REGULATION FOR PETROLEUM OPERATIONS RELATING TO SUBSEA PETROLEUM RESOURCES

IN THE TIMOR-LESTE EXCLUSIVE AREA

14 May 2014
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1 GENERAL PROVISIONS

1.1 Authority
The Regulation is issued by the Government of Timor-Leste pursuant to Article 31 of the Petroleum Act.

1.2 Objectives of the Regulation
The objectives of the Regulation are to:

(a) implement the Petroleum Act;
(b) ensure maximum ultimate recovery of Timor-Leste’s Petroleum resources;
(c) prevent waste and pollution;
(d) mandate the use of safe and efficient exploration and exploitation practices;
(e) permit the effective monitoring, supervision and inspection of Petroleum Operations; and
(f) contribute to achievement of Timor-Leste’s broader development goals and priorities.

1.3 Scope of application
(1) The Regulation shall apply to all Petroleum Operations with respect to subsea Petroleum resources conducted under the Petroleum Act.

(2) The Regulation shall apply to upstream activities carried out in relation to exploration and production of crude oil and natural gas including transportation and storage with direct impact on any reservoir.

1.4 Compliance
(1) All Petroleum Operations shall be carried out in compliance with the Petroleum Act, the Regulation and Applicable Law as varied, amended, modified or replaced from time to time.
(2) No Petroleum Operations shall be commenced or carried out unless all approvals, consents, licences and other permits that are required pursuant to Applicable Law have first been obtained.

(3) An Authorised Person shall ensure that everyone who carries out work on their behalf either personally, through employees or Sub-Contractors complies with Article 1.4 (1) and (2). The Sub-Contractors shall comply with relevant requirements stipulated in Article 1.4 (1) and (2).

(4) In addition to duties imposed on the Operator in the Regulation, other Contractors and Authorised Persons are also responsible for ensuring that the Operator complies with the requirements stipulated in Article 1.4 (1) and (2).

1.5 Operating standards

(1) An Authorised Person shall follow Good Oil Field Practice in conducting Petroleum Operations. The most stringent standards or practices shall prevail if they are consistent and compatible with the applicable laws.

(2) At the request of the Ministry, an Authorised Person shall demonstrate that a particular practice, procedure or specification meets Good Oil Field Practice by:

(a) providing evidence that the practice, procedure or specification is in conformance with a standard issued by an internationally recognised organisation, and that it is the most suitable standard for Timor-Leste; or

(b) providing evidence that the practice, procedure or specification is good, safe, efficient and necessary.

(3) For the purposes of this article internationally recognized organizations shall include:

(a) the American Gas Association (AGA);

(b) the American Petroleum Institute (API);

(c) the American Society of Mechanical Engineers (ASME);

(d) the American Society for Testing and Materials (ASTM);

(e) the British Standards Institute (BSI);

(f) the International Organisation for Standardisation (ISO); or

(g) any other organisation deemed acceptable by the Ministry.
1.6 Interpretation

(1) Any provisions in the Regulation that ascribe rights, obligations and liabilities to the Operator shall, unless otherwise specified, be interpreted as ascribing rights, obligations and liabilities to the Operator on behalf of the Contractors of the relevant Petroleum Contract.

(2) The terms defined in the Petroleum Act shall have the same meaning as defined therein when used in the Regulation.

(3) The terms used in the Regulation shall have the following meaning:

“Applicable Law” means any applicable act, regulation, by-law, code, rule or enactment, including Authorisations, directions and any decision made or issued thereunder;

“Applicable Standard” means standards issued by internationally recognised organisations including but not limited to those stated in Article 1.5(3);

"Appraisal" means all works carried out by an Authorised Person under a Petroleum Contract following a Discovery of Petroleum for the purpose of determining the quantity and quality of recoverable Petroleum in, and the size, extent and commerciality of, one or more Reservoirs;

“Appraisal Period” means the time granted to the Authorised Person to undertake an Appraisal Work Programme;

“Appraisal Well” means any perforation in the earth’s surface drilled following a Discovery of Petroleum for the purpose of delineating the size and extent of, and the quantity and quality of recoverable Petroleum in, one or more Reservoirs to which that Discovery relates;

“Artificial Lift” means any method of assisting natural Reservoir energy to lift oil or water to the surface through a Well path using artificial mechanism devices and/or extraneous energy;

“Assignment” shall mean any assignment, transfer, conveyance, bifurcation of title, novation, change in Control, merger, encumbrance or other dealing in any manner whatsoever or howsoever whether legally, beneficially or otherwise, and whether conditionally or not by a Contractor of or with:

(i) The relevant Petroleum Contract, or all or any part of its rights, interests,
benefits, obligations and liabilities under it;

(ii) Petroleum which has not then been, but might be, recovered in the Contract Area, or any proceeds of sale of such Petroleum; and

(iii) anything whereby the Petroleum Contract, any of those rights, interests and benefits or such Petroleum as mentioned in (i) and (ii) above would, but for Article 11.6, be held for the benefit of, or be exercisable by or for the benefit of, any other person;

but does not include an agreement for the sale or exchange of Crude Oil where the sale or exchange occurs after title thereto has passed to the Contractor. The terms “Assign”, “Assignor” and “Assignee” shall be construed accordingly;

“Associated Gas” means Natural Gas, commonly known as gas-cap gas, which overlies and is in contact with significant quantities of Crude Oil in a Reservoir, and solution gas dissolved in Crude Oil in a Reservoir;

“Associated Pipeline Facilities” means Facilities that are used in connection with the operation of a Pipeline, including facilities for pumping, compression, pressure reduction, metering, receiving or delivering of Petroleum, and storage of Petroleum, but excluding Storage Facilities;

“Authorised Person” means:

(a) in respect of a Petroleum Contract, a Contractor; and

(b) in respect of any other Authorisation, the Person to whom the Authorisation has been granted;

“Blowout” means an uncontrolled gas, oil or water escape from a Well;

“Blowout Prevention Equipment” means a device attached to the casing head that allows sealing of the Well to confine the Well fluids in the Well path, and for the purpose of the Regulation includes a diverter system;

“BOP Stack” means a set of two or more Blowout preventers used to ensure pressure control of a Well;

“Calendar Month” means any of the twelve (12) months of a Calendar Year;

“Calendar Quarter” means a period of three consecutive Calendar Months commencing on the first day of January, April, July or October of any Calendar Year;
“Casing Liner” means casing that is suspended from a string of casing previously installed in a Well and that does not extend to the Wellhead;

“Certificate of Verification of Construction and Installation” means a certificate certifying that the Verifying Body is satisfied in relation to the construction of the Facility and its installation in the Territory of Timor-Leste that adequate and satisfactory inspection was carried out during the construction and installation and that:

(a) parts or sections of the Facility constructed before installation in the Territory of Timor-Leste were not damaged before installation; and

(b) the construction and installation of the Facility and all parts thereof has been in accordance with the specifications for the construction and installation;

“Certificate of Verification of Design” means a certificate certifying that the Verifying Body in relation to the design of the Facility is satisfied that:

(a) the Facility is appropriate for the conditions in which it is proposed to be used, and suitable for the overall and local loadings to be imposed;

(b) the design is in accordance with Good Oil Field Practice;

(c) a structural analysis has been made for critical loadings including the magnitude and distribution of production loads;

(d) a fatigue analysis has been made of critical joints;

(e) an assessment of material grades has been made in relation to stress and, if applicable, pressure levels, minimum service temperature and other significant parameters;

(f) the welding procedures used or proposed to be used are satisfactory and the design of the principal welds is satisfactory; and

(g) such other matters as the Ministry has required, have been taken into account;

“Classifying Authority” means a body approved by the Ministry to classify ships, barges or Mobile Platforms;
“Commercial Discovery” means a Discovery which, as determined in accordance with the Regulation and the provisions of the relevant Petroleum Contract, can be exploited commercially in accordance with accepted practices and standards within the international petroleum industry;

“Commercial Production” occurs on the first day of the first period of thirty (30) consecutive days during which production is not less than the level of regular production delivered for sale determined by the Ministry as part of the approval of, or amendment to, a Development Plan, averaged over not less than twenty-five (25) days in the period;

“Commingled Production” means production of Petroleum from two or more Reservoirs in a Well path;

“Completed” means in respect of a Well, a Well that has been prepared to permit the:

(a) production of fluids from the Well;
(b) observation of the performance of the Reservoir;
(c) injection of fluids into the Well; or
(d) disposal of fluids into the Well.

“Completion” shall mean the equipment installed, or to be installed, in a Completed Well;

“Conductor Casing” means casing that is installed in a Well to facilitate Well control during the drilling of the borehole for the Surface Casing;

“Conductor Pipe” means a large diameter pipe installed in a Well to provide a conductor for drilling fluid through surficial formations;

“Contractor” means a Person with whom the Ministry has made a Petroleum Contract;

“Decommissioning Fund” means the fund established in accordance with Article 10.5;

“Decommissioning Plan” means the plan described in Article 10.1;

“Development and Production Period” means the period granted to the Authorised Person for the development and production of Commercial Discoveries;
“Development Area” has the meaning given in Article 4.9 (1);

“Development Plan” means the plan for a Development Area described in Article 6.2;

“Development Well” means a Well that is drilled in a Field or Reservoir for the purpose of the:

(a) production of fluids from the Well;
(b) observation of the performance of a Reservoir;
(c) injection of fluids into the Well; or
(d) disposal of fluids into the Well;

“Discovery” means any occurrence of Petroleum and Natural Gas in the Contract Area, independent from quantity, quality or commercial viability, verified by at least two detection or evaluation methods;

“Diving Plan” means the plan described in Article 16.17;

“Drill Floor” means, in respect of a Drilling Rig, the platform surrounding the slip setting area that provides support for the drill crew during Drilling Operations;

“Drill Site” means a location where a Drilling Rig is or may be installed;

“Drilling Installation” means a Drilling Unit, or a Drilling Rig and the foundation on which it is installed;

“Drilling Operations” means all preparations for and implementation of operations surrounding the drilling of a Well (or Test Hole) and which may include operations such as Completion of a Well, data acquisition, monitoring, Well control, modification and plugging of existing Wells, but excludes Workovers;
“Drilling Programme” means the programme described in Article 5.1;

“Drilling Rig” means the plant used to make a Well by boring or other means and includes a derrick, draw works, rotary table, mud pump, Blowout preventer, accumulator, choke manifold and other associated equipment including power, control, and monitoring systems;

“Drilling Unit” means a drill ship, submersible, semi-submersible, barge, jack-up or other vessel used in a Drilling Program or Workover Program and fitted with a Drilling Rig or Workover rig and other facilities associated with conducting the Drilling Program or Workover Program;

“Environmental Authority” means the entity of the government of Timor-Leste responsible for the administration and oversight of the Environmental Regulations;

“Environmental Decommissioning Plan” means the document prepared by the Authorised Person in accordance with Environmental Regulations, which identifies the potential environmental impacts arising due to Decommissioning, and how these features will be managed and monitored to protect the environment;

“Environmental Impact Assessment” means an impact assessment prepared by the Authorised Person as applicant for an environmental license in accordance with the environmental licensing procedure of Decree Law No. 5/2011, of 23 February 2011 and Decree-Law No. 41/2012, of 7 September 2012, and the TLEA Environmental Regulations;

“Environmental Impact Statement” means the document that contains the results and conclusions of an Environmental Impact Assessment;

“Environmental Management Plan” means the plan prepared by the Authorised Person in accordance with Decree Law No. 5/2011, of 23 February 2011 and Article 2.7 of the TLEA Environmental Regulations to ensure compliance with laws of Timor-Leste relating to the environment;

“Environmental Regulations” means the regulations and legislation issued from time to time by the entities belonging to the State of Timor-Leste and the Environmental Authority or other authorized governmental entity to inter alia protect the natural environment, and to assure the effective monitoring of environmental practices;
“Exploration” or “Exploration Operations” means any exploration activities, including geological, geophysical, geochemical and other surveys, investigations and tests, or drilling of Exploration Wells or Appraisal Wells, and all related activities including those covered by a Prospecting Authorisation;

“Exploration Period” means the period granted to the Authorised Person to carry out a Work Programme and Budget for Exploration;

“Exploration Survey” means a method for evaluating the earth’s surface and subsurface in the search for Petroleum and includes without limitation geological, geochemical or geophysical surveys including the obtaining of piston core samples, but excludes any other form of drilling or coring;

“Exploration Well” means a perforation in the earth’s surface, other than a Development Well or a Test Hole, that is drilled for the purposes of discovering Petroleum or obtaining geological information;

"Facility" or "Facilities" means all equipment, plants, installations, subsea flowlines, manifold and infrastructure used in the conduct of Petroleum Operations and includes without limitation Production Facilities and any Pipeline System, Processing Facilities, Storage Facilities and Terminal Facilities;

“Field” means a Reservoir, or multiple Reservoirs all grouped on, or related to, the same Geological structure structure, or stratigraphic conditions from which Petroleum may be produced;

“Field Export Point” means the point at which Petroleum produced under a Petroleum Contract, having gone through field level separation, is made ready for sale, further processing or transportation or such other point as designated in an approved Development Plan;

“Fixed Platform” means a platform from which Petroleum Operations are to be carried out that cannot be readily moved from one position to another;

“Formal Safety Assessment” means a formal, structured and systematic methodology used to facilitate proactive risk control, included within a Safety Case as described in Article 16.6;
“Formation Flow Test” means an operation to induce the flow of formation fluids to the surface of a Well for the purpose of procuring Reservoir fluid samples and determining Reservoir flow characteristics;

“Good Oil Field Practice” means such practices and procedures employed in the petroleum industry worldwide by prudent and diligent operators under conditions and circumstances similar to those experienced in connection with the relevant aspect or aspects of the Petroleum Operations, principally aimed at guaranteeing:

(a) conservation of petroleum and gas resources, which implies the utilization of adequate methods and processes to maximize the recovery of hydrocarbons in a technically and economically sustainable manner, with a corresponding control of reserves decline, and to minimize losses at the surface;

(b) operational safety, which entails the use of methods and processes that promote occupational security and the prevention of accidents;

(c) environmental protection, that calls for the adoption of methods and processes which minimise the impact of the Petroleum Operations on the environment;

“Health and Safety Audit” means systematic, periodic and documented evaluation of an Authorised Person’s health and safety organisation, performance and systems against pre-determined standards;

“Health and Safety Plan” means the plan described in Article 16.5;

“Health and Safety Update Reports” means the report described in Article 16.9;

“Intermediate Casing” means the casing installed in a Well, following the installation of Surface Casing in the Well, through which further Drilling Operations may be carried out in a Well;

“kPa” means a metric unit of pressure or stress referred to as kilopascal and equal to 1,000 pascals;

“LNG” means liquefied natural gas, which is primarily methane gas that has been liquefied at a temperature of minus one hundred sixty-one degrees Centigrade (-161 C) and stored in heavily insulated containers to prevent vaporization;
“Local Content Proposal” means the proposal submitted together with the Authorised Person’s application for Authorisation under Article 13.3 of the Petroleum Activities Law in respect of training, employment and the acquisition of goods and services;

“Management System” means a system designed to ensure compliance with Applicable Law, to contribute to ensuring and furthering the quality of the work carried out in Petroleum Operations and to ensure effective planning, organisation, control, monitoring and review of necessary Preventive and Protective Measures;

“Major Accident Event” means an event due to Petroleum Operations having the potential to cause death or serious injury, or catastrophic failure of health and safety functions or barriers so as to threaten the integrity of a Facility used in Petroleum Operations;

“Major Environmental Incident” means fires, explosions and blowouts that occur during the conduct of Petroleum Operations or spills or releases of Petroleum or other Hazardous Substances prohibited by Applicable Law;

“Measurement Point” means the location in any Contract Area or elsewhere in the Territory of Timor-Leste as specified in the Development Plan, where the Petroleum is metered and delivered for transportation there from by any means of transportation;

“Measurement Uncertainty” means an expression of the result of a measured value which reasonably characterizes the range within which the true value is expected to lie;

“Metering System” means all mechanical, instrumental and computer parts of the system for the measurement of Petroleum as well as the applicable documentation and procedures;

“Mobile Drilling Unit” means a ship, barge or other vessel or structure that can readily be moved and that carries or includes equipment for drilling a Well;

“Mobile Platform” means a Mobile Drilling Unit or a platform that can be readily moved from one position to another;
“Other Health and Safety Incident” means an incident due to Petroleum Operations that results in, or that under slightly altered circumstances could have resulted in, injury, pollution, or failure of health and safety functions or barriers so as to threaten the integrity of a Facility used in Petroleum Operations other than a Major Accident Event;

“Performance Standards” means a standard, established by an Authorised Person, of the performance requirements of a system, item of equipment, person or procedure, which is used as a basis for managing risks arising out of or in connection with Petroleum Operations;


“Petroleum Products” means products fractionated or otherwise derived from Crude Oil or Natural Gas by a refining or treatment process;

“Pipeline” means any pipe used to convey fluids, except:

   (a) pipes used to convey water that is not used in connection with a Facility, project or other matter authorised under the Petroleum Act or this Regulation; or

   (b) pipes used to convey sewage;

“Pipeline Project” means the design, construction and operation of a Pipeline System excluding Pipelines listed under Article 8.1 (4);

“Pipeline Project Plan” means the plan described in Article 8.1;

“Pipeline System” means a Pipeline and the Associated Pipeline Facilities;

“Processing Facility” means a gas processing facility, gathering centre, booster station and any other hydrocarbon processing facility the Ministry may specify from time to time as the processing facilities covered by an approved Development Plan

“Processing Facility Plan” means the plan described in Article 7.14;
“Produced Water” means water produced from a hydrocarbon bearing formation during the extraction of Petroleum. It may include formation water, water injected into the formation or any chemicals added downhole or during the oil and water separation process;

“Production Facilities” means all Facilities that are involved in the recovery, development, production, handling, field level processing, treatment, transportation or disposal of Petroleum or any associated substances or wastes, along with all facilities for water, power, accommodation or access that may be necessary for undertaking the Production Operations but excluding Pipelines requiring approval in accordance with Chapter 8,

“Production Operations” means any operations related to the development of a Field or Reservoir, the production, recovery, transport, treatment, processing and separation of Petroleum or the construction, installation, operation or maintenance of Production Facilities, but shall exclude Exploration Operations, Drilling Operations, Workover Operations and the construction and operation of Pipelines requiring approval in accordance with Chapter 8;

“Production Plan” means a plan for the production volume that the Field is estimated to produce throughout its lifetime;

“Production Test” means a production capacity test used to determine the Well production rate;

“Prudent Production” means production of petroleum from each individual petroleum deposit, or in several deposits in combination in such a manner to achieve maximum ultimate recovery of the petroleum in place. The production shall take place using best available technologies and in accordance with sound economic principles and in such a manner that waste of petroleum or reservoir energy is avoided;

“Recoverable Reserves” means proved plus probable reserves as determined by an independent consultant in accordance with Article 6.12;

“Regulation” means the provisions herein and any direction or any other decision made or issued pursuant thereto, including rules, guidelines, policies and codes issued from time to time by the Ministry regarding Petroleum Operations conducted under the Petroleum Act

“Relief Well” means a Well drilled to assist in controlling a Blowout in an existing Well;
“Risk Assessment” means the assessment of risks to health, safety and environment made by the Authorised Person;

“Safety Case” means a detailed document, prepared by an Authorised Person, to demonstrate that foreseeable safety risks have been identified and assessed in safety and engineering studies and that essential controls and mitigation measures are put in place in order to ensure that risks are controlled to a level as low as reasonably possible, to ensure continued safety of Facilities, Petroleum Operations, personnel and members of the public;

“Sampling” means obtaining Well cuttings, cores or fluids at designated depth intervals during Drilling Operations, Workover or Production Operations for subsequent analysis;

“Spud” means, in respect of the drilling of a Well, the initial penetration of the surface;

“Storage Facility” means a containment facility, including aboveground tanks, underground tanks, containers, lined earthen excavations or floating storage offshore, used for storing large volumes of hydrocarbons, water, chemicals, waste or products used or extracted from a Development Area, excluding storage facilities that are covered by an approved Development Plan;

“Storage Facility Plan” means the plan described in Article 7.14;

“Sub-Contractor” means a party that has entered into an agreement with an Authorised Person, or any of its subcontractors and manufacturers of any tier, for the performance of work in connection with the Petroleum Operations;

“Support Craft” means any vessel, tug, ship, aircraft or other craft used to provide transport for or assistance to Petroleum Operations but does not include a Drilling Installation;

“Surface Casing” means the casing installed in a Well to a depth sufficient to establish Well control for the continuation of Drilling Operations;

“Terminal Facility” means a facility where Petroleum Products, water, chemicals, waste or products used or extracted from a Development Area are transferred from one bulk transportation system to another covered by an approved Development Plan;
“Terminal Facility Plan” means the plan described in Article 7.14;

“Test Hole” means a hole, other than a Well or seismic shot hole, drilled to a depth of more than 30 meters;

“Timor-Leste Supplier” means a legal or physical person:

(a) whose business enterprise is incorporated or otherwise organised under the laws of Timor-Leste; and

(b) whose principal place of business is in Timor-Leste; and

(c) which is effectively minimum five percent owned and controlled by nationals of Timor-Leste; and/or partly owned and controlled by nationals of Timor-Leste

(d) which supplies services and/or goods to an Authorised Person;

“Timor-Leste Goods” means materials, equipment, machinery and consumer goods mined, grown or produced in Timor-Leste which consist of:

A. Purely or 100 percent designed, engineered, and manufactured in Timor Leste;
B. Partly designed, engineered and manufactured in Timor Leste if the total cost of the local materials, labour and services used to produce the item constitutes not less than fifty (50); percent of the cost of the finished product;
C. Assembly of goods (Spare parts) in Timor-Leste which consist of local labor, cost and skill and knowledge.

“Timor-Leste Services” means services supplied by a Timor-Leste Supplier;

“Third Party Consultant” means an independent organization or individual that can provide expert knowledge on the Petroleum Operations;

“TLEA” means the “Territory of Timor-Leste” as defined by the Petroleum Act, but excluding any onshore area’

“Verifying Body” means a body approved by the Ministry to:

(a) verify the design, construction, installation and decommissioning of Facilities; or

(b) carry out such verification as the Ministry may require;

“Waste Material” means refuse or garbage, or other useless material generated during Petroleum Operations, but does not include drilling fluid and drill cuttings and other Petroleum by-product with economic value.
“Workover” means any operation performed in a Well after the initial Completion that could result in an alteration of the downhole mechanical configuration and would include deepening, pulling or resetting liners, plugging by squeezing, adding new perforations and re-perforating in the same or alternative interval(s), stimulation, repairing casing damage due to corrosion, collapse, burst or separation or any other similar major repair operation excluding Drilling Operations;

“Workover Programme” means the programme described in Article 5.1;

“Work Programme” and “Work Programme and Budget” has the meaning set out in the relevant Petroleum Contract.

2 AREA MANAGEMENT

2.1 Graticulation System
   (1) The surface of Timor-Leste shall be graticulated into blocks in accordance to a grid system.
   (2) The opening and redefinition of a new area for Petroleum Operations shall be defined by way of reference to blocks.
   (3) Details of such grid system shall be regulated under the internal guidelines for acreage definition.

2.2 Opening of areas
   (1) The Ministry may decide to open an area for Petroleum Operations.
   (2) Prior to the opening of areas for Petroleum Operations, the Ministry may inform relevant government agencies.
   (3) The Ministry may reserve a block, part of a block or a number of blocks in an open area for the State-Owned Contractor.

2.3 Closure and redefinition of area
   (1) The Ministry may decide to close an area declared open pursuant to Article 2.2, but not covered by a Petroleum Contract or any other Authorisation.
(2) The Ministry may redefine the boundaries of an area declared open but not covered by an existing Petroleum Contract or any other Authorisation.

(3) Prior to making a determination on closure or redefinition of the boundaries of an open area, the Ministry shall publish the intention to do so in two (2) newspapers of general circulation in Timor-Leste, on the Ministry Website, and in any other manner determined by the Ministry. Any person may make a representation to the Ministry on the matter within thirty (30) days of publication. Upon expiration of the thirty (30) day period, the Ministry may, upon due consideration of the representations received, determine whether or not to close or redefine the boundaries of the area and shall publish notice of the decision in the same manner as aforementioned.

(4) A decision by the Ministry to close or redefine the boundaries of an open area shall not affect another area covered by a Petroleum Contract or any other Authorisation existing at the time of the decision.

3 PROSPECTING AUTHORISATION AND ACCESS AUTHORISATION

3.1 Prospecting Authorisation

(1) Prospecting Authorisations granted in accordance with the Petroleum Act Articles 9 and 13 may be valid for a period up to six (6) Calendar Months unless otherwise decided by the Ministry.

(2) The Ministry may stipulate conditions for the grant of a Prospecting Authorisation to reflect Good Oil Field Practice, as well as technical and economic aspects and the relationship to, and expected impact on, other users of the sea and potentially affected Persons and local communities. The Ministry may decide to permit an Authorised Person to market the right of use of the data and information gathered under the Prospecting Authorisation. The Ministry may stipulate conditions to such decision.

(3) The ANP shall have title to all technical data and information acquired under Prospecting Authorisation

(4) The Authorised Person is obliged to seek further approval from other relevant entities prior to commencing the prospecting activities.

3.2 Content of a Prospecting Authorisation Application

(1) Application for Prospecting Authorisation shall be submitted to the Ministry and shall contain information regarding:
(a) name, address and nationality of the applicant. If the application comprises more than one applicant, all the names, addresses and nationalities shall be stated;

(b) the applicant’s representative in relation to the Timor Leste authorities;

(c) the area which is comprised by the application;

(d) the purpose and the nature of the prospecting activities; and

(e) all the relevant documents required under Health, Safety and Environments requirements.

