedule;
(b) Kerosene – Regular Grade Burning Kerosene in Part 2 of the Schedule;
(c) Jet Fuel – JET International Export Grade in Part 2 of the Schedule;
(d) Marine Diesel – Current Marine Diesel in Part 3 of the Schedule;
(e) Diesel – Current Diesel in Part 3 of the Schedule;
(f) Residual Fuels – [To be advised] in Part 4 of the Schedule; and
(g) LPG – Current LPG in Part 5 of the Schedule.

4. The Ministry may from time to time:

(a) amend the current specification for any Product;
(b) amend the current specification for any Product by specifying a different international specification contained in the relevant part of the Schedule;
(c) amend, remove or replace any international specification contained in any part of the Schedule; or
(d) replace any part of the Schedule or the entirety of the Schedule.

Any such amendment, removal or replacement shall be published in the Ministry’s bulletin or webpage and shall specify the effective date of the change.

It is the intention of the Ministry to amend the current specifications for gasoline and diesel to AFRI-3 to coincide with the commissioning of the new refinery. Licensees will need to implement suitable change-over programmes in coordination with these intended amendments.

5. The Ministry has the power in its discretion to confiscate and/or destroy without compensation any Product offered or intended for sale in Equatorial Guinea that does not meet the current specification set out in this Article.

**Article 99**

**Anticompetitive Agreements**

1. This Article applies to the persons involved in the Refining or Marketing, were those Licensees or not.
2. It is prohibited to such persons to participate in any agreement which has as objective and effect the prevention, restriction or distortion of the competition of the products in any market in Equatorial Guinea.

3. The Prohibited agreements by paragraph 2 above of this Article include, without limitation, the Agreements or understanding that:

   (a) set the selling or purchasing price of related products and services,
   (b) limit or restrict the production or supply of products,
   (c) share or divide markets or sources of supply,
   (d) discriminate among clients.

4. In addition to the penalties imposed in these Regulations, any agreement prohibited by paragraph 2 above have no effect.

**Article 100**

**Abuse of Dominant Position**

1. This Article applies to any company that occupy a Dominant Position in any product market in Equatorial Guinea.

2. It is prohibited to such Person to abuse of its dominant position.

3. The abuse of a dominant position shall include, without limitation:

   (a) charging excessive prices;
   (b) limitation or restriction of the production or product supply;
   (c) refusing to provide new or existing clients without a good reason;
   (d) charging different prices to different client for the same product;
   (e) making a contract conditioned to factors that are not related to the matter of the contract

**Article 101**

**Power and Competences of the Ministry**

The Ministry has the Power to investigate and proceed against any infringement or suspicious of an infringement of Articles 98, 99 and 100.

**Article 102**

**Customs Tariffs and Facilities**

1. The Ministry may impose duties on any Product that is manufactured in, imported into or exported from Equatorial Guinea.

2. The imposition of such duties on products by the Ministry shall be effectuated through (specify the instrument) which shall specify the Products and the amount of the duties.

3. When the Ministry imposes a duty on a Product, it may also require that such Product is kept in Customs Facilities to help in the collection of the tariff.
4. If the Ministry requires that the Products remain in customs facilities, it will also publish the rules to be followed by the Licensees that maintain those customs facilities.

CHAPTER XI
FACILITIES AND LAND

Article 103
Construction of Facilities

The Contractor shall build and maintain all facilities necessary for the proper performance of the Contract and the conduct of Exploration and Production Operations thereunder. In order to occupy land necessary for the exercise of its rights and obligations under the Contract, the Contractor shall request the authorisation of the Ministry and/or other applicable governmental authorities, which authorisations shall be subject to the Hydrocarbons Law and other applicable laws of Equatorial Guinea. The Contractor shall repair any and all damage caused by such circumstances.

Article 104
Occupation of Land

1. In order to carry out Exploration and Production Operations under the Contract, the Contractor shall have the right to:

   (a) subject to Articles 103 and 105 occupy the necessary land for the performance of Exploration and Production Operations and associated activities as set out in paragraphs (b) and (c) below, including lodging for personnel;

   (b) undertake or procure the undertaking of any infrastructure work necessary in normal technical and economic conditions for the carrying out of Exploration and Production Operations and associated activities such as transport, storage of equipment, materials and extracted substances, establishment of telecommunications equipment and communication lines necessary for the conduct of Exploration and Production Operations at installations located both offshore and onshore;

   (c) undertake or ensure the undertaking of works necessary for the supply of water to personnel and installation works in accordance with water supply regulations; and

   (d) extract and use or ensure the extraction and utilization of resources (other than Hydrocarbons) from the subsoil necessary for the activities stipulated in paragraphs (a), (b) and (c) above in accordance with relevant regulations.

Article 105
Terms for Occupation of Land

1. Occupation of land as mentioned in Article 104 shall become effective after the Ministry or other applicable governmental authority approves the request submitted by the Contractor indicating and detailing the location of such land and how the Contractor plans to use it, taking the following into consideration:

   (a) if the land belongs to the State, the State shall grant it to the Contractor for occupation and to build its fixed or temporary facilities during the term of the Contract for a fee and on terms to be agreed and such amounts shall be cost recoverable under the Contract;

   (b) if the land is private property by traditional or local right according to the Property Registry, then (i) if the occupation is merely temporary or transitory, or for right of way, the Contractor
shall reach an agreement with the relevant property owner and the property owner shall reach an agreement with any occupant, tenant or possessor, with regard to the rental to be paid, and the resulting amounts shall be cost recoverable under the Contract, or (ii) if the occupation is permanent, the relevant owner and the Contractor shall reach an agreement regarding matters related to the property's acquisition and such amounts shall be cost recoverable under the Contract;

(c) if the Contractor and the relevant property owner or occupant, tenant or possessor do not reach an agreement regarding the matters mentioned in paragraph (b) above, the Ministry shall act as a mediator between them and in the event that such mediation does not produce a resolution of the case the dispute shall be resolved by the courts of Equatorial Guinea unless recourse is had to the procedure described in paragraph (d) below;

(d) the State may proceed to expropriate the land, subject to the prior publication of a decree of compulsory expropriation followed by a fair and reasonable valuation of the land concerned by an expert valuer. In such event the Contractor shall compensate the expropriated property owner in accordance with the value determined by such expert valuer if the State has not done so; such amounts shall be cost recoverable under the Contract;

(e) the relinquishment, in whole or in part, of the Contract Area, will not affect the Contractor’s rights under Article 104 to carry out building works and construction of installations, provided that such works and installations are directly related to other activities of the Contractor in the remainder of the Contract Area, as in the case of partial relinquishment, and covered by a Contract.

Article 106
Residence of Personnel

1. There shall be no restrictions imposed on the entry, residence, free circulation, employment and repatriation of the personnel of the Contractor and its subcontractors, the family of such personnel, or the personal effects of such personnel and his or her family, provided that the Contractor and its subcontractors comply with all applicable laws including employment and social legislation of Equatorial Guinea.

2. The State shall grant in a timely manner the entry, work, or residence permits or other permits or authorizations that, in accordance with the laws of Equatorial Guinea, may be required by the personnel of the Contractor, the Technical Operator or any subcontractor.

Article 107
Assistance of Ministry

The Ministry shall assist the Contractor and its subcontractors in obtaining all administrative authorisations and licences as may be fully and effectively necessary for the proper execution of Exploration and Production Operations under the Contract, provided that the Contractor and its subcontractors shall be responsible for and shall pay all fees due in respect of such administrative authorisations and licences.

Article 108
Opening of Branch Office

The Contractor shall, to the extent that it has not already done so, open a representative branch office in Equatorial Guinea within six (6) months following the effective date of the Contract, which shall exist and be maintained during the term of the Contract. Such branch office shall always be staffed by at least one (1) representative with sufficient authority to make decisions on behalf of the Contractor.
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**Article 109**

**Premises**

Upon the first Commercial Discovery under a Contract, the Contractor shall, to the extent that it has not already done so, construct a prestigious building for its offices in Equatorial Guinea using modern and permanent materials and of an appropriate size and design as shall be approved by the Ministry. All costs related to such construction shall be cost recoverable the Contract. Once such construction costs have been recovered by the Contractor, such property shall be owned solely by the State and the Contractor shall pay rent to the State at a price and on terms to be negotiated and such rent shall be cost recoverable under the Contract.

