

UNOFFICIAL TRANSLATION

# **Framework Law on Petroleum Operations**

**NATIONAL ASSEMBLY  
OF SAO TOME AND PRINCIPE**

**Law No.16/2009**

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# **Fundamental (Framework) Law on Petroleum Operations**

## **NATIONAL ASSEMBLY Law N°16/2009**

### ***PREAMBLE***

- (A) All resources found in the national territory of the Democratic Republic of Sao Tome and Principe, including its subsoil, continental shelf, and the exclusive economic zone of our seas are the exclusive property of the people of Sao Tome and Principe. It is by the mandate and delegation of the people, to whom these resources legitimately belong, that the Government undertakes to manage them.
- (B) For the greater wellbeing for the Democratic Republic of Sao Tome and Principe, it has become a constant endeavor of its Government to ensure that the legal framework for Sao Tome and Principe adapts in a transparent, orderly and responsible manner.
- (C) In the Petroleum sector, the Government, in its role as the promoter of the Nation's economic growth, continues to focus on new horizons that will foster a more advantageous use of the national subsoil resources of Sao Tome and Principe that will create and lay the foundation for a nascent economic framework for the industry, with a view toward its subsequent development and growth.
- (D) In light of the above, the Government is conscious of its responsibility as guardian of the public welfare and mindful both of the finite and non-renewable nature of our subsoil resources, as well as the need to bring about a greater equilibrium and profitability of resources in collaboration with foreign or domestic companies, and investors in general.
- (E) In these terms, the National Assembly determines, pursuant to the provision of subsection b) of Article 97 of the Constitution, as follows:

# CHAPTER I

## Definitions and Scope of Application

### Article 1 (Definitions)

For the purposes of this Law:

1. "**Administration**" or "**State Administration**" means the direct, indirect, autonomous or independent administration of Sao Tome and Principe, including all ministries, entities, agencies, departments, offices, institutes, services, support services to the sovereign bodies, as well as local and regional branches of the State and all their services, departments and all entities, companies and production units controlled, in whole or in part, directly or indirectly, by the central, regional or local administration;
2. "**Affiliate**" means, in respect of an Authorized Person (or, if more than one (1) Person, in respect of each of such Persons), a Person that Controls, is Controlled by, or is under the common Control with, the Authorized Person or any one of such Persons, as the case may be;
3. "**National Petroleum Agency**" means the national regulatory organ created by Decree Law No. 5/2004, of the 14<sup>th</sup> of June, which is responsible for the regulation, contracting and supervision of Petroleum Operations;
4. "**Official**" or "**State Administration Official**" means any individual occupying any position in, is employed by, contracted by or otherwise acting on behalf of or representing the State Administration, including ministers, directors, administrators, managers, attorneys'-in-fact, commissioners or concessionaires of any entities controlled by the Administration of the State;
5. "**Year**" means the period between January 1<sup>st</sup> and December 31<sup>st</sup>;
6. "**Authorized Area**" means the area from time to time the subject of an Authorization;
7. "**Contract Area**" means the Authorized Area which is subject to a Petroleum Contract, as further described and delineated in such Petroleum Contract;
8. "**Associate**" means any Affiliate, subcontractor or other Person associated with an Authorized Person in the conduct of Petroleum Operations;
9. "**Authorization**" means a Petroleum Contract, a Prospecting Authorization or any agreement made in respect of such Contract or Authorization;
10. "**Prospecting Authorization**" means an authorization granted pursuant to the terms and conditions of Articles 8 to 10;

11. "**Appraisal**" means the activities carried out following the discovery of a Petroleum deposit aimed at better defining the parameters of the Reservoir in order to assess its commerciality including, without limitation:
  - (a) drilling of appraisal wells and running tests; and
  - (b) running supplementary analyses, and the acquisition, study and processing of geological and other data;
12. "**Block**" means an area designated as a polygon on a map with defined geo referenced coordinates designated by the National Petroleum Agency pursuant to this Law for the purposes of an Authorization;
13. "**Contractor**" means any Person or Persons with whom the National Petroleum Agency, for and on behalf of the State, has entered into a Petroleum Contract;
14. "**Risk Service Contract**" means a Petroleum Contract that has been entered into with a Contractor which provides that such Contractor receives a defined share of the revenue, as opposed to a share of production;
15. "**Petroleum Contract**" means any agreement signed between the National Petroleum Agency, for and on behalf of the State, and a Contractor in accordance with this Law that authorizes the performance and regulates the conduct of Petroleum Operations defined therein;
16. "**Control**" means, in relation to a Person, the power of another Person to secure:
  - (a) by means of the holding of shares or the possession of voting power, directly or indirectly, in or in relation to the first Person; or
  - (b) by virtue of any power conferred by the articles of association of or any other document regulating the first Person or any other Person,so that the affairs of the first Person are conducted in accordance with the decisions or directions of that other Person;
17. "**Constitution**" means the constitution of the Democratic Republic of Sao Tome and Principe;
18. "**Commercial Discovery**" means the discovery of a Petroleum deposit or deposits deemed able to justify Development;
19. "**Development**" means activities carried out pursuant to a Petroleum Contract for a commercial discovery in order to achieve Production including, without limitation:
  - (a) geological, geophysical and reservoir studies and surveys;
  - (b) drilling of production and injection wells; and

- (c) design, construction, installation, connection and initial testing of equipment, pipelines, systems, facilities, machinery and related activities necessary to produce and operate said wells, to take, treat, handle, store, re-inject, transport and deliver Petroleum, and to undertake re-pressuring, recycling and other secondary and tertiary recovery projects;
20. "**Decommission**" means, in respect of an Authorized Area or part thereof, as the case may be, to abandon, decommission, transfer, remove and/or dispose of structures, facilities, installations, equipment and other property and other works used in Petroleum Operations in an Authorized Area, to clean the Authorized Area, and make it good and safe, and to protect the environment, as further set out in this Law, the relevant Authorization and applicable laws and regulations;
21. "**Public Registration and Information Office**" means the public registration and information services, as defined in article 18 of the Oil Revenue Law;
22. "**Natural Gas**" means all gaseous hydrocarbons and inerts, including wet mineral gas, dry mineral gas, gas produced in association with Crude Oil and residue gas remaining after the extraction of liquid hydrocarbons from wet gas, but not including Crude Oil;
23. "**Government**" means the government of the Democratic Republic of Sao Tome and Principe, as provided for in article 109 of the Constitution;
24. "**Reservoir**" means a porous or permeable underground formation containing an individual and separate natural accumulation of producible Petroleum that is confined by impermeable rock and/or water barriers and is characterized by a single natural pressure system;
25. "**Law**" means this Fundamental Law on Petroleum Operations, as amended, supplemented or modified from time to time, and any and all regulations made and directions given under it;
26. "**Oil Revenue Law**" means Law No. 8/2004 of the 30<sup>th</sup> of December;
27. "**Good Oil Field Practice**" has the meaning ascribed to it in Article 24;
28. "**Model Production Sharing Contract**" means the model production sharing contract prepared by the National Petroleum Agency, and approved by the Government, to be used as the basis for negotiations between the National Petroleum Agency and Persons who have expressed an interest in becoming a Contractor;
29. "**Petroleum Operations**" means:
- (a) activities undertaken pursuant to an Authorization;



- (b) activities for the purpose of the Exploration, Appraisal, Development, Production, transportation, sale or export of Petroleum; and
  - (c) activities for the purpose of the construction, installation or operation of any structures, facilities or installations for the Development, Production and export of Petroleum, or Decommissioning or removal of any such structure, facility or installation;
30. "**Operator**" means the Person responsible for carrying out Petroleum Operations in an Authorized Area;
31. "**Exploration**" means the set of operations carried out through the use of geological, geochemical and/or geophysical methods, with a view to locating Reservoirs, as well as the processing, analysis and interpretation of data so acquired as well as regional studies and mapping, in each case leaving an appraisal or better knowledge of the Petroleum potential of a given area and the drilling and testing of wells that may lead to the discovery of Petroleum;
32. "**Person**" means any individual or legal entity, consortium, joint venture, partnership, trust, heir, unincorporated or incorporated organization, or government or any agency or local entity, whether national or foreign, resident or non-resident, of Sao Tome and Principe;
33. "**Authorized Person**" means:
- (a) in respect of a Petroleum Contract, a Contractor; and
  - (b) in respect of any other Authorization, the Person to whom the Authorization has been granted;
34. "**Crude Oil**" means crude mineral oil and liquid hydrocarbons in their natural state or obtained from Natural Gas by condensation or extraction;
35. "**Petroleum**" means:
- (a) any naturally occurring hydrocarbon, whether in a gaseous, liquid or solid state;
  - (b) any mixture of naturally occurring hydrocarbons, whether in a gaseous, liquid or solid state; or
  - (c) any Petroleum (as defined above) that has been returned to a Reservoir;
36. "**Production**" means the activities involved in the extraction of Petroleum including, without limitation, the running, servicing, maintenance and repair of completed wells, as well as of the equipment, pipelines, systems, facilities and plants completed during Development including all activities related to the planning, scheduling, controlling, measuring, testing, gathering, treating, storing

and dispatching of Petroleum from the underlying Reservoir to the designated exporting or lifting locations and furthermore, the Decommissioning of wells, facilities, pipelines and Reservoirs and related activities;

37. **"Royalty"** means the State's entitlement to Petroleum produced and saved from a Contract Area and not utilized in Petroleum Operations, based on percentages calculated as a function of daily production rates as agreed in the applicable Petroleum Contract;
38. **"Sao Tome and Principe"**, **"State"** or **"Saotomean State"** means the Democratic Republic of Sao Tome and Principe, as defined in article 1 of the Constitution; and
39. **"Territory of Sao Tome and Principe"** means the territory of Sao Tome and Principe as well as maritime areas under jurisdiction of the State, including the territorial sea, the exclusive economic zone and the continental shelf, as defined by international law, treaties, national laws and resolutions of the State.