(2) The Ministry may require additional information.

(3) Attestation for payment of fee, cf. Article 23.2 of this regulation shall be enclosed with the application.

3.3 Consent to a Prospecting Authorisation Application

Within a reasonable period of time after receiving an application for a Prospecting Authorisation, or requested additional information, the shall decide whether to grant the Prospecting Authorisation and shall notify the applicant in writing of its decision.

3.4 Submission of information to prospecting activities

(1) No later than one month prior to commencement of the prospecting activity under a Prospecting Authorisation, the following information shall be submitted to the Ministry:

(a) the name and location of the prospecting activity;

(b) which Prospecting Authorisation the activity shall be conducted under;

(c) the name of the Authorised Person of the Prospecting Authorisation;

(d) the type of prospecting activity to be conducted;

(e) The name of the party carrying out the prospecting activity;

(f) Planned commencement and conclusion dates;

(g) Planned extent of the prospecting activity;

(h) The entire prospecting area indicated by geographical coordinates, including area necessary calibration and testing of equipment in connection with the prospecting activity, and area needed to turn the Vessel and Aircraft
(i) Description of operations, procedures, the navigation and acquisition systems, and indicating in the case of airborne surveys, the proposed flying altitude;

(j) Name of the Vessels and Aircraft

(k) The Vessels and Aircraft’s call signals, IMO numbers and nationality;

(l) Data acquisition summary detailing the operations to be carried out;

(m) Format of collected data;

(n) Evaluation of whether the prospecting activities could harm particularly vulnerable environmental resources;

(o) A Seismic Safety Management Plan and all the other relevant documents required under the HSE requirements;

(p) Prior to the start of the Survey the Ministry may request to inspect the Survey Vessel and the support vessel;

(2) On a weekly basis during the prospecting activities the following information shall be submitted to the Ministry:

(a) Designation of the prospecting activity;

(b) Which Prospecting Authorisation the activity shall be conducted under;

(c) The name of the Holder of the Prospecting Authorisation;

(d) The date for commencement of the prospecting activity. Conclusion date shall be included on the last weekly report;

(e) Status of the activity, i.e. numbers of kilometres shot in total and during the last week;

(f) Name of Vessel and call signal.

(3) The Operator shall during the survey inform the Ministries of Fisheries, Defence and Security of the movements of the survey Vessels.

(4) Changes in prospecting activities

(a) If the activity is not commenced at the stipulated date, the Authorised Person of a Prospecting Authorisation shall as soon as possible send a new report indicating the start-up date for the activity to the Ministry,
(b) If the Authorised Person of a Prospecting Authorisation wishes to continue the activity beyond the stipulated conclusion date, the Authorised Person must submit the relevant information about the activity to the Ministry as indicated in this Article no later than within ten working days prior to the stipulated conclusion date.

(5) The Ministry at its discretion may grant exemptions from the deadlines listed above.

3.5 Access Authorisation

(1) Access Authorisations granted in accordance with the Petroleum Act Articles 11 and 13 shall be valid for such period as is necessary to perform the prospecting activities, Geological and Geophysical surveys, construction, installation and operation of the relevant structures, Facilities and installations and such additional period needed for Decommissioning of the same.

(2) The Ministry may stipulate conditions to an Access Authorisation to reflect Good Oil Field Practice, as well as technical, safety, environmental and economic aspects and the relationship to, and expected impact on, other users of the sea or relevant land areas and other potentially affected Persons and local communities.

4 EXPLORATION ACTIVITIES

4.1 Work Programme and Budget

(1) An Authorised Person shall prepare and submit a proposal for an annual Work Programme and Budget for each Calendar Year for the Ministry’s approval.

(2) The first proposal for an annual Work Programme and Budget shall be submitted to the Ministry within thirty (30) days after the effective date of the Petroleum Contract and thereafter within sixty (60) days before the end of a Calendar Year.

(3) The Work Programme shall include a proposal for Exploration to be undertaken. The Work Programme and Budget shall be based on the minimum exploration work requirements to be completed pursuant to the relevant Petroleum Contract. In addition, the Work Programme and Budget shall contain the following information:
(a) details of Exploration proposed to be undertaken, including schedule and an indication of the method, technique and equipment to be employed in the proposed Exploration;

(b) maps of the areas where Exploration are proposed to be undertaken, along with any relevant information about the areas; and

(c) a budget showing distribution of expected costs related to the minimum exploration work requirements and other proposed Exploration, if any, in accordance with the planned schedule.

(4) An Authorised Person shall together with the proposed Work Programme and Budget submit the following information:

(a) the name and address of the Authorised Person;

(b) the name of the representative of the Authorised Person in relation to the Ministry and other Government authorities;

(c) details of any temporary or permanent Facility which may be constructed or used in connection with the proposed Exploration;

(d) a description on how the Authorised Person plans to fulfil the obligations set out in the Local Content Proposal and to comply with the local content requirements established in the Regulation and Applicable Law throughout the Exploration Period;

(e) all other information that may be relevant to the conduct of the Exploration; and

(f) any other information required by the Ministry.

4.2 Approval of Work Programme and Budget

(1) The Ministry may stipulate conditions to its approval of the Work Programme and Budget to reflect Good Oil Field Practice or to meet the requirements of Applicable Law. The Ministry will provide the Authorised Person with its decision in writing within reasonable time of receipt of all required information and other materials. Where a Work Programme and Budget is not approved, the Ministry shall state the grounds for its decision. The Authorised Person may modify and re-submit the Work Programme and Budget within a timeframe stipulated by the Ministry.

(2) The Ministry may suspend or revoke an approval in the event:
(a) the Authorised Person has not conducted the minimum exploration work requirements in accordance with the Work Programme and Budget; or

(b) the relevant Petroleum Contract or Prospecting Authorisation is terminated.

(3) Drilling Operations requires Approval for Drilling Operations pursuant to Article 5.2.

4.3 Geological and Geophysical Surveys

(1) If an Operator wants to conduct a geological or Geophysical Survey, they must notify and seek consent from the Ministry about the intended survey.

(2) Any modification to a geological or Geophysical Survey which constitutes a significant change to the area or duration of a survey previously agreed with the Ministry shall not be made without prior consent of the Ministry.

(3) A notification, pursuant to sub-clause 4.3 (1) shall include the following information:

(a) Name and location, including coordinates, of the survey;

(b) The proposed date of commencement, the estimated duration and cost of the survey;

(c) A plan to an appropriate scale showing the area to be the subject of the survey;

(d) In the case of a seismic, gravity or magnetic survey; details of the equipment to be used;

(e) a plan showing the proposed survey stations or traverses

(f) a brief description of operations, procedures, the navigation and acquisition systems, and indicating in the case of airborne surveys, the proposed flying altitude;

(g) a brief discussion paper on the positioning systems selected for each type of survey;

(h) names of the contractors used to carry out the survey;

(i) a local content action plan to contain elements of the survey

(j) data acquisition summary detailing the operations to be carried out;

(k) geological/geophysical techniques to be used;

(l) data processing sequences to be undertaken
(m) list of electronic information with index of intended contents and format; and

(n) interpretations, maps and reports used to support the exploration purpose of the survey;

(o) evaluation of whether the survey activities could harm particularly vulnerable environmental resources.

(p) all the relevant documents required under Health, Safety and Environment requirements.

(4) If an Operator submits a notification for a Geological or Geophysical Survey notification to the Ministry, the Ministry may request the Operator to provide further written information about any matter required by these Regulations to be included in the notification.

(5) Where an Authorised Person intends to conduct a seismic survey, the Authorised Person shall also notify the Ministry and all other Persons known to be operating within eight (8) km of such proposed activity of:

(a) The type of energy source to be used;

(b) Its frequency and intensity;

(c) the time of proposed use;

(d) any other pertinent information;

(6) Explosives shall not be detonated within two (2) km of an offshore Facility without prior written approval of the Ministry.

4.4 Notification and performance of Exploration Activities

(1) If the Explorations Operations do not commence at the notified time, an Authorised Person shall send a new notification of start-up time to the Ministry as soon as possible.

(2) If any part of the Exploration is not concluded at the notified time, the Authorised Person shall send updated information regarding the duration of the Exploration to the Ministry.

(3) Where an Authorised Person intends to conduct a seismic survey, the Authorised Person shall also notify the Ministry and all other Persons known to be operating within eight (8) km of such proposed activity of:

(a) the type of energy source to be used,

(b) its frequency and intensity,

(c) the time of proposed use,
(d) any other pertinent information.

(4) Explosives shall not be detonated within two (2) km of an offshore Facility without prior written approval of the Ministry.

(5) All vessels conducting Exploration shall have a marine mammal observer on board if required.

4.5 Exploration Periodical Reports

(1) An Authorised Person shall submit daily progress operational reports during the following exploration activities;

(a) Geological and Geophysical surveys

(b) Exploration and Appraisal Drilling Activities

(2) The Authorised Person shall submit monthly exploration reports to the Ministry within fifteen (15) days after the end of Calendar Month. The monthly exploration report shall contain:

(a) a detailed description and evaluation of Exploration undertaken in the previous Calendar Month organized by type of activity, including geological and geophysical surveys, interpretation, drilling, construction, and ancillary activities;

(b) if necessary, an update of the information on expected entries into the TLEA described in Article 20.4;

(c) any other information as the Authorised Person deems relevant; and

(d) any other information required by the Ministry.

(3) The Ministry may require the Authorised Person to update the monthly exploration reports.

4.6 Annual Report

(1) An Authorised Person shall submit an annual exploration report to the Ministry within thirty (30) days after the end of each Calendar Year.

(2) The annual exploration report shall contain:

(a) an account of actual Exploration undertaken in previous Calendar Year compared with those planned under the Work Programme and Budget;
(b) a summary of the environmental and health and safety performance related to the Exploration carried out in the previous Calendar Year;

(c) any other information as the Authorised Person deems relevant; and

(d) (any other information required by the Ministry.

(3) Article 4.5 (3) applies correspondingly.

4.7 Data Collection and Management

(1) Ministry has title to all data and information obtained pursuant to an Petroleum Contract or a Prospecting Authorisation, including title to all data and information obtained in connection with Exploration, whether raw, derived, processed, interpreted or analysed. This includes, amongst other:

(a) seismic data, velocity data and navigation data;

(b) gravimetric and magnetic data;

(c) seismic refraction measurements;

(d) shallow seismic profiles; and

(e) piston core samples, and the unprocessed data, including one half section of each piston core sample where recovery integrity permits.

(2) As soon as possible and no later than three (3) Calendar Months after the annual Work Programme has been completed, an Authorised Person shall send all data, registrations and results from the Exploration, whether raw, derived, processed, interpreted or analysed, to the Ministry. Any data that requires processing in excess of three (3) Calendar Months shall be submitted as soon as the data has been processed.

(3) An Authorised Person shall retain a copy of the data, records and results referred to in this Article 4.7.

(4) The Ministry may make available to other Contractors or Persons data, records and results from Exploration, subject to the requirements of the Applicable Law.
4.8 Discovery, Appraisal and Commerciality

(1) The Authorised Person shall, upon Discovery, give notice in writing to the Ministry within twenty-four (24) hours.

(2) As soon as reasonably practicable after a Discovery is made, and in any event no later than thirty (30) days following the submission of the notification made pursuant to Article 4.8 (1), the Authorised Person shall:

(a) submit to the Ministry relevant information from Exploration leading to the Discovery and any other information the Ministry requires, and

(b) advise the Ministry whether or not the Discovery merits Appraisal.

(3) if the Authorised Person is of the opinion that the Discovery merits Appraisal, he shall, within thirty (30) days following the notification pursuant to subsection (1) of this Article, prepare a proposal for an Appraisal Work Programme, including a proposal for the Appraisal Period, which shall be submitted to the Ministry for approval. If relevant, the Appraisal Work Programme shall be updated annually, and all updates shall be submitted to the Ministry for approval. The objective of the Appraisal Work Programme is to enable the Authorised Person to determine if the Discovery is, either alone or in combination with other Discoveries, a Commercial Discovery. The Ministry may require further evaluations and information to be submitted.

(4) The Appraisal Period shall not exceed two (2) Calendar Years. However, the Ministry may grant an extension to the Appraisal Period where the Authorised Person has demonstrated to the satisfaction of the Ministry that Appraisal has been conducted in accordance with the Appraisal Work Programme and that further Appraisal activities are required to determine whether the Discovery is a Commercial Discovery.

(5) no later than ninety (90) days after the completion of the Appraisal Work Programme, the Authorised Person shall submit a report to the Ministry stating whether the Discovery is commercial or not. The report shall include:

(a) the reason(s) for the Authorised Person’s decision;

(b) all data and information considered by the Authorised Person in making the determination of Commercial Discovery;

(c) studies which have been carried out or which are planned to be carried out with a view to determine if the Discovery is or can become a Commercial Discovery;
the Authorised Person’s proposal as to that area to be declared a Development Area; and

any other information required by the Ministry.

4.9 Declaration of Development Area

(1) if the Authorised Person has declared a Commercial Discovery in accordance with Article 4.8, the Ministry may declare the relevant area as “Development Area”, defined as a contiguous three-dimensional area, which may be changed by the Ministry from time to time if required to ensure that it encompasses the Field concerned. Unless the Ministry and the Authorised Person agree otherwise, such change shall not take place after a Development Plan has been approved.

(2) The Ministry may, upon application, grant an extension of the Development Area. An application for such extension of the Development Area shall include:

(a) a map clearly identifying the relevant areas and their relation to the Development Area;

(b) the reasons for the proposed extension; and

(c) a description of any proposed additions or modifications to the approved Work Programme and Budget.

4.10 Relinquishment of Contract Area

(1) if the Authorised Person wishes to relinquish the Contract Area wholly or partly, the following shall, together with the relinquishment report required under Article 4.14, be prepared and submitted to the Ministry:

(a) a description of the portion or portions of the original Contract Area that the Authorised Person proposes to relinquish; and

(b) a description of the Contract Area that the Authorised Person proposes to retain.

(2) any relinquished areas shall, unless otherwise permitted by the Ministry, be a contiguous area of a compact nature whereby all sections shall be connected and have in common at least on one of their sides of thirty (30) seconds longitude or latitude, subject to the configuration of the original Contract Area, and the longest east/west and north/south dimensions of a relinquished area are such as to establish a viable possible future Contract and permit an effective
conduct of Petroleum Operations in the relinquished area and in any retained Contract Area.

(3) The Ministry evaluates and decides on the delimitation of the Contract Area after relinquishment. The Ministry may stipulate conditions for its decision. The decision shall, amongst other, be based on resource management considerations and area management considerations.

4.11 Mandatory Relinquishment

(1) The Authorised Person shall relinquish:

(a) At the end of the initial period, not less than twenty-five percent (25%) of the original Contract Area; and

(b) At the end of the second period, not less than a further twenty-five percent (25%) of the original Contract Area.

(c) The information required under Article 4.10 (1) shall be submitted no later than ninety (90) days prior to the end of initial and second Period.

(2) if the Authorised Person does not submit the required information on time, the entire Contract Area shall be deemed relinquished at the end of the Contract Year concerned.

4.12 Final Relinquishment

(1) At the end of the final Contract Year of the third period, the Authorised Person shall relinquish all of the Contract Area other than those parts that have been declared as Development Areas.

(2) If at the end of the final Contract Year of the third period the Authorised Person, having undertaken all reasonable and necessary measures in accordance with the Regulation and the Petroleum Contract, has not had sufficient time to Appraise a Discovery, the obligation of the Authorised Person under Article 4.12(1) may be postponed by the Ministry’s decision in writing:

(a) for such area as the Ministry may determine to be reasonably necessary for Appraisal of the Discovery after considering the proposal of the Authorised Person;

(b) for such period as the Ministry may determine is reasonably necessary to permit the Authorised Person to Appraise the Discovery; or

(c) for such period as the Ministry may determine for the Authorised Person to decide whether to declare a Commercial
Discovery as a consequence of Appraisal, and, if it does declare Commercial Discovery, for the Ministry to declare a Development Area in respect of it.

(3) Article 4.11 (2) applies correspondingly.

4.13 Retention Area

(1) If the Appraisal of a Discovery of non-associated gas demonstrates that the Discovery is not at that stage, either alone or in combination with other Discoveries, commercially viable, but that it is likely to become so within a reasonable period which may not exceed two (2) Calendar Years from the end of the Exploration Period, the Ministry may, at the request of the Authorised Person, declare a “Gas Retention Area” provided it complies with the requirements of this Article.

(2) If the Appraisal of a Discovery in any other form than non-associated gas demonstrates that the Discovery is not at that stage, either alone or in combination with other Discoveries, commercially viable, but that it is likely to become so within a reasonable period which may not exceed one (1) year from the end of the Exploration Period, the Ministry may, at the request of the Authorised Person, declare a “Petroleum Retention Area” provided it complies with the requirements of this Article.

(3) On request of the Authorised Person and upon demonstration that an extension period is likely to result in declaration of a Commercial Discovery, the Ministry may extend the period of the Gas Retention Area or the Petroleum Retention Area as considered necessary, and on such conditions, as considered appropriate by the Ministry.

(4) A Gas Retention Area or a Petroleum Retention Area shall consist of a single contiguous area that encompasses the Discovery including surrounding area sufficient to cover the probable and possible extent of such areas. The Ministry may exclude deeper formations in which no Discovery has been made.

(5) A Gas Retention Area shall be deemed to have been relinquished upon expiry of the period set out in article 4.13(1).

(6) A Petroleum Retention Area shall be deemed to have been relinquished upon the expiry of the period set out in article 4.13(2).

(7) A Gas Retention Area or a Petroleum Retention Area shall be deemed to have been relinquished where the Authorised Person ceases to meet its obligations under this Article;
Gas retention area or Petroleum retention area shall be deemed cease to exist upon declaration of a commercial discovery by the authorised persons and the Ministry has declared a development area. Retained Areas that are not part of a development area shall be deemed relinquished.

All obligations that rest upon the Authorised Person in relation to relinquishment applies correspondingly upon expiry of the periods relating to a Gas Retention Area or a Petroleum Retention Area.

4.14 Relinquishment Report

(1) The Authorised Person shall prepare and submit a relinquishment report to the Ministry together with the notification prescribed in Article 4.10 (1).

(2) The relinquishment report shall at least include:

(a) an account for the basis for the decision to relinquish the relevant area;

(b) a map of the area proposed for relinquishment and the area proposed to be retained, including corner coordinates and clear identification of the area(s) and/or depths or formations in the area;

(c) a description of the regional geology of the area;

(d) a description of the Exploration history and work carried out in the area, including an overview of the data coverage such as wells, seismic and other data;

(e) a list of all data that has been submitted to Ministry;

(f) a list of play types, leads and prospects in the area relinquished, including description of potential Reservoir(s), source(s), trap and seal in an agreed format with the Ministry;

(g) prospect(s) and/or lead(s) in the area must be documented by seismic line with tie-in to adjacent wells if applicable;

(h) the potential resources and reserves in the relinquished area shall be reported in accordance with Society of Petroleum Engineers (SPE) classification and methods for assessing the potential of the acreage shall be described; and

(i) all data on the area proposed to be relinquished that has not been previously submitted to the Ministry.

(3) The Ministry may request the Authorised Person to submit additional information and data on the relinquished area(s).
4.15 Reducing Contract Area and Continuing Obligations in respect of Relinquished Area

(1) The Petroleum Contract shall only apply for those parts of the Contract Area that are retained.

(2) Relinquishment of all or a part of the Contract Area is without prejudice to any unfulfilled obligations under Applicable Law.

5 DRILLING, WORKOVER, WELL MANAGEMENT AND OPERATIONAL REPORTING

5.1 Drilling Programme and Workover Programme

(1) An Authorised Person shall prepare and submit a proposal for a Drilling Programme and a Workover Programme at least one (1) Calendar Month prior to the planned commencement for the Ministry’s approval.

(2) An Authorised Person shall apply for a name for a new well from the Ministry prior to submitting a Drilling Programme. The Ministry shall assign a distinguishing name and number to a Well.

(3) The Drilling Programme and the Workover Programme shall include information such as formal identification of Development Area, where known the Field identification, the name of the drilling contractor and Drilling Installation used and the Drilling Rig name and identification number.

(4) The Drilling Programme or Workover Program shall at least contain:

(a) all relevant Well data, including:

(i) Well number identification;

(ii) Well history and Well completion configuration;

(iii) Well-bore (or sub-Well-bore) number;

(iv) water depth at the Drill Site;

(v) the position of the Well, expressed in latitude and longitude using WGS 84;

(vi) surface and subsurface location of other Wells in the vicinity of the proposed Drilling Operations or Workover;
details of Well spacing and justification;

(viii) top and bottom hole depths; and

(ix) estimated Spud or re-entry date.

(b) separate prospect summary sheet and map for each target and any studies or analysis considered in analysing and identifying prospects and targets;

(c) a seismic depth map and representative cross-seismic section;

(d) a Well status schematic divided into the following parts, which shall include schematics of the plans appropriate to each part including but not necessarily limited to the casing scheme, tubing/completion equipment, safety valves, proposed perforations and the Well as completed, and which in the case of a Workover shall reflect both before and after conditions:

(i) part one, which shall provide general information in respect of the Well, including the Well name and Well classification;

(ii) part two, which shall provide information in respect of surface conditions in the vicinity of the Well that may affect the safety and efficiency of Drilling Operations or the Workover, including meteorological, oceanographical and other natural conditions and the topography and composition of the surface (including the seafloor);

(iii) part three, which shall provide comprehensive information in respect of subsurface conditions that may affect the safety or efficiency of Drilling Operations or the Workover; and

(iv) part four, which shall provide comprehensive information to demonstrate that the Drilling Programme or Workover Programme is suitable for the conditions expected to be encountered.

(v) A description of the diverter system and its operating procedures.

(e) A description of the Blowout Prevention Equipment, including:

(i) pressure ratings and proposed test pressures; and

(ii) a schematic drawing of the Blowout Prevention Equipment that shows the inside diameter of the BOP Stack, number and type of preventers, all control systems and pods, location of choke and kill lines, and associated valves.

(f) A written confirmation that:
(i) the blind-shear rams installed in the BOP Stack are capable of shearing any drill pipe in the hole under the maximum anticipated surface pressure with supporting documentation that includes test results and calculations of shearing capacity of all pipe to be used in the Well including correction for the maximum anticipated surface pressure; and

(ii) in respect of a subsea BOP Stack, the BOP Stack is designed for the specific equipment on the Drilling Unit and for the specific well design, the BOP Stack has not been compromised or damaged from previous service, and the BOP Stack will operate in the conditions in which it will be used.

(g) an assessment of:

(i) the feasibility of drilling a Relief Well in the event of an uncontrolled Blowout, which shall address among other things the availability of a suitable Drilling Unit to drill the Relief Well, the expected time that would be required to bring the Drilling Unit on site, the expected technical and operational issues associated with drilling the Relief Well and the expected time required to drill the Relief Well; and

(ii) where applicable, any measures that an Authorised Person proposes to employ to mitigate the risk of an uncontrolled Blowout either in conjunction with, or as an alternative to, a Relief Well.

(h) estimated or planned Drilling Operations or Workover operations, including:

(i) planned use of drilling fluids and its justification

(ii) estimated fracture gradient;

(iii) planned casing string(s) and installation schematic diagram and confirmation that casing and liner string are capable of withstanding all anticipated collapse, burst pressure, tensile loading, temperature and environments likely to be encountered.

(i) details on the use of tubing and tubing/casing packers;

(j) details on the installation and use of Artificial Lift;

(k) planned directional drilling, with details on:

(i) planned true vertical depth;

(ii) planned measured depth;
(iii) planned azimuth; and

(iv) planned inclination.

(I) formation and Well testing program:

(i) the formation evaluation objectives and the means proposed to achieve these;

(ii) details of Sampling, coring, logging and testing program;

(iii) details of proposed Well testing operations;

(iv) estimated flowing and shut-in tubing pressures;

(v) estimated flow rates and cumulative volumes;

(vi) time duration of flow, buildup and draw down periods;

(vii) description and rating of surface and subsurface test equipment;

(viii) schematic drawing showing the layout of test equipment;

(ix) description of safety equipment, including gas detectors and fire-fighting equipment;

(x) proposed methods to handle or transport produced fluids;

(xi) description of test procedures; and

(xii) the detailed procedures to be followed for a negative pressure test of the Well and the criteria to be applied to determine whether the test has been successful.

(m) details on Well completion, completion procedures and standards to be followed;

(n) details of any planned Well stimulation program;

(o) details of the experience and technical competence of the Authorised Person that may be relevant to the proposed Drilling Operations or the Workover, including evidence of financial capacity to undertake the proposed Drilling Operations or the Workover;

(p) Detailed geological plan for wireline logs, coring and sampling of cuttings;

(q) details of the Environmental submission required by the Environmental Regulations;
(r) all other information that may be relevant to the Drilling Operations or Workover; and

(s) any other information required by the Ministry.

(5) An Authorised Person shall promptly notify the Ministry if relevant circumstances change prior to commencement of, or during, Drilling Operations. The Ministry may require the Authorised Person to make modifications to the Drilling Program and Workover Programme.

5.2 Approval of Drilling Programme and Workover Programme

(1) The Ministry may stipulate conditions or requirements to its Approval of the Drilling Programme and of the Workover Programme pursuant to this Article 5.2(2) or Article 21.1(2) to reflect Good Oil Field Practice or to meet the requirements of Applicable Law.