**CHAPTER XII**

**JOINT DEVELOPMENT AND UNITISATION**

**Article 110**

**Joint Development and Production**

Joint development and production of a Field or Fields provided for in this Chapter XII is intended to assure efficient management of Hydrocarbon resources and to avoid economic and physical wastage, and at the same time to guarantee and protect the interests of the State and the parties involved.

**Article 111**

**Notification to Ministry**

1. A Contractor shall immediately notify the Ministry as soon as:

   (a) it discovers in its Contract Area a Hydrocarbon reservoir capable of commercially viable development which extends beyond the Contract Area into an adjacent area or areas;

   (b) it discovers in its Contract Area a Hydrocarbon reservoir which can only be commercially developed when in conjunction with a Hydrocarbon reservoir existing in an adjacent area or areas; or

   (c) it considers that a Discovery in the Contract Area should, for technical and economic reasons, be developed jointly with a Discovery in an adjacent area or areas.

**Article 112**

**Joint Development Agreement and Joint Development Plan**

1. In the event that the adjacent area or areas are covered by Contracts, the Ministry may, by means of a written notice to the Contractors concerned, determine that the Discoveries be developed and produced on a joint basis.

2. In that event the Contractors concerned shall cooperate in the preparation and agreement of:

   (a) an agreement between the Contractors for the joint development and production of the Discoveries (a “Joint Development Agreement”), and

   (b) a plan for the joint development and production of the Discoveries (“Joint Development Plan”).

3. Within one hundred and eighty (180) days of receipt of the notice from the Ministry, or such longer period as the Ministry may agree, the Contractors concerned shall submit the agreed Joint Development Agreement and Joint Development Plan to the Ministry for review and approval.
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4. In the event that one or more of the adjacent areas are not covered by a Contract, the Ministry shall determine the strategy to be pursued in order to render the production of the Hydrocarbons in question possible.

5. In the event that one or more of the adjacent areas lies outside the territory of Equatorial Guinea, the provisions of Article 118 shall apply.

Article 113
Contents of Joint Development Agreement

1. A Joint Development Agreement shall include, without limitation, the following details:

   (a) participating interests of the parties;
   (b) proposed joint Development and Production Area;
   (c) procedures for assessing, reassessing and sharing reserves and production;
   (d) appointment of the Operator for the unitised area or joint Development and Production Area;
   (e) effective date of the Joint Development Agreement;
   (f) standardised health, safety and environmental management system;
   (g) safety case and emergency plans;
   (h) proposed facilities and pipelines;
   (i) means of transportation of production;
   (j) provisions for the abandonment of the Field and facilities;
   (k) accounting procedures;
   (l) governing law and competent jurisdiction; and
   (m) other matters agreed between the parties.

2. If the Contractors concerned agree to include in the Joint Development Agreement a procedure for the redetermination of their respective interests in the unitised Field, any such redetermination shall, unless the Ministry agrees otherwise, be based on Hydrocarbons originally in place and not on moveable Hydrocarbons or recoverable reserves. The costs of any such redetermination exercise shall not be cost recoverable under any Contract, nor deductible for tax purposes.

Article 114
Contents of Joint Development Plan

A Joint Development Plan shall contain the details specified in Article 46 and such other matters as the parties shall agree to include.

Article 115
Review and Approval of Joint Development Agreement and Plan

If the Ministry disapproves all or any part of the Joint Development Agreement or the Joint Development Plan, it shall within forty-five (45) days after receipt thereof require that the Joint
Development Agreement or the Joint Development Plan is revised, or else may make such amendments as it deems necessary to safeguard the interests of the State.

**Article 116**

**Amendment of Approved Joint Development Agreement and Plan**

Any amendments to an approved Joint Development Agreement or an approved Joint Development Plan shall require the approval of the Ministry.

**Article 117**

**Preparation of Joint Development Agreement and Plan by Consultant**

1. If the Joint Development Agreement and/or the Joint Development Plan is not agreed and submitted within the period required under Article 112, the Ministry may arrange for an independent consultant to prepare the Joint Development Agreement and/or Joint Development Plan in accordance with generally accepted practices in the international petroleum industry and at the expense of the Contractors in such proportions as the Ministry shall determine.

2. The consultant shall consult with and keep all the parties informed of his work at all times and shall take into consideration any representations received from the parties.

3. On completion of the Joint Development Agreement and/or the Joint Development Plan the consultant shall submit the same to the Ministry for its review and approval and shall make such amendments thereto as the Ministry may require. Once the Ministry is satisfied with the form and content of the Joint Development Agreement and/or Joint Development Plan it shall serve the same or cause it to be served on the Contractors concerned.

4. The Contractors shall execute the Joint Development Agreement and Joint Development Plan served on them, on the penalty of the Hydrocarbon reservoir or reservoirs in question reverting to the State.

**Article 118**

**International Unitisation**

1. In the event that one or more of the adjacent areas referred to in Article 111 is situated outside the territory of Equatorial Guinea, the Ministry shall initiate negotiations with the Government with jurisdiction over that adjacent area with a view to reaching an agreement acceptable to all parties for the Development and Production of the Discovery concerned.

2. That agreement must be approved by each of the governments involved. Production from the Discovery concerned shall not commence until those approvals have been obtained.

**Article 119**

**Extension of Contract Deadlines**

If a unitisation or joint development process materially affects an obligation under one of the Contracts concerned that the Contractor must comply with or a right that it can exercise within a given time period, that time period shall be extended for a period corresponding to the time elapsed between the date of the notice from the Ministry under Article 112 and the date on which the joint Development and Production Plan is mutually agreed and approved by the Ministry, or the date on which the joint Development and Production Plan prepared by the expert is communicated to the Contractors, as the case may be.
CHAPTER XIII
ACCOUNTING AND AUDIT

Article 120
Maintenance of Books and Records by Contractors

1. A Contractor shall at all times maintain at its offices in Equatorial Guinea the original books and records of Exploration and Production Operations in accordance with all applicable laws and regulations and the terms of the Contract.

2. All books and records shall be maintained in the Spanish and English languages and be denominated in Dollars, or such other currency as the Ministry may stipulate from time to time. They shall be supported by detailed documents recording the expenses and receipts of the Contractor under the Contract. Such records and books and records shall be used to determine the Contractor's revenues, costs and net profits from Exploration and Production Operations and to establish the Contractor’s income tax and other payment obligations. Such books and records shall also include the Contractor’s accounts showing sales of Hydrocarbons.

Article 121
Submission of Accounts by Contractors

Within ninety (90) days after the end of a Calendar Year, the Contractor shall submit to the Ministry detailed accounts showing the costs which the Contractor has incurred in Exploration and Production Operations under the Contract during such Calendar Year. The Contractor may request the approval of the Ministry for an additional extension of up to thirty (30) days; such approval shall not be unreasonably withheld or delayed. The accounts shall be certified by an independent external auditor acceptable to the Ministry and the Contractor. The auditor’s fees shall be met by the Contractor and shall be cost recoverable to the extent provided by the Contract.

Article 122
Audit of Contractors by Ministry

1. After notifying the Contractor, the Ministry may have experts of its choice or its own agents examine and audit any books and records relating to Exploration and Production Operations. The Ministry has a period of three (3) years from the date the Contractor submits to the Ministry such books and records in accordance with Article 121, to perform such examinations or audits in respect of that Calendar Year and submit its objections to the Contractor for any contradictions or errors found during such examinations or audits.

2. The Contractor shall provide to the Persons designated by the Ministry any necessary assistance for the foregoing purpose and facilitate the performance of their duties. The Contractor shall bear all reasonable expenses incurred in such examination or audit, which shall be cost recoverable under the Contract. However, any expenses incurred for the audit and inspection of accounting books and records outside Equatorial Guinea due to the Contractor’s non-compliance with this Chapter XIII shall be borne by the Contractor and shall not be cost recoverable under the Contract nor deductible for tax purposes.