## **Article 2** **(Territorial Scope of this Law)**

1. This Law applies to the Territory of Sao Tome and Principe.
2. Except as otherwise provided, this Law is subject to treaties regarding provisional arrangements within the meaning of section 83(3) of the United Nations Convention on the Law of the Sea, signed at Montego Bay, Jamaica, on December 10, 1982.

## **Article 3** **(Scope of Application and Object of this Law)**

1. This Law applies to all Petroleum Operations conducted in the Territory of Sao Tome and Principe.
2. This Law establishes the rules of access to and the exercise and conduct of Petroleum Operations in all of the Territory of Sao Tome and Principe, with the exception of the area defined in Article 2(2).
3. Other Petroleum activities including, without limitation, the refining of Crude Oil and the storage, transportation, distribution and marketing of Petroleum is regulated by separate laws.

## **Article 4** **(State Ownership of Petroleum Deposits)**

1. All Petroleum deposits that exist in the surface and subsurface of Territory of Sao Tome and Principe are the exclusive property of the State, with their administration and regulation charged to the National Petroleum Agency.

2. For the purpose of Petroleum Operations, the State exercises its sovereignty and jurisdiction over all the Territory of Sao Tome and Principe.

#### **Article 5**

##### **(Exercise by the National Petroleum Agency of its Powers and Functions)**

1. The National Petroleum Agency shall exercise its powers and discharge its functions under this Law and other applicable laws of the Saotomean State, including Law no 5/2004 of the 30<sup>th</sup> June, under the jurisdiction of the Ministry in charge of petroleum affairs, in such manner as to ensure:
  - (a) sound resource management;
  - (b) that Petroleum is developed in a way that minimizes damage to the environment, is economically sustainable, promotes further investment and contributes to the long-term development of Sao Tome and Principe;
  - (c) the equitable development of the Petroleum resources of Sao Tome and Principe in accordance with the principles of transparency and openness; and
  - (d) that the whole process is consistent with Good Oil Field Practice.
- 2.No single or collective Person, including land owners, may conduct Petroleum Operations, without a previous Authorization granted in accordance with this Law.
- 3.The reports, workplans, budgets or any information deemed necessary from an Authorized Persons or Contractors to the State and/or to the Government should be submitted in written through the National Petroleum Agency.
- 4.All decisions, approvals, authorizations and written consent by the State and/or by the Government under the present law will be sent to the Authorized Persons and Contractors by the National Petroleum Agency on behalf of the State and/or Government.

#### **Article 6**

##### **(Restriction to Rights of State Administration Officials)**

- (a) Is prohibited acquisition of an interest within any Prospecting Authorization or participation interests within a Person (or affiliate of the same) which holds a participating interest within a Prospecting Authorization for Offices Bearers and Members of the Arms of Government, its Counselors and Advisers, Top Officials, as well as members of National Petroleum Council, Oversight Petroleum Commission, Public Registration and Information Office and the Board and Staff of the National Petroleum Agency and National Petroleum Company.

2. Any instrument that grants or purports to grant to a State Administration Official an interest, whether direct or indirect, in an Authorization shall be, to the extent of the grant, null and void.
3. Any Person who holds an interest in an Authorization who is nominated for the position or a function as foreseen in number 1 of this article must dispose of the referenced interest before assuming the nominated position. If the interest is not disposed of before the assumption of the nominated position, the interest shall be null and void in accordance with Article 6(2). The relevant Person shall have the right to compensation at fair market value for the nullification of such interest, such fair market value to be determined by the Government.
4. The acquisition or holding of an Authorization or an interest therein by the spouses or minor children of a State Administration Official, or by a company in which the Official of the Administration of the State holds an interest, shall be deemed to be an acquisition or holding by the relevant State Administration Official.
5. Any violation of this Article 6 shall be punishable in accordance with applicable law.

## **CHAPTER II**

### **Principles of Organization**

#### **Article 7**

##### **(Principles of Organization)**

1. The Government define the national policies of Sao Tome and Principe that guides the management, inspection, supervision and verification of Petroleum Operations.
2. The National Petroleum Agency exercises its competencies in accordance with the provisions in Law No. 5/2004 of the 30<sup>th</sup> of June, under the jurisdiction of the Ministry in charge of petroleum affairs.
3. The payment, management, use and fiscalization of all revenue from Petroleum Operations are regulated by and in accordance with the Oil Revenue Law.

## **CHAPTER III**

### **Authorization of Petroleum Operations**

#### **Article 8**

##### **(Prospecting Authorizations)**

1. A Prospecting Authorization, in respect of a specified area, may be granted to a Person or a group of Persons in order to facilitate studies and the acquisition and processing of information which may allow for a better assessment of the Petroleum potential in a given area.
2. Any Santomean or foreign Person of recognized capacity, technical knowledge and financial capability may apply to the National Petroleum Agency for a Prospecting Authorization.
  - (a) A Prospecting Authorization grants a right to perform geological, geophysical and geochemical surveys in the Authorised Area, and may or may not include a right to drill wells.
  - (b) The Prospecting Authorization shall require the Authorized Person to report to the National Petroleum Agency on the progress and results of such prospecting, and maintain confidentiality with respect to work carried out under the respective Authorization, subject to Article 65 of the present law.
  - (c) Nothing in a Prospecting Authorization authorizes the holder to have a preference or right to enter into a Petroleum Contract.
3. Prior to granting a Prospecting Authorization in respect of an area that is subject of an existing Authorization, the National Petroleum Agency shall give written notice to the holder of the existing Authorization.
4. A Prospecting Authorization shall be granted for an initial period of three (3) years and can be successively renewed annually for a period of up to six (6) years. The conditions for obtaining and renewing a Prospecting Authorization shall be established in the respective Authorization.
5. More than one (1) Prospecting Authorization may be granted in respect of the same area.
6. The Government may sign, at any time, a Petroleum Contract covering part or all of the Authorized Area, in accordance with the provisions in articles 20 and 21. If this occurs, the applicable Prospecting Authorization shall immediately terminate in respect of the relevant Contract Area subject to a Petroleum Contract and such termination shall not confer upon the holder of the Prospecting Authorization any right to compensation or indemnification whatsoever.

**Article 9**  
**(Application for a Prospecting Authorization)**

1. Applications for Prospecting Authorizations shall be submitted to the National Petroleum Agency, accompanied by documentation showing the capacity and the technical and financial capability of the applicant and other requirements under the provisions of Article 22 of the present law, duly adapted.
2. The application shall clearly state the objectives, the intended work program, the intended area, technical and financial resources and the provisional budget, in addition to other information which the applicant deems relevant for the purpose.
3. The application shall trigger the payment of a fee to be set by the National Petroleum Agency.

**Article 10**  
**(Approval of Applications for a Prospecting Authorization)**

1. Applications shall be reviewed by the National Petroleum Agency, which may request further information.
2. After reviewing the application and hearing the applicant, the Government shall decide upon the application.
3. Upon approval by the Government of an application, the Prospecting Authorization shall be published and the relevant fee must be paid.
4. The Prospecting Authorization, together with its contents, shall be duly published in the Diário da República(National Gazzete).

**Article 11**  
**(Content of a Prospecting Authorization)**

A Prospecting Authorization shall include, without limitation, the following information:

- (a) full identification of the Authorized Person;
- (b) area and duration of the Prospecting Authorization;
- (c) rights and duties of the Authorized Person;
- (d) description of the operations to be undertaken, and the respective schedule and budget; and
- (e) the terms and conditions for the use of data and information acquired by the Authorized Person.

**Article 12**  
**(Termination of a Prospecting Authorization)**

1. A Prospecting Authorization shall terminate:
  - (a) upon expiration of its term;
  - (b) upon surrender by the holder of a Prospecting Authorization at any time, provided that the Authorized Person has fulfilled all of its obligations thereunder;
  - (c) if the Authorized Person fails to perform its obligations under the Prospecting Authorization or comply with the applicable laws of Sao Tome and Principe;
  - (d) if an event of force majeure occurs which makes it impossible for the Authorized Person to fulfill its contractual obligations in full; or
  - (e) execution of a Petroleum Contract in respect of the same area.
2. The Government shall be responsible for terminating a Prospecting Authorization.

**Article 13**  
**(Petroleum Contracts)**

1. The Government may conclude a Petroleum Contract in accordance with the provisions in Article 20, in respect of a Block, with a Person or group of Persons, provided that, if a group, such group has entered into a Joint Operating Agreement approved by the National Petroleum Agency, in accordance with the terms of Article 18(1).
2. The Government may only conclude Petroleum Contracts which are based on the Model Production Sharing Contract or are in the form of a Risk-Service Contract.
3. In order to be eligible to enter into a Petroleum Contract, a Person must:
  - (a) have, or have access to, the financial capability, and the technical knowledge and the technical capability, to carry out Petroleum Operations in the Contract Area;
  - (b) have a proven and good record of compliance with principles of good corporate citizenship and governance; and
  - (c) must not be a natural person.
4. The Petroleum Contract may be limited to Crude Oil, Natural Gas or other constituents of Petroleum.