(2) The Ministry shall notify the Authorised Person of its decision whether to grant an approval of the Drilling Program and/or the Workover Program within reasonable time after the application has been received by the Ministry.

(3) An Authorised Person shall, prior to any Drilling Operations or Workover:

(a) furnish the Ministry with evidence of financial responsibility in a form and in an amount satisfactory to the Ministry for the purpose of ensuring that the Authorised Person completes or abandons the Well and leaves the site in a satisfactory condition; and

(b) furnish the Ministry with evidence, in a form satisfactory to the Ministry, that the Authorised Person is able to meet any financial liability that may be incurred as a result of Drilling Operations or Workover operations.

(4) An Authorised Person shall clearly mark a Well with its assigned name and number.

(5) The Ministry may suspend or revoke an approval of the Drilling Programme and/or the Workover Programme when:

(a) an Authorised Person has not conducted Drilling Operations or a Workover in accordance with the Drilling Programme or Workover Programme; and

(b) conditions encountered during the Drilling Operations or Workover are different from those planned for or predicted by the Authorised Person at the time and the Ministry considers
that the Drilling Programme or Workover Programme is no longer consistent with the requirements of the Regulation.

(c) the relevant Petroleum Contract is terminated.

5.3 Ministry Observers

(1) The Ministry may designate observers to be present at the Drill Site during any Drilling Operations or Workover, and, the Authorised Person shall provide for the sustenance and accommodation for such observers while they are at the Drill Site in conditions equivalent to those provided to the Authorised Person's own personnel of similar rank and seniority.

(2) An Authorised Person shall allow the Ministry observers to observe all Drilling Operations and Workover operations and shall provide reasonable access to all aspects of Drilling Operations or Workover operations.

(3) Notwithstanding the presence of the Ministry observers, the Authorised Person shall be responsible for compliance with Applicable Law.

5.4 Suspension of Drilling Operations or Workover

(1) An Authorised Person shall ensure that an operation at the Drill Site ceases as soon as possible where the continuation of that operation:

(a) causes or may cause pollution; or

(b) endangers or may endanger the safety of persons or property, the security of the Well or the safety of the Drilling Installation.

(2) An Authorised Person shall ensure that Drilling Operations or Workovers at a Drill Site are suspended where any of the following conditions exist:

(a) an inability to maintain Well control;

(b) a failure of, or serious defect in, any major component of the Blowout preventer system, casing or drilling fluid system;

(c) an inability to maintain the properties, volume or circulation rate of the drilling fluid as required by the Regulation;

(d) an inability to maintain on site the quantities of drilling consumables;

(e) a fire;
(f) a loss of a significant portion of primary power;

(g) an inability to safely handle the drill pipe, casing or heavy equipment necessary for the operation in progress;

(h) a diving operation is being conducted near any submerged Blowout preventer or Wellhead;

(i) an inability to satisfactorily maintain the position of the Drilling Unit over the Well;

(j) an excessive motion of the Drilling Unit caused by meteorological, oceanographical and other natural conditions; or

(k) where a Drilling Unit is anchored, the tension on any anchor exceeds the values established when the anchor was set.

(3) The operations shall not be resumed until the condition that caused the ceasing or suspension has been rectified or ceased to exist, such that operations can be resumed safely or without risk of causing pollution.

(4) Where a fatal accident occurs at a Drill Site, the Authorised Person shall suspend every operation associated with the fatality as soon as possible and shall not resume any operation without the approval of the Ministry.

5.5 Verification by independent Third Party Consultant Prior to Undertaking Drilling Operations or a Workover

(1) As a condition to undertaking any Drilling Operations or a Workover, the Ministry may require that an Authorised Person submit to the Ministry a verification report prepared by an independent Third Party Consultant prior to the commencement of drilling or work over operations.

(2) The verification report shall be based on a review of the relevant documents, including the Drilling Program or Workover Program, as the case may be, and a detailed physical inspection of the Drilling Installation and equipment and systems, and the performance of such tests as may be appropriate. Unless otherwise agreed with the Ministry, the independent Third Party Consultant shall verify, that taken as a whole the equipment, systems and operational practices for Well control comply with the requirements of Applicable Law and Good Oil Field Practice.

(3) In the event an Authorised Person elects to file, or is required to file, an amendment to a Drilling Programme or Workover Programme, or
in such other circumstances as contemplated by the Regulations, the Ministry may require the Authorised Person to submit a verification report prepared by an independent Third Party Consultant. In the event a verification report is required and pending submission of such report, the Authorised Person shall ensure that Well control is maintained at all times and that practices followed are in keeping with existing approved plans, programs and practices.

(4) The Ministry may request information to establish that the proposed independent Third Party Consultant has the necessary qualifications and experience to perform the assessment and to provide verification report and such information shall be provided by the Authorised Person promptly.

(5) In the event the Ministry objects to a proposed independent Third Party Consultant, the Authorised Person shall either present additional information satisfactory to the Ministry or propose another independent Third Party Consultant, in which event the requirements of this Article 5.5 shall apply.

5.6 Inspection and Testing of Equipment used in Drilling Operations and Workover

An Authorised Person shall ensure that equipment used in a Drilling Program or Workover Program are:

(a) Inspected, tested and certified by an independent third party prior to commencement of Drilling Operation and Workover.

(b) maintained in good working condition and fit for purpose prior to and at all times during the execution of the Drilling Programme or Workover Programme; and

(c) subject to inspections required by the Regulation and inspected at least annually and that a report is prepared in respect of the inspection.

5.7 Well Control and Blowout Prevention

(1) An Authorised Person shall ensure that equipment, materials and operational practices used for Well control, including those used in Drilling Operations and Workovers and any associated equipment or systems satisfy the requirements of Applicable Law and the relevant international standards.

(2) An Authorised Person shall not remove installed Blowout Prevention Equipment until all necessary steps are taken to ensure the Well is safe.
(3) An Authorised Person shall immediately notify the Ministry whenever:

(a) Blowout Prevention Equipment is removed for any reason; or

(b) Blowout Prevention Equipment is re-installed.

(4) A notification to the Ministry of removal of Blowout Prevention Equipment shall include the reason for the removal of the equipment and information on the steps taken to make the Well safe.

(5) A notification to the Ministry of reinstallation of Blowout Prevention Equipment shall include information on the Blowout Prevention Equipment being reinstalled and the procedures followed and to be followed in respect thereof.

(6) In the event of the removal, reinstallation or modification of any Blowout Prevention Equipment or systems, the Ministry may require an Authorised Person to submit an updated Certificate of independent Third Party Consultant that confirms the determination of the independent Third Party Consultant.

(7) A secondary control system and a secondary source of operating power capable of activating the Blowout preventers in case the primary control system or primary power source fails that allows for activation by an Remotely Operated Underwater Vehicle (ROV) or other subsea vehicle or mechanism effective in such operating environment.

5.8 Production or Drill Stem Test

(1) A Production or Drill Stem Test on a Well, not being a producing Well, shall not be conducted without prior approval of the Ministry.

(2) An application for approval pursuant to Article 5.8 (1) shall include the particulars of:

(a) the equipment to be used;

(b) the testing programme;

(c) the intervals in the well to be tested;

(d) the expected duration of the test, and

(e) the method of disposal of the produced fluids
5.9 Abandonment

(1) A Well shall not be abandoned or suspended without prior approval of the Ministry. An application for abandonment or suspension of a well shall be submitted to the Ministry at reasonable time prior to the commencement of abandonment or suspension operation.

(2) In the event of emergency or adverse weather conditions requiring, in the opinion of the person in command of the platform or Ministry, cessation of Drilling Operation or Workover shall be carried out by the Authorised Person safely in accordance with Good Oil Field Practice.

(3) The application should include detail of safe abandonment or suspension plan which include but not limited to the following;

(a) casing removal plan;

(b) location of abandonment plug;

(c) length and quality of cement plug;

(d) fluids to be used in completed abandonment or suspended well.

(4) An Authorised Person shall ensure that:

(a) where a Well or a portion of a Well is Abandoned, such abandonment takes place in a manner that prevents any formation fluid from flowing into another interval within that Well-bore or escaping from the Well-bore.

(b) Where the Ministry is informed that a Well or a portion of a Well has not been completed, suspended or abandon in accordance with Applicable Law, the Ministry may order the Authorised Person to rectify the situation within a period stipulated by the Ministry.

5.10 Removal of Drilling Rig

A Drilling Rig shall not be removed from a Well drilled unless the Well has been Completed, suspended or abandoned in accordance with Applicable Law and relevant standards.

5.11 Removal of Material and Equipment

An Authorised Person shall ensure that upon completion or abandonment of any Well the surface area, including the seafloor, is cleared of any material or equipment, unless the Ministry otherwise approves.
5.12 Daily Drilling Report

(1) An Authorised Person who undertakes any Drilling Operations or Workovers shall provide the Ministry with a daily drilling report before mid day on the day following the end of the twenty-four (24)-hour period to which it relates.

(2) The daily drilling report and any referenced documents shall be retained by the Authorised Persons for the duration of the Drilling Operations or Workover, and, for a period of no less than ten (10) years.

(3) An Authorised Person’s daily drilling report shall contain minimum of the following information:

(a) name of the Wells;
(b) the drill depth;
(c) summary of the work carried out;
(d) lithology of formation penetrated;
(e) any indication of petroleum;
(f) result of surveys made in the wellbore; and
(g) estimated daily and cumulative well cost.

(h) Blowout prevention information, including:

(i) Blowout Prevention Equipment pressure tested limits and durations;
(ii) the sequential order of Blowout Prevention Equipment testing;
(iii) the control station or pod used during the test;
(iv) a description of any problems or irregularities observed during the testing and the actions taken to remedy the problems or irregularities; and
(v) such other records related to Blowout prevention as the Ministry may request.

(i) daily mud usage and type;
(j) health and safety information:

(i) Condition of Safety Critical Equipment
(ii) safety drills

(iii) safety meeting

(iv) waste manifest

(v) safety inspection and audits

(k) Information on ambient conditions such as wave and swell direction, height and period, and information about the Drilling Unit such as pitch, roll, heave and anchor line tension.

(l) summary of any work performed on a Well by a work barge, support vessel or other similar equipment; and.

(m) any other information required by the Ministry.

5.13 Well Completion Report

(1) An Authorised Person shall give to the Ministry within one hundred eighty (180) days of removal of the rig from the Well submit a Well completion report which shall include:

(a) all relevant Well data;

(b) operating time;

(c) breakdown of non productive times;

(d) non scheduled events;

(e) a plan of the Well completion operations;

(f) where applicable, the name of the drilling contractor;

(g) spud and rig release date;

(h) depth drilled;

(i) full well-bore survey and plot (total vertical depth and plan view);

(j) lithologies and formation information;

(k) a composite log;

(l) core and sidewall sample descriptions;

(m) petrographic descriptions;

(n) paleontological information;

(o) log interpretations;
(p) details of holes, casings and cementing;
(q) results of interference and pressure testing;
(r) information on Well completion or abandonment;
(s) a velocity survey; and
(t) flow test results.

5.14 Reference Depths

(1) An Authorised Person shall measure any depth in a Well during the drilling or on the termination of the Well from a single reference point.

(2) The reference point referred to in this Article shall be the rotary table of the Drilling Rig.

(3) The Authorised Person shall measure and record immediately prior to Spud:
   (a) the distance from the rotary table to the ground surface; and
   (b) the water depth at mean sea level.

6 DEVELOPMENT AND PRODUCTION

6.1 Prudent Production

(1) Production of Petroleum shall take place:
   (a) in such a manner that as much as possible of the Petroleum in place in each individual Petroleum deposit, or in several deposits in combination, will be produced;
   (b) in accordance with Good Oil Field Practice and sound economic principles; and
   (c) in such a manner that waste of Petroleum or reservoir energy is avoided.

(2) An Authorised Person shall carry out continuous evaluation of production strategy and technical solutions, shall take the necessary measures in order to achieve this, and shall inform the Ministry of any relevant changes, in accordance with Good Oil Field Practice.
(3) Flaring or venting of Petroleum shall be subject to approval by the Environmental Authority, except in an emergency. An application for flaring or venting shall be in accordance with the Environmental Regulations. Prior to flaring or venting of Petroleum, an Authorised Person shall consider all reasonable commercial or operational alternatives to the flaring or venting of Petroleum, including use as fuel, use as a means for improving Petroleum recovery or injection for disposal or storage.

6.2 Development Plan

(1) An Authorised Person shall prepare and submit for approval of the Ministry a proposal for a Development Plan and an appurtenant budget, within twelve (12) months after the declaration of a Development Area pursuant to Article 4.9. The proposal for a Development Plan shall describe the strategy and concept of the proposed Production Operations.

(2) The proposal for a Development Plan shall at least contain:

(a) a summary of the proposed Development Plan;

(b) the information prepared and submitted in the process leading up to the declaration of the Development Area including:

(i) a map of the Development Area with the boundary of the area fully defined in terms of latitude, longitude and (where applicable) coastline;

(ii) the Exploration and Appraisal history of the Development Area; and

(iii) the geological model of the Development Area, including depth and isopach maps for each Reservoir Compartment showing the subsurface position of Development Wells and diagrams to illustrate the geological model;

(c) information on planned or possible coordination with Petroleum Operations in other areas;

(d) information on Management Systems, including information on the planning, organizing and implementation of the Production Operations;

(e) a description of the organisation and expertise which the Authorised Person will have available in Timor-Leste and elsewhere for activities in connection with the proposed Production Operations;

(f) information on the proposed Production Operations including:
(i) the proposed schedule for carrying out such Production Operations;

(ii) the types of Petroleum to be produced;

(iii) the Petroleum reserves attributable to the Development Area determined in accordance with Article 4.9;

(iv) any proposed Commingled Production including information on how the Authorised Person intends to assign production from each Reservoir interval;

(v) any planned geological, petrophysical and Reservoir studies and analyses; and

(vi) information on fiscal metering demonstrating compliance with Chapter 13 including the proposed location of meters to be used for the metering of Petroleum produced, injected, vented, consumed, or flared;

(g) a geological structure and analysis and interpretation;

(h) details of formation parameters;

(i) details of Reservoir fluid parameters;

(j) details of any pre-feasibility, feasibility or engineering assessments in respect of the Production Operations, including assessments prepared in respect of Production Facilities;

(k) the Production Operations drilling plan and information on placement of Wells together with a description of the operation and maintenance programs for the Wells to be used in the proposed Production Operations;

(l) the planned location of Production Facilities, together with a description of the operation and maintenance programs for the Production Facilities;

(m) the proposed Work Programme and Budget for the initial three (3) years of Production Operations, including a description of;

(i) Production Operations planned to take place in the first year covered by the work programme in detail and providing monthly production forecasts of the Field;

(ii) Production Operations planned to take place in the following two (2) Calendar Years on an indicative basis and providing quarterly and annual production forecasts of the Field; and

(iii) in respect of the first Calendar Year covered by the work programme, a detailed budget which includes an estimate of
costs for each category of Production Operations planned to
take place, and, where applicable, identifying any costs that
are eligible or ineligible for cost recovery under the
Petroleum Contract.

(n) the Reservoir management plan for the Development Area or
part thereof, including;

(i) the monitoring, surveillance and data management
programme that will be established to monitor Reservoir
performance and to determine operational changes needed to
optimize the Production Operations and/or improve the
economics of the Production Operations; and

(ii) the techniques and system to be used for data acquisition and
analysis, the frequency of data acquisition plan and other
relevant matters.

(o) Description of gas disposal methods to ensure the achievement
of zero flaring;

(p) details of the Petroleum to be injected;

(q) information on utilisation of Facilities for processing,
transportation and storage to be approved pursuant to this
Regulation;

(r) the application for consent to construct or install a Fixed
Platform referred to in Article 7.2 including information on
placement, the reason for the selection of that location, the
expected date of commissioning and copies of reports and
recommendations made by persons responsible for ascertaining
the criteria determining the design;

(s) an estimate of the economic life of the Development Area
covered by the Development Plan, together with the major
assumptions used in making such estimate;

(t) information on economic aspects of the proposed Production
Operations, including relevant data and analysis on expected
capital and operating expenditures and commercialization plans
and options, in a form acceptable to the Ministry;

(u) details on any financing obtained or proposed to be obtained in
respect of the Production Operations;

(v) information on lifting, marketing and sale of Petroleum; and

(w) information on how Facilities may be disposed of upon
cessation of use of a Facility or cessation of Petroleum
Operations and how Decommissioning shall be secured and funded;

(x) information on Health and Safety Plan, where required by Article 16.5;

(y) information on Safety Case, where required by Article 16.6; and

(z) copies of any Environmental Impact Assessment, Environmental Impact Statement, Environmental Management Plan and Environmental Decommissioning Plan, where required by the Environmental Regulations.

(3) An Authorised Person shall together with the proposed Development Plan submit the following information:

(a) the name and address of the Authorised Person;

(b) the name of the representative of the Authorised Person in relation to the Ministry and other Government authorities;

(c) details of any temporary or permanent Facility which may be constructed or used in connection with the proposed Development Plan, and which is not included in the Development Plan;

(d) information on expected entries into the TLEA of personnel, vessels or aircraft to be used in Development and Production in accordance with Article 20.4;

(e) details of security measures to be undertaken;

(f) a description on how the Authorised Person plans to fulfil the obligations set out in the Local Content Proposal and to comply with the local content requirements established in the Regulation and Applicable Law throughout the Development and Production Period;

(g) a copy of the last annual local content plan submitted in accordance with Article 18.2;

(h) information on and, if applicable copies of, all licenses, permits, approvals or consents that have been applied for or shall be applied for pursuant to the Regulation and Applicable Law;

(i) Decommissioning Plan;

(j) all other information that may be relevant to the Development Plan; and

(k) any other information required by the Ministry.
(4) Where the Authorised Person proposes to use Facilities located outside the Territory of Timor-Leste, the Authorised Person shall provide detailed information thereof in the Development Plan.

(5) If the Production Operations are planned in two or more phases, the Development Plan shall to the extent possible comprise the total Production Operations. The Ministry may limit its approval of the Development Plan to individual Reservoirs or phases.

(6) Where cost information is provided in the Development Plan the Authorised Person shall describe and categorize costs in the same way as provided for in the Petroleum Contract under which it operates, cross-reference to such agreement and the accounting procedures or other relevant provisions to facilitate review and understanding of the submission, and where possible provide for information purposes the authorization for expenditure in relation to each activity.

(7) Unless otherwise permitted by the Ministry, the Authorised Person shall not enter into any contracts relating to the proposed Development Plan or commence construction works until the proposed Development Plan has been approved by the Ministry.

(8) The Authorised Person shall promptly notify the Ministry if conditions encountered during the Production Operations are different from those anticipated at the time of the preparation of the Development Plan. The Ministry may require the Authorised Person to make modifications in the Development Plan.

6.3 Approval of the Development Plan

(1) The Ministry shall evaluate the proposed Development Plan for approval.

(2) The Ministry may stipulate conditions to its approval to reflect Good Oil Field Practice or to meet the requirements of Applicable Law.

(3) The Ministry will provide the Authorised Person with its decision in writing within reasonable time of receipt of all required data and information. Where a Development Plan is not approved, the Ministry shall state the grounds for its decision. The Authorised Person may modify and re-submit the Development Plan within a timeframe stipulated by the Ministry.

6.4 Annual Work Programme and Budget

(1) The Authorised Person shall submit the annual Work Programme and Budget within ninety (90) days from approval of the Development Plan and thereafter no later than 1st November of each subsequent
Calendar Year. The update shall include a forecast for the next three
(3) Calendar Years of Production Operations and a description of
work activities for:

(a) details of the Production Operations which includes reservoir
    surveillance and monitoring activities and any Drilling
    Operations and Workover planned to take place in the first
    Calendar Year covered by such Work Programme and providing
    monthly production forecasts by Reservoir and Field;

(b) details of the Production Operations which includes reservoir
    surveillance and monitoring activities and any Drilling
    Operations and Workover planned to take place in the following
    two Calendar Years on an indicative basis and providing
    quarterly and annual production forecasts by Reservoir and
    Field;

(c) in respect of the first Calendar Year covered by such Work
    Programme, a detailed budget which includes an estimate of
    costs for Production Operations planned to take place, and,
    where applicable, identifying any costs that are eligible or
    ineligible for cost recovery under the Petroleum Contract;

(d) a description of any material differences from the Work
    Programme submitted as part of the approved Development
    Plan, or previously in accordance with this Article 6.4, with an
    explanation for any such differences;

(e) a copy of each authority for expenditure prepared by the
    Authorised Person and approved by each Contractor, which shall
    provide a full breakdown of capital and operating expenditures
    relative to the Work Programme;

(f) An update of the information on expected entries into the TLEA;

(g) all other information that may be relevant to for the Work
    Programme and Budget and;

(h) any other information required by the Ministry.

(2) The annual Work Programme and Budget shall include information
    on, and if applicable copies of, all licenses, permits, approvals or
    consents that have been applied for or that shall be applied for
    pursuant to Applicable Law.

(3) The Authorised Person shall promptly notify the Ministry if
    conditions encountered during the Petroleum Operations are different
    from those anticipated at the time of the preparation of the Work
    Programme and Budget. The Ministry may require the Authorised
    Person to make modifications in the work programme and budget.
(4) A Work Programme and Budget for a Calendar Year shall be substantially in accordance with the Development Plan for the Development Area.

6.5 Testing and other measures to obtain information

(1) Before a Well is put into production, the Authorised Person shall carry out Production Tests on the Well and shall:

(a) obtain data on the deliverability or productivity of the Well;
(b) determine the characteristics of the Reservoir; and
(c) obtain representative samples of the fluids present in the Reservoir.

(2) Within the first ninety (90) days of production of a Well, the Authorised Person shall carry out subsurface pressure tests.

(3) For each producing Well, the Authorised Person shall carry out annual Production Tests, and shall:

(a) record all oil, gas and water volumes resulting from the test;
(b) obtain data on the deliverability or productivity of the Well;
(c) determine the characteristics of the Reservoir; and
(d) obtain representative samples of the fluids present in the Well.

(4) The Authorised Person shall carry out annual pressure surveys of the Development Area.

(5) The Ministry may require that special measures shall be taken by the Authorised Person to obtain information, including conducting or running tests, analyses, surveys or logs, if the Ministry considers that this is necessary to implement the objectives of Applicable Law or Good Oil Field Practice.

6.6 Sampling

The Authorised Person shall retain for possible inspection by the Ministry all analyses relating to samples of Reservoir fluid taken by the Authorised Person in connection with Petroleum Operations.
6.7. Production Monitoring
The Authorised Person shall continually monitor the Development Area during Production Operations in order to ensure the best possible recovery of Petroleum. Such monitoring shall include:

(a) pressure, temperature and flow conditions;
(b) produced or injected volumes per Well, compartment and Reservoir; and
(c) the composition of components of Petroleum.

6.8. Daily Production Reports
The Authorised Person shall on a daily basis supply to the Ministry information on the most important production parameters for the Petroleum production in the previous twenty four (24) hours, by the methods and in the format decided by the Ministry. Such daily production reports shall include but not limited to:

(a) the total produced quantity per Well or Well path and Reservoir;
(b) allocated, value adjusted, marketable Petroleum produced per Well and per Contract Area, including:
   (i) the quantity and quality characteristics of Petroleum produced;
   (ii) the quantity of Petroleum injected; and
   (iii) the quantity of Petroleum flared or vented with a specification on whether such flaring or venting is with or without prior permission
(c) in respect of the Contract Area as a whole, the quantities of Petroleum transferred at the Field Export Point;
(d) sales of Petroleum differentiated in Crude Oil and other Petroleum including information on buyers, owners and cargo; and
(e) Summary of important events and activities which could have impacts on production and Facilities.

6.9. Monthly Production Reports
The Authorised Person shall give to the Ministry, within fifteen (15) days after the end of each Calendar Month following the start of Production Operations, in the format decided by the Ministry, a production report which sets out information on Production Operations for that Calendar Month, including but not limited to:
(a) an aggregate of the information provided in the daily production reports;
(b) summary of maintenance activities and forward plan for following months;
(c) the quantities of Petroleum and pressure discharged, injected, flared or vented;
(d) the size of Petroleum stocks held at the beginning of the Calendar Month in question;
(e) the size of Petroleum stocks held at the end of the Calendar Month in question;
(f) production forecasts for the coming Calendar Month;
(g) for each Well;
   (i) the number of days or part-days on which the Well was on line during the Calendar Month;
   (ii) the number of days or part-days on which production, or injection, occurred for each Well;
   (iii) the quantity of Petroleum produced during the Calendar Month, including daily rates;
   (iv) the calculated gas or injection rates, including daily rates; and
   (v) for each Well producing by Artificial Lift, information on the pumps used and depths set and operational performance.
(h) for each Reservoir;
   (i) information on the quality characteristics of Petroleum produced where available, including the API gravity, sulphur content and Total Acid Number (TAN); and
   (ii) the quantity of Produced Water during the Calendar Month including daily rates and the water quality of such Produced Water.
(i) for each field
   (i) the quantities of Petroleum used in operations for fuel of otherwise; and
   (ii) details of any injection, flaring or venting of Petroleum and any petroleum lost for any reason;
(iii) the details of any imbalance between numbers reported between the report being submitted and any previous report, and between totals presented and the sum of individual parts making up that total, whether resulting from error, allocation methodologies, or otherwise;

(j) the results of the tests performed in accordance with Articles 6.5 and

(k) any other information required by the Ministry

6.10. Quarterly Reservoir Performance Assessment

(1) The Authorised Person shall within thirty (30) days after the end of each Calendar Quarter give to the Ministry a written report which shall provide:

(a) a brief description of Production Operations in the preceding Calendar Quarter;

(b) a brief analysis of Reservoir performance highlighting any technical or operational issues that were not anticipated by the Authorised Person and that have had, or may have, a significant impact on Production Operations;

(c) a brief review of Production Tests and other tests conducted during the preceding Calendar Quarter;

(d) a description of new studies or assessments that are proposed by the Authorised Person to evaluate the Reservoir(s);

(e) all other information that may be relevant to for the Reservoir performance assessment; and

(f) any other information required by the Ministry.