3. In the event of a disagreement between the Ministry and the Contractor in relation to the results of any examination or audit, the dispute shall be determined by an internationally recognized expert appointed by the International Chamber of Commerce in accordance with its Rules for Expertise (ICC Expertise Rules). The determination of the expert shall be final and binding on the Parties. Unless otherwise determined by the expert, the costs and expenses of such expert shall be met proportionately by the Parties on a per capita basis and the Contractor's share of those costs and expenses shall not be cost recoverable under the Contract.
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Article 123
Currency and Accounts under Contracts

1. All payments between the Parties under a Contract shall, unless otherwise agreed, be in Dollars, or such other currency as shall be requested by the Ministry from time to time. Subject to paragraph 2 below, when the receiving Party is the State, payments shall be made to the General Treasury of the State, and when the receiving Party is the Contractor, payments shall be made to a bank account designated by the Contractor and notified to the Ministry.

2. All payments to be made to the Ministry pursuant to Article 157 shall be made to a bank account designated by the Ministry and notified to the Contractor.

Article 124
Timing and Overdue Payments under Contracts

Unless the Contract provides otherwise or the parties agree otherwise, all payments under a Contract by the Contractor to the Ministry shall be made within thirty (30) days following the date on which the obligation to make such payment occurs. In the event of a delay in payment the amount due shall bear interest compounded monthly at the rate of LIBOR plus two percent (2%) per annum, or such other rate as may be agreed between the parties and specified in the relevant Contract.

Article 125
Payment of Taxes by Contractors

Except as otherwise provided in any Contract, the Contractor, its subcontractors and their respective employees, agents, consultants and other personnel shall be subject to the Tax Law and all regulations passed pursuant thereto, as well as CEMAC (Central African Economic and Monetary Union) and fiscal and customs laws of Equatorial Guinea.

Article 126
Maintenance of Books and Records by Licensees

1. A Licensee shall at all times maintain in its offices in Equatorial Guinea the original books and records of Refining or Commercialisation Activities in accordance with all applicable laws and regulations and the terms of the Licence.

2. All books and records maintained by a Licensee under a Licence for Refining Activities shall be maintained in the Spanish and English languages and denominated in Dollars (or other appropriate currency), or such other currency as the Ministry may stipulate from time to time.

3. All books and records maintained by a Licensee under a Licence for Commercialisation Activities shall be maintained in the Spanish Language and denominated in CFA Francs (or other appropriate currency), or such other currency as the Ministry may stipulate from time to time.

4. The books and records maintained by a Licensee shall record:

   (a) all quantities of Hydrocarbons and Products that are imported, purchased, refined, stored, exported, used, sold or delivered under the terms of the Licence;

   (b) the prices invoiced, paid or received for all Hydrocarbons and Products purchased or sold; and

   (c) the costs incurred by the Licensee in the activities authorised by the Licensee.
Article 127
Audit of Licensees by Ministry

1. After notifying the Licensee, the Ministry may have experts of its choice or its own agents examine and audit any books and records relating to Refining and Commercialisation Activities. The Ministry has a period of three (3) years from the end of the relevant accounting period to perform such examinations or audits and submit its objections to the Licensee for any contradictions or errors found during such examinations or audits.

2. The Licensee shall provide to the Persons designated by the Ministry any necessary assistance for the foregoing purpose and facilitate the performance of their duties.

Article 128
Payment of Taxes by Licensees

1. A Licensee shall maintain and submit its annual accounts as required by the Tax Law.

2. A Licensee shall pay tax on its profits as required by the Tax Law.

3. A Licensee is subject to the tax laws and customs of the Economic and Monetary Community of Central Africa (CEMAC).

CHAPTER XIV
CUSTOMS, IMPORTATION AND EXPORTATION

Article 129
Import of Equipment

A Contract may permit the Contractor and its Associates to import the materials and equipment to be used directly and necessarily in Exploration and Production Operations and which are not available in Equatorial Guinea free of import duties. The extent and conditions of any such exemption shall be set out in the Contract.

Article 130
Export of Equipment

A Contract may permit materials and equipment imported for use in Exploration and Production Operations to be exported free of export duties, provided that ownership thereof has not been transferred to the State. The extent and conditions of any such exemption shall be set out in the Contract.

Article 131
Export of Production

Subject to Article 155, the Contractor, its purchasers and transporters shall have the right to export freely and at any time the quantities of Hydrocarbons allocated to the Contractor under the Contract free of taxes and/or duties.

Article 132
Customs Authorities

All imports, exports and re-exports permitted under the Contract shall be subject to the formalities required by the Customs Authorities of Equatorial Guinea.
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Article 133
Foreign Currency

The Contractor and its subcontractors and all Persons acting on its or their behalf shall comply with all exchange control laws of Equatorial Guinea. Their rights and obligations with regard to the holding, transfer and exchange of foreign currencies shall be set out in the Contract.

CHAPTER XV
ENVIRONMENTAL PROTECTION AND SANITATION, HEALTH AND SAFETY

Article 134
Care of the Environment

1. In accordance with Law 7/2003 of November 27, which regulates the environment of Equatorial Guinea and the activity and care of the environment shall be understood according to its terms and a Contractor shall take all prudent and necessary steps in accordance with generally accepted practices in the international petroleum industry, the Hydrocarbons Law, these Regulations and the terms of the Contract to:

(a) prevent pollution and protect the environment and living resources;

(b) ensure that any Hydrocarbons discovered or produced in the Contract Area are handled in a manner that is safe for the environment;

(c) avoid causing damage to overlying, adjacent and/or underlying formations trapping Hydrocarbon reserves;

(d) prevent the ingress of water via Wells into strata containing Hydrocarbon reservoirs;

(e) avoid causing damage to overlying, adjacent and/or underlying aquifers;

(f) ensure that Exploration and Production Operations are carried out in accordance with the terms of the Contract, the Hydrocarbons Law, these Regulations, all other laws of Equatorial Guinea and in accordance with generally accepted practices in the international petroleum industry;

(g) undertake the precautions necessary for the protection of maritime transportation and the fishing industry and to avoid contamination of the ocean and rivers;

(h) drill and exploit each Field in such a manner that the interests of Equatorial Guinea are protected; and

(i) ensure prompt, fair and full compensation for injury to Persons or property caused by the effects of Exploration and Production Operations.

2. A Licensee shall take all prudent and necessary steps in accordance with generally accepted practices in the international petroleum industry, the Hydrocarbons Law, these Regulations and the terms of the Licence to:

(a) prevent pollution and protect the environment and living resources;

(b) ensure that all Hydrocarbons and Products are handled in a manner that is safe for the environment;
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(c) ensure that Refining and Commercialisation Activities are carried out in accordance with the terms of the Licence, the Hydrocarbons Law, these Regulations, all other laws of Equatorial Guinea and in accordance with generally accepted practices in the international petroleum industry;

(d) ensure prompt, fair and full compensation for injury to Persons or property caused by the effects of Refining and Commercialisation Activities. This compensation obligation shall not be affected by the expiry or termination of the Licence.

**Article 135**

**Damage to the Environment**

1. If a Contractor's or Licensees actions result in any pollution or damage to the environment, any Person, living resources, property or otherwise, the Contractor or Licensee shall immediately take all prudent and necessary measures to remedy such damages and effects thereof and/or any additional measures as may be directed by the Ministry.

2. If the pollution or damage is caused as a result of the negligence or wilful misconduct of the Contractor, its subcontractors or any Persons acting on its or their behalf all costs in relation thereof shall not be cost recoverable under the Contract nor deductible for tax purposes.

3. If the Contractor or Licensee does not act promptly so as to control or clean-up any pollution or make good any damage caused, the Ministry may, after giving the Contractor or Licensee reasonable notice in the circumstances, carry out the actions which are prudent or necessary and all reasonable costs and expenses of such actions shall be borne by the Contractor or Licensee and shall not be cost recoverable under the Contract.

**Article 136**

**Powers of Ministry**

1. If the Ministry determines that any works or installations built by a Contractor or Licensee, or any activity undertaken by a Contractor or Licensee, threatens the safety of any Persons or property or threatens pollution or harm to the environment, the Ministry shall promptly advise the Contractor or Licensee of its determination, and may require the Contractor or Licensee to take all appropriate mitigating measures, consistent with generally accepted practices in the international petroleum industry, to repair any damage caused by the Contractor's or Licensee’s conduct or activities.

2. Furthermore, if the Ministry deems it necessary, the Ministry may require that the Contractor or Licensee suspend totally or partially the affected Petroleum Operations until the Contractor or Licensee has taken the appropriate mitigating measures or repaired any damage.