**Article 14**  
**(Petroleum Operations)**

1. The Government shall establish by decree, following consultation with the National Petroleum Agency and any other Government agency deemed necessary or appropriate by the Government, the areas where the execution of Petroleum Operations will be permitted, in relation to which Authorizations may be granted. These areas shall be divided into Blocks by the National Petroleum Agency.
2. All Authorizations shall require that third party access be granted on reasonable terms and conditions.
3. The risk of investing during Petroleum Operations shall be borne exclusively by an Authorized Person, which enjoys no right to recovery of invested capital in the eventuality that no economically exploitable Petroleum is discovered.
4. If there is more than one (1) Authorized Person under an Authorization, the obligations and liabilities of the Authorized Person under the Authorization are the obligations and liabilities of all of them, jointly and severally.
5. An Authorized Person shall immediately give written notice to the National Petroleum Agency upon the discovery of any Petroleum or other mineral deposits discovered in its Authorized Area.
6. An Authorization is void ab initio if obtained in violation of the laws of the State including, without limitation, laws concerning transparency and corruption, and no compensation shall be due or payable.

**Article 15**  
**(Overlapping and Conflict of Rights)**

1. The granting of rights for the exercise of Petroleum Operations is not, in principle, incompatible with the prior or subsequent granting of rights for the exercise of other activities relating to other natural resources or uses for the same area.
2. In the event that the exercise of rights reference to in Article 15(1) is incompatible, the Government, following consultation with the National Petroleum Agency, shall decide which of the rights shall prevail and under what terms.

**Article 16**  
**(Restitution and Reparation)**

1. Without prejudice to any civil or criminal liability, a Person who engages in Petroleum Operations other than pursuant to an Authorization shall:
  - (a) make restitution to the Saotomean State of an amount equal to the market value of Petroleum developed, exploited or exported, together with late

payment interest thereon at a rate not to exceed the legal rate of interest to be determined by regulation;

- (b) either forfeit to the State all infrastructure and equipment used in engaging in those Petroleum Operations, or remove or procure the removal of such infrastructure and equipment or be liable for the payment of the costs of such removal; and
  - (c) clean-up pollution resulting from those Petroleum Operations, or reimburse the costs of clean-up to the State.
2. The liabilities under Article 16(1) shall apply cumulatively, or not, as is determined to be appropriate by the National Petroleum Agency, with a view to placing the Saotomean State in the position in which it would have been were it not for the Petroleum Operations engaged in other than pursuant to an Authorization.
  3. The liabilities under Article 16(1) of Persons who, together are engaged in or have engaged in Petroleum Operations, are the liabilities of them all, jointly and severally.

**Article 17**  
**(Restrictions on Exercise of Rights)**

1. An Authorized Person or an Associate shall not exercise any of the rights granted under an Authorization or this Law:
  - (a) on any public immovable property without the consent of the responsible authority;
  - (b) on any private immovable property of the State without the consent of the responsible authority; or
  - (c) on any private immovable property without the previous payment of fair and reasonable compensation to the owner.
2. The owner of any immovable property in an Authorized Area retains rights to the use of its land except in so far as it interferes with Petroleum Operations.
3. An Authorization may limit or otherwise control the use by an Authorized Person or an Associate of public infrastructure, and the consumption of other natural resources by that Person including, without limitation, trees, sand, gravel, rock and water.
4. An Authorization does not constitute a waiver of the obligation of the Authorized Person or Associate to seek the written consent of the responsible authorities.

5. An Authorized Person or an Associate shall not exercise any of the rights under an Authorization or under this Law in a way that interferes with fishing, navigation or other lawful offshore or onshore operations without the written consent of the responsible authority or authorities.
6. An Authorized Person or an Associate is liable to pay fair and reasonable compensation if, in the course of Petroleum Operations, it:
  - (a) disturbs the rights of the owner of any immovable property, or causes any damage thereon; or
  - (b) demonstrably interferes with fishing, navigation or other lawful offshore or onshore activities.
7. Where the value of any rights have been enhanced by Petroleum Operations, compensation payable in respect of such rights shall not exceed any amount which would be payable if the value had not been so enhanced.
8. What constitutes fair and reasonable compensation under this Article 17 shall be determined by agreement of the relevant parties or failing such agreement by the local courts or tribunals of Sao Tome and Principe or other appropriate authority after having considered representations by all interested parties.
9. If requested by an Authorized Person or an Associate, the Government may, in its absolute discretion, use its power of eminent domain to acquire any land necessary for the conduct of Petroleum Operations by such Authorized Person or Associate, provided that the Authorized Person or Associate pays for any and all costs and expenses, indemnifications and taxes associated with the foregoing acquisition.

**Article 18**  
**(Approvals)**

1. All Joint Operating Agreements, lifting arrangements or any agreements related to Petroleum Operations, as well as any changes to such agreements, shall be subject to prior approval of the National Petroleum Agency.
  - (a) All changes in Control of an Authorized Person shall be subject to the prior approval of the National Petroleum Agency.
  - (b) Where a change in Control occurs without the prior approval of the National Petroleum Agency, the National Petroleum Agency may terminate the applicable Authorization.
  - (c) Article 18(2)(a) does not apply if the change of Control is the direct result of an acquisition of shares or other securities on a recognized stock exchange.

- (d) For the purposes of Article 18(2)(a), change of Control includes a Person ceasing to be Controlled (whether or not another Person becomes in Control), and a Person obtaining Control (whether or not another Person was previously in Control).
- 2. Except with the prior consent of the National Petroleum Agency, or as explicitly provided for in the terms of the Authorization, no assignment, transfer, conveyance, novation, merger, encumbrance or other similar dealing in respect of an Authorization shall be of any force or effect.
- 3. The relevant transfer documents referred to in Article 18(2) and (3) shall be submitted to the prior approval of the National Petroleum Agency.
- 4. All approvals of the National Petroleum Agency provided for in this Article 18 must be provided in writing.

**Article 19**  
**(Exemption from or Variation of Conditions)**

An Authorized Person may be excused by the Government, following consultation with the National Petroleum Agency, from complying with the conditions of its Authorization, other than obligations to make payments, and the Government may also agree to vary or suspend those conditions, either with or without conditions and either temporarily or permanently.

## **CHAPTER IV**

### **Invitation and Bidding Process**

#### **Article 20** **(Invitation to Apply)**

1. The National Petroleum Agency shall invite applications for Petroleum Contracts by public notice to be placed in the international and national media including those forms of media typically used by the oil and gas industry for such purposes.
2. Notwithstanding Article 20(1), the National Petroleum Agency may elect to award Petroleum Contracts through direct negotiation without issuing such invitations where it is in the public interest to do so and subject to the procedure set forth in Article 21.
3. The bidding documents shall specify the Block or Blocks concerned, the proposed activities, the criteria upon which applications will be assessed, the applicable fees to be paid with the application, and the time by which, and the manner in which, applications may be made. The National Petroleum Agency is responsible for preparing the bidding documents.
4. If applicable, the bidding documents shall be accompanied by a draft of the respective Model Production Sharing Contract or form of Risk Service Contract, as the case may be, that have been approved by the Government in advance, and will indicate, amongst other things:
  - (a) the requirements for competitors and criteria for pre-qualification; and
  - (b) minimum State participation, if applicable.
5. The Government, following the National Petroleum Agency technical and legal report, may choose not to award a Petroleum Contract to any of the applicants, if the presented proposals do not correspond to the requirements and objectives of the State.
6. An application for a Petroleum Contract shall include proposals for:
  - (a) the minimum work program;
  - (b) securing the health, safety and welfare of Persons involved in or affected by Petroleum Operations;
  - (c) protecting the environment, preventing, minimizing and remedying pollution, and other environmental harm that may result from the Petroleum Operations;
  - (d) the training of, and giving preference in employment in the Petroleum Operations to, citizens of Sao Tome and Principe; and

- (e) the acquisition of goods and services from Persons resident in the Territory of Sao Tome and Principe.
- 7. A Petroleum Contract awarded to an applicant shall oblige it to comply with its proposals as mentioned in Article 20(6) of the present law.
- 8. Applications shall be submitted in Portuguese or, in the event that they are written in another language, be accompanied by an official translation, and shall be submitted in a closed envelope.
- 9. A Petroleum Contract shall not be granted in respect of an area until there has been due consideration given to all applications made in response to, and in compliance with, the terms and conditions of the auction, being the National Petroleum Agency responsible for the technical and legal assessment of the applications.
- 10. The National Petroleum Agency shall, in the name of and representing the State, negotiate the Petroleum Contracts.
- 11. Once the negotiations are concluded the Government will approve the negotiated Petroleum Contract and proceed to the execution of same.

**Article 21**  
**(Direct Negotiation)**

- 1. A Petroleum Contract may be awarded through direct negotiation with interested companies and only in the following instances:
  - (a) following an open invitation procedure which has not resulted in the awarding of a Petroleum Contract due to the lack of bids; or
  - (b) following an open invitation procedure which has not resulted in the awarding of a Petroleum Contract due to the Government's consideration that the submitted bids were unsatisfactory in view of the adopted criteria for the award.
- 2. In the event of receiving a proposal for direct negotiations, the Government, through the National Petroleum Agency, shall declare the same through the issuance of a public notice to be placed in the international and national media including those forms of media typically used by the oil and gas industry, and may commence direct negotiations with the Person involved if, within fifteen (15) days of the date of the notice, no other Person declares an interest in the area in question.
- 3. If other Persons declare an interest, an invitation shall be held limited to such interested Persons.

4. The National Petroleum Agency shall, in the name of and representing the State, negotiate the Petroleum Contracts.
5. Once the negotiations are concluded the Government will assess the negotiated Petroleum Contract and proceed to the execution of same.