(2) In the event the Authorised Person considers that an amendment to the Development Plan may be necessary as a result of any change in Reservoir performance, the Authorised Person shall promptly notify the Ministry.

6.11. Annual Production Report

(1) The Authorised Person shall, within sixty (60) days after the end of the relevant Calendar Year, submit to the Ministry a written report which shall contain information on the general Production Operations in the Development Area, including but not limited to:
(a) a summary of Production Operations undertaken in the Development Area, including but not limited to:

(i) any significant revised views on geology and geophysics, including seismic and geological interpretations or modelling, structure and stratigraphy;

(ii) petrophysical interpretation;

(iii) Reservoir fluid parameters; and

(iv) Reservoir performance, Reservoir model, production and injection profiles.

(b) cumulative Petroleum and water production by Well, Reservoir and the Development Area, including daily rates and API gravity and sulphur content and Total Acid Number (TAN) for any such Petroleum production;

(c) cumulative Petroleum and water injection by Well, Reservoir and the Development Area;

(d) watercut, gas to oil ratio and condensate to gas ratio for each Petroleum Well, Reservoir and the Development Area;

(e) flowing tube head and flowing down hole pressures for each Well, when measured;

(f) fuel Petroleum used, Petroleum flared and water discharged;

(g) the details of any imbalance between numbers reported between the report being submitted and any prior report, and between totals presented and the sum of individual parts making up that total, whether resulting from error, allocation methodologies, or otherwise;

(h) static tube head and static down hole pressures for each Well, if measured;

(i) completion and perforation intervals and details of changes made to those intervals during the Calendar Year;

(j) any suspensions or downtime for each Well and the reasons for the suspensions or downtime;

(k) the results of the annual Production Tests and the annual pressure survey tests;

(l) a status report on new Production Facilities commissioned, under design or construction, along with details of significant works on existing Production Facilities undertaken during the prior Calendar Year;
(m) an update of the reservoir management plan described in Article 6.2(2)(n);

(n) Annual Production forecast for following year;

(o) List of main maintenance activities conducted during Calendar Year and maintenance plan for subsequent year which include major shut down and rate reduction scopes;

(p) an update of the information on expected entries into the TLEA;

(q) a summary report identifying all contracts entered into or active with Timor-Leste Suppliers or for Timor-Leste Goods during the prior Calendar Year and amounts expended in respect thereof and reporting on the status of compliance with requirements for the use and/or procurement of Timor-Leste Suppliers and Timor-Leste Goods under Applicable Law;

(r) a summary report on all people employed or contracted by Authorised Person to work in Petroleum Operations, identifying the persons that are nationals of Timor-Leste and reporting on the status of compliance with requirements for the employment or contracting of nationals or permanent residents of Timor-Leste under Applicable Law;

(s) a summary report on the training and instruction provided to persons employed or contracted by Authorised Person to work in Petroleum Operations, identifying persons who received training or instruction, the status of training and instruction and reporting on the status of compliance with requirements for training under Applicable Law;

(t) a copy of the Annual Health and Safety Report;

(u) a copy of the Annual Environmental Report;

(v) the annual report required by Article 6.2; and

(w) the capital and operating costs incurred in the previous Calendar Year, which costs shall be categorized in the same way as provided for in the Petroleum Contract, with cross-references to the Petroleum Contract and the accounting procedures or other relevant provisions to facilitate review and understanding of the submission;

(x) all other information that may be relevant to for the annual report; and

(y) any other information required by the Ministry.
6.12. **Oil and Gas Reserves**

(1) An Authorised Person shall submit a report, prepared by an independent consultant specialized in reserves assessment and audit, with the estimates of proved, probable and possible reserves for each Reservoir or portion thereof with the annual report required by Article 6.11.

(2) The report shall contain:

(a) a description of the methods used in determining such reserves, which shall be consistent with standards pertaining to the estimating and auditing of oil and gas reserves information issued by the Society of Petroleum Engineers Oil & Gas Reserves Committee, as the same may be amended from time to time, or other internationally accepted standards for oil and gas reserves estimation; and

(b) relevant information on the supporting data used in such analysis including pressure, volume, temperature (PVT) properties and source, pressure data and source.

(c) Other Information as required by the Ministry.

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7. **FACILITIES**

I **GENERAL REQUIREMENTS**

7.7. **General Requirements for design, construction, installation and maintenance of Facilities**

(1) Any Facility constructed, installed or used in the Territory of Timor-Leste shall be designed, fabricated, supplied, installed and maintained to:

(a) be fit for the purpose for which it shall be or is used;

(b) ensure the structural integrity of the Facility and the safe conduct of Petroleum Operations;

(c) take into account the specific operational and Environmental Conditions expected to be encountered during the Petroleum Operations; and.

(d) be in accordance with the approved Development Plan or any Facilities Plan, as applicable.
(2) All plans for Facility design, analysis, fabrication, installation, use, maintenance, inspection and assessment shall conform to industry standards reflecting Good Oil Field Practice.

(3) All Facilities shall be certified and or verified by Third Party Consultant

7.8. Consent prior to performing certain activities

(1) The written consent of the Ministry is required prior to:

   (a) commencing the use of a Facility;

   (b) undertaking major reconstructions or modifications of a Facility, except if the major reconstruction or modification of the Facility is urgently necessary due to an emergency; and

   (c) commencing construction or installation of a Fixed Platform or a Pipeline.

(2) In the event of an emergency alteration or reconstruction of a Facility in accordance with this Article 7.2 (1) (b), the Ministry shall be notified as soon as practicable.

(3) An application for consent pursuant to Article 7.2 (1) shall contain:

   (a) if required pursuant to Chapter 16, an approved Health and Safety Plan or Safety Case, as applicable, covering the activity for which the Authorised Person applies for consent; and

   (b) a description of the activity for which the Authorised Person applies for consent.

(4) An application pursuant to this Article 7.2 (1) (a) for the consent to use a Fixed Platform or a Pipeline shall in addition to the requirements in subsection (2) contain a Certificate of Verification of Construction and Installation.

7.9. Testing, inspection and surveys

(1) An Authorised Person shall perform all tests required in order to ensure that all Facilities are in compliance with the requirements of Applicable Law and Good Oil Field Practice. Such tests shall be carried out in accordance with the approved Development Plan or any Facilities plan, as applicable, and otherwise as necessary or as the Ministry may request. All tests shall be made available to the Ministry upon request.
An Authorised Person shall carry out surveys and inspections of Facilities to ascertain that the Facilities are in accordance with the requirements of Applicable Law and Good Oil Field Practice. Such surveys and inspections shall be carried out at least annually for Mobile Platforms, and for other Facilities as necessary or as the Ministry may request. Records of or relating to inspections or surveys shall be produced to the Ministry on request. The Ministry may require the Authorised Person to prepare and submit a report in respect of the survey or inspection.

7.10. **Lifting and Hoisting Equipment**

(1) An Authorised Person shall ensure that all lifting and hoisting equipment used in Petroleum Operations is appropriate for the conditions under which it will be used.

(2) Lifting and hoisting equipment shall be inspected regularly by An Authorised Person to ascertain that such equipment is in accordance with the requirements of applicable standards, manufacturer requirements and Good Oil Field Practice.

(3) Except in emergency, any significant change or modification and repair to lifting and hoisting equipment shall not be conducted without prior consent from the Ministry.

(4) An Authorised Person shall ensure that all lifting and hoisting operations are managed and conducted in a safe and prudent manner.

7.11. **Electrical Equipment**

(1) An Authorised Person shall ensure that electrical equipment, electric motors, lighting fixtures and wiring on a Facility are designed, with appropriate safety system, installed and maintained to operate safely under the maximum anticipated load conditions.

(2) The electrical equipment and wiring on any Facility shall be inspected regularly by An Authorised Person in order to ascertain that such equipment and wiring is in accordance with according to applicable standards, manufacturer requirements and Good Oil Field Practice.

7.12. **Radio and Support Craft Procedure**

(1) All passengers of any Support Craft shall be informed of the safety rules and procedures applicable to that Support Craft upon boarding.
(2) All movements of any Support Craft operating between a Mobile Platform or a Fixed Platform and the shore shall be monitored by the person operating the radio station on such platform.

(3) Every person in charge of a standby vessel shall:

(a) maintain open communication channels with the Mobile Platform or Fixed Platform;

(b) maintain the standby vessel within such distance from the Mobile Platform or Fixed Platform as is approved by the Ministry; and

(c) stand ready with the standby vessel to conduct rescue operations at any time:

(i) that the safety of personnel, the safety of the Mobile Platform or Fixed Platform or the safety of a Well is endangered or is likely to be endangered;

(ii) when there is particular danger of a person falling overboard;

(iii) when a helicopter is landing on or taking off from the Mobile Platform of Fixed Platform; or

(iv) when diving operations from the Mobile Platform or Fixed Platform are in progress.

II PRODUCTION FACILITIES

7.13. Notification of commissioning
The Authorised Person shall notify the Ministry of the plan for commissioning a Production Facility, including the schedule for commissioning. The Ministry shall be notified immediately upon the completion of the commissioning of a Production Facility.

III MOBILE PLATFORMS

7.14. Use of Mobile Platforms
(1) A Mobile Platform to be used in the TLEA shall be classified by a Classifying Authority, and shall be used and maintained in accordance with the requirements in Applicable Law and the classification rules.
(2) Any written consents issued from time to time by the Classifying Authority under its rules which relate to the use and maintenance of the Mobile Platform shall be produced when required by the Ministry.

7.15. Moving, raising and lowering of a Mobile Platform

(1) Except in the case of emergency, a Mobile Platform shall not be moved into, out of or within the TLEA without prior approval of the Ministry.

(2) An application for approval to move a Mobile Platform shall be made in writing and shall:

(a) provide particulars of the dates and times at which the move is proposed to be carried out, and the locations concerned;

(b) provide details concerning the Mobile Platform use, including where applicable information concerning the plans, approvals or consents provided in accordance with the Regulation;

(c) confirm that the application is consistent with any such plans, approvals or consents;

(d) describe any buoy or underwater obstruction proposed to be left at a location in the TLEA from which the Mobile Platform is to be moved and provide appropriate justification;

(e) provide safety layout maps for the Mobile Platform that include:

(i) name, type, particulars and a picture diagram of the Mobile Platform;

(ii) a list of all integrity certificates for the Mobile Platform and the equipment thereon; and all such certificates required under the Authorised Person’s safety manuals, the Regulations, the prevailing safety codes and maritime regulations;

(iii) layout maps of each level/deck of the Mobile Platform of sufficient size and scale, which accurately depict the spaces, rooms or chambers, corridors/alleys, and the position/location on each such level/deck of:

– the main process or operating equipment;

– the safety equipment, installations and materials, including equipment and agents for fire control, personnel protection, escape and survival;
– pollution control equipment and materials;
– safety detectors and sensors;
– Petroleum flow shut-off systems;
– alarm systems;
– storage of dangerous substances, including poisonous, radioactive and explosive substances, if any; and
– medical facilities.

(f) include the Mobile Platform’s safety and accident record over the last 3 years; and

(g) include the most recent report on safety inspections and drills performed on the Mobile Platform.

(3) Any movement of a Mobile Platform shall be reported to the Ministry as soon as practicable after it has taken place. The Ministry may require additional information in respect of any move and such requested information shall be provided to the Ministry promptly.

(4) A Mobile Platform shall only be raised or lowered if this is in accordance with Good Oil Field Practice.

7.16. **Anchors**

(1) Where anchors are used for holding a Mobile Platform in position, the Authorised Person shall ensure that the anchoring and positioning systems keep the Mobile Platform in its position.

(2) The Authorised Person shall ensure that prior to the commencement of Petroleum Operations, each anchor and anchor line passes a test where tension equal to or more of the tension specified in letter (a) and (b) below is applied:

(a) the maximum anticipated tension expected during the time the Mobile Platform is on the site; and

(b) the capacity of the winch.

7.17. **Stability**
The Authorised Person shall ensure that:
(a) the mat, legs, footings, hull or piles of Mobile Platforms and the surrounding seafloor are inspected regularly to confirm that no areas of weakness are developing; and

(b) where build-up of seafloor sediments or any other condition that threatens the stability of the Mobile Platform occurs, such measures as are necessary to protect the safety of the Mobile Platform and of the personnel on board are taken.

IV FIXED PLATFORMS

7.18. Information and inspection

Prior to the commencement of use of a Fixed Platform the Authorised Person shall submit to the Ministry data and information as follows:

(a) name, type, particulars and a picture diagram of the Fixed Platform; and

(b) a list of all integrity certificates for the Fixed Platform and the equipment thereon; and all such certificates required under the Authorised Person’s safety manuals, the Regulation, the prevailing safety codes and maritime regulations.

7.19. Structures, Installations and Prefabricated Parts

(1) The structure of and installations on a Fixed Platform other than the drilling and production equipment, personnel emergency facilities and accommodation shall not be altered or reconstructed without a certification body’s prior approval and, where applicable, verification.

(2) Where the Ministry so requires in respect of parts and sections of the Fixed Platform prefabricated outside the TLEA for installation inside the TLEA, those parts or sections shall be approved by the Ministry before being installed.

V STORAGE, TERMINAL AND PROCESSING FACILITIES
7.20. Storage Facility Plan, Terminal Facility Plan and Processing Facility Plan

(1) An Authorised Person shall prepare and submit a proposal for a Storage Facility Plan, a Terminal Facility Plan or a Processing Facility Plan for the Ministry’s approval. The Storage Facility Plan, the Terminal Facility Plan or the Processing Facility Plan shall describe the relevant project in detail and provide the basis for evaluation of the relevant Facility.

(2) The Storage Facility Plan, the Terminal Facility Plan or the Processing Facility Plan shall at least contain:

(a) the name and address of the Authorised Person;

(b) the name of the representative of the Authorised Person in relation to the Ministry and other Government authorities;

(c) details of the experience and technical competence and capacity of the Authorised Person that may be relevant to the proposed design, construction and operation of a Storage Facility or Terminal Facility of Processing Facility, including the Authorised Person’s financial capacity to undertake such work and relevant insurance policies;

(d) a description of the organisation and expertise which the Authorised Person will have available in Timor-Leste and elsewhere for activities in connection with the activities under the plan for the proposed Facility;

(e) summary of the proposed plan;

(f) a breakdown of an appurtenant budget and a work programme;

(g) the design, construction, and operating features of the proposed Facility, including description of:

(i) location for the proposed Facility, with an accompanying map with the boundary of the area fully defined in terms of latitude, longitude and, where applicable, coastline;

(ii) maintenance work plan and maintenance schedule for the proposed Facility;

(iii) schedule for constructing the proposed Facility and the expected date of commissioning of the proposed Facility;

(iv) a Certificate of Verification of Design of the proposed Facility, unless such verification has been waived by the Ministry; and
(v) details of any storage of hazardous chemicals.

(h) details of any temporary or permanent Facility which may be constructed or used in connection with the proposed plan;

(i) information on expected entries into the TLEA of personnel, vessels or aircraft to be used;

(j) details of security measures to be undertaken;

(k) a description on how the Authorised Person plans to fulfil the obligations set out in the Local Content Proposal and to comply with the local content requirements established in Applicable Law throughout the implementation of activities under the proposed plan for the proposed Facility;

(l) an annual local content plan, where required by Article 18.2;

(m) copies of any Environmental Impact Assessment, Environmental Impact Statement, Environmental Management Plan and Environmental Decommissioning Plan, where required by the Environmental Regulations; and

(n) information on and, if applicable copies of, all licenses, permits, approvals or consents that have been applied for or shall be applied for pursuant to Applicable Law;

(o) for Storage Facility or Terminal Facility, the proposed plan shall also include information pursuant to Article 7.14 (3);

(p) for a Processing Facility, the proposed plan shall also include information pursuant to Article 7.14 (4) and

(q) any other information required by the Ministry.

(3) An Authorised Person shall include in the proposed plan for Storage Facility or Terminal Facility at least the following information on the proposed design, construction, and operating features of the proposed Facility:

(a) the tank type and design;

(b) the capacities and types of substances to be handled, including material safety data sheets;

(c) the design, type, and operations of all meters to be used for the metering of fluids handled by the proposed Facility, which shall allow for the metering of each type of fluid;

(d) safety features, including leak detection system, spill prevention, overfill prevention and loss control system and weather protection; and tests that are to be performed on the
(4) An Authorised Person shall include in the proposed plan for a Processing Facility at least the following information on the proposed design, construction, and operating features of the proposed Facility:

(a) their configuration (including process flow diagrams), unit capacities, unit design, types of fluids to be handled; and

(b) the proposed location of meters to be used for the metering of oil, condensate gas, and other production liquids.

(5) The Authorised Person shall include in a Storage Facility Plan, a Terminal Facility Plan or a Processing Facility Plan a justification of compliance of the proposed plan with Applicable Law.

(6) Where the Authorised Person proposes to use or coordinate the Petroleum Operations under the proposed plan for Storage Facility, Terminal Facility or Processing Facility with Facilities located outside the Territory of Timor-Leste, the Authorised Person shall provide detailed information thereof in the proposed plan for Storage Facility, Terminal Facility or Processing Facility.

(7) Ministry shall have the right to access any information and data of facility and/or activities which have a potential impact to the facilities within TLEA and such access shall be facilitated by the Authorised Person.

(8) Where planned activities for a Storage Facility, Terminal Facility or Processing Facility under an Authorisation are likely to affect any lawful economic or social interest or activity the Authorised Person shall in accordance with the Petroleum Act Article 17 seek to:

(a) obtain the appropriate consents required from relevant authorities; or

(b) obtain permission in writing from relevant Persons and pay such fair and reasonable compensation to such Persons as determined by the Ministry in accordance with the Petroleum Act Article 17.

7.21. Approval of Plans

(1) The Ministry shall evaluate the proposed Storage Facility Plan, Terminal Facility Plan or Processing Facility Plan. The Ministry may stipulate conditions to its approval of a Storage Facility Plan, a Terminal Facility Plan or a Processing Facility Plan to reflect Good Oil Field Practice or to meet the requirements of Applicable Law.
The Ministry shall provide the Authorised Person with its decision in writing within reasonable time of receipt of all required information and other materials. Where the Storage Facility Plan, Terminal Facility Plan or Processing Facility Plan is not approved, the Ministry shall state the grounds for its decision. The Authorised Person may modify and re-submit the Storage Facility Plan, Terminal Facility Plan or Processing Facility Plan within a timeframe stipulated by the Ministry.

Unless otherwise permitted by the Ministry, the Authorised Person shall not enter into contracts relating to the proposed plan or commence construction works until the proposed plan has been approved by the Ministry.

The Authorised Person shall promptly notify the Ministry if conditions encountered during implementation of the plan for Processing Facilities or Terminal Facilities or Processing Facility are different from those anticipated at the time of the preparation of the relevant plan for Processing Facilities or Terminal Facilities or Processing Facility. The Ministry may require the Authorised Person to make modifications in the plan for Processing Facilities or Terminal Facilities or Processing Facility.

**7.22. Records and Reporting**

An Authorised Person shall maintain an accurate material balance of all flows in and out of the Storage Facility or Terminal Facility which shall include:

(a) an opening daily inventory balance of all Petroleum including oil, condensate, Petroleum Products and of water, chemicals, waste or other products used or stored;

(b) a daily balance of all Petroleum including oil, condensate, Petroleum Products and of water, chemicals, waste or other products transferred in, including information on where they are transferred to and from;

(c) a closing daily inventory balance of all Petroleum including oil, condensate, Petroleum Products and of water, chemicals, waste or other products used, transferred or stored;

(d) the type, volume, origin, source of received Petroleum including oil, condensate, Petroleum Products and of water, chemicals, waste or other products used or stored;

(e) all other information that in accordance with Good Oil Field Practice may be significant for the Petroleum Operations for the Terminal Facility or Storage Facility; and
(f) any other information as required by the Ministry.

(2) An Authorised Person of a Processing Facility shall keep the following records of the Processing Facility:

(a) type, origin, source and amount of raw materials introduced to the Processing Facility;
(b) total production of Petroleum Products, petrochemicals and other products including by-products such as sulphur;
(c) emissions to the environment including atmosphere, land and water;
(d) type, origin, source and amount of chemicals and catalysts;
(e) water usage;
(f) power consumption;
(g) daily inventory of the storage tanks as specified in Article 7.16 (1);
(h) all other information that in accordance with Good Oil Field Practice may be significant for the Petroleum Operations for the Processing Facility; and
(i) any other information as required by the Ministry.

(3) An Authorised Person of a Storage Facility, a Terminal Facility or a Processing Facility shall deliver to the Ministry monthly reports and annual summary reports of the information collected pursuant to Article 7.16 (1).

(4) An Authorised Person shall keep records of testing and maintenance for the life of the Storage Facility, the Terminal Facility or the Processing Facility and shall provide them to the Ministry on request.

7.23. Annual Operational Plan

(1) The Authorised Person shall deliver sixty (60) days after the end of each Calendar Year, an annual operational plan for the Storage Facility, the Terminal Facility or the Processing Facility that shall include:

(a) the operational capacity and planned utilisation of major units in the Facility;
7.24. Monitoring and testing

An Authorised Person shall undertake all necessary safety and environmental monitoring and testing of a Storage Facility, a Terminal Facility or a Processing Facility in accordance with the annual operational plan.

8. PIPELINES AND TRANSPORTATION

8.7. Pipeline Project Plan

(1) An Authorised Person shall prepare and submit a proposal for a Pipeline Project Plan for the Ministry’s approval at least 6 months before the commencement of Pipeline Project. The Pipeline Project Plan shall describe the Pipeline Project in detail and provide the basis for evaluation of the Pipeline Project.

(2) The Pipeline Project Plan shall at least contain:

(a) the name and address of the Authorised Person;

(b) the name of the representative of the Authorised Person in relation to the Ministry and other Governmental authorities;
(c) a map of the area to which the Pipeline Project applies with the boundary of the area fully defined in terms of latitude, longitude and, where applicable, coastline;

(d) details of the experience and technical competence of the Authorised Person that may be relevant to the proposed Pipeline Project, including its financial capacity to undertake such work;

(e) a description of the organisation and expertise which the Authorised Person will have available in Timor-Leste and elsewhere for activities in connection with the proposed Pipeline Project;

(f) a description of studies and assessments conducted by the Authorised Person, or made available to the Authorised Person, regarding the feasibility of the Pipeline Project, alternatives to the Pipeline Project or any material aspect of the Pipeline Project, including any studies or assessments in respect of alternative Pipeline designs, routes, contracting, construction and implementation.

(g) Pipeline design criteria, including:

(i) the depth of the sea and the nature of the seafloor and subsoil at the intended location;

(ii) the maximum and minimum sea temperatures likely to occur at that location;

(iii) the relevant water current information;

(iv) details of estimated marine growth at the location;

(v) details of pipeline support method;

(vi) the worst combination of dead and live loads likely to be applied to the Pipeline taking account of the magnitude and distribution of production loads;

(vii) dimensions and transportation capacity of the Pipeline;

(viii) the proposed maximum operating pressure of the Pipeline;

(ix) the proposed safety features, including leak detection, spill prevention and loss control system, and weather protection; and

(x) the design of any Associated Pipeline Facilities.
(h) the specifications for the construction and installation of the Pipeline;

(i) drawings of the Pipeline and of the equipment installed or to be installed on the Pipeline;

(j) the parts of the Pipeline and of the equipment constructed or proposed to be constructed before installation in the Territory of Timor-Leste;

(k) standards and codes to be followed during the construction and installation;

(l) a Certificate of Verification of Design and a copy of the contract for that verification;

(m) other relevant details concerning the planned use and maintenance of the Pipeline, including:

(i) the substance to be transported through the Pipeline, including a material safety data sheet;

(ii) the proposed operation and maintenance schedule of the Pipeline System; and

(n) the proposed tests, including planned frequency of test, that are to be performed on the Pipeline System, which must include integrity, corrosion monitoring and leak detection tests.

(o) the proposed schedule for constructing the Pipeline System and the expected date of commissioning of the Pipeline System;

(p) where such information is not provided in a proposed Development Plan filed by the Authorised Person, information on expected entries into the TLEA of personnel, vessels or aircraft to be used;

(q) information on how the proposed Pipeline System may be disposed of upon cessation of use or cessation of Petroleum Operations and how Decommissioning shall be secured and funded, including, as far as possible, all elements listed in Article 10.1 (2);

(r) details on what licenses, approvals or consents have been applied for or that are planned to be applied for pursuant to Applicable Law;

(s) details of the Environmental Impact Assessment, Environmental Impact Statement, Environmental Management Plan and Environmental Decommissioning Plan as provided for in Environmental Regulations;
(t) a description on how the Authorised Person plans to fulfil the obligations set out in the Local Content Proposal and to comply with the local content requirements established in the Regulation and Applicable Law throughout the relevant period;

(u) a copy of the last annual local content plan submitted in accordance with Article 18.2;

(v) all other information that the Authorised Person deems relevant to the Pipeline Project; and

(w) any information that may be required by the Ministry.

