



# DEMOCRATIC REPUBLIC OF TIMOR-LESTE

DECREE-LAW ON OFFSHORE PETROLEUM OPERATIONS IN TIMOR-LESTE

2016

## DEMOCRATIC REPUBLIC OF TIMOR-LESTE

Decree-Law No.32/2016, of 17th August

### Offshore Petroleum operations in Timor-Leste

As a sovereign State, Timor-Leste has sovereign rights to all natural resources that exist in the soil and subsoil, in the territorial waters, in the exclusive economic zone and on the continental shelf of Timor-Leste including Petroleum. Accordingly, and pursuant to Article 139 of the Constitution of the Democratic Republic of Timor-Leste, such resources are owned by the State. The Petroleum Resources that the country has, should be explored, exploited and managed in sustainable way for the benefit of the people of Timor-Leste as a whole.

Article 31 of the Law No.13/2005 on Petroleum Activities gives power to the Government of Timor-Leste to enact this Decree-Law and ancillary Regulation on various aspects of offshore petroleum operations at different stages.

Whilst focusing on offshore petroleum operations, this Decree-Law is aimed at ensuring attractiveness and competitiveness for the investment in the exploration and the production of Petroleum Resources in the Democratic Republic of Timor-Leste.

Now therefore, under the terms of Article 115.1(e) and 115.3 of the Constitution of the Democratic Republic of Timor-Leste and Article 31 of Law No. 13/2005, of 2 September 2005, the Government hereby enacts into Decree-Law, the following:

## **CHAPTER I GENERAL PROVISIONS**

### **Article 1 Object**

The object of this Decree-Law is to regulate the petroleum operations in respect of offshore petroleum resources pursuant to Article 31 of the Petroleum Activities Law.

### **Article 2 Objectives of this Decree-Law**

This Decree-Law has also the following objectives:

- (a) Ensure maximum ultimate recovery of Timor-Leste's Petroleum Resources;
- (b) Prevent waste and pollution;
- (c) Mandate the use of safe and efficient exploration and exploitation practices;
- (d) Permit the effective monitoring, supervision and inspection of petroleum operations;  
and
- (e) Contribute to the achievement of Timor-Leste's broader development goals and priorities.

### **Article 3 Scope of application**

1. This Decree-Law shall apply to all petroleum operations with respect to offshore Petroleum resources conducted under the Petroleum Activities Law including transportation and storage of crude oil and natural gas with direct impact on any reservoirs.
2. Notwithstanding article 3.1, transportation, storage and processing facilities located onshore shall be subject to applicable downstream petroleum law in Timor-Leste.

#### **Article 4**

#### **Compliance**

1. All petroleum operations shall be carried out in compliance with the Petroleum Activities Law, this Decree-Law and Applicable Law in Timor-Leste as varied, amended, modified or replaced from time to time.
2. No petroleum operations shall be commenced or carried out unless all approvals, authorisations, licenses and other permits that are required pursuant to Applicable Law in Timor-Leste have first been obtained.
3. An authorised person shall ensure that everyone who carries out work on their behalf either personally, through employees or Sub-Contractors complies with Article 4 (1) and (2).
4. The Sub-Contractors shall comply with relevant requirements stipulated in Article 4 (1) and (2).
5. In addition to duties imposed on the operator in this Decree-Law, other contractors and authorised person are also responsible for ensuring that the operator complies with the requirements stipulated in Article 4 (1) and (2).

#### **Article 5**

#### **Operating standards**

1. An authorised person shall follow Good Oilfield Practice in conducting petroleum operations.
2. Where good oil field practice is inconsistent with the Applicable Law in Timor-Leste, the more stringent standard or practice shall prevail.
3. At the request of the Ministry, an authorised person shall demonstrate that a particular practice, procedure or specification meets good oil field practice by:
  - (a) Providing evidence that the practice, procedure or specification is in conformance with a standard issued by an internationally recognised organisation, and deemed acceptable standards by the Ministry; and
  - (b) Providing evidence that the practice, procedure or specification adopted is reliable, safe, efficient, and necessary.

4. For the purposes of Article 5 (3), the term “internationally recognised organisations” shall include, but not be limited to:
- (a) The American Gas Association (AGA);
  - (b) The American Petroleum Institute (API);
  - (c) The American Society of Mechanical Engineers (ASME);
  - (d) The American Society for Testing and Materials (ASTM);
  - (e) The British Standards Institute (BSI);
  - (f) The International Organisation for Standardisation (ISO);
  - (g) Norsk Søkkelkonkurranseposisjon (NORSOK);
  - (h) Society of Petroleum Engineers (SPE);
  - (i) International Organisation of Legal Metrology (OIML); or
  - (j) Any other organisations deemed acceptable by the Ministry.