**Article 22**  
**(Other Requirements)**

All applications for a Petroleum Contract will include, amongst other things, the following:

- (a) proof of technical capability and financial fitness;
- (b) an undertaking to incorporate or register a company in Sao Tome and Principe, which will be the holder of the Petroleum Contract and be responsible for executing Petroleum Operations;
- (c) notarized copies of the certificate of incorporation and articles of association or their equivalent, proof of good standing under the laws of the jurisdiction of its incorporation and confirmation that the applicant is not party to any civil or criminal proceedings; and
- (c) if the Contractor is made up of more than one (1) Person, the identity of the proposed Operator.

## **CHAPTER V State Participation**

### **Article 23 (State Participation in Petroleum Operations)**

1. The decision of the Saotomean State to participate in Petroleum Operations shall be made by the Government.
2. The participation of the Saotomean State shall be through national oil company or an entity designated by the Government for such purpose.
3. Each Authorization shall stipulate the terms and conditions of participation of the Saotomean State in Petroleum Operations, if any.
4. The participation of the Saotomean State may occur during any phase of Petroleum Operations in accordance with the terms and conditions established in the respective Authorization.



## **CHAPTER VI**

### **Conduct of Petroleum Operations**

#### **Article 24** **(Work Practices)**

1. Petroleum Operations shall be conducted in accordance with Good Oil Field Practice, that is, in accordance with such practices and procedures employed in the petroleum industry worldwide by prudent and diligent operations 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 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 minimize the impact of Petroleum Operations on the environment and the adoption of the most effective mitigation methods possible; and
  - (d) the rights of landowners and users in accordance with Article 17.
2. Production of Petroleum shall take place:
  - (a) in such a manner that as much as possible of the Petroleum in place in each individual Reservoir, or in several Reservoirs 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.
3. Authorized Persons shall carry out continuous evaluations of Production strategy and technical solutions, shall take the necessary measures in order to achieve this, and shall inform the National Petroleum Agency of any relevant changes, in accordance with Good Oil Field Practice.

**Article 25**  
**(Rights and Obligations of Persons granted a Prospecting Authorization)**

1. Authorized Persons granted a Prospecting Authorization shall enjoy the following rights:
  - (a) to carry out, by itself or by other Persons, the works set out in the Prospecting Authorization;
  - (b) to carry out, by itself or by other Persons, the infrastructures necessary for the fulfillment of the works referred to in Article 25(1)(a);
  - (c) to occupy, in compliance with applicable law and existing rights, the areas necessary for the execution of the operations under the Prospecting Authorization, as well as accommodation in the field for personnel assigned to such operations; and
  - (d) to import consumable or durable goods intended for the execution of the works set out in the Prospecting Authorization.
2. Authorized Persons granted a Prospecting Authorization shall have the obligations referred to in Articles 27(1)(a), (b), (e), (f), (g), (h), (i), (k), (l) and (m).

**Article 26**  
**(Rights of the Contractors)**

1. Subject to the regulatory provisions relating to each of the situations hereinafter described, and in addition to the rights set out in the applicable Petroleum Contract, the Contractors shall also have, amongst others, the following rights:
  - (a) to carry out, by itself or by other Persons, the activities related to Petroleum Operations;
  - (b) to carry out, by itself or by other Persons, the infrastructure work required to perform, in accordance with Good Oil Field Practice, the Petroleum Operations including, without limitation, the transport of materials, equipment and extracted products;
  - (c) subject to Article 17, to occupy, with due respect of the law and existing rights, the area necessary to carry out Petroleum Operations and for accommodation of the personnel engaged in such operations;
  - (d) to import consumable or durable goods intended for the performance of Petroleum Operations;

- (e) to take, transport, store, sell, load and export its share of Production of Petroleum under the terms and conditions of the applicable Petroleum Contract if not a Risk Service Contract; and
  - (f) to obtain, with due respect for applicable law, the authorization for entry, stay and departure from the Territory of Sao Tome and Principe of the workers of any nationality of the Contractor or any Associates which cooperate with them in the carrying out of Petroleum Operations.
2. The rights referred to in paragraph (f) above shall apply to the members of the relevant employee's family, including spouse, minor children and other persons living under the same roof as the employee.

**Article 27**  
**(Duties of Contractors)**

Without prejudice to its duties under the laws of Sao Tome and Principe, this Law and the applicable Petroleum Contract, in relation to Petroleum Operations, Contractors shall:

- (a) be subject to the guidelines of the Government in respect of trade policy for import and export, taking into consideration at all times in the performance of its business and the superior interests of the Saotomean State;
- (b) carry out the obligatory work programs and other approved work programs within the timeframes established therein, in accordance with Good Oil Field Practice;
- (c) when Petroleum shows occur in any drill hole, carry out the relevant tests in accordance with approved work programs, and inform the National Petroleum Agency, without delay, of the results of the same, to enable it to form an opinion on the value of the discoveries and the viability of their exploitation;
- (d) submit proposals for the establishment of Petroleum storage and transport facilities to the approval of the National Petroleum Agency;
- (e) provide the National Petroleum Agency with all the data and information which the National Petroleum Agency deems necessary for the effective control of Petroleum Operations, and allow its representatives free access to all sites, facilities and equipment relating to Petroleum Operations, so that such representatives may perform their duties of supervision, inspection and verification;
- (f) submit to all supervision, inspection and verification activities which the State may wish to carry out;

- (g) prepare and submit to the National Petroleum Agency monthly reports on Petroleum Operations including, without limitation, all technical and economic data related to Petroleum Operations carried out during the month to which the report relates, and also quarterly and annual operations reports including, without limitation, a statement of the results and an analysis comparing these with forecast results for the respective periods;
- (h) keep in the Territory of Sao Tome and Principe all books and accounting records maintained under the commercial law in force in Sao Tome and Principe and the Petroleum Contract, the original accounting documents justifying expenses incurred in relation with Petroleum Operations, as well as a complete and updated record of all technical operations conducted under the terms of the applicable Petroleum Contract;
- (i) keep in the best storage conditions possible, significant portions of each cutting sample and each core obtained in drill holes, together with all and any data, namely geological and geophysical reports, well logs, magnetic tapes, tests, production and reservoir reports, information and interpretation of such data;
- (j) submit to open tender, save in cases authorized by the National Petroleum Agency and under terms to be regulated, the execution of works provided for in the approved work programs and budgets;
- (k) grant to representatives of the relevant State authorities and other official entities the same conditions granted in the camp to its own employees of equivalent professional rank;
- (l) submit all accounting books and records to an annual audit to be conducted by the National Petroleum Agency and/or its representatives; and
- (m) obtain the prior written consent of the National Petroleum Agency prior to undertaking any Petroleum Operations.

**Article 28**  
**(Rights and Duties of Associates of Authorized Persons)**

1. In order to pursue the objectives established in the relevant Authorization, the Associates of Authorized Persons shall have, amongst others, the rights set out in Article 26 with the limitations established in such Article.
2. Associates of Authorized Persons shall be subject to the general obligations set forth in the laws of Sao Tome and Principe regarding companies which invest and operate in Sao Tome and Principe, this Law and all regulations and directions, the obligations set out in the relevant Authorization and the following:

- (a) to participate in the efforts made towards the integration, training and professional promotion of citizens of Sao Tome and Principe under Articles 56, 57 and 58 and other applicable law;
- (b) without prejudice to the provisions of Article 27(e), to keep, under the terms of the law and the relevant Authorization, strictly confidential any technical or economic information obtained in the course of its obligations, subject to Article 65 of the present law;
- (c) to adopt accounting procedures and rules established by Saotomean legislation and the relevant Authorization; and
- (d) to submit all accounting books and records to an annual audit to be conducted by the National Petroleum Agency and/or its representatives or designees.

**Article 29**  
**(Guarantee of Performance of Duties)**

All Authorized Persons shall provide to the State any and all guarantees and assurances required under the terms of their applicable Authorization for the performance of their work and financial obligations thereunder.

## **CHAPTER VII Petroleum Contracts**

### **Article 30 (Petroleum Contract Periods and Phases)**

1. The duration of a Petroleum Contract covers two (2) periods, each divided into two (2) phases as follows:
  - (a) the exploration period, comprising the Exploration phase and the Appraisal phase; and
  - (b) the production period, comprising the Development phase and the Production phase.
2. Notwithstanding Article 30(1), Petroleum Contracts may be concluded to cover the production period only.

### **Article 31 (Operator)**

1. Each Contract Area shall have a designated Operator of recognized experience, capacity, technical and financial capability and knowledge, and shall be subject to the approval of the Government.
2. The Operator shall be subject to all legislation in force and shall strictly comply with the provisions of this Law, all regulations passed pursuant hereto and the applicable Petroleum Contract.
3. Any change in the Operator shall be subject to the prior approval of the Government.

### **Article 32 (Terms and Conditions of Production Sharing)**

After the deduction of Royalties and approved recoverable costs, all Petroleum produced under a Petroleum Contract based on the Model Production Sharing Contract shall be shared between the State and the Contractor in accordance with the provisions set forth in the respective Petroleum Contract. The Contractor shall also receive a portion of Production of Petroleum for reimbursement of its costs and expenses, under the following the terms and conditions:

- (a) a portion of the total Production of Petroleum shall be allocated for the reimbursement to the Contractor for costs and expenses legitimately incurred by a Contractor in the execution of Petroleum Operations; and

- (b) the referenced portion of Petroleum Production designated for cost recovery cannot at any time exceed the percentage of Production prescribed in the applicable Petroleum Contract, and in no event shall it exceed the amount specified in the Petroleum Contract.