(3) The Authorised Person shall promptly notify the Ministry of any actual or planned alteration of the information contained in the Pipeline Project Plan. The Ministry may require the Authorised Person to make modifications in the Pipeline Project Plan.

(4) A Pipeline Project Plan is not be required for the design, construction and operation of the following Pipelines:

(a) flowlines and Pipelines and Associated Pipeline Facilities where these are located entirely within the boundary of a Contract Area;

(b) interconnecting Pipelines wholly situated within the perimeter of a Processing Facility or Storage and Terminal Facility;

(c) for a loading rack, meter regulator station, regulator station, or Well site dehydrator; or

(d) a Pipeline transmitting gas to either residential or industrial users for the purpose of fuel and originating from a distribution system, to the extent subject to another regulatory scheme.

(5) An Authorised Person shall give proper consideration to the construction and location of Pipelines that may have an impact on the rights, property or activities of public or private persons and shall obtain such consents as may be necessary under Applicable Law.

8.8. General Operating Requirements

(1) An Authorised Person shall ensure that in relation to a Pipeline in the Territory of Timor-Leste:

(a) usage and maintenance is in accordance with an approved operating manual; and
(b) all equipment and facilities, including all valve and monitoring equipment, and safety systems, have been inspected by Verifying Body.

(2) no Authorised Person shall place a Pipeline into operation until a satisfactory pressure test has been completed.

(3) An Authorised Person shall prior to commencement of Pipeline operations, give written notice to the Ministry enclosing details of the results of the pressure test.

(4) In addition to the Management System as set out in Chapter 15, an Authorised Person shall develop operation, inspection and maintenance procedures in accordance with Applicable Law and Good Oil Field Practice which are appropriate for the conditions under which the Pipeline System is operated. Furthermore:

(a) communications equipment shall be installed and maintained as needed for proper Pipeline operations under both normal and emergency conditions;

(b) a Pipeline surveillance program shall be maintained to observe indications of leaks, encroachments, any evidence of sabotage or accidental damage, and any other conditions along the Pipeline route affecting the Pipeline’s safe operation;

(c) Pipeline Systems shall be operated to ensure the design operating pressures are not exceeded;

(d) pressure-limiting devices, relief valves, automatic shutdown valves and other safety devices shall be to a specification and tested at specified intervals;

(e) signs shall be posted along the boundaries of the Pipeline and Associated Pipeline Facilities indicating the emergency contact details; and

(f) where Pipeline sections are buried, markers must be in place to identify the Pipeline route and help avoid accidental damage.

8.9. Recording Pressure Test Results

(1) An Authorised Person’s record or chart of pressure test shall be continuous and legible over the full test period, with the commencement and termination points of the tests identified.

(2) An Authorised Person may use electronic pressure recording devices provided that:
(a) a permanent paper or electronic copy of the test data is retained; and

(b) the sampling rate and instrument sensitivity are sufficient to properly identify the expected deviations from normal test pressure.

(3) Each pressure-recording instrument shall be periodically calibrated to maintain the accuracy.

8.10. Monitoring and Inspection

(1) An Authorised Person shall regularly monitor and inspect the Pipeline to ensure the fitness for purpose of:

(a) the internal and external condition of the Pipeline; and

(b) pressure-limiting devices, relief valves, automatic shutdown valves and other safety devices.

(2) The Ministry may direct an Authorised Person to test, inspect or assess a Pipeline or to retain a Third Party Consultant to conduct such test, inspection or assessment of a Pipeline.

(3) An Authorised Person shall provide a written report of each test, inspection or assessment of a Pipeline to the Ministry as soon as reasonably practicable. In any event, the report shall be provided within seven (7) days following the test, inspection or assessment unless a longer period for submitting such written report is permitted by the Ministry.

8.11. Anchoring Vessels Near Pipelines

The Ministry may require a vessel associated with operations in the TLEA to drop anchor within a designated anchorage location provided for purposes of safeguarding a Pipeline.

8.12. Reports during Pipeline Construction and Operations

(1) An Authorised Person shall submit monthly reports to the Ministry within fifteen (15) days after the completion of each Calendar Month which shall contain:

(a) the type and volume of gas and fluids transported through the Pipeline;

(b) on behalf of whom each such volume of gas or fluids was transported;
(c) a status on Pipeline inspection, maintenance or modifications undertaken in the previous Calendar Month;

(d) details of any leaks or releases of substances transported through the Pipeline during the previous Calendar Month;

(e) a summary of the environmental and health and safety matters related to the Pipeline operations carried out during the previous Calendar Month; and

(f) details of any incidents constituting or leading to reportable incident or violation of the Applicable Law, the Regulation or the Environmental Regulations during the previous Calendar Month.

(2) During the construction of a Pipeline, or when a Pipeline is not operating as a result of repairs, maintenance or for any other reason, an Authorised Person shall report on a daily basis to the Ministry on the following matters:

(a) any construction and/or other activities carried out during the preceding day;

(b) any tests performed during the preceding day;

(c) any planned or scheduled activities that were not carried out as planned, and a statement of the reasons thereof; and

(d) any other relevant matters.

(3) The Ministry may require such amendments to the reports described in this Article 8.6 as considered necessary or appropriate to implement the objectives of the Regulation.

8.13. Annual Report

(1) An Authorised Person shall submit within sixty (60) days after the end of the relevant Calendar Year an annual report for each Pipeline Project.

(2) The Pipeline Project annual report shall include information on:

(a) the information required in Article 8.6 (1) (a) – (b) and Article 8.6 (1) (c)-(f) but with respect to the previous Calendar Year rather than the Calendar Month-;

(b) details of previously constructed and the planned construction of Pipelines not included in the Pipeline Project Plan associated with the Pipeline System and other Associated Pipeline Facilities;
(c) details of planned Pipeline maintenance and modification programs;

(d) an update of the schedule described in Article 8.1(2) (o) and an update of the information on expected entries into the TLEA described in Article 20.4

8.14. Discontinuance or Decommissioning

Unless otherwise authorised by the Ministry, an Authorised Person shall discontinue, Decommission or return to active flowing service a Pipeline that has not been in active flowing service within the last twelve (12) Calendar Months, in accordance with Chapter 10.

8.15. Discontinuance

A Pipeline or part of a Pipeline System that is not in regular use or being discontinued shall:

(a) be physically isolated or disconnected from the Pipeline System in a manner that does not allow any adjoining part of the Pipeline System to have stagnant fluid traps remaining;

(b) be cleaned, if necessary;

(c) be purged with fresh water, air, or inert gas;

(d) be protected by suitable internal and external corrosion control measures;

(e) not contain any added chemical substances that are detrimental to the environment if released; and

(f) be left in a safe condition.

9. THIRD PARTY ACCESS TO FACILITIES

9.7. Third Party access to Facilities

(1) An Authorised Person shall provide access for third parties to its Facilities to conduct Petroleum Operations on reasonable terms and conditions. Such access shall not be to an unreasonable detriment of the needs of the Authorised Person, or other users who have already been granted a right of use;
(2) An agreement on access to Facilities shall be submitted to the Ministry for approval unless otherwise decided by the Ministry. The Ministry may, as a condition for approval of the agreement, modify the tariffs and other terms and conditions agreed between the parties;

(3) Where no agreement for access to Facilities is reached within a reasonable period of time, the Ministry may stipulate the tariffs or other conditions for such access;

(4) Where required for resource management considerations, the Ministry may alter the conditions of an approved agreement for access to Facilities in order to ensure implementation or extension of Petroleum Operations;

(5) Where the Ministry decides to modify or alter or set terms and conditions for third party access to Facilities pursuant to Article 9.1(2)-(4), the Ministry shall stipulate such reasonable terms and conditions for such third party access in accordance with internationally accepted principles having due regard to resource management considerations and a reasonable profit for the Authorised Person taking into account, among other, the Authorised Person’s investment and risks;

(6) The Authorised Person shall promptly notify the Ministry upon receipt of any technical, commercial, financial or other information that is relevant for negotiations with third parties on access to Facilities. Such information shall include, but is not limited to:

(a) a copy of the request for use from the third party on access to Facilities,

(b) updated information on the available capacity on the Facilities, with a view to determine at the earliest stage possible the conditions that are to govern the required use,

(c) any draft agreements at the specific milestones in the negotiations on access to Facilities, and

(d) a progress plan with specific milestones and a time limit for completing the negotiations.

(7) The Ministry may appoint a representative who shall be entitled to participate with an observer status at any meeting on negotiations pursuant to this Article 9.1. The Authorised Person shall ensure that the observer who is appointed by the Ministry receives any relevant information associated with such meetings, including advance notices and minutes of meetings and any other meeting correspondence as well as a notification within reasonable time prior to any such meeting.
The right of a third party pursuant to this Article 9.1 shall apply correspondingly for the use of Facilities that an Authorised Person has leased for use in Petroleum Operations. Unless the holder of the title to the Facility otherwise agrees, the third party's right to use the Facility is limited by:

(a) the term of the lease agreed between the holder of the title and the lessee;

(b) the right of the lessee to make modifications to the Facility; and

(c) any specific restrictions on use.

The third party’s right pursuant to the above cannot be further restricted by agreement between the holder of the title of the Facility and the lessee.

10. CESSATION OF PETROLEUM OPERATIONS AND DECOMMISSIONING

10.1 Decommissioning Plan

(1) An Authorised Person shall prepare and submit a Decommissioning Plan to the Ministry for approval either upon the Ministry’s request, or at any time between five (5) years to two (2) years, before the earlier of:

(a) the scheduled expiry of the Petroleum Contract or other Authorisation; or

(b) the anticipated date for permanent cessation of use of relevant Facilities; or

(c) the anticipated date for permanent termination of relevant Petroleum Operations.

(2) Except where subsequent changes in circumstances warrants otherwise, the Decommissioning Plan shall be based on the information provided on Decommissioning in the Development Plan in accordance with Article 6.2(2)(y). The Decommissioning Plan shall provide basis for evaluation of relevant Decommissioning options and shall for this purpose include a description of:

(a) the Petroleum Operations related to the relevant Field(s) throughout the lifetime of the Field(s);

(b) all relevant Facilities and Wells, including information on their locations, depths and types of material;
(c) the possibilities for continued production;

(d) Decommissioning options including possible technical, safety related and environmental related aspects and relationship to, and expected impact on, other users of the sea or potentially affected Persons and local communities;

(e) the recommended option for Decommissioning including cost estimates, timeframes including the anticipated date for commencement of Decommissioning, and the reasons for the relevant option being recommended and the reasons for rejecting other options;

(f) measures designed to secure the Contract Area and the Safety Zone against possible future pollution and for clean-up of such areas;

(g) details of all relevant environmental documents required under Applicable Law including as the case may be Environmental Impact Assessment, Environmental Impact Statement, Environmental Management Plan and Environmental Decommissioning Plan;

(h) the Local Content Proposal and a description on how an Operator, Contractor or other Authorised Person plan to comply with that Local Content Proposal and the local content requirements established in Applicable Law in relation to activities to be conducted for Decommissioning purposes;

(i) a copy of the last annual local content plan submitted in accordance with Article 18.2;

(j) details of any relevant requirements under Chapter 16 on Health and Safety and, if applicable, how these will be implemented;

(k) a Decommissioning budget;

(l) the arrangements for funding, or securing funding of, Decommissioning, and a calculation of the contributions that need to be made to the Decommissioning Fund based on a pro rata allocation of how many barrels are expected to be produced during the remaining term of the Petroleum Contract and the expected cost of Decommissioning;

(m) the anticipated date for permanent cessation of the use of the relevant Facility or the relevant Petroleum Operations;

(n) any other consents, licenses, approvals or permits required in order to carry out the recommended Decommissioning option;
(o) how the implementation of the Decommissioning Plan will be carried out, managed and verified in accordance with Applicable Law;

(p) plans for post Decommissioning monitoring and maintenance and abandoned Facilities, if applicable; and

(q) such other information as the Ministry may require.

(3) In the event that the Authorised Person does not submit a Decommissioning Plan within the timeframes set out in Article 10.1 (1), the Ministry may give thirty (30) days’ notice to the Authorised Person that it intends to prepare a Decommissioning Plan. If the Authorised Person has not submitted a Decommissioning Plan by the end of the notice period, then the Ministry may prepare such Decommissioning Plan. Where the Ministry has so prepared the Decommissioning Plan, it shall have the same effect as if it had been submitted by the Contractor and approved by the Ministry.

(4) The Ministry may waive or modify the requirement for, or the requirements for the content of, a Decommissioning Plan.

(5) In the event of termination of a Petroleum Contract or surrender or termination of an Authorisation before the scheduled expiry, this Article 10.1 shall apply correspondingly to the extent it is suitable.

10.2 Approval of Decommissioning Plan

(1) The Authorised Person shall promptly notify the Ministry of any changes in circumstances or actual or planned alterations to the information provided in the Decommissioning Plan and, where appropriate, submit a proposed amendment to the Decommissioning Plan for approval. Such proposed amendments shall include a calculation of the expected cost of Decommissioning and the contributions that need to be made to the Decommissioning Fund during the remaining term of the Petroleum Contract. The Ministry may require an amendment to be submitted or impose any new condition on the Decommissioning Plan that it considers appropriate.

(2) Notwithstanding Article 10.1(1), if at any time the Ministry considers that the Decommissioning Plan may not adequately address the potential needs or requirements for Decommissioning it may direct the Authorised Person to re-evaluate the Decommissioning Plan and to make appropriate revisions thereto. The Authorised Person shall promptly make and submit any such revisions.
The Decommissioning Fund shall be withdrawn with prior approval of Ministry and only be allowed in the event that Decommissioning Plan has been approved.

10.3 Responsibility to carry out and implement Decommissioning

(1) An Authorised Person shall carry out Decommissioning in accordance with the Decommissioning Plan as approved by the Ministry and Applicable Law.

(2) The Ministry’s prior permission shall be required for withdrawals from the Decommissioning Fund.

(3) The obligation to carry out Decommissioning is applicable even if the Ministry approves the Decommissioning Plan, or the Decommissioning is to be implemented, after the expiry or termination of a Petroleum Contract or the expiry, termination or surrender of an Authorisation.

10.4 Verification

(1) After Decommissioning has been implemented, the ministry may require the Authorised Person to procure verification of the Decommissioning by an independent verifying body at the Authorised Person’s cost.

(2) Where the independent verifying body finds that Decommissioning is implemented in accordance with the approved Decommissioning Plan, he shall issue a certificate of verification that shall be submitted promptly to the Ministry.

(3) Where the independent verifying body finds that Decommissioning is not implemented in accordance with the approved Decommissioning Plan, he shall issue a report which shall:

(a) be submitted to the Authorised Person and the Ministry; and

(b) state the necessary measures that the Authorised Person must take in order to comply with the Decommissioning Plan.

(4) The Authorised Person shall implement such measures promptly.

(5) The Ministry may require additional measures, information or amendments to the report issued in accordance with Article 10.3 (3).

10.5 Decommissioning Fund

(1) Unless otherwise required by the Ministry, an Authorised Person shall upon the commencement of Commercial Production, establish an interest bearing escrow account to accumulate cash reserves for use as
a contingency fund for Decommissioning costs, including environmental remediation, related to Petroleum Operations in the Contract Area and the Safety Zone.

(2) An Authorised Person shall make such payments, with such intervals, into the Decommissioning Fund as is stipulated in the Petroleum Contract.

(3) In the event that the Authorised Person fails to effectuate Decommissioning, including environmental remediation, in accordance with the Decommissioning Plan and the Applicable Law to the satisfaction of the Ministry, the Ministry shall have the right to, at its sole discretion, access funds from the Decommissioning Fund for the purpose of carrying out Decommissioning. The Ministry shall in such case notify the Authorised Person of its withdrawals from the Decommissioning Fund.

(4) Upon termination of the Petroleum Contract, and where all obligations in respect of Decommissioning, including environmental remediation, have been fulfilled to the satisfaction of the Ministry, all existing monies in the Decommissioning Fund shall remain as the property of the Ministry.

(5) If the Decommissioning Fund is insufficient to complete the Decommissioning Plan in accordance with Applicable Law, the Authorised Person shall pay all such additional required costs prior to the termination of the Petroleum Contract.

(6) In the event the Ministry elects to continue the Petroleum Operations and take over the relevant Facilities, the Decommissioning Fund and such additional amounts as are estimated for Decommissioning at the time of the transfer shall be transferred to the Ministry. In such case, the Ministry assumes all responsibility for relevant Facilities and Decommissioning, and the operator shall be free from any liability arising out of such subsequent use.

(7) In the event of an assignment of the Petroleum Contract or transfer of interest and where a Decommissioning Fund has been created pursuant to Applicable Law, the account holding the Decommissioning Fund must be transferred to the assignee or transferee by the assignor or transferor.

10.6 Liability

(1) An Authorised Person is liable for any damage, loss, claim for compensation or inconvenience caused by or resulting from Decommissioning regardless of any form of liability, whether strict or by negligence, on the hand of the Authorised Person.
(2) If Decommissioning involves abandonment of Facilities or parts thereof, the Authorised Person shall be liable for damage or inconvenience caused in connection with the abandoned, or partly abandoned, Facility unless an agreement has been entered into in accordance with sub-article (4) or such liability is covered by any remaining monies of a the relevant Decommissioning Fund transferred to the Ministry.

(3) If there is more than one Person liable according to Article 10.6 (1) or (2), they shall be jointly and severally liable for financial obligations, unless otherwise decided by the Ministry.

(4) If a Facility is wholly or partly abandoned, it may be agreed between the Authorised Person on one side and the State on the other side that future maintenance, responsibility and liability shall be taken over by the State based on an agreed financial compensation.

11. PETROLEUM CONTRACTS

11.7. Term

(1) The term of a Petroleum Contract shall consist of:

(a) subject to Article 4.12 (2), an Exploration Period of up to seven (7) years, which may be divided into:

(1) an initial period ;  
(2) a second period; and

(3) a third period.

(b) a Development and Production Period of up to twenty-five (25) years.

(2) Subject to the Authorisation, the Authorised Person must fulfil the minimum exploration work requirements for each period of Exploration to the satisfaction of the Ministry within the required time frame, in order to proceed to any subsequent Period.

(3) An Authorised Person shall have the option to extend the Petroleum Contract for up to two periods of five (5) years in respect of any Development Area, provided that the Authorised Person must notify the Ministry at least one (1) year prior to the expiry of the Petroleum Contract of its desire to exercise this option and, if approved, the Ministry shall provide written agreement to the extension. Such extensions shall be in accordance with any additional terms stipulated by the Ministry, in the light of the circumstances then prevailing.
(4) In respect of any Gas Retention Area or Oil Retention Area as stipulated in Article 4.13, the term of the Petroleum Contract will be automatically extended by the same period of time as any extension granted by the Ministry in respect of that area.

11.8. Operator
(1) The appointment of an Operator by the Contractor shall be subject to prior approval by the Ministry. Any change in Operator shall be subject to the prior approval of the Ministry.
(2) Except with the prior approval of the Ministry as required under Article 11.2 (1), no Person may exercise any function of an Operator. For all purposes of the Petroleum Contract, the Operator shall represent the Contractors in the relevant Petroleum Contract, and the Ministry may deal with, and rely on, the Operator. The obligations, liabilities, acts and omissions of the Operator are, additionally, the obligations, liabilities, acts and omissions of the Contractor.
(3) Where the Ministry determines that an Operator is no longer competent to be an Operator, the Ministry may, by written notice to the Operator and to the Contractor, revoke its approval. The Contractor shall then have one (1) Calendar Month to appoint a new Operator with the approval of the Ministry.

11.9. Supply of Petroleum to Timor-Leste Domestic Market
(1) If, in the event of national need declared by the Prime Minister of Timor-Leste, it is necessary to limit exports of Petroleum, the Ministry may, with thirty (30) days advance written notice, require the Contractor to meet the needs of the local market with Petroleum that it has produced and received pursuant to a Petroleum Contract.
(2) Each Contractor’s participation referred to in Article 11.3 (1) will be made, each month, in proportion to its participation in the national production of Petroleum in the preceding month.
(3) The Contractor’s annual obligation to supply Petroleum for domestic purposes shall be calculated in accordance with the Petroleum Contract.
(4) The price at which such Petroleum shall be delivered and sold under this Article 11.3 shall be the price as determined in accordance with Chapter 14.

11.10. Reporting of Payments
The Contractor shall comply with the reporting requirements related to the Timor-Leste Extractive Industry Transparency Initiative (EITI), as applicable from time to time.

11.11. Title to Facilities
Title to Facilities shall pass from the Contractor to Timor-Leste in accordance with the terms of the Petroleum Contract.

11.12. Assignment
(1) Assignments are subject to the prior written approval of the Ministry.
(2) In order to be eligible as an Assignee, a Person must meet the requirements for entering into a Petroleum Contract as set out in and in accordance with Applicable Law.

(3) An application for approval to Assign shall be accompanied by such information and documentation as required by the Ministry.

(4) The Ministry shall evaluate the application to Assign for approval. In its evaluation, the Ministry may, amongst other, take into account resource management considerations as expressed in the Petroleum Act, the financial and technical capabilities of the prospective Assignee and whether the proposed assignment may adversely affect the performance of the obligations established in the relevant Petroleum Contract.

(5) If the Ministry requests amendments or additional documents, the Contractor shall promptly comply with such requests and, as the case may be, re-submit the application within the time limit stipulated by the Ministry.

(6) The Ministry will make a decision on approval within reasonable time after receipt of the application and all required information and other materials. Where approval is not given, the Ministry shall state its grounds for that its decision.

(7) Where the Ministry approval to Assignment, the Contractor shall deliver copies of the duly executed Assignment agreement and all related documents to the Ministry within thirty (30) days from notification of the approval.

(8) Before the Contractor has completed the Minimum Work Requirements for Exploration in the initial period, it may not Assign the Petroleum Contract or any part of it to others than:

(a) an Affiliate; or

(b) if the Contractor is a consortium or an association of companies, those other companies.

(9) The Assignment of a part of the Contract Area shall only be allowed for one or more contiguous areas of the Contract Area and only among the entities that comprise Contractor.

(10) The Assignment of part of a Field in production shall only be permitted if the Ministry decides that this is necessary to make an agreement for the unitisation of production viable. Such Assignment shall be for the total area of that Field, defined in accordance with the terms of this Regulation.

12. PARTICIPATION IN PETROLEUM OPERATIONS BY THE STATE-OWNED CONTRACTOR

12.7. Participation in Authorisations by the State-Owned Contractor

(1) Where a decision is made on participation in Petroleum Operations by the State-Owned Contractor in an Authorisation, such participation shall be on equal terms, rights and obligations as any other Authorised Person holding such Authorisation, unless otherwise expressly stipulated in this Chapter 12 or the relevant Authorisation.
12.8. Participation in Petroleum Contracts by the State-Owned Contractor

(1) The State-Owned Contractor shall be exempted from the requirements for Contractor’s qualifications in relation to technical and financial capabilities.

(2) Subject to the Petroleum Contract, the State-Owned Contractor shall enjoy full rights and obligations as a participant in a Petroleum Contract as from and including the date that a decision to participate in the Petroleum Contract is made.

(3) The State-Owned Contractor shall not be liable for any Petroleum Operations performed prior to the date of the declaration of a Commercial Discovery, or the effects of such operations even if they occur after the declaration.

(4) If a Contractor wishes to assign its participating interest in a Petroleum Contract, the State-Owned Contractor shall have a pre-emption right, which shall imply entering into the sale and purchase agreement instead of the purchaser on the agreed terms and conditions.

13. MEASUREMENT

13.7. General Requirements for Measurement

(1) An Authorised Person shall measure and test produced Petroleum for Processing, custody transfer and tax purposes. The Authorised Person shall carry out metering, measurement and testing of Petroleum in accordance with Applicable Law and Good Oil Field Practice and as otherwise required by the Ministry.
An Authorised Person shall ensure, for the purposes of Article 13.1 (1), the proper installation and operation of a Metering System which shall meet the requirements stipulated in Article 13.2 and accurately measure and record the rates of flow and the total volumes of:

(a) all produced fluids that are:
   
   (i) produced from or injected into a Well; and
   
   (ii) sold, flared or otherwise disposed of;

(b) Natural Gas that is used:
   
   (i) as fuel for Production Operations;
   
   (ii) to assist gas-lift operations; and
   
   (iii) sold, flared or otherwise disposed of;

(c) Crude Oil that is used as a hydraulic power fluid for Artificial Lift equipment;

(d) each fluid that enters or leaves a Processing Facility;

(e) each fluid that enters and leaves a Pipeline System, Storage Facility, and Terminal Facility; and

(f) all Petroleum transferred between Authorised Persons.

the location of the meters shall be in accordance with Good Oil Field Practice for the meter in question, including at or sufficiently close to the Contract Area boundary for Petroleum exported under a Petroleum Contract to supervise production.

bypassing of the Metering System is not permitted.

An Authorised Person shall ensure that each person with responsibility for, or who is engaged in any way with, the operation or maintenance of the Metering System shall be properly trained and competent to carry out the operations or activities with respect to which he is engaged, and, where appropriate, has been certified by a relevant authority. All personnel who carry out duties related to the Metering System shall be identifiable in the Authorised Person’s organization chart along with a description of their duties and responsibilities.

Where it is demonstrated that the volume of Petroleum produced or sold has been incorrectly calculated, the Authorised Person shall investigate reasons for such incorrect calculations. The Authorised Person shall prepare and submit a revised volume calculation as well
as all any documentation that supports the basis for the revised volume calculation to the Ministry. The Ministry may give directions on measures to be implemented for correction.

(7) The Ministry may require that the Authorised Person procures, on its own account, independent verification of the planning, design, construction or operation of the Metering System in order to demonstrate that the requirements in this Chapter 13 are met.