**Article 137**

**Environmental Impact Assessments**

1. The Contractor shall undertake comprehensive environmental impact assessment studies prior to, during and after major drilling operations. The Contractor shall assume the costs of these studies and such costs shall be cost recoverable under the Contract. This requirement is mandatory and the first study shall be presented to the Ministry before the start of the drilling of the first Well in the Contract Area.

2. An environmental impact assessment must also be completed prior to undertaking any seismic work in any areas of particular environmental sensitivity specified by the State.

3. A Licensee with a Licence for Refining Activities shall undertake comprehensive environmental impact assessment studies prior to the construction or expansion of a Refinery.
4. The Ministry may in its discretion require any Licensee to undertake comprehensive environmental impact assessment studies prior to the construction or expansion of facilities to be used in Refining or Commercialisation Activities.

**Article 138**  
**Safety Zones**

1. Offshore a five hundred (500) metre safety zone shall be established around all fixed, moveable and floating facilities used in Exploration and Production Operations, measured from the outer points of each facility.

2. In relation to particular offshore facilities the Ministry may at its discretion establish a safety zone of a different extent.

3. Ships, aircraft and other means of transport and equipment may only enter a safety zone established under the terms of this Article with the authorisation of the Operator.

4. On land, the perimeter of the safety zones around facilities shall allow full execution of Exploration and Production Operations free of any restriction. The Ministry shall from time to time set the safety perimeter to be observed for each facility.

5. This Article shall not prejudice or curtail the rights of inspection conferred on any authority by these Regulations or by any other applicable laws of Equatorial Guinea.

**CHAPTER XVI**  
**LIABILITY**

**Article 139**  
**Liability and Indemnity**

1. A Contractor shall indemnify, hold harmless and compensate any Person, including the State, for any damage or loss which the Contractor, its Affiliates, its subcontractors and their respective directors, officers, employees, agents or consultants and any other Person acting on its or their behalf may cause to such Person or their property in the conduct of Exploration and Production Operations.

2. To the extent that such costs are caused by the negligence or wilful misconduct of the Contractor, its Affiliates, its subcontractors or their respective directors, officers, employees, agents or consultants or any other Persons acting on its or their behalf, such costs shall not be cost recoverable under the Contract nor deductible for tax purposes.

3. A Licensee shall indemnify, hold harmless and compensate any Person, including the State, for any damage or loss which the Licensee, its Affiliates, its subcontractors and their respective directors, officers, employees, agents or consultants and any other Person acting on its or their behalf may cause to such Person or their property in the conduct of Refining and Commercialisation Activities. These obligations shall not be affected by the expiry or termination of the Licence.

3. The approvals and authorisations which the entities referred to in this Article obtain from the relevant State bodies shall not exempt them from any legal liability which they may incur.
Article 140
Joint and Several Liability

Where a Contractor or Licensee is comprised of more than one Person, the liabilities and obligations of such Persons under the Contract or Licence shall be joint and several, except for their obligations and liabilities in relation to all taxation assessed on their income.

Article 141
Insurance

1. The insurances which a Contractor and its subcontractors are required to maintain in connection with Exploration and Production Operations shall be specified in the Contract.

2. The insurances which a Licensee are required to maintain in connection with Refining and Commercialisation Activities may be specified in the Licence.

3. The Ministry may establish compulsory insurance requirements which Licensees are required to maintain in relation to specified Refining and Commercialisation Activities.

CHAPTER XVII
NATURAL GAS

Article 142
Application of Regulations to Natural Gas

The provisions of these Regulations applicable to Crude Oil shall apply mutatis mutandis to Natural Gas unless otherwise specified herein.

Article 143
Flaring of Natural Gas

1. The Natural Gas produced from any Field shall be exploited, and flaring of the same is expressly forbidden, except flaring for short periods of time when required for purposes of testing or other operational reasons.

2. The Development and Production Plan for a Field shall always be devised in such a way as to allow for the use, preservation or commercial exploitation of Associated Gas.

3. In the case of marginal or small deposits, the Ministry may authorise the flaring of Associated Gas in order to make its exploitation viable.

4. The Ministry may only authorise the flaring of Associated Gas on submission of a duly substantiated technical and economic and environmental impact evaluation report evidencing that it is not feasible to exploit or preserve the Natural Gas.

5. A Contractor is permitted to flare Associated Natural Gas without the prior approval of the Ministry if necessary in an emergency, provided that every effort is made to minimise and cease such flaring as soon as possible.

6. A Licensee with a Licence to conduct Refining Activities is permitted to flare gas or liquids from its refinery without the prior approval of the Ministry if necessary for safety reasons or in an emergency, provided that:

   (a) every effort is made to minimise and cease such flaring as soon as possible, and
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(b) the Licensee shall notify the Ministry of its best estimate of the quantities of gas and liquids so flared.

7. The Ministry has the right to offtake at the wellhead or gas oil separator all Natural Gas that would otherwise be re-injected or flared by a Contractor.

8. When flaring is authorised, the Ministry may determine that a fee be charged in accordance with the quantity and quality of the gas flared and with its location.

**Article 144**

**Discovery of Unassociated Natural Gas**

If the Appraisal work programme submitted by a Contractor under Article 41 in respect of a Discovery of Unassociated Natural Gas has a duration exceeding that of the Initial Exploration Period or any extension thereof, the Contractor may request the Ministry for an extension of the relevant Exploration Period with respect to the Appraisal Area for a period of up to four years (or such longer period as the Ministry may grant) starting from the expiry of the Initial Exploration Period or any extension thereof. Such request shall be made no later than sixty (60) days prior to the expiry of the relevant period.

**Article 145**

**Discovery of Associated Natural Gas**

1. In the event of Discovery of Crude Oil the Appraisal Report shall state whether the Production of Associated Natural Gas is likely to exceed the quantities required in Exploration and Production Operations for the Production of Crude Oil, and whether it considers that such excess is capable of being produced in commercial quantities. If the Appraisal Report indicates an excess capable of being produced in commercial quantities, the Ministry and the Contractor shall jointly assess the possible markets and uses for such excess, both on the local market and for export.

2. If the Contractor wishes to develop and produce that excess, the Contractor shall include in the Development and Production Plan the facilities necessary for the Development and Production of the Associated Natural Gas and its estimate of the costs thereof. The Contractor shall proceed with the Development and Production of the Associated Natural Gas in accordance with the Development and Production Plan approved by the Ministry. A similar procedure shall be applied if the sale or marketing of Associated Natural Gas is agreed during the Production of a Field.

3. If the Contractor does not wish to develop and produce that excess, and the State at any time wishes to utilise it:

   (a) the Contractor shall put at the disposal of the State free of charge the separation facilities for all or that part of that excess that the State wishes to utilise;

   (b) the State shall be responsible for the gathering, treatment, compression and transportation from the receiving point at the Contractor’s facilities and for bearing any additional costs and liabilities related thereto; and

   (c) the construction of the necessary facilities and the delivery of the Natural Gas to the State shall be carried out in accordance with generally accepted practices in the international petroleum industry.

4. The Operations conducted by the State in relation to Associated Natural Gas shall not unreasonably interfere with the Exploration and Production Operations of the Contractor.
Article 146
Price of Natural Gas

1. The selling price for all Natural Gas to be sold in the domestic market shall be set by the Ministry.

2. The selling price for all Natural Gas to be sold outside the domestic market shall be as agreed between the Ministry and the Contractor.

3. The Ministry and the Contractor shall proceed in good faith to negotiate a gas sales agreement, if required, and all such other agreements and arrangements between themselves or involving third parties as may be necessary to enable the production, sale and marketing of Natural Gas.

4. No project for the production, sale and marketing of Natural Gas shall commence until the Ministry and the Contractor have concluded the agreements and arrangements referred to in paragraph 3 above, which shall include the payment by the Contractor to the Ministry of a Royalty in accordance with Article 59 of the Hydrocarbons Law.

CHAPTER XVIII
NATIONAL COMPANIES

Article 147
Participation Interests

1. The Participation Interest of the National Company in a Contract shall be carried and paid for in full by the other parties comprising the Contractor in proportion to their respective Participation Interests until such time as the National Company elects to convert its carried Participation Interest into a full working Participation Interest in accordance with the Hydrocarbons Law and Article 153.

2. From that point on, the National Company shall be responsible for all the costs, expenditures and obligations attaching to its Participation Interest.