## **Article 6**

### **Interpretation**

1. The terms defined in the Petroleum Activities Law shall have the same meaning as defined therein when used in this Decree-Law.
2. The terms used in this Decree-Law shall have the following meaning:
  - (a) “*Applicable Law in Timor-Leste*” means any regulations, by-laws, codes, enactments, including Authorisations, decisions and directions issued and in force in Timor-Leste from time to time relevant to the implementation of the provisions provided in this Decree-Law;
  - (b) “*Applicable Standard*” means standards issued by internationally recognised organisations including but not limited to those stated in Article 5 (4);

- (c) "*Appraisal*" means all works carried out by an Authorised Person under a petroleum contract following a Discovery of Petroleum for the purpose of determining the quantity and quality of recoverable Petroleum in, and the size, extent and commerciality of, one or more reservoirs;
- (d) "*Appraisal Period*" means the time granted to the authorised person to undertake an Appraisal Work Programme;
- (e) "*Appraisal Well*" means any perforations in the earth's surface drilled following a Discovery of Petroleum for the purpose of delineating the size and extent of, and the quantity and quality of recoverable Petroleum in, one or more reservoirs to which that Discovery relates;
- (f) "*Artificial Lift*" means any method of assisting natural reservoir energy to lift oil or water to the surface through a well path using artificial mechanism devices and/or extraneous energy;
- (g) "*Assignment*" shall mean any assignment, transfer, conveyance, bifurcation of title, novation, change in Control, merger, encumbrance or other dealing in any manner whatsoever or howsoever whether legally, beneficially or otherwise, and whether conditionally or not by a contractor of or with:
  - (i) The petroleum contract, or all or any part of its rights, interests, benefits, obligations and liabilities under it;
  - (ii) Petroleum which has not then been, but might be, recovered in the contract area, or any proceeds of sale of such Petroleum; and
  - (iii) Anything whereby the petroleum contract, any of those rights, interests and benefits or such Petroleum as mentioned in (i) and (ii) would, but for Article 98, be held for the benefit of, or be exercisable by or for the benefit of, any other person; but does not include an agreement for the sale or exchange of Crude Oil where the sale or exchange occurs after title thereto has passed to the contractor. The terms "**Assign**", "**Assignor**" and "**Assignee**" shall be construed accordingly;
- (h) "*Associated Pipeline Facilities*" means Facilities that are used in connection with the operation of a Pipeline, including Facilities for pumping, compression, pressure reduction, metering, receiving or delivering of Petroleum, and storage of Petroleum, but excluding Storage Facilities;

- (i) “*Blowout*” means an uncontrolled gas, oil or water escape from a well;
- (j) “*Blowout Prevention Equipment*” means a device attached to the casing head that allows sealing of the well to confine the well fluids in the well path, and for the purpose of this Decree-Law includes a diverter system;
- (k) “*BOP Stack*” means a set of two or more Blowout preventers used to ensure pressure control of a well;
- (l) “*Bridging Document*” means a written document which defines how two or more Management Systems co-exist to allow cooperation and coordination on matters of health, safety and environmental protection between different parties, usually between an authorised person and its Sub-Contractors. Such a document cross-references the detailed procedures which will be used and defines the responsibilities, accountabilities and work activities of the various parties.
- (m) “*Calendar Month*” means any of the twelve (12) months of a Calendar Year;
- (n) “*Calendar Year*” means the one-year period that begins on January 1 and ends on December 31, based on the Gregorian calendar;
- (o) “*Calendar Quarter*” means a period of three (3) consecutive Calendar Months commencing on the first day of January, April, July or October of any Calendar Year;
- (p) “*Liner* ” means casing that is suspended from a string of casing previously installed in a well and that does not extend to the Wellhead;
- (q) “*Certificate of Verification of Construction and Installation*” means a certificate certifying that the Verifying Body is satisfied in relation to the construction of the Facility and its installation in the territory of Timor-Leste that adequate and satisfactory inspection was carried out during the construction and installation and that;
  - (i) Parts or sections of the Facility constructed before installation in the territory of Timor-Leste were not damaged before installation; and