13.8. **Requirements of the Metering System**

(1) The Metering System shall be planned, built, installed, operated and maintained in accordance to the instructions provided by the manufacturer, Good Oil Field Practice and Applicable Law.

(2) The Metering System shall be capable of metering the full range of planned flows without any component involved operating outside its working range.

(3) On metering equipment, the number of parallel meter runs shall be such that the maximum flow of Petroleum can be measured with one meter run out of service whilst the rest of the meter runs operate within their specified operating range.

(4) The Metering System shall be suitable for the relevant type of measuring, the given fluid properties, and the Petroleum volumes to be measured.

(5) If necessary, flow conditioners shall be installed.

(6) In areas where the primary meter and the secondary meter are located there shall be adequate protection against the outside climate and vibration.

(7) All valves of significance to the integrity of the Metering System shall be accessible for inspection and secured against leakage.

(8) All parts of the Metering System shall be easily accessible for maintenance, inspection and Calibration.

(9) The Metering System shall be sealed according to the requirements of the instructions provided by the manufacturer, Good Oil Field Practice and Applicable Law and, as the case may be, the Ministry.

13.9. **Approval of Planned Metering System**

(1) An Authorised Person shall not install or operate a Metering System for custody transfer, fiscal and tax purpose without the prior approval of the Ministry.
An Authorised Person shall submit details of planned Metering Systems to the Ministry for approval, including:

(a) a complete specification of the Metering System with dimensioned drawings and relevant descriptive literature. Sufficient information should be included to enable an assessment of the adequacy of the design and operations of the Metering System to be made;

(b) a description of the proposed operating procedure including routine Calibrations and checking of equipment for maintenance of accuracy; and

(c) specimen calculations indicating how reported quantities of oil, gas, condensate and water production are obtained giving tolerances and correction factors proposed for converting meter and instrument readings to standard conditions.

The Ministry will provide the Authorised Person with its decision in writing within reasonable time of receipt of all required information and other materials. Where a Metering System is not approved, the Ministry shall state the grounds for its decision. The Authorised Person may modify and re-submit the Metering System within a timeframe stipulated by the Ministry. The Ministry may stipulate conditions for its decision to reflect Good Oil Field Practice or to meet the requirements of Applicable Law.

Any other meters which are considered to be process meters shall included in the Field Development Plan.

Modifications to Metering System

An Authorised Person shall not alter, modify or replace, an approved Metering System without prior approval of the Ministry. Article 13.3 (2) applies correspondingly.

An Authorised Person shall notify the Ministry of the planned time schedule of any planned activities related to alteration, modification, Calibration or correction of a Metering System sufficiently in advance of such activities to allow the Ministry to inspect or supervise such activities.

Metering Records

An Authorised Person shall prepare, retain and maintain an archive of documents relating to the Metering System that shall document compliance with Applicable Law. The archive shall be readily available for inspection when required by the Ministry.
(2) The archive shall at least include the documents submitted in accordance with the requirements of Article 13.3 and, if necessary to supplement these documents, the following documents:

(a) technical description of the Metering System;
(b) a detailed schematic showing the location of the Metering System in the process and transportation system;
(c) drawings and description of equipment included in the Metering System;
(d) list of documentation for the Metering System;
(e) description of the part of the Management System that concerns Metering Systems of the Authorised Person and the supplier for documenting compliance with Applicable Law, follow-up and maintenance of the Metering System;
(f) Measurement Uncertainty analysis; and
(g) Calibration reports.

(3) As a part of the relevant Management System, an Authorised Person shall prepare a quality assurance manual for the operation of Metering Systems. Such manual shall be readily available for all relevant personnel where Petroleum Operations are conducted.

13.12. Calibration and Corrections

(1) The equipment which is an integral part of the Metering System and which is of significant importance to the Measurement Uncertainty shall be Calibrated using traceable equipment before the start of Petroleum Operations and subsequently be maintained to that standard.

(2) A Third Party Consultant acceptable by the Ministry shall once every Calendar Year or such other time interval determined by the manufacturer’s specification or as otherwise required by the Ministry, Calibrate to ensure that equipment specified in Article 13.6(1) are within given limit values.

(3) If, during Calibration, equipment is shown to be outside the given limit values, an Authorised Person shall:

(a) ensure that a Third Party Consultant undertakes correction and subsequent Calibration and certifies that the equipment meets the standards required by Applicable Law; and
(b) notify the Ministry of the planned time schedule of any such correction activities related sufficiently in advance so as to allow the Ministry to inspect or supervise such activities.

13.13. Maximum Allowable Uncertainty

(1) The maximum allowable Measurement Uncertainty for any meter shall be within a range determined by the manufacturer's specification for the metering device used or as otherwise required by the Ministry. The Authorised Person shall be able to document the total uncertainty of the Metering System.

(2) The Metering System shall be designed so that systematic measurement errors are avoided and or compensated for.

13.14. Units of Measurement

(1) any report or record of any measurement required by the Ministry shall use the International System of Units (SI Units).

(2) An Authorised Person may use another system of units for reports or records upon prior agreement with the Ministry.

(3) any record or report of any measurement of gas required by the Ministry shall be made in units of 1,000 standard cubic metres to one decimal place.

(4) a record or report of any measurement of liquid required by the Ministry shall be made in units of standard cubic metres to one decimal place.

(5) where the measurement is in volume units, these should be referred to metric standard reference conditions of 15°C temperature and 101.325 kPa absolute pressure.

13.15. Sampling

Design and sampling process shall follow relevant international standards to ensure that:

(1) a representative volume is sampled.

(2) Both automatic and manual sampling may be carried out. Automatic sampling shall be flow proportional.
14. VALUATION OF PETROLEUM

14.7. Point of Valuation
Petroleum shall be valued as if it were sold in an arm’s length transaction free on board (or equivalent) at the Field Export Point.

14.8. Value of Crude Oil
The value of Crude Oil:

(a) sold free on board, or equivalent, at the Field Export Point in an arm’s length transaction is the price payable for it;

(b) sold other than free on board, or equivalent, at the Field Export Point in an arm’s length transaction is the price payable for it, less such fair and reasonable proportion of such price that relates to the transportation and delivery of the Petroleum downstream of the Field Export Point; or

(c) sold other than as mentioned in paragraphs 14.2 (1) (a) and 14.2 (1) (b) is the fair and reasonable market price thereof, having regard to all relevant circumstances.

14.9. Value of Natural Gas
(1) In the case of LNG exports, the value of Natural Gas at the Measurement Point shall be the arithmetic average value of the Natural Gas, calculated at the inlet flange to the LNG facility, based on the delivery price(s) or the price formulae provided in the LNG export agreement to be concluded between the Ministry and the Authorised Person under the Petroleum Contract, less the tariff for transport by pipeline from the Measurement Point to the inlet flange of the LNG facility.

(2) The value of Natural Gas shall be determined in United States Dollars per Mcf on a monthly basis and the value to be attributed to Natural Gas shall:

(a) for arm’s length sales to third parties, be equal to the net realized price obtained for such Natural Gas at the delivery point;

(b) for sales other than at arm’s length to third parties, be determined by agreement between the Ministry and the Authorised Person, provided that such price or value shall reflect the following:

(i) the quantity and quality of the Natural Gas;
(ii) the price at which arm’s length sales of Natural Gas from other sources in Timor-Leste and Australia, if any, are then being made;

(i) the price at which arm’s length sales, if any, are then being made;

(ii) the purpose of which the Natural Gas is to be used; and

(iii) the international market price of competing or alternative fuels of feedstocks.

(c) arm’s length sales to third parties shall not include sales to Affiliates of the Authorised Person or Contractors or to the Ministry, any other public authority of Timor-Leste or to any other entity controlled directly or indirectly by the Ministry.

14.10. Price Payable
In this Chapter 14 the price payable is the price that is, or would be, payable by the buyer if the Petroleum were delivered by the Authorised Person and taken by the buyer, without set off, counterclaim or other withholding of any nature.

15. MANAGEMENT SYSTEMS

15.7. Management Systems
(1) An Authorised Person shall establish, implement, follow up and further develop an appropriate Management System designed to ensure systematic and continuous compliance with all requirements established in Applicable Law for Petroleum Operations. The Management System shall specify the requirements of Applicable Law and to the extent necessary include internal requirements and routines for compliance with such requirements.

(2) the main objective of Management Systems established in accordance with Article 15.1(1) is to contribute to ensuring and furthering the quality of the work carried out in and in connection with Petroleum Operations.

(3) The Management System shall be documented in order to demonstrate compliance with Applicable Law. Relevant Management System documentation shall be readily available at all locations where Petroleum Operations are conducted, including at Field and office locations.

(4) The Management System shall be based on Good Oil Field Practice and international standards for management systems. The
Management System shall be established before commencement of Petroleum Operations.

(5) The Management System shall include a complete set of Performance Standards for minimisation of risk and for the safe conduct of Petroleum Operations.

(6) The Management System shall include requirements as to the competence of personnel, resources and work performance for carrying out Petroleum Operations. The Management System shall include internal requirements to, and routines for, organization, division of responsibility, division of authority internally, and between the Authorised Person and other participants in the Petroleum Operations and the competence, resources and work performance of the party establishing the Management System according to Article 15.1(1).

(7) The Management System shall be subject to review and, if necessary, updates on a regular basis. The purpose of reviews and updates is to contribute to improving compliance with Applicable Law.

(8) An Authorised Person shall ensure and follow up that its’ Sub-Contractors comply with this Article 15.1 for the relevant part of Petroleum Operations and that any non-compliance is corrected. An Authorised Person shall ensure that any necessary adjustments in own or Sub-Contractors’ management are made if required to ensure uniformity and harmonization or, if required, that bridging documents are used.

16. HEALTH AND SAFETY

16.7. Health and Safety Compliance
When carrying out Petroleum Operations, an Authorised Person shall comply with applicable health and safety legislation, including directions and guidelines, as amended from time to time. Sub-Contractors shall comply with the requirements of applicable health and safety legislation, including directions, guidelines and requirements set out in this Chapter 16, to the extent applicable for the activities carried out by that Sub-Contractor.
16.8. Health and Safety Part of the Management System

In order to achieve and safeguard a high level of health and safety in Petroleum Operations, an Authorised Person shall ensure that the Management System to be established in accordance with Article 15.1 is designed to ensure and demonstrate compliance with applicable health and safety legislation and Good Oil Field Practices and at continuously identifying and reducing risks to a level as low as reasonably practicable.

16.9. General Health and Safety Obligations

(1) An Authorised Person shall ensure, in accordance with the applicable health and safety legislation and Good Oil Field Practice, the protection of the health, safety, hygiene and welfare of all personnel and members of the public directly involved with or otherwise impacted by Petroleum Operations and Facilities. This shall include taking all necessary steps to reduce risk to a level as low as reasonably practicable within the following areas:

(a) working environment;

(b) plant, equipment, materials and substances used in connection with the work of all personnel; and

(c) access to, and egress from, the work location of personnel involved directly in Petroleum Operations.

(2) In carrying out Petroleum Operations, an Authorised Person is specifically obligated to:

(a) ensure that routines are established for exchange of information between the various personnel groups in the workplace;

(b) ensure that all personnel have an assigned safety delegate in the workplace, and that they are given the opportunity to bring issues to the attention of the Authorised Person and to make enquiries or complaints in relation to health and safety;

(c) ensure that safety delegates and health and safety personnel are sufficiently familiar with the work operations in the workplace; and

(d) ensure that violations of Applicable Law are pointed out and corrected.

(3) An Authorised Person shall ensure that, while at work, its employees shall take proper care of the employee’s own health and safety and the health and safety of any other personnel who may be affected by the employee’s acts or omissions.
16.10. **Conduct of Petroleum Operations**

(1) An Authorised Person shall conduct all Petroleum Operations in a manner to, amongst other, ensure that:

(a) all work and other activities are carried out in a manner that is safe and that entails as low risk as reasonably practicable to personnel, the general public, the environment, the Facility or other nearby Facilities; and

(b) equipment used are safe and complies with Good Oil Field Practice and Applicable Law.

(2) In the event of accidents and emergencies which may lead to loss of lives or personal injuries, pollution or major damage to property, the Authorised Person or anyone else responsible for the operation and use of the Facility shall, to the extent necessary, suspend the Petroleum Operations for as long as Good Oil Field Practices warrants such suspension.

(3) An Authorised Person shall not undertake any change in design, including modification or expansion, to Petroleum Operations or Facilities without an appropriate risk assessment and management of change process including, if applicable, revision of the Health and Safety Plan or Safety Case and appurtenant consent of the Ministry.

16.11. **Health and Safety Plan**

(1) An Authorised Person shall, based on its Management System, prepare a Health and Safety Plan prior to the commencement of any Petroleum Operations:

(a) which are not already covered by an existing Health and Safety Plan; and

(b) which do not require a Safety Case in accordance with Article 16.6.

(2) The Ministry may waive or modify the requirement for a Health and Safety Plan at its own discretion. The Ministry may also require the submission of a bridging document in relation to one or more Health and Safety Plans.

(3) An Authorised Person shall submit the Health and Safety Plan or a revised Health and Safety Plan to the Ministry for its consent not later than sixty (60) days prior to planned commencement of the relevant
Petroleum Operations or at such other time as the Ministry may request.

(4) The Ministry will provide an Authorised Person with its decision in writing within reasonable time of receipt of all required information and other materials. Where a Health and Safety Plan is not consented, the Ministry shall state the grounds for its decision. The Authorised Person may modify and re-submit the Health and Safety Plan within a timeframe stipulated by the Ministry.

(5) A Health and Safety Plan shall include information on plans regarding health, safety, training, Performance Standards and accident and emergency response for the relevant Petroleum Operations. The Health and Safety Plan shall be adapted to the scope of the Petroleum Operations. The Health and Safety Plan shall include, but not be limited to, information on:

(a) the objectives for health and safety;

(b) the industry standards, safety measures and procedures that will be used;

(c) Risk Assessments and measures for mitigation of risk;

(d) handling of interfaces between the participants in the Petroleum Operations and the follow-up of Sub-Contractors’ activities;

(e) operation and maintenance requirements;

(f) measures for assessment of health and safety performance including criteria for determining whether the health and safety objectives have been met;

(g) job safety analysis methodology to determine occupational health and safety issues;

(h) access to preventive and curative medical services, first aid and medical equipment and personal protection devices;

(i) handling of hazardous substances in case of specific risks including, but not limited to, safe storage and emergency response measures including specific measures relevant to hazardous substances in case of specific risks such as spillage, leak, fire, collision and explosions;

(j) required training programmes relevant for the Petroleum Operations;

(k) monitoring, reporting and auditing;
measures and mitigation actions to handle non-compliance and how information obtained therefrom will be used to revise the Health and Safety Plan and health and safety manual;

(command structures, including division of command, including company positions and all relevant contact details for emergency response;

emergency procedures, emergency communications systems and back-up power supply, lighting, alarm systems, ballast control, fire-fighting equipment, and emergency shut-down systems;

evacuation, escape and rescue measures;

accident response facilities to be used and supervisory staff responsible for actions and investigations that will be performed by the Authorised Person in the event of a Major Accident Event during Petroleum Operations;

any other matters of importance for health and safety; and

such other information as the Ministry may require.

(6) any relevant health and safety studies, background information or other documentation that may assist review by the Ministry of the proposed Health and Safety Plan shall also be submitted. The Authorised Person shall ensure that records and documents are retained and maintained in a manner sufficient to implement the Management System. All records and documentation shall be dated with dates of revision and be readily available and identifiable.

(7) An Authorised Person shall prepare a revised Health and Safety Plan in case of any significant modification, change or new stage of existing Petroleum Operations not already catered for in an existing Health and Safety Plan.

(8) The Authorised Person shall review the Health and Safety Plan as requested by the Ministry and, when necessary, revise the Health and Safety Plan.

16.12. Safety Case

(1) the purpose of a Safety Case is to ensure health and safety performance in Petroleum Operations during each stage of the life of a Facility.

(2) prior to the commencement of construction, installation, operation, modification or Decommissioning of a Facility, an Authorised Person
shall prepare a Safety Case, or as the case may be, a revised Safety Case, in writing.

(3) An Authorised Person shall submit a Safety Case or a revised Safety Case to the Ministry for its consent not later than ninety (90) days prior to planned commencement of Drilling Operations, Workover, construction, installation, modification, operation or Decommissioning of Facilities, and other auxiliary activities or when requested by the Ministry.

(4) The Ministry may waive or modify the requirement for a Safety Case at its own discretion. The Ministry may also require the submission of a bridging document in relation to one or more Safety Cases or Health and Safety Plans.

(5) The Ministry will provide the Authorised Person with its decision in writing within reasonable time of receipt of all required data and information. Where a Safety Case is not consented, the Ministry shall state the grounds for its decision. The Authorised Person may modify and re-submit the Safety Case within a timeframe stipulated by the Ministry.

(6) The Safety Case shall be appropriate to the Facility and the activities to be carried out at the Facility and be a true reflection of the state of safety arrangements for an existing or proposed Facility. The Safety Case shall also identify methods to be used for monitoring and reviewing all activities in connection with the Facility, with a view to the continuous improvement of safety of the Facility.

(7) The Safety Case shall demonstrate to the satisfaction of the Ministry that the Authorised Person:

(a) is fully aware of the activities taking place at the Facility;

(b) has ensured that the relevant part of the Management System is adequate to ensure compliance with the Applicable Law;

(c) has a clear understanding of the safety critical aspects that influence risks at the Facility;

(d) clearly understands the controls that are critical to managing and minimising risks to personnel at the Facility;

(e) has reflected industry best practice and the availability of technology in developing appropriate risk management controls; and

(f) is clear on how safety will be assured in the event of an emergency.
(8) a Safety Case shall relate to an activity and or a specific Facility or proposed Facility in a specified location and shall contain:

(a) a Facility description that shall place emphasis on the design and operating philosophy of the Facility. The Facility description shall demonstrate that the Facility has been designed and constructed to a standard that meets its operational needs, and that all engineered control measures for Major Accident Events have been identified and are in place;

(b) a Formal Safety Assessment that shall be emphasized on Major Accident Events and contain a detailed description of an assessment or series of assessments conducted by the Authorised Person to reflect comprehensive and systematic Risk Assessment of the activity and of the Facility.

(c) relevant information relating to the part of the Management System that is designed to ensure compliance with applicable health and safety legislation and Good Oil Field Practices and at continuously identifying and reducing risks to a level as low as reasonably practicable for the activity and or at Facilities.

(d) any other information in relation to risk management as reasonably required by the Ministry.

(9) The Authorised Person shall review and update and re-submit the Safety Case for the Ministry’s consent:

(a) if there is reason to suspect it is no longer valid;

(b) within a period that does not exceed five (5) Calendar Years from the date of consent of a currently-in-force Safety Case;

(c) in case of any proposed significant modification, expansion, other change of design or new stage in the life of a Facility; and

(d) when reasonably requested by the Ministry.

(10) An Authorised Person shall liaise with the Ministry regarding the requirement for a Safety Case or a revised Safety Case before the submission of any application for consent required pursuant to the Regulation.
(11) The Ministry may grant provisional, time limited consent for Safety Case within a time frame sufficient for verifying that the Safety Case is a true reflection of the above requirements.

(12) The Authorised Person shall not commence the Petroleum Operation before the Safety Case is consented in writing.

16.13. Health and Safety Committee

(1) An Authorised Person shall establish a Health and Safety Committee prior to the commencement of Petroleum Operations. The Health and Safety Committee shall be chaired by a qualified member of the Authorised Person’s senior management and it shall be meet at least once every Calendar Quarter in a Calendar Year.

(2) The Health and Safety Committee shall:

(a) assist in developing and implementing measures, and to review and update measures used to protect the health and safety of workforce personnel; and

(b) facilitate co-operation between the Authorised Person, Sub-Contractors, and members of the workforce.

(3) The Health and Safety Committee shall record and retain minutes of its meetings.


(1) An Authorised Person shall carry out regular tests, checks, inspections, calibrations and examinations on Facilities, including all equipment and their operation, and on Management Systems and Petroleum Operations as required by Good Oil Field Practice or Applicable Law, and document their effect on health and safety.

(2) An Authorised Person shall ensure that information and data derived from monitoring in accordance with Article 16.8 (1) of significance to health and safety are collected, processed and used for implementing remedial and preventive measures, including improvement of the Management System, Health and Safety Plan, Safety Case or other systems and equipment.

16.15. Health and Safety Performance Reporting

(1) An Authorised Person shall produce an annual health and safety performance report and monthly Health and Safety Update Reports for Petroleum Operations. annual health and safety performance
(2) Health and Safety Update Reports shall reflect the HSE performance of the activities carried out, the Facilities involved and the Management System.

(3) The Ministry may instruct the Authorised Person to include additional information in the reports mentioned in 16.9 (1) and (2) as required.

16.16. Incident Notification and Reports

(1) An Authorised Person shall promptly notify the Ministry and other relevant authorities of an emergency, Major Accident Event and Other Health and Safety Incidents. An Authorised Person shall keep the Ministry and other relevant authorities continuously updated on the development and of the measures that it plans to implement.

(2) An Authorised Person shall file a report as soon as practicable after a Major Accident Event but no later than twenty four (24) hours following its occurrence. In case of Other Health and Safety Incidents a report shall be filed as soon as practicable but no later than thirty (30) days following its occurrence. Such reports shall be in writing and contain, at a minimum, the following information related to the Major Accident Event or Other Health and Safety Incident:

(a) the date, time, location (coordinates and name of Field, if applicable);

(b) a description of the Major Accident Event or Other Health and Safety Incident;

(c) details on the equipment or Facility involved including type and name;

(d) a description of the Petroleum Operations and other activities being carried out at the time of the Major Accident Event or Other Health and Safety Incident;

(e) the extent of damage sustained, categorised as total loss, severe damage, significant damage, minor damage, including primary losses and secondary impacts on operations;

(f) details of actual or likely environmental impacts resulting therefrom;

(g) the number of fatalities or injuries (if any) sustained as a result therefrom;
(h) the name, address and telephone number of injured persons, if any;

(i) the relation of injured person or persons to the Petroleum Operations including the name of the employer;

(j) the name, address and telephone, including all business and mobile, numbers of the person responsible for investigating the Major Accident Event or Other Health and Safety Incident;

(k) the name, address and telephone number of each potential witness known to the Authorised Person; and

(l) the status of the corrective-action response at the time of the Major Accident Event or Other Health and Safety Incident to mitigate the impacts of the incident, and proposed immediate actions to be taken in the future to minimize the likelihood of the incident reoccurring.

(3) An incident investigation shall be initiated as promptly as possible for a Major Accident Event, considering the necessity of securing the scene, protecting personnel and the general public and the environment. The purpose of an incident investigation is to learn from the Major Accident Event and to contribute to prevent similar future Major Accident Events. The investigation shall be conducted by personnel or a Third Party Consultant designated by the Authorised Person, who shall possess the legal, technical and other expertise required and have knowledge of appropriate investigation techniques. Representatives from the Ministry shall have the right to participate as observers in the investigation. The investigation should be carried out and its findings and recommendations produced in a timely manner, in order to address:

(a) the nature of the Major Accident Event;

(b) the factors that contributed to initiation of the Major Accident Event and its escalation/control; and

(c) recommended changes identified as a result of the investigation.

(4) The Ministry may appoint a special commission of inquiry in cases of serious near misses that may have had a potential for Major Accident Events or in cases of Major Accident Events in the Petroleum Operations. The members of the commission shall possess the legal, technical and other expertise required and have knowledge of appropriate investigation techniques. The commission of inquiry may require the Authorised Person and other parties involved in the Major Accident Events to provide the commission with information which
may be relevant to the investigation, and that they shall make available documents, Facilities and other objects at a place where it is suitable for the investigation to take place. The Authorised Person shall be required to cover the costs in connection with the work of the commission of inquiry.

A corrective action program shall be established based on the findings of the investigation, in order to analyse Major Accident Event for common root causes. The corrective action program is a follow-up system to the Major Accident Event analysis procedures. The corrective action program shall be submitted to the Ministry for its consent.

Findings of the investigation should be reported to the Ministry and retained by the Authorised Person. The Authorised Person shall establish a system to determine and document the response to each finding, to ensure agreed-upon actions are completed. Documentation detailing completion of the agreed-upon actions will be submitted to the Ministry for its review and consent.

16.17. Audit

(1) The Authorised Person shall at its own cost carry out an annual Health and Safety Audit of those parts of the Management System that relate to health and safety, any Health and Safety Plans and any Safety Cases in order to determine and demonstrate that these measures have been implemented correctly and are being maintained, that the relevant goals have been met and continue to be met and that adherence to Performance Standards is verified.

(2) The annual Health and Safety Audit shall be carried out within sixty (60) days from the end of the Calendar Year covered by the annual health and safety performance report. The Ministry may request that such annual Health and Safety Audit shall be carried out by a certified health and safety auditor.

(3) The Health and Safety Audit shall be documented in an audit report which shall state the name and qualifications of the health and safety auditor, the date of Health and Safety Audit and describe any deficiencies, conclusions, recommendations and significant concerns of the health and safety auditor. A copy of the annual Health and Safety Audit will be submitted to the Ministry within thirty (30) days of completion of the audit report.

(4) Following each annual Health and Safety Audit, the Authorised Person will determine and document an appropriate response to the
audit findings and assure satisfactory resolution through implementation of appropriate actions.


(1) An Authorised Person shall establish and implement safe work practices designed to render the level of risks in Petroleum Operations as low as reasonably practicable for all activities including those conducted by the Authorised Person’s services providers, contractors and Sub-Contractors.