3. The costs, expenditures and obligations incurred by the other parties comprising the Contractor in respect of the National Company’s Participation Interest shall be recoverable by them in the manner and to the extent provided in the Contract.

Article 148
Non-Transferability of Rights

1. Under no circumstances may a National Company transfer all or any of its rights or obligations under a Contract to any Person other than an entity owned by the State.

2. A National Company may not transfer all or any of its rights or obligations under a Contract to any other entity owned by the State without the prior written permission of the Ministry.

3. Any purported transfer by a National Company of all or any of its rights or obligations under a Contract which is not permitted under the terms of this Article shall be null and void.

CHAPTER XIX
STATE ENTITLEMENT AND PARTICIPATION

Article 149
State Entitlement

1. Out of the Hydrocarbons won and saved from any Contract Area the State shall be entitled to:
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(a) a Royalty,

(b) a percentage of all Hydrocarbons won and saved from the Contract Area after the deduction of Royalties and cost recovery production, and

(c) a share of all Hydrocarbons in respect of its Participation Interest in that Contract Area.

2. In each case the State’s entitlement shall be as set out in the Hydrocarbons Law, these Regulations and the terms of the relevant Contract.

**Article 150**

**Royalty**

1. The State is entitled to a gross Royalty, being a percentage of all Hydrocarbons won and saved from any Contract Area, at a rate and on the other terms set out in the relevant Contract.

2. The gross Royalty shall be taken by the Ministry, which may at its option elect to take the Royalty in kind or in cash.

3. If the Ministry elects to take its Royalty in kind, that Royalty shall be delivered to the Ministry at the same Delivery Point as is used for the delivery of the State’s share of Production under the Contract.

4. If the Ministry elects to take its Royalty in cash, the production from the Field during each Month shall be valued in accordance with the rules for the valuation of Crude Oil or Natural Gas for fiscal purposes under the relevant Contract and the Royalty so calculated shall be paid to the Ministry within thirty (30) days after the end of that Month.

**Article 151**

**State Participation**

1. The State is entitled to invest or participate in any Contract Area either directly or through the National Oil Company or National Gas Company, as determined by the Ministry. The terms of such investment or participation shall be negotiated between the Ministry and the Contractor and clearly set forth in each Contract.

2. The investment or participation by the State in a Contract Area shall be by way of a carried or paid Participation Interest, as determined by the Ministry, of not less than twenty (20) percent unless otherwise agreed by the Government.

**Article 152**

**Liability for and Recovery of Costs**

1. Where the State participates by way of a carried interest, all the costs, obligations and liabilities incurred in Exploration and Production Operations and attributable to the Participation Interest of the State or National Company shall be borne by the other party comprising the Contractor, and no costs, obligations or liabilities whatsoever shall be borne by the State or National Company, unless and until the State elects to convert its carried interest to a paid interest.

2. All the costs of Exploration and Production Operations attributable to the Participation Interest of the State or National Company which are paid by the other party comprising the Contractor may be recovered by that party out of a maximum percentage of the production attributable to the Participation Interest of the State or National Company. That maximum percentage and the mechanism for the recovery of those costs shall be set out in the Contract.
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Article 153  
Conversion of Carried Interest to Paid Interest

The State may exercise its option to convert the carried interest of the State or National Company to a paid interest by giving the other parties comprising the Contractor at least thirty (30) days prior written notice. Following the effective date of that notice the State or National Company shall meet its Participation Interest share of all subsequent costs of Exploration and Production Operations under the Contract.

Article 154  
Representation on Joint Operating Committee

The State or National Company that is participating in a Contract Area shall be a full party to the Joint Operating Agreement with all the rights and obligations attaching to its Participation Interest including the right to vote its Participation Interest as provided therein.

CHAPTER XX  
DOMESTIC CONSUMPTION REQUIREMENTS

Article 155  
Satisfaction of Domestic Consumption Requirements

1. At any time, by giving prior notice of at least ninety (90) days, the Ministry may require any Contractor to sell and transfer to the State quantities of Crude Oil and/or Natural Gas to meet domestic consumption requirements.

2. That notice shall include, without limitation, the following details:

   (a) the quantities of Crude Oil and/or Natural Gas to be supplied, expressed either in terms of volumes or in terms of the percentage of production available to the Contractor;

   (b) the period of the supply, which may be either a fixed period specified in the notice or an indefinite period;

   (c) the identity of the entity or entities to which the Crude Oil and/or Natural Gas is to be supplied;

   (d) the Delivery Point for that supply; and

   (e) such other details as the Ministry considers appropriate.

3. Where the notice specifies a fixed supply period, the Ministry may by notice to the Contractor before the end of that period extend that period for a further specified period or for an indefinite period. Where the notice specifies an indefinite supply period, the Ministry shall give the Contractor not less than thirty (30) days notice of the termination of that period.

4. Notwithstanding the contents of any such notice, the Ministry may at any time by prior notice to the Contractor amend the quantities of Crude Oil and/or Natural Gas to be supplied or any of the other details included in the notice.

5. In the case of Crude Oil, the Delivery Point shall be the outlet flange at the loading facility in Equatorial Guinea at which that Crude Oil is routinely loaded into tankships, or any other point which may be agreed between the Ministry and the Contractor. In the case of Natural Gas the Delivery Point shall be the point within Equatorial Guinea at which the Contractor routinely delivers Natural Gas to
the National Gas Company or any other point which may be agreed between the Ministry and the Contractor.

6. The value of the Crude Oil supplied shall be calculated in accordance with the rules on the valuation of Crude Oil for fiscal purposes under the relevant Contract. The value of Natural Gas supplied shall be calculated in accordance with the guidelines established in Article 50 of the Hydrocarbons Law.

7. The price of Crude Oil and/or Natural Gas supplied shall be paid in internationally convertible currency within thirty (30) days after the end of the month during which that Crude Oil and/or Natural Gas is lifted.

CHAPTER XXI
LOCAL CONTENT

Article 156
Use of National Products and Services

1. The National Companies, Contractors and their Associates and any other Persons who co-operate with them in carrying out Exploration and Production Operations shall:

(a) acquire materials, equipment, machinery and consumer goods which are produced in Equatorial Guinea, provided that they are of the same or comparable quality as imported items and available for sale and delivery in due time, and provided that prices are no more than ten percent higher than imported items including transportation and insurance costs and customs charges;

(b) contract local service providers, provided that the services they provide are comparable to those available on the international market and provided that their prices, when subject to the same tax charges, are no more than ten percent (10%) higher than the prices charged by foreign contractors for similar services.

2. For the purposes of this Article Equatoguinean Persons shall be contracted on terms no less favourable than those used for foreign suppliers and contractors.

3. The Ministry has the duty of supervising compliance with this Article, and any contracts that are let in breach of the provisions of this Article are null and void.

Article 157
Recruitment, Integration and Training of Equatoguinean Personnel

1. Persons carrying out Exploration and Production Operations in Equatorial Guinea shall be required to employ only Equatoguinean citizens in all positions and functions, except if there are no Equatoguinean citizens available with the required qualifications and experience.

2. National and foreign workers who occupy comparable positions or perform comparable functions shall enjoy the same rights of remuneration and the same working and social conditions without any form of discrimination.

3. Each Contract shall set out the obligations of the Contractor to provide Ministry and National Company personnel with training and to provide the Ministry with funds for the training of Equatoguinean personnel.

4. Each Contractor shall ensure that Equatoguinean citizens employed by it in connection with Exploration and Production Operations in Equatorial Guinea are given appropriate training and sent on suitable training courses to improve their skills and to obtain the required experience.
5. Each Contractor shall develop and implement a recruitment and integration plan with the objective of replacing foreign workers at all levels within the Contractor’s organisation in Equatorial Guinea with Equatoguinean citizens with the required qualifications and experience.

CHAPTER XXII
TERMINATION OF CONTRACTS

Article 158
Circumstances of Termination

1. A Contract may be terminated in any of the following circumstances:

   (a) in accordance with the termination provisions of the Contract;

   (b) by agreement between the Contractor and the Ministry;

   (c) voluntary relinquishment by the Contractor under Article 37;

   (d) under Article 104 of the Hydrocarbons Law;

   (e) under Article 105 of the Hydrocarbons Law; or

   (f) on expiry of the Contract.