- (ii) The construction and installation of the Facility and all parts thereof has been in accordance with the specifications for the construction and installation;
- (r) “*Certificate of Verification of Design*” means a certificate certifying that the Verifying Body in relation to the design of the Facility is satisfied that;
  - (i) The Facility is appropriate for the conditions in which it is proposed to be used, and suitable for the overall and local loadings to be imposed;
  - (ii) The design is in accordance with good oil field practice;
  - (iii) A structural analysis has been made for critical loadings including the magnitude and distribution of production loads;
  - (iv) A fatigue analysis has been made of critical joints;
  - (v) An assessment of material grades has been made in relation to stress and, if applicable, pressure levels, minimum service temperature and other significant parameters;
  - (vi) The welding procedures used or proposed to be used are satisfactory and the design of the principal welds is satisfactory; and
  - (vii) Such other matters as the Ministry has required, have been taken into account;
- (s) “*Classifying Authority*” means an International reputable body qualified to classify ships, barges or Mobile Platforms;
- (t) “*Commercial Discovery*” means a Discovery which, as determined in accordance with this Decree-Law and the provisions of the relevant petroleum contract, can be exploited commercially in accordance with good oil field practice;
- (u) “*Commercial Production*” occurs on the first day of the first period of thirty (30) consecutive days during which production is not less than the level of regular production delivered for sale determined by the Ministry as



part of the approval of, or amendment to, a Development Plan, averaged over not less than twenty-five (25) days in the period;

- (v) “*Commingled Production*” means production of Petroleum from two or more reservoirs in a well path;
- (w) “*Completed*” means in respect of a well, a well that has been prepared to permit the:
  - (i) Production of fluids from the well;
  - (ii) Observation of the performance of the reservoir;
  - (iii) Injection of fluids into the well; or
  - (iv) Disposal of fluids into the well;
- (x) “*Completion*” shall mean the equipment installed, or to be installed, in a Completed well and the term “**Complete**” shall be construed accordingly;
- (y) “*Authorisation For Expenditure*” means expenditure for a particular project or Work Programme in the contract area in any Calendar Year as approved by the contractor;
- (z) “*Corporate Social Responsibility*” means an activity carried out by an authorised person's own initiative and cost to promote its profile in Timor-Leste including social and cultural activities, sports and other types of contributions towards the local community development and well-being;
- (aa) “*Decommissioning Fund*” means the fund established in accordance with Article 92;
- (bb) “*Decommissioning Plan*” means the plan stated in Article 88;
- (cc) “*Decree-Law*” means the provisions herein and any direction or any other decision made or issued pursuant thereto, including rules, guidelines, policies and codes issued from time to time by the Ministry regarding petroleum operations conducted under the Petroleum Activities Law;

- (dd) “*Development and Production Period*” means the period granted to the authorised person for the development and production of Commercial Discoveries;
- (ee) “*Development Area*” has the meaning given in Article 24;
- (ff) “*Development Plan*” means the plan for a Development Area described in Article 46;
- (gg) “*Development Well*” means a well that is drilled in a Field or reservoir for the purpose of the:
- (i) Production of fluids from the well;
  - (ii) Observation of the performance of a reservoir;
  - (iii) Injection of fluids into the well; and
  - (iv) Disposal of fluids into the well.
- (hh) “*Discovery*” means any occurrence of Petroleum and natural gas in the contract area, independent from quantity, quality or commercial viability, verified by at least two detection or evaluation methods;
- (ii) “*Diving Plan*” means the plan as stated in Article 132;
- (jj) “*Diving Safety Management System*” means a comprehensive document prepared and documented by a diving contractor in consultation with authorised person for managing health and safety. It must include details of policies and operational protocols and procedures, and management arrangements to ensure that risks to the safety of personnel involved in the diving operations are reduced to a level as low as reasonably practicable;
- (kk) “*Drill Floor*” means, in respect of a Drilling Rig, the platform surrounding the slip setting area that provides support for the drill crew during Drilling Operations;
- (ll) “*Drill Site*” means a location where a Drilling Rig is or may be installed;
- (mm) “*Drilling Installation*” means a Drilling Unit, or a Drilling Rig and the foundation on which it is installed;