**Article 33**  
**(Content of the Production Sharing Contract)**

Petroleum Contracts shall reflect the terms agreed between the Government and the Contractor and include, without limitation, the following provisions, if applicable:

- (a) the definition and delimitation of the Block that is subject to the Petroleum Contract;
- (b) the duration of the exploration period and the conditions for its extension;
- (c) the duration of the production period and the conditions for its extension;
- (d) the minimum work program, as well as the supervision of its implementation;
- (e) the minimum amount of investment;
- (f) obligations relative to a Commercial Discovery and its Development;
- (g) rules and regulations relative to ownership of produced Petroleum and its division between the parties;
- (h) the legal regime applicable to movable and fixed goods necessary for conducting Petroleum Operations, including the terms and conditions of their transfer to the State;
- (i) obligations related to the training and employment of Santomense personnel;
- (j) financial provisions, as well as accounting principles specific to Petroleum Operations, including the conservation of records;
- (k) the measures and work necessary for Decommissioning operations and for the protection of the environment;
- (l) taxes and other fiscal provisions;
- (m) provisions regarding the stability of economic and fiscal terms;
- (n) events of force majeure;
- (o) rules regarding the resolution of disputes;
- (p) terms and conditions of State participation;

- (q) guarantees to be provided by the Contractor;
- (r) procedures for monitoring, inspecting and auditing Petroleum Operations;
- (s) obligation of the Contractor to furnish the National Petroleum Agency with periodic reports, data and information with respect to Petroleum Operations; and
- (t) procedures relating to the termination of the Petroleum Contract.

**Article 34**  
**(Cessation of Petroleum Contracts)**

Petroleum Contracts may be extinguished in any of the following cases:

- (a) agreement between the Government and the Contractor;
- (b) termination;
- (c) relinquishment by the Contractor; and/or
- (d) expiration.

**Article 35**  
**(Termination of Petroleum Contracts)**

1. Petroleum Contracts may be terminated on any of the following grounds:
  - (a) unjustified failure to carry out Petroleum Operations under the terms of the applicable Petroleum Contract and approved work programs and social projects;
  - (b) abandonment of any Reservoir without the prior written consent of the National Petroleum Agency under Article 55;
  - (c) serious or repeated breach of this Law, the Petroleum Contract or any other legislation in force from time to time;
  - (d) willful extraction or production of any mineral not covered by the Petroleum Contract except when such extraction or production is inevitable as a result of Petroleum Operations conducted in accordance with Good Oil Field Practice; and/or
  - (e) as set forth in the applicable Petroleum Contract.
2. The Government is responsible for terminating Petroleum Contracts.



**Article 36**  
**(Expiration of Petroleum Contracts)**

The following shall cause a Petroleum Contract to expire:

- (a) expiry of the exploration period or extensions thereof, except for areas where Petroleum Operations are still being carried out under contractually agreed or duly authorized terms, or for which a declaration of Commercial Discovery has been made;
- (b) expiry of the production period or any extension thereof;
- (c) extinction of the Contractor; and/or
- (d) accomplishment of an expiration condition provided for in the Petroleum Contract, if any.

**Article 37**  
**(Reversion of the Contract Area)**

Upon extinguishment of the Petroleum Contract in any of the cases provided for in Article 34 and without prejudice to the provisions of Article 55, the equipment, instruments, facilities and any other goods acquired for carrying out Petroleum Operations, together with all information of a technical and economic nature obtained during such operations shall revert to the State, at no charge to the same, if such ownership has not previously transferred pursuant to Article 47.

## **CHAPTER VIII**

### **Development of Petroleum Operations**

#### **Article 38** **(Approval of Annual Work Programs)**

1. All Petroleum Operations shall be described in an annual work program, drawn up in due detail and with the respective budget, to be prepared by the Contractor, which shall be submitted to the National Petroleum Agency for review and written approval.
2. The deadline for submitting the annual work program and budget referred to in Article 38(1) shall be set by the National Petroleum Agency and is to be specified in each Petroleum Contract.
3. The annual work program and budget shall be reviewed by the National Petroleum Agency, which may deny its approval, in whole or in part, in the event that the annual work program and/or budget fails to comply with the provisions of this Law or the applicable Petroleum Contract.
4. In the event that the approval of all or part of an annual work program and/or budget is denied, the National Petroleum Agency shall notify the Contractor of such fact within sixty (60) days of receiving the annual work program and budget from the Contractor, indicating reasons for its refusal.
5. In the event of a refusal under Article 38(4), the Contractor shall draw up a new work program and budget, or rectify the previous one, which shall be submitted to the National Petroleum Agency for written approval within sixty (60) days.
6. If the approval of an annual work program and budget is not denied within the period referred to in Article 38(4), such program and budget shall be deemed approved and may be implemented by the Contractor.
7. The Contractor may submit amendments to an annual work program and/or budget to the National Petroleum Agency for written approval, provided that they are justified on technical or other grounds.

#### **Article 39** **(Exploration Activities)**

1. During an exploration period, the Contractor shall carry out Exploration and Appraisal activities throughout the Contract Area on a regular basis, in accordance with the applicable Petroleum Contract and approved annual work programs.
2. The Contractor shall notify the National Petroleum Agency immediately upon the discovery of any Petroleum deposit, and keep the National Petroleum Agency regularly informed of the plans for future studies and of the findings of such studies.

3. The Contractor shall promptly notify the National Petroleum Agency of the existence of formations of other mineral and/or natural resources including, without limitation, fresh water, salts, marine life and habitats.
4. After completing the drilling of any well drilled during Exploration operations, the Contractor shall submit to the National Petroleum Agency a full report on such well within the established legal deadline.

**Article 40**  
**(Appraisal Activities)**

1. In the eventuality of the discovery of a Petroleum deposit, the Contractor shall carry out the Appraisal of such deposit to evaluate its commerciality within the time frame set out in the applicable Petroleum Contract.
2. After completion of Appraisal operations, the Contractor shall submit to the National Petroleum Agency a detailed report on the technical and commercial aspects of the Petroleum deposit and the results of such Appraisal operations.

**Article 41**  
**(Operations in Adjacent Areas)**

Whenever the carrying out of Petroleum Operations in an area adjacent to a Contract Area is of recognized interest to the study of the Petroleum potential of the said Contract Area, whether or not the adjacent area is subject to a Petroleum Contract, the National Petroleum Agency may, on receipt of a duly justified request from the Contractor, authorize the latter, for a given period of time, to carry out such operations; however, the Contractor's activities shall not jeopardize Petroleum Operations in the adjacent area, if it is subject to a Petroleum Contract.

**Article 42**  
**(Commercial Discoveries and Commencement of the Production Period)**

1. The Contractor may declare a Commercial Discovery when it deems that, in the course of Exploration and Appraisal activities, there exists an economically exploitable Reservoir.
2. The deadline for making a declaration of Commercial Discovery shall be provided for in the relevant Petroleum Contract.
3. Following the declaration of a Commercial Discovery, the Contractor shall then proceed to prepare a preliminary demarcation of the Reservoir in question, and to prepare the field development program referred to in Article 43.
4. A Commercial Discovery shall be promptly communicated to the National Petroleum Agency.

5. No announcement of a Discovery or a Commercial Discovery may be made by a Contractor otherwise than in accordance with the applicable Petroleum Contract and unless and until the Government has made a prior announcement of such Discovery or Commercial Discovery in the national and international media.

**Article 43**  
**(Approval of Field Development Programs)**

1. The Contractor shall draw up a field development program, which shall be submitted to the National Petroleum Agency for review and written approval within the deadline set forth in the applicable Petroleum Contract.
2. In the event of the occurrence of any of the situations provided for in Article 44, the deadline for submission of the field development program shall be determined by the National Petroleum Agency after the conclusion of the respective unitization process and after consulting the Contractor(s).
3. The information to be included in a field development program shall be defined by the National Petroleum Agency by means of regulation.
4. Within ninety (90) days of receiving the field development program, the National Petroleum Agency shall review and approve the same, subject to the procedure set forth in Article 38(3), (4) and (5), duly adapted.
5. The field development program may, at any time, be amended on the express and duly substantiated request of the Contractor to the National Petroleum Agency; the deadline provided for in Article 43(4) shall apply to the review and approval of requests for amendments.
6. The field development program may not be implemented before the written approval of the National Petroleum Agency.
7. The National Petroleum Agency may exceptionally, when the conditions of the Block and the interests of the State so demand, authorize a Contractor to commence certain activities provided for in a field development program before the same has been formally approved.

**Article 44**  
**(Unitization and Joint Development)**

1. Contractors shall immediately inform the National Petroleum Agency as soon as it:
  - (a) discovers in its Contract Area a Petroleum deposit capable of viable commercial development that extends beyond the area of its Petroleum Contract;

- (b) discovers in its Contract Area a Petroleum deposit that may only be commercially developed in conjunction with a Petroleum deposit existing in an area adjacent to that of the referenced Petroleum Contract; and/or
  - (c) considers that a discovery of Petroleum in its Contract Area should, for technical and/or economic reasons, be developed jointly with a discovery of Petroleum existing in an area adjacent to that of the referenced Petroleum Contract.
- 2. Where a Petroleum deposit crosses two (2) distinct Contract Areas:
  - (a) the National Petroleum Agency may require by written notice to the Contractors the entry into a unitization agreement with each other for the purpose of securing more effective and optimized Production of Petroleum with respect to such deposit; and
  - (b) if no agreement is reached within a period of twelve (12) months from receipt of the foregoing written notice, the National Petroleum Agency may decide upon the unitization agreement at its sole discretion.
- 3. Where a Petroleum deposit is partly within a Contract Area and partly in an area that is not subject to a Petroleum Contract:
  - (a) the National Petroleum Agency may require by written notice the Contractor to enter into a unitization agreement with the National Petroleum Agency; and
  - (b) if no agreement has been reached within a period of twelve (12) months from receipt of the foregoing written notice, the National Petroleum Agency may decide upon the unitization agreement at its sole discretion and the Contractor shall abide by such agreement.
- 4. Without limiting the regulation of other matters, the unitization agreement shall define the amount of Petroleum in each area covered by the unitization agreement, and shall appoint the Operator responsible for Production of Petroleum covered by the unitization agreement.
- 5. The National Petroleum Agency may approve a field development program with respect to a Reservoir only after it has approved or decided the unitization agreement.
- 6. Any changes to a unitization agreement shall be subject to the prior written approval of the National Petroleum Agency.