(2) Safe work practices shall be based on analyses that provide the necessary basis for establishing such practices. When carrying out and updating such analyses, suitable models, methods and data recognized by Good Oil Field Practice shall be used. The purpose of each analysis shall be clear, as well as the conditions, premises and limitations that form its basis. Criteria shall be set for carrying out new analyses and/or updating existing analyses in case of changes in conditions, assumptions, knowledge and definitions that, individually or collectively, may influence the risk associated with the Petroleum Operations. The Person shall maintain a comprehensive overview of the analyses that have been carried out and are underway. Necessary consistency shall be ensured between analyses that complement or expand upon each other.

(3) Safe work practices shall be documented in writing as a part of the Management System. Such documentation shall be readily available for all relevant personnel where Petroleum Operations are conducted in the form of a health and safety manual. For some locations, site-specific safe work practices may be appropriate.

(4) when selecting Sub-Contractors pursuant to Article 16.13, an Authorised Person shall obtain and evaluate information regarding a Sub-Contractor’s safe work policies and practices, and performance thereunder, and the Sub-Contractor’s procedures for selecting Sub-Contractors.

16.19. Qualifications and follow-up of Sub-Contractors

(1) prior to entering into a sub-contract, an Authorised Person shall ensure that the Sub-Contractors performing work directly or indirectly for them understand and are qualified to fulfil the requirements relating to health and safety established in Applicable Law.

(2) An Authorised Person shall follow up to ensure that persons mentioned in Article 16.13(1) comply with relevant requirements of
Applicable Law while performing assignments in connection with Petroleum Operations.

(3) The process for selection of Sub-Contractors shall be documented in order to demonstrate compliance with this Article 16.13 (1) and (2).

16.20. Capabilities and Training

(1) An Authorised Person shall provide information, instruction, training and supervision in appropriate languages necessary to carry out work related to Petroleum Operations.

(2) An Authorised Person shall ensure that all personnel including Sub-Contractors are provided with adequate health and safety training and exercises, so that the personnel are always able to handle operational disturbances, Other Health and Safety Incidents and Major Accident Events in an effective manner. Training shall as a minimum be provided in connection with:

(a) initial arrival at the Facilities; and

(b) exposure to new or increased risks.

(3) the training referred to in Article 16.14 (1) and (2) shall:

(a) be repeated periodically where appropriate; and

(b) be continuously adapted to take account of any new or changed risks.

(4) An Authorised Person must take adequate steps to ensure that all personnel have understood the safety information passed on to them.

16.21. Emergency Response Plan

(1) in the event of an emergency an Authorised Person shall undertake all necessary actions required to mitigate any danger or damage to life, health or property, whether or not such action is included in the emergency procedures established by Article 16.15 (2). The Authorised Person shall in accordance with Article 16.10 promptly inform the Ministry of such actions.

(2) An Authorised Person shall establish and, where necessary, give effect to efficient and appropriate emergency procedures. Emergency procedures shall amongst other be based on risk assessments undertaken in Health and Safety Plans and Safety Cases. Emergency procedures shall be documented in writing as a part of the Management System. Such documentation shall be readily available
for all relevant personnel where Petroleum Operations are conducted in the form of an emergency response manual.

(3) the emergency response manual will set out the procedures and actions to be taken in the event of emergency arising during the conduct of Petroleum Operations with a view to dealing efficiently with emergencies which may lead to, or has led to Major Accident Events, Other Health and Safety Incidents, Major Environmental Incidents or major damage to property.

(4) An Authorised Person shall:

(a) regularly review and update the emergency procedures and response manual;

(b) ensure that personnel are aware of all emergency procedures are have the response manual readily available; and

(c) develop, implement and practice at regular intervals emergency drills.

16.22. Emergency Routes and Exits

(1) An Authorised Person shall in all Facilities provide a sufficient number of suitable emergency routes and exits to enable all personnel to reach a place of safety directly and quickly in the event of danger, considering the type and source of emergency, the maximum number of personnel and their location in the Facilities.

(2) all emergency routes and exits provided and any approaches to these, shall be kept clear and free from obstruction, be protected from degradation and impairment in order to at all and any times allow egress to the safe area, and, be provided with emergency lighting.

(3) all emergency routes or exits shall be clearly indicated by suitable signs.

16.23. Diving Safety

(1) prior to carrying out diving work, an Authorised Person shall ensure that diving activities are covered by its Management System or that of any diving contractor engaged. The Authorised Person shall ensure that the relevant part shall be submitted for consent by the Ministry. The Management System shall specify the standard or code of practice that will be used for the diving work. The Management System shall provide for all activities connected with the diving work to be undertaken and shall, as a minimum, address:
(a) preparation of an appropriate Diving Plan;
(b) the continuous and systematic identification of hazards related to the diving work;
(c) risk for injuries or damages;
(d) elimination of risks to persons involved with the diving work;
(e) inspection and maintenance of, and testing programs for, equipment and hardware integral to the control of risks;
(f) communications between persons involved in the diving work;
(g) appropriate Performance Standards; and
(h) programme of continuous improvement and system for change management.

(i) As a minimum, the Diving Plan shall include:
   (i) a description of the diving work to be undertaken;
   (ii) hazard identification;
   (iii) a Risk Assessment;
   (iv) a safety management plan;
   (v) job hazard analyses for the diving work;
   (vi) an emergency response plan; and
   (vii) arrangements in the Management Plan and the Safety Case for simultaneous operations and emergency response.

(j) as part of its review and prior to the issuance of consent, the Ministry may require inspection and verification of the diving part of the Management System and the Diving Plan by Ministry-appointed health and safety inspectors with specialist knowledge of the diving industry.

(k) updates to the Diving Plan shall be made by the Authorised Person and consented by the Ministry whenever modifications to the diving work are proposed that create a significant increase in the overall level of risk.

(l) An Authorised Person shall revise, or cause to be revised, the diving part of the Management System:
(i) if developments in scientific or technical knowledge, or in the assessment of hazards relevant to diving work to be undertaken in the TLEA make it appropriate to do so;

(ii) if the diving contractor proposes to make a significant change to the method of operation, to procedures or to equipment;

(iii) if required to do so by the Ministry;

(iv) if a number of minor changes together result in the Management System being significantly different from the Management System consented by the Ministry; and

(v) at the end of each period of 3 (three) years from the date of the most recently consented Management System.

16.24. **Safety Zone**

(1) The Ministry may, where necessary, establish safety zones around and above Facilities with the exception of Pipelines and cables.

(2) The breadth of safety zones shall be based on applicable international standards and be reasonably related to the Facility. Safety zones shall not exceed a distance of 500 metres around them, measured from each point of their outer edge, except as authorised by generally accepted international standards.

(3) Established safety zones shall only be marked if the Authorised Person or the Ministry consider it necessary. Any marking shall be in accordance with international marking rules. The Ministry can require markings to be altered.

(4) The Authorised Person shall ensure necessary public announcement well in advance of the establishment of a safety zone. Such announcements shall be published in two (2) newspapers of general circulation in Timor-Leste of which one shall be published in one of the official languages of Timor-Leste, on the Ministry website, and in any other manner determined by the Ministry. Announcements shall contain information about the safety zone and the applicable prohibitions or restrictions. The zone's location, extent and duration, together with possible marking and other necessary information shall also be stated.

(5) Safety zones shall cease to exist when the conditions warranting their establishment no longer exist, or when the zones' applicable time period has expired. The discontinuation of a safety zone shall be announced in accordance with Article 16.18 (4).
(6) where the Authorised Person considers establishment of a safety zone unnecessary based on an assessment of safety factors, the Authorised Person may apply to the Ministry to refrain from establishing a safety zone. Such application shall be submitted to the Ministry no later than together with the Development Plan.

(7) The Authorised Person shall monitor all activity inside safety zones. The Authorised Person shall also monitor what happens outside the zone when such activity can result in a safety risk for the Petroleum Operations.

(8) no Person, other than a Person authorized by the Authorised Person or the Ministry shall enter the safety zone around a Facility. The Authorised Person shall alert a vessel that is in the process of entering a safety zone when it is not authorised to enter such area. The Authorised Person shall also alert vessels outside a safety zone if the vessels could constitute a safety risk to the Petroleum Operations. If an object could constitute a safety risk to the Petroleum Operations, the Authorised Person shall alert the party responsible for the object, if possible.

(9) The Authorised Person shall alert the Ministry in the event of situations as mentioned in Article 16.18 (8), which can result in a serious safety risk for the Petroleum Operations.

(10) The Authorised Person shall report violation of safety zones to the appropriate police authority and the Ministry according to procedures stipulated by the Ministry.

(11) in the event of violation of safety zones and in dangerous situations as mentioned in Article 16.18 (8) the Authorised Person shall, to the extent possible and safe, refuse entry to vessels or objects. Such refusal of entry can consist of instruction or expulsion. If safety zones are violated by vessels or objects, and the violation entails a serious safety risk for the Petroleum Operations, the refusal of entry can consist of physical measures. This also applies if vessels or objects outside safety zones entail such risks, and the Authorised Person has given warning as mentioned in Article 16.18 (8).

16.25. Further Health and Safety Regulation
The Ministry, may develop further specific health and safety regulations, guidelines or standards, where necessary, to implement the objectives of the Regulation.
17. ENVIRONMENTAL AFFAIRS

17.7. Environmental Assessment and Environmental Impact Statement

Prior to carrying out Petroleum Activities an Authorised Person shall ensure submission of Environmental Impact Assessment, Environmental Impact Statement, Environmental Management Plan, Environmental Decommissioning Plan or other submission to the Environmental Authority as required by the applicable law...

17.8. Waste Management

(1) An Authorised Person shall ensure that waste is handled and managed in accordance with the Environmental Management Plan and Applicable Law.

(2) An Authorised Person shall ensure that all Waste Material, drilling fluid and drill cuttings generated at a Drill Site are handled and disposed in accordance with Applicable Law, and after obtaining the necessary approvals and permits.

(3) An Authorised Person shall ensure that:

(a) Petroleum produced during Formation Flow Tests is stored in suitable tanks or flared in a manner approved by the Environmental Authority;

(b) where an oil spill occurs, no countermeasures of a chemical nature are used without the approval of the Environmental Authority unless, during the delay required to obtain the approval, there is a severe threat to the safety of persons, property or the environment that can be lessened by such countermeasures;

(c) waste fuel, oil or lubricant is collected in a closed system that is designed for the purpose; and

(d) stored waste fuel, oil or oily material is transported in a suitable container and properly disposed of at a facility approved by the Environmental Authority.

(4) The Authorised Person shall ensure that:

(a) all sewage and other domestic Waste Material that might contribute to pollution is disposed of in a manner approved by the Environmental Authority;
spent acid or excess acid is disposed of in a manner approved by the Environmental Authority; and

(c) all trash, including glass, wire, scrap metal and plastics, is properly disposed of at a facility approved by the Environmental Authority

17.9. Liability for damage to the environment
The Authorised Person shall pay compensation in accordance with the Environmental Framework Law and other Applicable Law regardless of fault where the Authorised Person has caused damage to the environment.

17.10. Liability for third party claims
The Authorised Person shall defend, indemnify and hold harmless the Government and Ministry from all claims by third parties resulting, directly or indirectly, from Petroleum Operations, in accordance with the Petroleum Act Article 28. The Ministry shall give the Authorised Persons prompt notice of any such claim and shall not settle it without the prior consent of the Authorised Person.

17.11. Restitution
If an Authorised Person in violation of Applicable Law has caused damage to one or more environmental components, the Authorised Person is obliged to restore the environment, or pay compensation, pursuant to the Basic Law of Environment and appurtenant regulations.

17.12. Liability and restitution for unauthorised activities
A person who engages in Petroleum Operations other than pursuant to an Authorisation is liable and/or responsible to restore the environment pursuant to the Petroleum Act Article 16.

18. LOCAL CONTENT

18.7. Presence in Timor-Leste
An Authorised Person shall:

(a) if required by Applicable Law, establish a company or register a permanent representation under Timor-Leste law;
(b) maintain an organisation in Timor-Leste which is capable of managing the Petroleum Operations in accordance with the Applicable Law from Timor-Leste;

(c) have a representative in charge of the office in Timor-Leste who shall have full authority to act and to enter into binding commitments on behalf of the Authorised Person; and

(d) in respect of Petroleum Operations, open and maintain an account with a bank in Timor-Leste and ensure that a minimum of ten percent (10%) of the total value of financial transactions are made with or through Timorese financial institutions.

18.8. Annual Local Content Plan

(1) An Authorised Person shall prepare and implement an annual local content plan.

(2) the annual local content plan shall be submitted to the Ministry for approval within reasonable time after the award of the Petroleum Contract or Prospecting or Access Authorisation and thereafter on an annual basis either:

(a) together with work programmes and budgets required in accordance with Article 4.2, 6.2 and; or

(b) where the abovementioned Articles do not apply, within sixty (60) days prior to the end of a Calendar Year.

(3) the annual local content plan shall be based on the Local Content Proposal, any plans for local content compliance submitted in accordance with Articles 4.1, 6.2 or 10.1, and local content requirements established in Applicable Law. The annual local content plan shall demonstrate how the Authorised Person plans to:

(a) comply with the aforementioned local content obligations; and

(b) ensure and follow up that its’ Sub-Contractors comply with the aforementioned local content obligations.

(4) The annual local content plan shall at least include with respect to the following Calendar Year:

(a) a plan for fulfilling the applicable Timorese content requirements with respect to the use of Timor-Leste Goods and Timor-Leste Services including a contracting and procurement strategy and a procurement plan;
(b) a plan for the transfer to the Ministry of advanced technological know-how and skills related to Petroleum Operations while carrying out Petroleum Operations;

(c) a detailed employment plan listing planned employment in each of the following categories: unskilled labour, skilled labour, clerical, technical and supervisory, management and professional including a description on the process to be utilised for employing personnel and what actions that will be taken to ensure employment of Timorese nationals;

(d) a detailed training plan with a breakdown of the skills needed, anticipated skill shortages in the Timorese labour force, project specific training requirements, and the anticipated expenditures that will be made in implementing the training plan; and

(e) such other information as may be requested by the Ministry.

(5) The Ministry evaluates the annual local content plan for approval. In its evaluation, it may take previously submitted local content reports and the local content performance of the Person into consideration. The Ministry may stipulate conditions for its approval to reflect Good Oil Field Practice or to meet the requirements of Applicable Law.

(6) The Ministry will provide the Authorised Person with its decision in writing within reasonable time of receipt of the annual local content plan. Where an annual local content plan is not approved, the Ministry shall state the grounds for its decision. The Authorised Person may modify and re-submit the annual local content plan within a timeframe stipulated by the Ministry. The ministry may also consider reasonable penalties or sanctions due to incompliance made by the Authorised Person.

18.9. Local Goods and Services

18.3.1 Preference for Timor-Leste Goods and Timor-Leste Services

(1) An Authorised Person shall ensure that practises and procedures for procurement of goods and services in connection with activities that are comprised by the Regulation provide full and fair opportunity to Timor-Leste Suppliers, encourage the use of Timor-Leste Goods and Timor-Leste Services, be based on competition and meet all applicable requirements and fulfil all relevant local content obligations to give preference or consideration to Timor-Leste Suppliers, Timor-Leste Goods and Timor-Leste Services.

(2) An Authorised Person shall:

(a) acquire Timor-Leste Goods of acceptable quality which are available for sale and delivery in due time at prices which are
no more than ten per cent (10%) higher than the imported items including transportation and insurance costs and customs charges due;

(b) contract Timor-Leste Services to the extent they are similar to those available on the international market and their prices, when subject to the same tax charges, are no more than ten per cent (10%) higher than the prices charged by foreign Sub-Contractors for similar services; and

(c) ensure that provisions in terms of Article 18.3.1 (2) (a) and (b) above are contained in contracts between an Authorised Person and its Sub-Contractors.

(d) Where no Timor-Leste Suppliers are available, preference shall be given to foreign suppliers who utilize Timor-Leste Goods to the maximum extent possible Including the suppliers who potential partner with Timor-Leste

18.3.2 Requirements for Procurement

(1) The procurement practices and procedures used by an Authorised Person shall comply with the principles stated in Article 18.3 (1). All goods and services shall to the extent possible be purchased or contracted on an arm’s length basis, by competitive tendering and in accordance with international procurement practises.

(2) All invitations to tender made for the purposes of procuring goods and services shall be published in two (2) newspapers of general circulation in Timor-Leste, on the Ministry website, and in any other manner determined by the Ministry.

(3) An Authorised Person shall keep the Ministry fully advised of procurement practices and procedures, including any existing framework agreements that may be relevant for the Petroleum Operations to be undertaken, and shall provide to the Ministry such additional information concerning procurement plans or activities as the Ministry may request. The Ministry may require that an Authorised Person changes its procurement plans in order to comply with the Local Content Proposal, any plans for local content compliance submitted in accordance with Articles 4.1, 6.2 or 10.1, and local content requirements established in Applicable Law.

(4) In order to ensure that Timor-Leste Suppliers have equal opportunity and treatment in relation to other companies invited to submit proposals for supplying goods or services, an Authorised Person shall:
(a) keep itself updated about Timor-Leste Suppliers capable of meeting supply needs, through trade associations, trade unions or other informed sources;

(b) publish tender documents in one of the official languages of Timor-Leste in addition to English;

(c) ensure that the procurement process documents, including the invitation to tender, the scope of work, the specifications, the time limits for tenders and the terms of delivery are not formulated in such a way that Timor-Leste Suppliers are unduly excluded or that are unnecessary to ensure that the purpose of the procurement is fulfilled; and

(d) only require technical qualifications or certifications of Timor-Leste Suppliers which are equal to those required from any foreign suppliers.

18.3.3 Requirement for Prior Notice

(1) An Authorised Person shall provide prior written notice to the Ministry of the intention to commence any process for the procurement of goods or services,

(2) The notice shall be provided at the earliest practicable date but in any event no less than twenty (20) days prior to the commencement of the procurement process or, if applicable, thirty (30) days prior to entering into a binding agreement for procurement of goods and services.

(3) The notice shall provide a summary of the planned procurement, including:

(a) the estimated value of the procurement;

(b) the nature of goods and services to be procured;

(c) the draft scope of work, including an overview of the qualifications and certifications foreseen to be required to perform the scope of work;

(d) a summary of the terms of the contract;

(e) the technical specifications of the relevant goods and services, any other technical or commercial requirements, and the minimum qualifications and experience expected of participating companies or persons; and
(f) relevant details on the procurement process, including procurement method, timeframes, publication methods, award criteria and their relative weight in the evaluation.

(4) The Ministry may, within fifteen (15) days of receipt of the notice issue a direction in writing to the Authorised Person to:

(a) change any of the elements listed in Article 18.3.3 (3) letter (b) – (f); or

(b) to annul the planned procurement

if the Ministry deems such change or annulment is necessary to ensure fulfilment of Local Content Proposal, any plans for local content compliance submitted in accordance with Articles 4.1, 6.2 or 10.1 or compliance with any local content requirements established in Applicable Law.

18.3.4 List of pre-qualified Sub-Contractors

(1) In order to ensure efficient procurement processes, an Authorised Person may establish a list of qualified suppliers or Sub-Contractors who are identified as pre-qualified Sub-Contractors for specified activities.

(2) Where such lists of pre-qualified suppliers or Sub-Contractors are established, the Authorised Person shall provide the Ministry with the list of the entities to whom the Authorised Person proposes to send an invitation to tender.

(3) Such lists shall thereafter be regularly reviewed and if necessary updated by the Authorised Person. The Ministry may require the Authorised Person to add or delete suppliers from such list after consultation with the Operator or the Authorised Person.

18.3.5 Other Information to be provided to the Ministry

(1) The Authorised Person shall, promptly after awarding a contract or a call-off for purchase under a framework agreement for the supply of goods and services in connection with activities that are comprised by the Regulation, provide the Ministry with a detailed report on the reasons for the award together with a copy of the signed contracts or the call-off for purchase. Upon prior agreement with the Ministry such copies may be submitted electronically.
When requested by the Ministry, an Authorised Person shall within sixty (60) days submit to the Ministry details of goods and services actually procured both from suppliers based inside and outside Timor-Leste.

18.10. Training and Employment of Nationals

18.4.1 Employment of Timor-Leste Nationals

(1) With the exception of the minimum of specialists required, an Authorised Person shall, to the maximum extent possible, employ, and require Sub-Contractors to employ Timor-Leste nationals having the requisite qualifications and experience.

(2) The Ministry may require that certain categories of personnel shall be held by Timorese nationals only. If the TL labour market does not meet the certain categories then international labour can fill in within the certain timeframe while TL nationals are undertaking training.

(3) Employment of international labour in accordance with Article 18.4.1 (2) above shall be subject to prior approval from the Ministry.

(4) Subject to Article 18.4.1 (1) an Authorised Person shall not engage in discriminatory practices on grounds of race, tribe, nationality or gender in the conditions of service provided for personnel. Timor-Leste nationals shall be employed on the same conditions with regards to health, social security and work as nationals of other countries performing substantially similar duties and responsibilities.

18.4.2 Employment and Contracting Practices

When seeking to employ or to contract personnel in connection with activities that are comprised by the Regulation, an Authorised Person shall:

(a) advertise such positions in two (2) newspapers of general circulation in Timor-Leste, on the Ministry website, and in any other manner determined by the Ministry.

(b) ensure that any requirements of Applicable Law in respect of the advertising of, and recruiting for, positions are followed;

(c) ensure that nationals of Timor-Leste are employed or contracted on remuneration and other terms that fair and comparable with those offered to other employees and Sub-Contractors with the same functions and experience, and in any
event meet the requirements of Applicable Law as they relate to employing or contracting nationals of Timor-Leste; and

(d) ensure that provisions in terms of Article 18.4.2 (a) to (c) above are contained in contracts between an Authorised Person and its Sub-Contractors.

18.4.3 Training

(1) An Authorised Person shall ensure that Timor-Leste nationals receive appropriate training and instruction in accordance with applicable local content requirements and obligations and the broader development goals of Timor-Leste.

(2) In consultation with the Ministry, an Authorised Person shall prepare and implement training plans to train Timorese nationals for certain categories and functions in all aspects of Petroleum Operations. The objective of such plans shall be amongst other to raise the level of competence among Timorese employees so that they may take over positions at all levels of the organization of an Authorised Person.

18.4.4 Information on Employment and Training

An Authorised Person shall keep the Ministry fully advised of its employment and training practices and procedures and shall provide to the Ministry such additional information concerning related plans or activities as the Ministry may request. The Ministry may require that an Authorised Person changes its employment and training plans in order to comply with the Local Content Proposal, any plans for local content compliance submitted in accordance with Articles 4.1, 6.2 or 10.1, and local content requirements established in Applicable Law.

18.11. Technology and Knowledge Transfer

An Authorised Person shall encourage and facilitate the formation of joint ventures and the partnering and the development of licensing agreements amongst Timor-Leste Supplier and foreign Sub-Contractors for the purpose of transfer of technology and knowledge.

18.12. Reporting

(1) An Authorised Person shall, within sixty (60) days after the end of a Calendar Year submit to the Ministry an annual local content report.
The annual local content report shall provide an account of how the Authorised Person has complied with the Local Content Proposal, any plans for local content compliance submitted in accordance with Articles 4.1, 6.2 and 10.1 and, if applicable, the annual local content plan for the relevant year.

The annual local content report shall, for the purposes of Article 18.3.1 (2), state the following information:

(a) the amount of expenditure incurred directly, or indirectly through its Sub-Contractors on Timor-Leste Goods and Timor-Leste Services;

(b) the local investment percentage in the Exploration Period, the Development and Production Period and the Decommissioning Period, as may be applicable;

(c) a detailed description of the procedures adopted to identify Timor-Leste Suppliers;

(d) an overview of all personnel employed either on a contract or on a permanent basis, which lists the names of all employees and a specification of their nationality;

(e) an itemisation of the training undertaken, including the cost of the training and the names, employers and nationalities of those trained;

(f) if applicable, a summary of the performance in respect of the matters referred to above in comparison with previous years; and

(g) if applicable, a detailed explanation of local content performance for the preceding Calendar Year compared with the projections made in the annual local content plan for that year, with explanations for any significant variations.

In addition to the annual local content report, an Authorised Person shall, within six (6) months after the submission of the annual local content report, submit to the Ministry a local content update. The local content update shall summarise the elements listed in Article 4.1, 6.2, 10.1, 18.3, 18.4 and 18.5 with respect to the preceding six (6) month period.

18.13. Audit

The Ministry may require that the Authorised Person carries out a local content audit of the compliance with applicable local content requirements and the fulfilment of obligations undertaken in the Local
Content Proposal, any plans for local content compliance submitted in accordance with Articles 4.1, 6.1 or 10.1 and any previously submitted local content plans. The audit shall be carried out at the cost of the Ministry. The purpose of the audit is to determine and demonstrate that the aforementioned measures have been fulfilled and implemented correctly and are being maintained and that the relevant goals have been met and continue to be met.

(2) The Ministry may request that such annual local content audit shall be carried out by a local content auditor.

(3) The local content audit shall be documented in an audit report which shall state the name and qualifications of the local content auditor, the date of audit and describe any deficiencies, conclusions, recommendations and significant concerns of the local content auditor. A copy of the audit report shall be submitted to the Ministry within thirty (30) days of completion.

(4) Following each local content audit, the Authorised Person will determine and document an appropriate response to the audit findings and assure satisfactory resolution through implementation of appropriate actions.