- (nn) “*Drilling Operations*” means operations relating to the drilling of a well, or Test Hole, and which may include operations such as on-site preparation, spudding, data acquisition, monitoring, well control, modification, plugging and Completion of a well, but excludes Workovers;
- (oo) “*Drilling Programme*” means the programme as stated in Article 31;
- (pp) “*Drilling Rig*” means the plant used to make a well by boring or other means and includes a derrick, draw works, rotary table, mud pump, Blowout preventer, accumulator, choke manifold and other associated equipment including power, control, and monitoring systems;
- (qq) “*Drilling Unit*” means a drill ship, submersible, semi-submersible, barge, jack-up or other vessel used in a Drilling Program or Workover Program and fitted with a Drilling Rig or Workover rig and other Facilities associated with conducting the Drilling Program or Workover Program;
- (rr) “*EED 8/86*” means the insurance package policy form Energy Exploration and Development;
- (ss) “*Environmental Decommissioning Plan*” means the document prepared by the authorised person in accordance with Environmental Regulations, which identifies the potential environmental impacts arising due to Decommissioning, and how these features will be managed and monitored to protect the environment;
- (tt) “*Environmental Assessment*” means an impact assessment prepared by the authorised person as applicant for an environmental license pursuant to Chapter XVII of this Decree-Law;
- (uu) “*Environmental Impact Statement*” means the document that contains the results and conclusions of an environmental impact assessment;
- (vv) “*Environmental Management Plan*” means the Environmental Management Plan stated under Article 140;
- (ww) “*Environmental Licensing*” means the license issued by the competent Ministry responsible for Petroleum sector in coordination with relevant state entity responsible for the environment;
- (xx) “*Exploration*” or “*Exploration Operations*” means any exploration activities, including geological, geophysical, geochemical and other

surveys, investigations and tests, or drilling of Exploration wells or Appraisal wells and all related activities including those covered by a prospecting authorisation;

(yy) “*Exploration Period*” means the period granted to the authorised person to implement a Work Programme and Budget for Exploration;

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

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

(bbb) “*Facility*” or “*Facilities*” means a vessel or structure or equipment that :

(i) is used or constructed for petroleum operations, including Mobile Platform and Fixed Platform; and

(ii) carries or contains Petroleum Product or includes equipment for drilling, or for carrying out other operations in connection with a well, from the vessel or structure. Such Facility shall include without limitation Production Facilities and any Pipeline System, Processing Facilities, Storage Facilities and Terminal Facilities which are located offshore and connected to wells;

(ccc) “*Field*” means a reservoir, or multiple reservoirs all grouped on, or related to, the same geological structure or stratigraphic conditions from which Petroleum may be produced;

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

(eee) “*Fixed Platform*” means a platform from which petroleum operations are to be carried out that cannot be readily moved from one position to another;

- (fff) “*Formal Safety Assessment*” means a formal, structured and systematic methodology used to facilitate proactive risk control, included within a Safety Case as stated in Article 120;
- (ggg) “*Formation Flow Test*” means an operation to induce the flow of formation fluids to the surface of a well for the purpose of procuring reservoir fluid samples and determining reservoir flow characteristics;
- (hhh) “*Geological and Geophysical Survey*” means a survey carried out in the search for Petroleum using either of these methods: seismic, gravity, magnetic, electrical, electromagnetic, geochemical, well logging and any other approved methods by the Ministry;
- (iii) “*Health and Safety Audit*” means systematic, periodic and documented evaluation of an authorised person’s health and safety organisation, performance and systems against pre- determined standards;
- (jjj) “*Health and Safety Management System*” means part of the overall management system that facilitates the management of the Health and Safety risks associated with the petroleum operations of the authorised person which aims to ensure compliance with the Applicable Law in Timor-Leste and good oil field practice. This includes the organisational structure, planning activities, responsibilities, practices, procedures, processes and resources for developing, implementing, achieving, reviewing and maintaining the organisations health and safety policy;
- (kkk) “*Health and Safety Plan*” means the plan as stated in Article 119;
- (lll) “*Health and Safety Update Reports*” means the report stated in Article 123;
- (mmm) “*Intermediate Casing*” means the casing installed in a well, following the installation of Surface Casing in the well, through which further Drilling Operations may be carried out in a well;
- (nnn) “*kPa*” means a metric unit of pressure or stress referred to as kilopascal and equal to 1,000 pascals;
- (ooo) “*Lifting and Hoisting*” means any activities involves in raising or lowering a load by means of any lifting appliances;