Article 159
Termination by Agreement

1. A Contractor may at any time apply to the Ministry to terminate the Contract, substantiating its reasons for considering that Hydrocarbon production in the Contract Area is not feasible on technical or economic grounds.

2. The Ministry may reject that application if there are any outstanding mandatory work obligations or other unfulfilled obligations under the Contract. Alternatively the Ministry may in its discretion accept that application on the basis that the Contractor pays to the Ministry the cash value, as determined by the Ministry, of the outstanding mandatory work obligations or other unfulfilled obligations under the Contract.

3. If the Ministry accepts that application the Contract shall terminate.

Article 160
Expiry of the Contract

1. A Contract shall expire:

   (a) at the end of any exploration period or sub-period if the Contractor does not wish to continue the Contract into the next exploration period or sub-period;

   (b) at the end of the final exploration period or sub-period, except for any areas where approved Appraisal operations are still being carried out and for any demarcated Development and Production Areas;

   (c) at the end of the Production period or any extension thereof; or

   (d) as may be otherwise provided in the Contract.
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**Article 161**
Reversion of Assets

Upon the termination or expiry of a Contract, and without prejudice to Chapter XXVI, the equipment, instruments, facilities and any other goods acquired for the conduct of Exploration and Production Operations, together with all information of a technical or economic nature obtained during Exploration and Production Operations, shall revert to the Ministry without charge.

**Article 162**
Provisions Surviving Termination

1. The provisions in a Contract which impose residual liabilities on the Contractor, together with all provisions required to enforce those residual liabilities, shall survive the termination or expiry of the Contract.

2. For the purposes of this Article, the phrase “residual liabilities” includes without limitation:

   (a) liabilities or indemnities to the State, the Ministry or any other Person in respect of Exploration and Production Operations conducted by the Contractor or the decommissioning of Wells, facilities and equipment;

   (b) liabilities or indemnities to the State, the Ministry or any other Person in respect of damage to the environment; and

   (c) confidentiality obligations.

**CHAPTER XXIII**
DATA OWNERSHIP

**Article 163**
Ownership of Data

1. All data, technical information and interpretations obtained, acquired or derived as a result of Exploration and Production Operations shall be the sole property of the State.

2. A Contractor may retain copies of all such materials for the duration of the Contract only, including, among others, geological, geophysical, petrophysical and engineering reports, Well reports, termination reports, samples and any other information that the Contractor may have obtained or compiled during the term of the Contract.

3. The Contractor shall forward such data, technical information and interpretations to the Ministry as soon as they are acquired, derived or compiled and shall also provide the Ministry on an annual basis with a report that itemizes all such data, technical information and interpretations that have been assembled during the Year.

4. If the Ministry so requests, the Contractor shall upload such data, technical information and interpretations to the relevant area of the Ministry’s website.

5. On the termination of the Contract or at any time of relinquishment, the Contractor shall return to the Ministry without charge all original data, technical information and interpretations relating to the areas relinquished and will remove all copies of such from the Contractor’s files, archives, computers and data storage mechanisms.
Article 164
Duty of Confidentiality

1. Each party comprising the Contractor (including the National Company) shall hold strictly confidential and shall not without the prior written consent of the other parties disclose to any other Person any data or information relating to the Contract or to Exploration and Production Operations conducted under it, except:

   (a) to an Affiliate;

   (b) to any governmental agency, designated by the State or other entities or consultants of the Ministry;

   (c) to the extent that such data and information is required to be furnished in compliance with any applicable laws or regulations;

   (d) in conformity with the requirements of any stock exchange having jurisdiction over a Party;

   (e) where any data or information forms part of the public domain otherwise than a result of a breach of these confidentiality obligations; and

   (f) to employees, directors, officers, agents, advisors, consultants or subcontractors of a Party comprising the Contractor or an Affiliate,

2. The disclosing party shall be responsible for any and all breaches of this Article by such Persons and provided further that any disclosure to the Persons referred to in paragraph (f) above shall be limited to those Persons who are under a duty of confidentiality similar to that contained in this Article.

3. The parties comprising the Contractor (other than the National Company) shall comply with the obligations of confidentiality set out in this Article for an additional period of two (2) years after the termination of the Contract.

4. Any Person who ceases to own a Participation Interest under a Contract shall nonetheless remain bound by the obligations of confidentiality set out in this Article.

5. The State and the Ministry may for the purpose of exploring and exploiting areas adjoining or related to the Contract Area disclose data and information relating to the Contract Area to any third party.

CHAPTER XXIV
ASSIGNMENT

Article 165
Assignment and Transfer

1. The assignment, transfer, encumbrance or other disposition of the rights and/or obligations of a Party comprising the Contractor shall require the prior consent of the Ministry. Any request for authorization shall be accompanied by all information related to the assignment, transfer, encumbrance or other disposition including all legal instruments, in final draft form, to be used to carry out the proposed transaction, the identity of all parties to the transaction, the estimated value of the transaction and whether the consideration is payable in kind, securities, cash or otherwise.

2. Such assignment, transfer, encumbrance or other disposition shall be subject to the payment of a non-recoverable, non-deductible fee determined by the Ministry and to any other requirements
stipulated in the authorization issued by the Ministry. The assignee and the assignor shall be jointly and severally liable for the payment of such fee and for the fulfilment of any other requirements.

3. All assignees must:
   (a) have the technical and financial ability to meet its obligations under the Contract;
   (b) in relation to the interest assigned, accept and assume all of the terms and conditions of the Contract, the Joint Operating Agreement and any other agreements relating to Exploration and Production Operations; and
   (c) be an entity with which the Ministry and each of the Parties comprising the Contractor can legally do business.

4. All profits resulting from any assignment, transfer or other disposition of any rights and/or obligations under the Contract, regardless of the type and location of the transaction, shall be subject to taxation in conformity of the Tax Law of Equatorial Guinea.

**Article 166**  
**Change of Control**

For the purposes of this Chapter XIV, the transfer of ownership of more than fifty percent (50%) of the shares of any Party comprising the Contractor (other than the National Company) or any similar transfer that results in a change of Control shall be deemed to be an assignment of contractual rights under the Contract and consequently subject to the terms and conditions of this Chapter XIV.

**Article 167**  
**Third Party Funding**

Recourse by any Party comprising the Contractor to third party funding which involves the assignment of rights over its entitlement to Hydrocarbons under the Contract is not permitted without the prior consent of the Ministry.

**Article 168**  
**The National Company’s Right of Preemption**

1. When an assignment, transfer or other disposition of any rights under the Contract is anticipated, the assigning Party must notify the relevant National Company in writing as soon as practicable. The National Company shall then have the right to purchase the assigning Party’s interest under the Contract and proposed to be assigned, transferred or otherwise disposed of on the same terms and conditions as those offered to a bona-fide assignee. This right is in addition to any right of pre-emption granted to the National Company under the Joint Operating Agreement.

2. Any assignment, transfer or other disposition of any rights under the Contract to third parties contrary to this Article shall be null and void.
CHAPTER XXV
INFRACTIONS AND PENALTIES

Article 169
Infractions

1. The following shall constitute infractions to these Regulations:

(a) failure to deliver information gathered in the course of Petroleum Operations as provided by these Regulations or as required under a Contract or Licence;

(b) failure to commence Production within the timeframe specified in an approved Development and Production Plan;

(c) non-compliance with the deadline for the request for an extension under Article 30.4;

(d) failure to submit a daily geological and drilling report to the Ministry under Article 33.2;

(e) failure to submit a well completion report to the Ministry within the period provided by Article 33.3;

(f) failure to submit the data, reports and findings to the Ministry within the period provided by Article 33.5;

(g) failure to notify the Ministry of the commencement or resumption of drilling within the period provided by Article 34.5;

(h) failure to notify the Ministry of a Discovery within the period provided by Article 39;

(i) failure to submit an Appraisal work programme to the Ministry within the period provided by Article 41.1;

(j) failure to submit an Appraisal Report to the Ministry within the period provided by Article 42.1;

(k) failure to submit a Development and Production Plan to the Ministry within the period provided by Article 45.2;

(l) failure to commence Development and Production Operations within the period provided by Article 52.3;

(m) exceeding the maximum production level approved by the Ministry under Article 53;