**Article 45**  
**(Approval of Annual Development and Production Work Programs and Budgets)**

1. The Development and Production work foreseen each Year shall be set forth in annual work programs, drawn up in due detail and with the respective budgets, to be submitted to the National Petroleum Agency for review and written approval, under the provisions of Articles 38 (3), (4) and (5), duly adapted.
2. The annual development and production work programs and/or budgets may be amended upon request of the Contractor, under Article 38(7).

**Article 46**  
**(Definitive Demarcation of Reservoirs)**

With the exception of Petroleum Contracts that cover only the period of Production, the demarcation of Reservoirs in which the commercially exploitable Petroleum deposits are located shall be deemed definitive with the approval of the field development program referred to in Article 43. Subject to the terms of the applicable Petroleum Contract, at the end of an exploration period any areas which have not been definitively demarcated shall cease to be part of the Contract Area and shall be deemed relinquished in favor of the State.

**Article 47**  
**(Commissioning and Ownership of Facilities)**

1. The National Petroleum Agency may authorize the laying of pipelines, gas transmission lines, cables of all kinds, facilities and other equipment necessary for the execution of Petroleum Operations, provided that this does not hinder progress in the work of the latter and after consulting the relevant Contractor.
2. All facilities, materials, equipment and other assets used in Petroleum Operations shall be transferred to the ownership of the State after the Contractor has recovered all costs in respect of such asset or upon expiration of the applicable Petroleum Contract, whichever occurs first, at no cost, in good operating condition and free of all liens and other encumbrances. If the National Petroleum Agency so decides, the Contractor shall dispose of any such facilities, materials, equipment and assets and such disposal shall be carried out in accordance with Good Oil Field Practice so as to protect and preserve the environment. Contractors shall maintain a detailed inventory of such facilities, materials, equipment and assets and shall provide the same to the National Petroleum Agency upon request.

**Article 48**  
**(Right to Use Facilities of Third Parties)**

1. The National Petroleum Agency may determine that in a given Contract Area the facilities and equipment of another Contract Area be used, if such use contributes to more efficient and economic management of the existing resources and provided that this does not reduce Production levels or disrupt the satisfactory progress of Petroleum Operations in the Contract Area to which such facilities and equipment are allocated.
2. The decision of the National Petroleum Agency provided for in Article 48(1), shall be taken after consulting with the Contractors of each Contract Area involved.
3. The amount to be paid for use of the facilities and equipment referred to in Article 48(1) shall be agreed to in writing between the relevant Contractors and approved in writing by the National Petroleum Agency.
4. Should no agreement be reached under Article 48(3) within a period which the National Petroleum Agency deems adequate, it shall set the price for such use.

**Article 49**  
**(Commencement of Commercial Production)**

1. No later than ninety (90) days prior to the commencement of commercial Production from a Reservoir, the Contractor shall apply to the National Petroleum Agency for the commencement of commercial Production.
2. Commercial Production of a Reservoir may only commence after permission has been granted by the National Petroleum Agency, when it has ascertained that the tasks detailed in the field development program have been carried out in full to date.

**Article 50**  
**(Annual Production Programs)**

1. Contractors shall prepare an annual production program in respect of each Reservoir which shall be submitted in the timeframes required under the applicable Petroleum Contract to the National Petroleum Agency for evaluation and written approval.
2. For the purposes of Article 50(1), the Contractor shall, when necessary, submit to the National Petroleum Agency for review and approval alternative production programs including, without limitation, possible injection methods and respective recovery factors, together with secondary and tertiary recovery plans.
3. Any amendment to approved production programs shall require the prior review and written approval of the National Petroleum Agency.

**Article 51**  
**(Measurement and Registration)**

1. Contractors shall meter and record all Petroleum extracted, recovered and re-injected on a daily basis, using for such purpose methods and instruments certified under the legal standards in force, in strict compliance with the rules of good technical standards and Good Oil Field Practice, and shall inform the National Petroleum Agency of the volumes produced from each Reservoir on a weekly basis.
2. The National Petroleum Agency may at any time solicit the services of an independent measurements consultant for the purposes of verifying Contractors' metering and recording practices.

**Article 52**  
**(Transportation and Storage)**

1. Projects relating to the installation and functioning of any pipelines and/or Petroleum storage facilities prepared in Good Oil Field Practice shall observe the provisions set forth in applicable law and are subject to written approval and licensing of the National Petroleum Agency.
2. The transportation and storage equipment referred to in Article 52(1) may, depending on available capacity, be used by other Contractors as provided for in Article 48.

**Article 53**  
**(Natural Gas)**

1. Subject to Article 53(3), the Natural Gas produced from any Reservoir shall be exploited, and flaring of the same is expressly forbidden, except for short periods of time when required for the purpose of testing or other unavoidable operational reasons.
2. The field development programs for any Reservoirs shall always be devised in such a way so as to allow for the use, preservation and/or commercial exploitation of associated Natural Gas.
3. In the case of marginal or small deposits, the National Petroleum Agency may authorize the flaring of associated Natural Gas in order to make its exploitation viable.
4. The authorization referred to in Article 53(3) may only be granted on submission of a duly substantiated technical, economic and environmental impact report evidencing that it is not feasible to exploit or preserve the Natural Gas in question.
5. The provisions of Article 44 relating to unitization and joint development shall apply, duly adapted, to the exploitation of Natural Gas.



6. When the flaring of Natural Gas is authorized the Government, after consultation with the National Petroleum Agency, may determine a fee to be charged in accordance with the quantity and quality of the Natural Gas flared and its location.

**Article 54**  
**(Definitive Plugging of Wells)**

The definitive plugging of any well requires the prior submission of the respective plan to the National Petroleum Agency for review and written approval.

## **CHAPTER IX Decommissioning**

### **Article 55 (Decommissioning or Continuation of Petroleum Operations)**

1. An Authorized Person shall Decommission on the earlier of:
  - (a) termination of the Authorization;
  - (b) when no longer required for Petroleum Operations;
2. In either case, with the consent in writing of the National Petroleum Agency and in accordance with the conditions of the consent.
3. The Authorized Person must prepare and deliver to the National Petroleum Agency a plan for the Decommissioning of all wells, facilities and equipment, the rehabilitation of the landscape and the continuation of Petroleum Operations, if applicable, upon the earlier of (i) six (6) Years prior to the estimated commencement of Decommissioning operations, (ii) the date on which fifty percent (50%) or more of the recoverable Petroleum from the Development and Production area has been produced or (iii) one (1) year prior to the termination of the applicable Authorization or the proposed date of Decommissioning of any Production area included therein.
4. Such plan shall be subject to the prior written approval of the National Petroleum Agency and may be amended by the Authorized Person and the National Petroleum Agency from time to time to take account of further Petroleum Operations.
5. The plan for Decommissioning referred to in Article 55(1) shall provide the National Petroleum Agency with sufficient information in order for it to properly assess the future of the applicable Authorized Area or part thereof from a technical, financial, safety and environmental standpoint and include details of the reserve fund to be established in accordance with Article 55(5), if applicable.
6. An Authorized Person subject to a Petroleum Contract must establish and contribute to a reserve fund to provide for all future Decommissioning costs.
7. Such reserve fund must take the form of an escrow account to be opened in the name of the Authorized Person and the National Petroleum Agency with an international financial institution acceptable to each of them.
8. The amount to be deposited by the Authorized Person, as well as the timing of such deposits, shall be as established in the applicable Petroleum Contract.

9. After completion of all Decommissioning operations in accordance with the approved plan for Decommissioning, in the event that the reserve fund established is greater than the actual cost of Decommissioning liabilities, the account balance shall be distributed between the Authorized Person and the National Petroleum Agency, in the same proportion as the allocation of Petroleum revenue at the time of Decommissioning operations, if applicable, or otherwise paid to the National Petroleum Account pursuant to article 6 of the Oil Revenue Law.
10. In the event that such reserve fund shall be insufficient to cover such costs, the Authorized Person shall be liable for the remainder.
11. Upon the Decommissioning of any Authorized Area or part thereof, the Authorized Person shall proceed to properly Decommission the well or wells in question and shall also take all other measures to Decommission facilities and other equipment and rehabilitate the landscape, all in accordance with the approved plan for Decommissioning, the applicable Authorization, Good Oil Field Practice, international standards for the protection of the environment and the laws of Sao Tome and Principe.
12. Should the Authorized Person fail to deliver the plan for Decommissioning referred to in Article 55(2) within the prescribed period or if such plan for Decommissioning is not carried out within the timeframe provided for therein, the National Petroleum Agency may take all measures it deems necessary to ensure that all Decommissioning operations are prepared and executed in full, at the sole expense and risk of the Authorized Person.
13. In accordance with the terms of the applicable Authorization, the National Petroleum Agency has the right to take over any Petroleum Operations proposed to be Decommissioned by an Authorized Person whereupon the reserve fund shall be transferred to the National Petroleum Account, and the Authorized Person shall have no further liability in respect of Decommissioning operations in the applicable Authorized Area or part thereof.
14. The National Petroleum Agency is entitled to require the Authorized Person to provide all services and facilities to the National Petroleum Agency in respect of any Petroleum Operations taken over by the National Petroleum Agency pursuant to this Article 55(12) for a fee to be agreed.