- (ppp) “*LNG*” means liquefied natural gas, which is primarily methane gas that has been liquefied at a temperature of about minus one hundred sixty-one degrees Centigrade (-161 ° C) and stored in heavily insulated containers to prevent vaporisation;
- (qqq) “*Local Content Proposal*” means a proposal for Local Content submitted together with an authorised person’s application for an authorisation, Development Plan, and Decommissioning Plan under this Decree-Law;
- (rrr) “*Local Content*” means the added value brought to Timor-Leste in all phases of petroleum operations through workforce development, employment of Timorese citizens, investments in supplier capability development, transfer of knowledge and technology, research capability development and procuring supplies and services in Timor-Leste;
- (sss) “*Management System*” means a system designed to ensure compliance with Applicable Law in Timor-Leste, contribute to ensuring and furthering the quality of the work carried out in petroleum operations and to ensure effective planning, organising, controlling, monitoring and reviewing of necessary measures for prevention and mitigation;
- (ttt) “*Major Accident Event*” means an event, undesired event or uncontrolled event connected with a Facility, including natural event, having the potential to cause harm in terms of human injury or death, damage to a Facility, property or equipment or environment at or near the Facility;
- (uuu) “*Maritime Regulations*” means the laws and regulations, including international agreements and treaties, which exclusively govern activities at sea or in any navigable waters;
- (vvv) “*Measurement Point*” means the location in any contract area or elsewhere in the territory of Timor-Leste as specified in the Development Plan, where the Petroleum is metered and delivered for transportation;
- (www) “*Measurement Uncertainty*” means an expression of the result of a measured value which reasonably characterizes the range within which the true value is expected to lie;
- (xxx) “*Metering System*” means all mechanical, instrumental and computer parts of the system for the measurement of Petroleum as well as the applicable documentation and procedures;

- (yyy) "*Minimum Exploration Work Requirements*" means the compulsory minimum work requirements (including both work activities and expenditure) for each Period of Exploration, as set out in the petroleum contract;
- (zzz) "*Ministry*" means the ministry or other entities to whom responsibilities and competencies in respect of the application of this Decree-Law or other applicable law related to petroleum operations are assigned. For avoidance of doubt other entities as defined in this Decree-law is regulatory authority;
- (aaaa) "*Mobile Drilling Unit*" means a ship, barge or other vessel or structure that can readily be moved and that carries or includes equipment for drilling a well;
- (bbbb) "*Mobile Platform*" means a Mobile Drilling Unit or a platform that can be readily moved from one position to another;
- (cccc) "*Other Health and Safety Incident*" means an incident due to petroleum operations that results in, or that under slightly altered circumstances could have resulted in, injury, pollution, or failure of health and safety functions or barriers so as to threaten the integrity of a Facility used in petroleum operations other than a Major Accident Event;
- (dddd) "*Performance Standards*" means a standard, established by an authorised person, of the performance requirements of a system, item of equipment, person or procedure, which is used as a basis for managing risks arising out of or in connection with petroleum operations;
- (eeee) "*Petroleum Activities Law*" means Law No. 13/2005, of 2nd September 2005;
- (ffff) "*Petroleum Products*" means products fractionated or otherwise derived from crude oil or natural gas by a refining or treatment process;
- (gggg) "*Pipeline*" means any pipe used to convey Petroleum;
- (hhhh) "*Pipeline Project*" means the design, construction and operation of a Pipeline System excluding Pipelines listed under Article 77;
- (iiii) "*Pipeline Project Plan*" means the plan as stated in Article 77 (3);

- (jjjj) “*Pipeline System*” means a Pipeline and the Associated Pipeline Facilities;
- (kkkk) “*Processing Facility*” means a natural gas processing Facility, gathering centre, booster station and any other hydrocarbon Processing Facility the Ministry may specify from time to time as the Processing Facilities covered by an approved Development Plan;
- (llll) “*Processing Facility Plan*” means the plan as stated in Article 72;
- (mmmm) “*Project Data*” means all information that is geological, geophysical, geochemical or petrophysical in nature, whether raw, derived, processed, interpreted or analysed (including cores, cuttings, samples, and all geological, geophysical, geochemical, drilling, well, production and engineering data and information) that an authorised person acquires in the course of carrying out petroleum operations and Prospecting Activities;
- (nnnn) “*Produced Water*” means water produced from a hydrocarbon bearing formation during the extraction of petroleum. It may include formation water, water injected into the formation or any chemicals added downhole or during the oil and water separation process;
- (oooo) “*Production Facilities*” means all Facilities that are involved in the recovery, development, production, handling, Field level processing, treatment, transportation or disposal of Petroleum or any associated substances or wastes, along with all Facilities for water, power, accommodation or access that may be necessary for undertaking the Production Operations but excluding Pipelines requiring approval in accordance with Chapter VIII;
- (pppp) “*Production Operations*” means any operations related to the development of a Field or reservoir, the production, recovery, transport, treatment, processing and separation of Petroleum or the construction, installation, operation or maintenance of Production Facilities, but shall exclude Exploration Operations, Drilling Operations, Workover Operations and the construction and operation of Pipelines requiring approval in accordance with Chapter VIII;
- (qqqq) “*Production Test*” means a production capacity test used to determine the well production rate;