(n) non-compliance with the deadline for applying to the Ministry for authorisation to commence commercial production under Article 53.2;

(o) failure to inform the Ministry on a daily basis of the volumes of Hydrocarbons produced under Article 53.4;

(p) failure to submit to the Ministry the measurement system and procedures under Article 56.1;

(q) failure to maintain measuring equipment required by Article 56.4;

(r) failure to maintain and retain the records required by Article 56.6;
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(s) failure to maintain and retain the records required by Article 56.7;

(t) repairing, changing or maintaining measuring or weighing equipment without the prior authorisation of the Ministry under Article 57.4;

(u) failure to submit the proposed transaction schedule to the Ministry within the period provided by Article 58;

(v) failure to meet the obligations regarding meters and other facilities set out in Article 62.1;

(w) failure to meet the obligations regarding meters and other facilities set out in Article 62.2;

(x) failure to cooperate with the Ministry’s inspector as required by Article 64.2;

(y) failure to notify the Ministry of a failure in the production measuring system within the period provided by Article 65.1(e);

(z) failure to submit quarterly reports on a measuring system as required by Article 66.1;

(aa) non-compliance with the deadline to notify the Ministry of the calibration of a meter inspection device under Article 68.1(d);

(bb) mixing production without the approval of the Ministry under Article 69.3;

(cc) non-compliance with the deadline to submit draft rules and operating procedures under Article 72.1;

(dd) failure to issue the final rules and operating procedures within the period provided by Article 72.4;

(ee) carrying out Exploration and Production Operations without having submitted and obtained approval of a Work Programme and Budget under Article 74;

(ff) failure to submit an Annual Work Programme and Budget to the Ministry within the period provided by Article 74.2;

(gg) incurring cost overruns in excess of five percent 5% of an approved Budget which have not been previously approved by the Ministry under Article 78.2;

(hh) failure to notify the Ministry of an emergency under Article 79.2;

(ii) non-compliance with the provisions of Article 85.3 regarding the award of contracts;

(jj) conducting Refining or Commercialisation Activities without a Licence as required by Article 86.1;

(kk) non-compliance with a notice from the Ministry restricting excessive noise levels under Article 87.7;

(ll) non-compliance with a requirement from the Ministry to obtain requirements of feedstocks or Products from a specified source under Article 88;

(mm) non-compliance with Prohibition Notice or an Enforcement Notice served by the Ministry under Article 89;
(nn) non-compliance with the requirements relating to Refining Activities set out in Article 90.7;

(oo) non-compliance with the requirements relating to Commercialisation Activities set out in Articles 91.3, 91.4 or 91.5;

(pp) storage of Hydrocarbons or Products without a Contract or Licence as required by Article 93.1;

(qq) non-compliance with the requirements for the storage of Hydrocarbons or Products set out in Articles 93.4 or 93.5;

(rr) non-compliance with the obligations on the decommissioning of premises set out in Article 95.2;

(ss) non-compliance with the obligations relating to the transportation of Hydrocarbons or Products in road vehicles set out in Article 96;

(tt) non-compliance with the requirements relating to the sale of Products set out in Articles 97.2, 97.3 or 974;

(uu) exporting Products in contravention of a prohibition by the Ministry under Article 97.5;

(vv) selling or supplying any Product for use in Equatorial Guinea which does not meet the current specification under Article 98;

(ww) entering into anti-competitive agreement contrary to Article 99.2;

(xx) abusing of a dominant position contrary to Article 100.2

(yy) failure to maintain books and records required by Article 120

.zz) failure to submit accounts to the Ministry within the period provided in Article 121;

(aaa) failure to maintain books and records required by Article 126;

(bbb) non-compliance with the obligations relating to the environment set out in Article 134;

(ccc) flaring gas without the approval of the Ministry under Article 143;

(ddd) non-compliance with the duty of confidentiality set out in Article 164;

(eee) failure to notify the Ministry of the abandonment of a Well within the deadline provided by Article 172.1; and

(fff) failure to notify the Ministry of the proposed abandonment of a Field within the deadline provided by Article 173.2.

**Article 170**

**Fines**

1. The infractions provided for in Article 169 shall be sanctioned with a fine ranging from one thousand (1,000) CFA Francs to one hundred (100) million CFA Francs, except for the following:
Petroleum Regulations of the Republic of Equatorial Guinea

(a) the infractions referred to in Article 169 (m), (hh), (uu), (aaa) and (bbb) shall be sanctioned with a fine ranging from fifty (50) million to five hundred (500) million CFA Francs;

(b) the infractions referred to in Article 169 (ee) shall be sanctioned with a fine of any amount not exceeding fifty percent (50%) of the costs of the Exploration and Production Operations carried out;

(c) the infractions referred to in Article 169 (gg) shall be sanctioned with a fine of any amount not exceeding fifty percent (50%) of the cost overrun.

2. The Ministry shall decide in each case what fine to impose within the limits provided by paragraph 1 above, taking account of the conduct of the offender and the circumstances of the infraction.

3. In the case of a repeated infraction, the amount of the maximum fine under Article 173 shall be doubled.

4. The imposition of a fine under this Article shall not relieve the offender from its obligations to perform the duties which gave rise to such fines. Fines shall not affect any civil, administrative or criminal proceedings that may be filed against the offender.

5. Fines payable under this Article shall not be cost recoverable under a Contract nor deductible for tax purposes.

6. A fine shall not be imposed under this Article if the infraction was caused by Force Majeure, as defined in the relevant Contract.

Article 171
Powers of Ministry

The Ministry shall have the powers to take the initiative in commencing and conducting the procedures for charging offenders and applying the relevant fines.

CHAPTER XXVI
ABANDONMENT PLAN AND DECOMMISSIONING

Article 172
Abandonment of Wells

1. Subject to the Contractor having fulfilled its obligations under the Contract, the Contractor may at any time abandon any Well not included in a Field on giving at least fourteen (14) days prior notice to the Ministry.

2. That notice shall include full details of the state of any Hydrocarbon reservoir and the facilities and equipment in the area and full details of the plan for the plugging of the Well and the removal or dismantling of such facilities and equipment, including all technical and financial information.

3. On receipt of the Ministry’s approval of that plan the Contractor shall abandon and plug the Well in accordance with the plan approved by the Ministry and in accordance with the Hydrocarbons Law, these Regulations and with good oil field practice.

4. The Ministry may issue guidelines to regulate the technical procedures to be followed in the abandonment of Wells.
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Article 173
Abandonment of Fields and Field Facilities

1. The abandonment of any Field and the related facilities shall be conducted in accordance with an Abandonment Plan submitted to and approved by the Ministry in accordance with the Hydrocarbons Law.

2. The Contractor shall notify the Ministry of the proposed abandonment of a Field no later than six (6) months prior to the proposed commencement of abandonment operations.

Article 174
Abandonment or Continuation of Exploration and Production Operations

1. The decision to abandon or continue Exploration and Production Operations in any facility shall be based on a general assessment of technical, economic, environmental and safety issues, together with the possibility of those facilities being used for other activities in the area in question, such as fisheries, agriculture and industry.

2. An Abandonment Plan shall provide the Ministry with sufficient technical, financial, safety and environmental information to assess the potential for the future use of the facilities.

Article 175
Contents of Abandonment Plan

1. An Abandonment Plan shall take the following into consideration:

   (a) the possibility of continuing operations;

   (b) abandonment of facilities;

   (c) environmental and socio-economic impact assessment.

2. The Abandonment Plan shall include, without limitation, the following information:

   (a) history of the field;

   (b) the facility, including location, depth, type of material;

   (c) production and reservoir records;

   (d) technical, economic, environmental and safety aspects of the options for abandoning operations;

   (e) impact of the options of abandoning operations for other users of the sea and land, especially in the fields of fisheries, navigation, agriculture and industry;

   (f) recommended procedure for abandonment, including the procedure for plugging producing wells and the timeframe for implementation;

   (g) schedule of abandonment operations;

   (h) inventory of chemical materials present in the facilities and plans for their removal;

   (i) details of the Reserve Fund to provide for all abandonment costs, including the amounts deposited or to be deposited and the timing of such deposits; and
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(j) other issues of relevance to the recommended abandonment procedure.

3. The Ministry shall conduct its assessment of the Abandonment Plan and notify the Contractor of its approval or rejection of the Abandonment Plan within ninety (90) days of its submission.