## **CHAPTER X National Content**

### **Article 56 (Promotion of Saotomean Business Community)**

1. The State Administration shall adopt measures to guarantee, promote and encourage investment in the Petroleum sector by citizens of Sao Tome and Principe and create the conditions necessary for such purpose.
2. Authorized Persons and their Associates shall cooperate with the governmental authorities in developing public actions to promote the socio-economic development of Sao Tome and Principe and the commercial activities of Saotomean citizens.
3. In accordance with this law, Local Companies are those in which the majority of shares are held by nationals of Sao Tome and Principe
4. The Local Companies shall have the right of preference regarding the award of participating interests as well as contracts for provisions of goods and services

### **Article 57 (National Recruiting)**

1. Authorized Persons and their Associates shall train and employ citizens of Sao Tome and Principe at all levels of their organizations, and may only engage foreign expatriate workers if there are no suitably qualified citizens with the requisite qualifications and required experience.
2. Authorized Persons and their Associates must train citizens of Sao Tome and Principe for the purposes of replacing foreign expatriate workers within a reasonable time, as is agreed with the National Petroleum Agency and without risk to ongoing Petroleum Operations.
3. The national and foreign workers of Authorized Persons and their Associates with legal employment shall enjoy and be entitled to the same compensation and other benefits, without any discrimination of any kind.
4. Regulations for recruitment, integration and training of citizens of Sao Tome and Principe shall be established by executive decree of the Government.

### **Article 58 (Use of National Products and Services)**

1. Authorized Persons and their Associates shall:

- (a) preferentially acquire materials, equipment, machinery and consumable goods, produced, manufactured or traded in Sao Tome and Principe, of the same or approximately the same quality and which are available for sale and delivery in due time, at prices which are no more than ten percent (10%) higher than the imported items including transportation and insurance costs and customs charges due; and
  - (b) preferentially contract local service providers, to the extent to which the services they provide are similar to those available on the international market and their prices, when subject to the same tax charges, are no more than ten percent (10%) higher than the prices charges by foreign contractors for similar services.
- 2. For the purposes of Article 58(1), Saotomean companies shall be mandatorily consulted on the same terms as those used for consulting companies on the international market, which shall be agreed to in advance with the National Petroleum Agency.
- 3. A designee of the Government, or in the absence of any designation, the National Petroleum Agency, has the duty of supervising compliance with this Article 58, and all costs and expenses incurred by an Authorized Person or an Associate
- 4. In respect of a contract entered into in breach of this Article 58 shall not be cost recoverable and the contract shall be deemed null and void.

**CHAPTER XI**  
**Data and Information**

**Article 59**  
**(Ownership of Data and Information)**

1. State shall have title to all data and information, whether raw, derived, processed, interpreted or analyzed, obtained pursuant to any Authorization.
2. The data and information acquired during the course of Petroleum Operations covered by an Authorization shall be the sole property of the State, notwithstanding the rights of the relevant Authorized Person to use such data and information for the duration of their Authorization.

## **CHAPTER XII**

### **Inspection of Petroleum Operations**

#### **Article 60** **(Monitoring and Inspection)**

1. The National Petroleum Agency shall be responsible for monitoring, supervising and inspecting all activities of Authorized Persons and their Associates under the scope of Petroleum Operations.
2. For the purposes of Article 60(1), the Authorized Persons and their Associates shall send to the National Petroleum Agency information and operating reports, the contents and frequency of which are provided for in the applicable Authorization, or as otherwise required by the National Petroleum Agency.
3. Notwithstanding Article 60(2), the Authorized Persons and their Associates shall provide the National Petroleum Agency with all data and information which the National Petroleum Agency deems necessary or desirable for the effective technical, economical and administrative control of its activities including, without limitation, all books and accounts, and they shall allow free access to the representatives of the National Petroleum Agency to the locations and facilities where they carry out their operations, in order for the National Petroleum Agency to perform its duties of inspection, supervision and verification in all matters of a technical, economical and administrative nature.
4. In the exercise of the powers set out in this Article 60, and without prejudice to the duty of confidentiality in respect of the information transmitted to it, the National Petroleum Agency may arrange to be assisted by qualified Persons which it may appoint at its sole discretion.
5. Without prejudice to the previous provisions of this Article 60, Authorized Persons and their Associates shall cooperate in all matters as requested by the National Petroleum Agency within the scope of its powers of monitoring, supervision and inspection.
6. If it is determined that a given Petroleum Operation may endanger the lives of Persons or the preservation of the environment, the National Petroleum Agency, after consultation with the relevant Authorized Person or Associate, may:
  - (a) order such Petroleum Operation to be suspended;
  - (b) order the withdrawal of all persons from the locations deemed dangerous, in coordination with the relevant State authorities; and/or
  - (c) order the suspension of the use of any machinery or equipment which may jeopardize the lives of persons or the preservation of the environment.

**Article 61**  
**(Duty of Confidentiality)**

1. Subject to Article 65, the Government and the National Petroleum Agency, as well as Persons which cooperate with it, shall keep confidential all data and information of a technical, economic, accounting or other nature supplied by Authorized Persons or their Associates in accordance with the terms and conditions provided for in this Article 61.
2. Authorized Persons and their Associates, as well as the Persons which cooperate with them, shall keep confidential all data and information supplied by the Government and the National Petroleum Agency.
3. The duty of confidentiality in respect of the data and information referred to in this Article 61 shall expire after the period set forth in the relevant Authorization.
4. The provisions of this Article 61 shall not be applicable whenever such data or information is to be provided to other Persons as a requirement of applicable law.



## **CHAPTER XIII**

### **Health and Hygiene**

#### **Article 62**

#### **(Guaranty of Standards of Hygiene, Health and Safety, of Personnel and Installations)**

1. Authorized Persons and their Associates shall ensure the fulfillment of standards of hygiene and security during Petroleum Operations, in accordance with applicable law and regulations and Good Oil Field Practice.
2. For the purpose of Article 62(1), and without prejudice to other measures prescribed by applicable law, Authorized Persons shall present to the National Petroleum Agency, the following plans as part of any field development program:
  - (a) protection against uncontrolled eruptions of Petroleum and gaseous emissions;
  - (b) training of personnel for their protection against referenced eruptions and emanations; and
  - (c) evacuation of populations.
3. Authorized Persons and their Associates shall communicate promptly to the appropriate State Administration any serious accident that occurs in the course of Petroleum Operations.
4. Authorized Persons and their Associates shall promptly at their expense take all measures ordered by the State Administration including, without limitation, the installation of equipment for the prevention or elimination of any source of danger that Petroleum Operations may pose to public health, to the safety of the populations, the environment, to the safety and hygiene of personnel, goods and installations, or to the conservation of locales or protected reserves, springs or public ways, in accordance with statutory prescription and applicable regulations.
5. The State Administration, through the National Petroleum Agency, shall implement regulations governing the environment, health, safety, security and hygiene of personnel and installations related to Petroleum Operations, all of which shall be adhered to strictly by Authorized Persons and their Associates.

## **CHAPTER XIV**

### **Protection of the Environment**

#### **Article 63** **(Environmental Protection)**

1. In the exercise of its activities, Authorised Persons and their Associates shall take all precautions necessary for the protection of the environment, in order to preserve the same, namely in respect of health, water, soil and subsoil, air, the preservation of biodiversity, flora and fauna, ecosystems, landscape, atmosphere and cultural values, archaeological and artistic heritage.
2. For the purpose of Article 63(1), Authorized Persons and their Associates shall submit to the National Petroleum Agency, within the legally required time frames, the plans required by applicable law, specifying the practical measures which should be taken in order to prevent harm to the environment, including environmental impact studies and audits, plans for rehabilitation of the landscape and structures or contractual mechanisms and permanent management and environment auditing plans.

#### **Article 64** **(Environmental Impact Study)**

1. All Petroleum Operations must be preceded by an environmental impact study.
2. An environmental impact study shall be carried out at the Authorized Person's expense and shall include, among other things, evaluation of the direct and indirect effects of the proposed Petroleum Operations in the ecological equilibrium of the Authorized Area and of any neighboring areas, in the style and quality of the life of the populations and the environment in general.
3. All environmental impact studies shall be available on a timely basis for public inspection prior to the beginning of the proposed Petroleum Operation for which it is required.
4. No Petroleum Operations may be undertaken unless and until the National Petroleum Agency is satisfied, in its sole discretion, that there is no material environmental impact in respect of such proposed Petroleum Operation or, to the extent that there is such an impact, appropriate mitigation measures are provided for and will be satisfactorily implemented.
5. The conditions and the mode of implementation of this Article 64 shall be set out in regulations.

## **CHAPTER XV**

### **Transparency and Publicity**

#### **Article 65** **(Principle of Transparency)**

1. All contracts related to Petroleum Operations are subject to the principle of transparency.
2. The principle of transparency implies the publicity of and public access to all information in accordance with the Oil Revenue Law.
3. All contracts subject to the principle of transparency shall be published by the Public Registration and Information Office as required by article 18 of the Oil Revenue Law.