19. RISK OF LOSS AND OBLIGATION TO PROCURE AND MAINTAIN INSURANCE

19.7. Risk of Loss – Indemnification Right

(1) Unless otherwise expressly provided in the relevant Petroleum Contract or other Authorisation, an Authorised Person shall be fully responsible for and bear any and all risks, costs, expenses and losses, subject to application of proceeds actually received from insurance obtained and maintained in accordance with this Article 19.1, resulting directly or indirectly from:

(a) damage to, or loss of, any personal or physical property in the Territory of Timor-Leste used in connection with the Petroleum Operations;

(b) death or injury of any kind to any Persons; or

(c) any damage to the environment,

arising from or related to the Petroleum Operations, and shall fully indemnify the Ministry in respect thereof.

(2) Nothing in this Article 19.1 shall modify or limit the responsibilities of an Authorised Person under Applicable Law.
19.8. Requirement for Insurance

(1) An Authorised Person shall:

(a) ensure that insurance cover is maintained at all times for all Petroleum Operations which, unless decided otherwise by the Ministry, shall be taken out with reputable insurers not affiliated with an Authorised Person or any Contractor;

(b) ensure that the limits, deductibles and other terms and conditions of such insurance shall be commensurate with those customary for the industry and operations of the nature to be undertaken, shall name the Ministry, its members and its employees as an additional insured, and obtain from their insurers waivers of all rights of recourse against the Ministry and their insurers;

(c) provide the Ministry with certificates clearly identifying the coverage limits deductibles etc and the insurer names, reflecting such insurance as required by the Regulation; copies of full policies should be made available on demand and

(d) cause all Sub-Contractors performing Petroleum Operations on behalf of an Authorised Person, to:

(i) obtain and maintain any and all insurance in the types and amounts commensurate with those customary in the industry taking into account the Petroleum Operations to be undertaken by them, including employer’s liability, workers compensation and other insurances as required by Applicable Law;

(ii) name the Ministry, its members and its employees as additional insured on the insurance policies, other than employer’s liability and worker’s compensation, and obtain from their insurers waivers of all rights of recourse against the Ministry and their insurers;

(iii) ensure that each insurance policy shall survive the default or bankruptcy of the insured for claims arising out of an event before such default or bankruptcy; and

(iv) provide the Ministry with certificates reflecting such insurance prior to the commencement of their services.

(2) The Ministry may require at any time that an Authorised Person, at its sole cost and expense, commissions a report addressed jointly to the Ministry and an Authorised Person by a reputable party knowledgeable in such matters and acceptable to the Ministry, advising as to the nature and levels of insurance that should be held by an Authorised Person in recognition of conditions pertaining at the
time and the specific activities contemplated under the relevant Petroleum Contract or Authorization.

(3) Any material change in or cancellation of insurance obtained to meet the requirements of the Regulations shall be notified to the Ministry by an Authorised Person shall cause the Sub-Contractor to provide such notice, at least thirty (30) days prior to such change or cancellation, and the Ministry shall be provided with a replacement certificate.

(4) If the Ministry determines that an Authorised Person, or any Sub-Contractor, has not complied with the requirements of the Regulations in respect of insurance coverage, an Authorised Person, or such Sub-Contractor, shall upon notice rectify the deficiency promptly.

**19.9. Type of Insurance Required**

(1) An Authorised Person shall procure and maintain, with respect to and for the duration of Petroleum Operations under the Petroleum Contract or Authorisation, insurance coverage for, including but not limited to:

(a) all loss or damage to Facilities and other assets for so long as they are used in connection with Petroleum Operations for no less than full replacement value;

(b) Operators Extra Expenses Coverage as per EED 8.86 with endorsement for, Underground Blow Out, Making Wells safe endorsement, Extended re-drill, Evacuation expenses, Care Custody and Control this coverage to be for a minimum limit of 5 times AFE;

(c) all loss, damage or injury caused by pollution or environment damage, including but not limited to cleaning up oil spills and rectifying the situation, in the course of, directly or indirectly, as a result of Petroleum Operations, without limitation;

(d) all loss of property or damage, death or injury of any kind suffered by any third party, including but not limited to employees of the Ministry, in course of or, directly or indirectly, as a result of Petroleum Operations for which an Authorised Person liable to indemnify the Ministry;

(e) any claim for which the Ministry may be liable relating to the loss of property or damage, death or injury of any kind suffered by any third party in the course of, directly or indirectly as a result of Petroleum Operations, and for which an Authorised Person is liable to indemnify the Ministry;
the cost of removing wrecks and cleaning up operations following any accident in the course of, or directly or indirectly, as a result of Petroleum Operations;

a guarantee for payment of salaries, benefits and indemnities and other employment liabilities which may arise from court orders derived from claims made by employees contracted by an Authorised Person as the sole and true employer of the same. The validity of the policy will be not less than three Calendar Years from the date of termination of the Petroleum Contract, and the sum insured shall be not less than the equivalent of 1+% of an Authorised Person’s payroll for employees assigned to the performance of the Petroleum Operation subject to the Petroleum Contract during the Calendar Year prior to termination;

all loss or damage resulting from delayed start-up of Petroleum Operations and business interruption; and

replacement cost coverage for the replacement of Wells and Facilities damaged or lost.;

where in respect of risks to be covered and premia payable, an insurance company which is a Timor-Leste supplier which is solvent, reliable and reinsured in to International markets with rating no less than Standard and Poors or AM Best A rating or the equivalent and offers terms and conditions no less favourable to the contractor than other insurers in the South and South East Asia region, insurance shall be effected with such company, otherwise with a company of the contractor’s choice.

Insurance obtained by an Authorised Person shall not stop the collection of claims that may become apparent after the end of Petroleum Operations because such claims were not made by a specified date.

An Authorised Person shall promptly inform the Ministry when such insurance is obtained by an Authorised Person or any Sub-Contractor and provide certificates of insurance or copies of the relevant policies when the same are issued.

The Ministry may require an Authorised Person to procure and maintain additional insurance coverage at the Ministry’s sole discretion.

The Ministry may permit other security or coverage for liability than insurance procured in the commercial market.
19.10. **Use of Insurance Proceeds**

(1) In the event that insurance proceeds are received by an Authorised Person, the Ministry may direct by written notice that these shall be applied to the replacement or restitution of the status quo ante.

(2) In the event that an Authorised Person declines to apply the insurance proceeds in accordance with the directions, they shall immediately become due and payable to the Ministry.

(3) The application or non-application of insurance proceeds at the direction of the Ministry shall not relieve an Authorised Person of any other obligations it may have under the Applicable Law.

19.11. **Insurance Coverage Assessment and Periodic Reporting**

(1) An Authorised Person shall undertake an assessment of the adequacy of coverage for insurance obtained for the Petroleum Operations in light of conditions encountered, or expected to be encountered, during Petroleum Operations and any risks identified under Risk Assessments in accordance with Chapter 16 of the Regulations or the Environmental Regulations. Such assessment shall be undertaken as and when needed, and, in any event, no less frequently than once every 24 months. In the event an Authorised Person determines that any insurance coverage is inadequate in any respect, the Authorised Person shall cause such insurance coverage to be modified or replaced so to assure the appropriate level of coverage.

20. MISCELLANEOUS

20.7. **Provision of Information**

(1) Information submitted in accordance with the Regulation shall be in one of the official languages of Timor-Leste or the English language, be balanced, objective and concise and state any limitations or uncertainties relating to the use of the information.

(2) An Authorised Person shall provide such information to the Ministry as required.

(3) Information submitted in accordance with the Regulation shall be submitted in such form and format as required by the Ministry.

20.8. **Safekeeping duty**

(1) Each Authorised Person shall make and retain accurate and complete records as required by the Regulation.
Where not otherwise specified in Applicable Law, an Authorised Person shall keep full, complete and accurate records of:

a. Work Programmes and Budgets and any amendments thereto;

b. Development Plans, Decommissioning Plans, Local Content Proposals, recruitment plans, training plans, local content reports, local content plans and any amendments thereto;

c. details of relinquished areas;

d. Production of Crude Oil, condensates, Natural Gas and other production;

e. Information and data regarding exports of Crude Oil, condensate, natural gas liquids and Natural Gas as well as the prices and values of each such product and any other products at the export point;

f. Information and data regarding amounts and calculation of cost recovery Crude Oil and cost recovery Natural Gas;

g. Information and data regarding volumes and amounts of profit Crude Oil or profit Natural Gas paid to Timor-Leste;

h. All payments and contributions made to the Ministry or any other body in or representing Timor-Leste, under Applicable Law, as well as details as to the timing, amount, and computations of all payments and contributions due or paid to the Ministry or any other body in or representing Timor-Leste;

i. details of accidents resulting from any Petroleum Operations, including number and frequency;

j. details on monitoring, maintenance and inspection procedures and the results of monitoring, maintenance and inspection activities conducted in accordance with the Regulation;

k. details of payments or services provided pursuant to a Local Content Proposal or an annual local content plan;

l. details and reports of Environmental Impact Assessments, Environmental Management Plans, and any other environmental management programmes, assessments, annual environmental management reports or similar reports as may be required under the Authorisation or Applicable Law, (the “Operational Information”); and

m. all information that is geological, geophysical, geochemical or petrophysical in nature, whether raw, derived, processed, interpreted or analysed (including cores, cuttings, samples, and all geological, geophysical, geochemical, drilling, well, production and engineering data and information) that the Contractors acquire in the course of carrying out the Petroleum Operations (the “Project Data”); and
n. other data and information necessary to ensure that the Ministry can verify whether the Petroleum Operations are carried out in accordance with Applicable Law.

(3) As soon as practicable, and in any event no later than thirty (30) days after acquisition or creation, the Authorised Person shall, at the option of the Ministry, make available to the Ministry at the Authorised Person’s offices in Timor-Leste or deliver to the Ministry to such place as the Ministry directs, originals or copies of all Project Data. The Authorised Person shall store, in accordance with Good Oil Field Practice, all Project Data that the Ministry, after consultation with the Authorised Person, reasonably directs.

(4) The Authorised Person may retain copies of all Project Data delivered to the Ministry under this Article, for use in or in relation to Petroleum Operations.

(5) The Authorised Person shall keep the records in its offices in Timor-Leste; or, if the Authorised Person has ended its business in Timor-Leste, in another location within Timor-Leste, subject to prior written approval by the Ministry.

(6) Unless otherwise stipulated, the Authorised Person shall keep the records for as long as it provides necessary information about the Petroleum Operations.

(7) On request, all records of the activities conducted by the Authorised Person pursuant to this Article shall be provided to the Ministry.

(8) Where the Authorised Person wishes to destroy data or information which may be of importance to the management of resources, the Ministry shall receive a list of such data and information prior to it being destroyed. Within a reasonable time after having received the list, the Ministry may order handing over or further safekeeping free of charge. In the case of handing over, sufficient documentation in relation to such data and information shall be included. No destructions of the data or information may take place without the express approval of the ministry.

20.9. **Disclosure and confidentiality of Data and Information**

(1) Subject to the limitations set out below, information relating to Petroleum Operations shall not be confidential and shall not be treated as confidential unless otherwise provided in Applicable Law or the Authorisation.

(2) The Ministry shall be entitled to release to third parties the following confidential information, after the time periods or events specified:
   a. Geological, geochemical and geophysical data and reports:
i. Five (5) years from date when such data or information was due to be provided to the Ministry, except the Ministry may determine that a lesser period shall apply in the following circumstances:

a. Where data was acquired or procured pursuant to a Prospecting Authorization and where permitted by any permit, license or agreement with the Person holding the Prospecting Authorization, any or all of such data may be released by the Ministry, subject to the rights of any Contractor under a Petroleum Contract.

b. In the event the data was acquired or procured pursuant to a Petroleum Contract and lies within a relinquished portion of the Contract Area.

c. In the event a Petroleum Contract or Prospecting Authorization is terminated for cause, then the all data pertaining to the Petroleum Contract or Prospecting Authorization shall be immediately available for release.

b. Well data:

i. Two (2) years from the date when such data or information was due to be provided to the Ministry, except for data within a relinquished portion of a Contract Area, which shall immediately become available for release.

(3) Except with the consent of the Ministry or as required by any domestic or foreign law or the rules of a recognized stock exchange, an Authorised Person shall not make any public statement about an Authorisation or the Petroleum Operations. If the Authorised Person is required by any law or the rules of a recognised stock exchange to make any public statement about the Authorisation or the Petroleum Operations it shall submit such statement to the Ministry for consideration, within a reasonable time in advance, to allow the Ministry to review the statement. The Authorised Person shall make any amendments to the statement requested by the Ministry unless such amendment is shown by the Authorised Person to conflict with the relevant law. In any event, no public statement shall state or imply that the Ministry approves or agrees with its contents, without the prior written consent of the Ministry.

(4) In communications to individuals or to the public, an Authorised Person shall not, without the prior consent of the Ministry, directly or indirectly quote or refer to statements or communications emanating from the Ministry, any other public authority or any person employed by or performing duties for them that concern the probability of making discoveries, the size of hydrocarbon deposits and the timing and nature of any hydrocarbon production.

(5) These provisions shall not prevent the disclosure of such information and other data in the following instances:
a. if information of a general nature is furnished in connection with statutory requirements in the home jurisdiction of an Authorised Person for the issuance of public statements, annual reports or the like concerning matters relating to Petroleum Operations, or

b. if information is disclosed in co-operating with the authorities of other countries, subject to the condition that similar provisions for ensuring secrecy of such information apply in the country in question.

(6) With the prior written consent of the Ministry, Project Data may be taken out of, transmitted from or stored outside Timor-Leste for the purpose of processing, interpreting or analysing the Project Data. The Ministry will not withhold consent if the Authorised Person can show the Ministry that resources for the processing, interpretation or analysis of the Project Data are not available in Timor-Leste and provided that any Project Data which is taken out of, transmitted from or stored outside Timor-Leste by the Authorised Person must be promptly returned to Timor-Leste after processing, interpretation or analysis and accurate copies (or useable and representative samples) of such Project Data must be retained by the Authorised Person in Timor-Leste.

20.10. Entry into the TLEA

(1) When applying for approvals from the Ministry pursuant to this Regulation, the Authorised Person or Authorised Person may be required to submit information about all personnel, vessels and aircrafts it proposes to bring into the TLEA in connection with the activity for which the approval is sought.

(2) The Authorised Person shall specify, to the extent known at the time of application:
   a. The entry and exit dates of all personnel, vessels and aircraft;
   b. The name, employer and position of personnel;
   c. The name, international maritime identification number and expected activities of all vessels; and
   d. The mark, serial number and expected activities of all aircraft.

(3) The Authorised Person may at any time submit updated plans to bring into the TLEA personnel, vessels and aircraft, for the approval of the Ministry.

(4) Entry into the TLEA shall be Subject to the Regulation and Applicable Law.
21. ADMINISTRATIVE PROVISIONS

21.7. Powers of the Ministry

(1) The Ministry shall supervise compliance with provisions stipulated in or issued pursuant to the Regulation.

(2) The Ministry may stipulate conditions other than those mentioned in the Regulation to decisions, approvals and consents issued pursuant to the Regulation, provided that such conditions shall be naturally linked with the measures or the activities to which the decision, approval or consent relate, and shall enhance the compliance with and follow-up of the Regulation.

(3) The Ministry may, prior to granting Authorisations in accordance with Chapter 3 and approval of Development Plan in accordance with Article 6.3 and Decommissioning Plan in accordance with Article 10.2, give appropriate opportunity to Persons or representative institutions of groups of Persons likely to be affected to make representations in respect of a planned Prospecting Authorisation. In such case, the Ministry shall take due consideration to representations made when deciding on the grant of an Authorisation or an approval.

(4) In the exercise of its functions and powers under this Regulation, the Ministry may, amongst other, take into account resource management considerations as expressed in the Petroleum Act as well as technical, safety, environmental and economic aspects and relationship to, and expected impact on, other users of the sea, potentially affected persons and local communities.

(5) The Ministry may give directions as stipulated in the Petroleum Act Article 32. The Ministry may also issue guidelines for the implementation of provisions stipulated in the Regulation.

(6) Provided that an Authorised Person can demonstrate to the satisfaction of the Ministry that an exemption from a requirement stipulated in or issued pursuant to the Regulation will not be contrary to the objectives of the Regulation, the Ministry may grant exemptions to the Regulation at its discretion. Except in cases of emergency, exemptions must be requested in writing and may only be granted by written order of the Ministry. Any such exemptions shall be confirmed in writing as soon as possible after the grant.

(7) If work relating to approved activities pursuant to the Regulation has not commenced within twelve (12) months from the date the approval is issued, the approval shall be deemed revoked.

(8) Representatives from the Ministry shall have the right to participate as observers in meetings of cooperative bodies established in accordance
with a joint operating agreement. The Authorised Person shall ensure that the representatives receives any relevant information associated with such meetings, including advance notices and minutes of meetings and any other meeting correspondence as well as a notification within reasonable time prior to any such meeting.

21.8. **Inspections and Supervision**

(1) The Ministry may, in the exercise of its functions, authorise any person to inspect or supervise Petroleum Operations to ensure that such operations are carried out in accordance with the Regulation.

(2) The Ministry or the person authorised by the Ministry pursuant to Article 21.2 (1) may:

(a) enter any offices, buildings, sites or areas operated or controlled by an Authorised Person;

(b) inspect all Facilities, vessels, aircrafts, Wells and related records on the site;

(c) make any environmental tests on a Well or Facilities;

(d) request any samples from an Authorised Person;

(e) request any information from an Authorised Person;

(f) inspect, test or audit the works, equipment, operations, records, registers and financial records related to or used in Petroleum Operations including the Metering System;

(g) direct any vessel or a Mobile Drilling Unit or Mobile Platform to be brought to a port in TLEA when considered necessary for the purpose of inspection or supervision pursuant to the Regulation;

(h) witness any tests conducted by an Authorised Person; or

(i) conduct such examinations, inquiries and relevant activities that are necessary to ensure that the provisions of the Petroleum Act, the Regulation, a Petroleum Contract or an Authorisation are being complied with.

(3) In carrying out inspections, the Ministry shall not interfere unreasonably with the conduct of Petroleum Operations.

(4) All Persons subject to inspection or supervision pursuant to the Regulation shall, when so demanded by the Ministry or its authorised representative and without hindrance of the duty of secrecy, provide
information deemed necessary for performance of the inspection or supervision. The Ministry may decide the form in which the information shall be provided.

(5) An Authorised Person shall provide the Ministry or the authorised person pursuant to Article 21.2(1) with reasonable facilities and assistance to enable the effective and timely performance of the inspection or supervisory functions under this Article.

(6) The Ministry may require the all Persons being inspected or supervised pursuant to this Article to cover the expenses related to the supervision or inspection.

21.9. **Audits**

(1) The Ministry may require an independent audit of the Authorised Person’s books or accounts relating to a Petroleum Contract, any other Authorisation, Petroleum Operations or Assignments and, in such event:

(a) such audit shall be at the cost of the Authorised Person except if otherwise provided in the Petroleum Contract or the relevant Authorisation; and

(b) the Authorised Person shall provide the Ministry with a copy of the terms of reference or other document by which the auditor is engaged prior to the commencement of the audit, which shall include the scope of the proposed audit in reasonable detail.

(2) The Ministry may within reasonable time request additions or adjustment to the scope of the audit as the Ministry deems necessary taking the Petroleum Operations undertaken by the Authorised Person or other appropriate considerations into account.

(3) The Ministry may at its discretion direct an Authorised Person to instigate an audit by a Third Party Consultant of the Authorised Person’s adherence to the health and safety part of the Management System.

(4) Articles 21.2 shall apply correspondingly to the person conducting an audit in accordance with this Article 21.3.

21.10. **Enforcement**

(1) The Ministry may issue such directions as are necessary for the implementation of provisions stipulated in the Regulation or decisions, approvals or consents issued pursuant to the Regulation.
(2) Where a Person does not comply with directions issued under Article 21.4 (1), the Ministry may take such steps as are necessary in order to initiate procedures or prosecution to determine liability in accordance with Chapter 22.

(3) Where there is an immediate threat to the health and safety of a person, or where there is clear non-compliance with Articles 1.4 or 16.1., the Ministry may direct a Person to restrict or cease any activity related to Petroleum Operations and to implement acceptable corrective measures acceptable to the Ministry. When the Authorised Person has demonstrated that such corrective measures have been carried out to the satisfaction of the Ministry, the Ministry may approve in writing to lift such restrictions or to resumption of the activity.

21.11. Revocation or suspension

In the event of material or repeated non-compliance by the Authorised Person with the Petroleum Act, the Regulations or conditions, orders or directions stipulated in or issued pursuant to the Regulation, the Ministry may suspend or revoke an approval or consent granted in accordance with this regulation.

21.12. Appeals

(1) Decisions issued pursuant to the Petroleum Act or the Regulation may be appealed.

(2) The appeal shall be made in writing and be submitted within fifteen (15) days after receiving notice of a decision, unless otherwise prescribed by Applicable Law. The appeal shall set out in detail the grounds on which the appeal of the decision is made. Where the requirements of this Article 21.6 (2) are not met, the Ministry may reject the appeal.

(3) An appeal under this Article will not postpone the effect of the decision.

(4) The Ministry may confirm, revoke, modify or replace the Decision based on the appeal.

(5) The provisions of this Article 21.6 are without prejudice to Applicable Law on administrative procedures in relation to appeals, including but not limited to decision periods, grounds for rejection and requirements as to form.
22. PENALTIES

22.7. Penalties

(1) Whoever fails to comply with requirements stipulated in the Regulation, or decisions or directions issued pursuant to the Regulation, may incur accessory, civil, criminal liability in accordance with Chapter VIII of the Petroleum Act and Applicable Law.

(2) Where liability has incurred in accordance with 22.1(1), the Ministry may require a bond, guaranty or surety in respect of such liability.

(3) Subject to Chapter VIII of the Petroleum Law, where civil liability is incurred, the Ministry shall notify the relevant person of the particulars of the proposed penalty, including as applicable the amount of any fine and the instructions for payment of the fine, the nature and specifics of the accessory penalty imposed, and any other information the Ministry determines to be appropriate in relation to its determination.

23. FINAL PROVISIONS

23.7. Administrative Fees

The Ministry may impose an administration fee to cover the costs necessary for processing a plan, program, application, report, notification or other information required by the Regulations.

23.8. Other Fees

(1) An Authorised Person shall, in respect of Petroleum Operations carried out under an Authorisation, pay a surface rental fee of USD 30 per square kilometer covered by the Authorisation, less any area lawfully relinquished. The first payment shall be made upon execution of the Authorisation and thereafter such fee will be payable within ten (10) calendar days of the end of each Calendar Year until the termination of Petroleum Operations.

(2) In respect of Exploration, the Authorised Person shall:
   a. pay a fee amounting to USD 25,000 for prospecting Authorisation. The payment shall be made at the time of the approval prior the commencement of the prospecting Authorisation.

   b. pay for each seismic survey prior to the commencement of such survey a fee of USD 5,000.
c. The Ministry may adjust any such fee from time to time as necessary to take account of inflation or for other reasonable justification.

(3) In respect of Production Operations, the Authorised Person shall pay a development fee at the time a Commercial Discovery is declared by the Authorised Person in respect of each of Crude Oil and Natural Gas in an amount determined as set forth in Schedule 1, and thereafter each time the Authorised Person reports increased Recoverable Reserves in an amount equal to the fee that would have been payable if such Recoverable Reserves had been reported at the time of Commercial Discovery less development fees actually paid.

(4) Where the Ministry has declared a Gas or Oil Retention Area, a retention fee will apply in addition to the contract fee until the earlier of:
   (a) The relinquishment of the entire contract area; or
   (b) The time when a Commercial Discovery is declared by the Authorised Person.

(5) The retention fee, which amount is to be determined by the Ministry, is payable in full at the start of the contract year.

(6) In respect of Assignments, the Contractor shall pay a transfer fee to the Ministry for each Assignment within thirty (30) days of the Assignment becoming effective. The transfer fee shall be calculated according to the following rates, which apply to the value of the transaction:

   (i) For every dollar of the first US$ 100 million: 1%
   (ii) For every dollar of the next US$ 100 million: 1.5%
   (iii) For every dollar thereafter: 2%

(7) The transfer fee for Assignments shall not be payable where:
   (i) the Contractor is a consortium or an association of companies, and the Assignment is among those companies; or
   (ii) the Assignment is made in favor of an Affiliate of the Assignor; or
   (iii) the Assignee is a State-Owned Contractor.

23.9. Administration of Payment of Fees

(1) All payments shall be made in United State Dollars to a bank account designated by the Ministry.

(2) A failure to pay fees on a timely basis as required by a Petroleum Contract, Authorization or the Regulations may result in the termination of the Petroleum Contract, Authorization or in the Ministry taking such other action as it may deem appropriate.
23.10. Entry into force

The Regulation shall come into effect on ____________________________.

Schedule 1- Fee structure

<table>
<thead>
<tr>
<th>Application</th>
<th>Rental cost /Km²</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contract area fee</td>
<td>$30</td>
</tr>
<tr>
<td>Retention Fee of PSC</td>
<td>$80,000</td>
</tr>
</tbody>
</table>
| Liquids | 1. Recoverable Reserves divided by the number of full or partial blocks within the development area (round to two decimal places).  
2. Multiply the result in 1 by 1,560 (and round to the nearest 1,000).  
3. Multiply the result in 2 by the total number of blocks in the Development Area. |
|---|---|
| Gas | 1. Recoverable Reserves divided by the number of full or partial blocks within the development area (round to two decimal places).  
2. Multiply the result in 1 by 485 (and round to the nearest 1,000).  
3. Multiply the result in 2 by the total number of blocks in the Development Area. |