4. If the Ministry rejects the Abandonment Plan submitted, it may request that it be reviewed and amended within forty-five (45) days, and also make any changes it deems necessary.

Article 176
Conduct of Abandonment Operations

1. Unless the Ministry exercises its right to take over the Exploration and Production Operations under Article 177, the Contractor shall implement and carry out the Abandonment Plan in the form approved by the Ministry in accordance with the approved Abandonment Plan, the Hydrocarbons Law, these Regulations and with generally accepted practices in the international petroleum industry.

2. The Contractor shall duly plug all the Wells and decommission all facilities and equipment in order to avoid contamination and harm to the environment and possible damage to the reservoir, in accordance with the Hydrocarbons Law, the other laws of Equatorial Guinea and generally accepted practices in the international petroleum industry.

Article 177
Continuation of Exploration and Production Operations

1. The Ministry has the right to take over any Exploration and Production Operations proposed to be abandoned by a Contractor. If the Ministry wishes to exercise that right it shall so notify the Contractor within three (3) months after receipt of the Contractor’s notice under Article 173. The Ministry may take over those Exploration and Production Operations and all the related facilities itself or award a new Contract over the area concerned to a National Company or to another Contractor.

2. If the Ministry does not exercise the right to take over Exploration and Production Operations proposed to be abandoned by a Contractor, on the completion of the Abandonment Plan to the satisfaction of the Ministry the area abandoned shall be considered free and the Ministry may award a new Contract over the area concerned as provided by law.

Article 178
Reserve Fund

1. In order to implement the abandonment of a Field, the Contractor shall establish and contribute to a reserve fund for the estimated abandonment costs, (the “Reserve Fund”) in accordance with the Hydrocarbons Law and the approved Abandonment Plan.

2. The Reserve Fund must take the form of an interest-bearing escrow account to be opened in the name of the Contractor and the State with an international financial institution acceptable to each of them, with appropriate safeguards to ensure that sums in the account are paid out and used only for the purposes authorised by the Hydrocarbons Law, these Regulations and the terms of the Contract.

3. In the event that the total amount of the Reserve Fund is greater than the actual cost of abandonment, the balance shall be distributed between the State and the Contractor in the same proportion as the allocation of profit Hydrocarbons under the Contract at the time of abandonment operations. In the event that the amount of the Reserve Fund is less than the actual cost of abandonment operations, the Contractor shall be liable for the remainder.
4. In the event that the Ministry elects to keep the facilities and equipment in order to continue Exploration and Production Operations after the withdrawal of the Contractor, the Reserve Fund so established together with the related interest shall be put at the Ministry’s disposal to cover the later decommissioning. The Contractor shall be released from any further decommissioning liability in respect of such facilities and equipment.

CHAPTER XXVII
RESOLUTION OF CONFLICTS

Article 179
Resolution of Contract Disputes

1. Any disputes that may arise between the Ministry and a Contractor and relating strictly to contractual matters under the Contract shall be resolved by agreement between the parties, according to the principles of good faith and equity and balance between the interests of the parties.

2. If the parties cannot reach agreement on the resolution of a dispute, that dispute shall be submitted to the courts of Equatorial Guinea or, if the Contract so provides, to international arbitration in accordance with the arbitration provisions in the Contract.

3. The costs incurred by the Contractor in court proceedings or in arbitration proceedings shall not be cost recoverable under the Contract nor deductible for tax purposes.

4. The governing law of a Contract shall be the law of Equatorial Guinea.

ADDITIONAL PROVISIONS

1. Any rule, practice, violation or penalty that is not expressly established in the Hydrocarbons Law, these Regulations or in the Contract, but is commonly and correctly applied according to the generally accepted rules and practices in the international petroleum industry shall additionally apply to these Regulations, with supplementary character.

2. The provisions of these Regulations applicable to Contractors shall also apply to Licensees when the context requires.

3. In case of discrepancy between the provisions of the Hydrocarbons Law, these Regulations, the Contracts or the Licences, they shall take priority in that order.

4. The Ministry is hereby authorised to dictate any norm and take any action necessary for the strict application of these Regulations.

TRANSITIONAL PROVISION

All Contractors, Licensees and its associated shall be subject to these Regulations and the terms of any Contract or Licence to which they are party. The approval and adoption of these Regulations shall not affect the validity of the contracts approved before the date on which it enters into force and / or the validity of the action taken in accordance with the terms of that Contact. These Regulations shall not affect the Exploration and Production Operations carried out under a Contract and/or Refining and Marketing activities approved prior to the date on which this Regulations enters into force.
FINAL PROVISION

This Regulation shall enter into force on the date of its publication by the national media and in the Official National Bulletin.

Given in Malabo, 20th June in the year 2013
Schedule

Product Specifications
## Part 1 – Gasoline

<table>
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<th>Test Method</th>
<th>Current</th>
<th>AFRI - 1</th>
<th>AFRI - 2</th>
<th>AFRI - 3</th>
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<th>European Export Grade (winter)</th>
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<td>70 max</td>
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### Petroleum Regulations of the Republic of Equatorial Guinea

#### Part 2 – Kerosine and Jet Fuel

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**Note:** The table above provides a summary of test methods and specifications for Nigerian Grade Burning Kerosene AFRI-1, AFRI-2, AFRI-3, and AFRI-4. The values listed are for reference and may vary based on specific standards and regulations.
## Part 3 – Diesel and Gas Oils

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<th>Test Method</th>
<th>European Export Grade (summer)</th>
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<td>% S ASTM D4294</td>
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<td>Rambottom Carbon % wt</td>
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<td>Thermal Stability</td>
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<td>Oxidation Stability mg / 100 ml</td>
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<td>TAN mg KOH /g</td>
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<td>SAN mg KOH /g</td>
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<th>Current Diesel 0.8200 - 0.8800</th>
<th>AFRI -1 0.800-0.890</th>
<th>AFRI -2 0.800-0.890</th>
<th>AFRI -3 0.800-0.890</th>
<th>AFRI -4 0.820-0.880</th>
<th>European Export Grade (summer) 0.820-0.845</th>
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<td>Distillate @ 350° C % vol</td>
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<td>T90 ° C</td>
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<td>Distillate @ 362° C % vol</td>
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### Part 4 – Residual Fuels

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<th>Property</th>
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<th>Current FO</th>
<th>AFRI -1</th>
<th>AFRI -2</th>
<th>AFRI -3</th>
<th>AFRI -4</th>
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<tr>
<td>Density Kg/L @ 15° C</td>
<td>ASTM D4052</td>
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<tr>
<td>Pour Point ° C</td>
<td>ASTM D97</td>
<td>0.991 max</td>
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<td>% S % wt</td>
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<td>H2S ppm</td>
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<td>Flash Point ° C</td>
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<td>Viscosity @ 50° C cSt</td>
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<td>Aluminium + Silicon ppm</td>
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<td>Nitrogen ppm</td>
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<td>Nickel ppm</td>
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<td>Vanadium ppm</td>
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<td>Zinc + Magnesium + Phosphorus ppm</td>
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<td>Calcium ppm</td>
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<td>Ash Content % wt</td>
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<td>BS&amp;W % vol</td>
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<td>Asphaltenes % vol</td>
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<td>Heat Content BTU / L</td>
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<td>Water % vol</td>
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# Petroleum Regulations of the Republic of Equatorial Guinea

## Part 5 – LPG

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<tr>
<th>Test Method</th>
<th>Current LPG</th>
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<tbody>
<tr>
<td>Density</td>
<td>Kg/L @ 15°C</td>
</tr>
<tr>
<td>Ethane Content</td>
<td>% vol</td>
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<tr>
<td>Propane Content</td>
<td>% vol</td>
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<tr>
<td>iso-Butane Content</td>
<td>% vol</td>
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<tr>
<td>N-Butane Content</td>
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<tr>
<td>C5+</td>
<td>% vol</td>
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</table>

<table>
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<th>Test Method</th>
<th>Current LPG</th>
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<tbody>
<tr>
<td>ASTM D4052</td>
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<tr>
<td>ASTM D2163</td>
<td>2% max</td>
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<td>ASTM D2163</td>
<td>50% - 68%</td>
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<td>13.5% - 16.5%</td>
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<td>ASTM D2163</td>
<td>21.25% - 26.0%</td>
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