#### **Article 66** **(Public Information)**

The National Petroleum Agency shall send all information required by article 17 of the Oil Revenue Law to the Public Registration and Information Office.

#### **Article 67** **(Confidentiality Clauses)**

Confidentiality clauses included in all Authorizations are subject to article 20 of the Oil Revenue Law.

#### **Article 68** **(Implied Contract Clauses)**

All Authorizations must include the clauses specified in article 21 of the Oil Revenue Law.

## **CHAPTER XVI**

### **Additional Provisions**

#### **Article 69** **(Satisfaction of Domestic Consumption Requirements)**

1. At any time, by giving prior notice of at least ninety (90) days, the Government may request the Contractor to supply to an entity appointed by the Government at the delivery point, from the Contractor's share in output, with a quantity of Petroleum aimed at satisfying the domestic consumption requirements of Sao Tome and Principe.
2. For the purposes of Article 69(1), the delivery point shall mean the F.O.B. point of the Saotomean loading facility at which Petroleum produced in the Territory of San Tome and Principe reaches the inlet flange of the loading pipe by means of lifting transportation, or any other point that may be agreed between the Government and the Contractor.
3. The participation of the Contractor in the satisfaction of Sao Tome and Principe's domestic consumption requirements shall not exceed the proportion between the annual output derived from the Contract Area and the total annual output of Petroleum in the Saotomean State nor exceed forty percent (40%) of the total output from the relevant Contract Area.
4. The value of Petroleum acquired under the provisions of this Article 69 shall be calculated in accordance with the rules on the valuation of Petroleum for fiscal purposes and shall be paid in an internationally convertible currency within thirty (30) days of the end of the month during which the Petroleum was lifted.

#### **Article 70** **(State's Right of Requisition)**

1. In the event of a national emergency, such as an armed conflict, natural disaster or the imminent expectation of the same, the Government may requisition, to take effect only so long as the state of emergency lasts, all or part of the output of any Petroleum Operations, net of operational consumption, and require that the Contractor increase such output to the technically viable maximum limit.
2. Under the same circumstances, the Government may also requisition Petroleum facilities of any Contractor.
3. The requisition of output and Petroleum Facilities shall be effected by decree of the Government.
4. In the event of requisition as provided for in this Article 70, the Government shall compensate the Contractor in full for the period during which the requisition is maintained, including:

- (a) the value of all direct losses and damage arising from the requisition; and
  - (b) the value of the output requisitioned during the requisition period.
5. The value of losses and damage caused by acts of war carried out by enemy forces or other force majeure acts shall not be included in the compensation referred to in this Article 70.
  6. The value of output requisitioned by the Government under the terms provided for in this Article 70 shall be calculated in accordance with the rules for valuation of Petroleum for fiscal purposes, and shall be paid within a time period to be agreed upon between the Government and the affected Contractor following the conclusion of the requisition period.

**Article 71**  
**(Disposal of Petroleum Produced)**

1. Contractors may freely dispose of their share of Petroleum produced under this Law, subject to any regulations in force from time to time.
2. The provisions of this Article shall be applied without prejudice to the provisions of Articles 69 and 70.

**Article 72**  
**(Ownership of Petroleum Produced)**

The point of transfer of the Petroleum produced shall be situated at all times outside and beyond the wellhead, and the metering point for Petroleum produced shall be located prior to the point where ownership is transferred.

**Article 73**  
**(Recourse to Third Party Funding)**

Recourse by a Contractor to third party funding for the purpose of investment in Petroleum Operations which involves the assignment of rights over the Petroleum produced shall only be possible with the prior written consent of the Government.

**Article 74**  
**(Dispute Resolution)**

1. Any disputes that may arise between the Government and an Authorized Person or an Associate shall be resolved in the first instance by agreement between the relevant parties, according to the principles of good faith and equity and a balance between the interests of the parties.

2. Should no agreement be reached between the relevant parties, disputes shall be resolved by resorting to arbitration under the terms set forth in the Authorization or applicable contract.
3. The applicable tribunal shall apply the laws of Sao Tome and Principe.

**Article 75  
(Indemnification)**

An Authorized Person and their Associates shall:

- (a) defend, indemnify and hold harmless the Government including, without limitation, the National Petroleum Agency, and pay all compensation relating to any and all liability, claims, obligations, costs, expenses or demands resulting from or arising in connection with Petroleum Operations; and
- (b) unless the Government is satisfied, after consultation with the relevant Authorized Person or Associate, that the potential liability under paragraph (a) above can be covered by other means, maintain insurance in respect thereof on a strict liability basis for such amount as the Government requires from time to time.

**Article 76  
(Public Use of Authorized Person's Installations)**

1. The installation of telecommunications, electrical lines, water reserves and medical, educational and recreational infrastructures built by an Authorized Person or an Associate may be used to serve neighboring institutions that so require and be available for public use, so long as this does not does prejudice the use by the Authorized Person or Associate.
2. Compensation for the use of installations shall be determined by agreement between the Authorized Person or Associate and the Government.

**Article 77  
(Repair of Damage Caused by Petroleum Operations)**

1. Authorized Persons and their Associates shall repair any and all damage caused to persons, property or the environment in the conduct of Petroleum Operations.
2. Authorized Persons and their Associates are obliged to indemnify any Persons suffering damage as a result or arising in connection with Petroleum Operations, the amount of which shall determined by agreement between the respective parties or,

in the absence of such an agreement, the Saotomean courts or other tribunals that have jurisdiction over the matter.

## **CHAPTER XVII**

### **Regulations and Directions**

#### **Article 78** **(Regulations)**

1. The National Petroleum Agency may make regulations under this Law relating to the following:
  - (a) graticulation of the Territory of Sao Tome and Principe;
  - (b) the Exploration, Appraisal, Development and Production of Petroleum;
  - (c) the use and disclosure of data, information, records and reports;
  - (d) the measurement and sale or disposal of Petroleum;
  - (e) health and safety;
  - (f) protection and restoration of the environment;
  - (g) resource management;
  - (h) structures, facilities and installations;
  - (i) the clean-up or other remedy of the effects of the escape of Petroleum;
  - (j) Decommissioning;
  - (k) the control of movement into, within and out of the Territory of Sao Tome and Principe of Persons, vessels, aircraft, vehicles and any other platforms and structures;
  - (l) the control of tariffs charged for third party access;
  - (m) the auditing of an Authorized Person and its accounts and records;
  
2. Reporting by Authorized Persons on compliance with obligations set out in this Law and Authorizations, including without limitation, in relation to:
  - (a) the training and employment of Santomean nationals;
  - (b) procurement of Santomean goods and services;
  - (c) occupational health and safety; and



- (d) environmental protection;
  - (e) fees to be paid, including without limitation, by applicants for Authorizations wishing to inspect public registers; and
  - (f) any other matters relating to this Law or its implementation, when not delegated to another body.
3. The National Petroleum Agency shall publish the regulations in the Diário da República (National Gazette).

**Article 79**  
**(Directions)**

The National Petroleum Agency may give a direction to an Authorized Person or an Associate:

- (a) relating to any matter set out in Article 78(1); or
- (b) otherwise requiring compliance with this Law or its Authorization, if applicable.

## **CHAPTER XVIII**

### **Final Provisions**

#### **Article 80** **(Transitional Regime)**

1. Rights acquired under granted Authorizations and other agreements with the Government that are effective at the date of entry into force of this Law shall continue to be fully valid and effective.
2. In cases where such is deemed necessary and convenient, valid and effective Authorizations and other agreements may be renegotiated by the Government for the purpose of adding, supplementing, amending and/or deleting provisions to be compatible with this Law and any regulations.

#### **Article 81** **(Fiscal regime)**

The fiscal regime applicable to Petroleum Operations shall be established in an appropriate law. An Authorized Person, an Associate or any Person who receives consideration for goods and services furnished by the Authorized Person or an Associate will be subject to the taxation specified in the terms of the applicable law.

#### **Article 82** **(Customs regime)**

1. Subject to Article 82(2), the import and export of goods, materials, machinery and equipment destined exclusively and directly for the execution of Petroleum Operations shall be exempt from all and any customs duties. The customs regime applicable to Petroleum Operations shall be the object of specific laws and regulations adopted by the Government.
2. The exemption referred to in Article 82(1) shall only apply provided that such goods, materials, machinery and equipment, are not sold, disposed of or otherwise transferred to any Person, who is not an Authorized Person or an Associate which intends to use the foregoing exclusively and directly for the execution of Petroleum Operations or to the State as contemplated in Article 47(2).
3. In the event that any goods, materials, machinery and equipment are sold, disposed of or otherwise transferred to a Person, who is not an Authorized Person or Associate for use exclusively and directly in the execution of Petroleum Operations or to the State, then customs duties shall apply, details of which shall be subject to specific laws and regulations adopted by the Government.

**Article 83**  
**(Interpretation)**

Without prejudice to the jurisdiction of the courts of Sao Tome and Principe, the Government, by Decree, shall have authority to resolve all questions related to the interpretation of this Law and any regulations passed pursuant hereto.

**Article 84**  
**(Revocation Provision)**

Law No. 4/2000 of 17<sup>th</sup> of June and Law No. 27/1998 of the 13<sup>th</sup> of July are hereby revoked.

**Article 85**  
**(Entry into effect)**

This Law enters into effect on the date of its publication in the Diário da República.

Approved by the National Assembly, in Sao Tome, on 3<sup>rd</sup> July 2009. The President of the National Assembly, Jayme José da Costa.

Promulgated on 4th November 2009

Published.

The President of the Republic, Fradique Bandeira Melo de Menezes.