- (rrrr) “*Recoverable Reserves*” means proved plus probable reserves as determined by a Third Party Consultant in accordance with Article 56;
- (ssss) “*Relief Well*” means a well drilled to assist in controlling a Blowout in an existing well;
- (tttt) “*Reportable spill*” means any authorised and observable discharge of petroleum, brine, chemical or hazardous substances;
- (uuuu) “*Risk Assessment*” means the assessment of risks to health, safety and environment made by the authorised person;
- (vvvv) “*Risk Minimisation to an Acceptable Level*” means level of human and/or material injury or loss from petroleum operations that is to be tolerable by the authorities on the basis of the benefits to be achieved weighed against the costs and other relevant sacrifices;
- (wwww) “*Safety Case*” means a detailed document, prepared by an authorised person, to demonstrate that foreseeable safety risks have been identified and assessed in safety and engineering studies and that essential controls and mitigation measures are put in place in order to ensure that risks are controlled to a level as low as reasonably practicable, to ensure continued safety of Facilities, petroleum operations, personnel and members of the public;
- (xxxx) “*Safety Equipment*” means equipment used for prevention and mitigation of unplanned, undesired or uncontrolled event which may cause personal injury, damage to property or equipment, environment or Facility for instance fire control, personnel protection, escape and survival (lifesaving appliances), detecting uncontrolled releases of Petroleum (fire and natural gas detector) Petroleum flow shut-off system (ESD, BDS), medical facilities, etc.;
- (yyyy) “*Sampling*” means obtaining well cuttings, cores or fluids at designated depth intervals during Drilling Operations, Workover or at designated point during Production Operations for reference and subsequent analysis;
- (zzzz) “*Spud*” means, in respect of the drilling of a well, the initial penetration of the surface by drill bit;

- (aaaaa) “*TIMOR GAP- Timor Gás & Petróleo, E.P.*” means the State-Owned company created pursuant to Decree-Law No. 31/2011, of 27 July 2011, and its subsidiaries;
- (bbbbbb) “*Storage Facility*” means a containment facility and its associated equipment used for storing large volumes of hydrocarbons extracted from a Development Area;
- (ccccc) “*Storage Facility Plan*” means the plan as stated in Article 72;
- (ddddd) “*Sub-Contractor*” means a party that has entered into an agreement with an authorised person, or any of its subcontractors and manufacturers of any tier, for the performance of work in connection with the petroleum operations;
- (eeee) “*Support Craft*” means any vessel, tug, ship, aircraft or other craft used to provide transport for or assistance to petroleum operations but does not include a Drilling Installation;
- (ffff) “*Surface Casing*” means the casing installed in a well to a depth sufficient to establish well control for the continuation of Drilling Operations;
- (ggggg) “*Significant Repairs*” means repairs that are made to a Facility which cause the Facility to deviate from its original design and/or such repair require more than 48 hours of operation;
- (hhhhh) “*Significant Spill*” means an unauthorised discharge of Petroleum exceeding 80L per incident that has in, or likely to enter, offshore waters;
- (iiii) “*Terminal Facility*” means a facility where Petroleum Products, water, chemicals, waste or products used or extracted from a Development Area are transferred from one bulk transportation system to another covered by an approved Development Plan;
- (jjjj) “*Terminal Facility Plan*” means the plan as stated in Article 72;
- (kkkkk) “*Test Hole*” means a hole, other than a well or seismic shot hole, drilled to a depth of more than thirty (30) meters;

(lllll) “*Timor-Leste Goods*” means materials, equipment, machinery and consumer goods mined, grown or produced in Timor-Leste satisfying of one of the following conditions;

- (i) Hundred (100) percent designed, engineered, and manufactured in Timor-Leste;
- (ii) Partly designed, engineered and manufactured in Timor-Leste if the total cost of the local materials, labour and services used to produce the item constitutes not less than fifty (50) percent of the cost of the finished product; and
- (iii) Assembly of goods, which components are originated from import goods already subject to customs duties and the activity of assembly itself is undertaken in Timor-Leste involve local labour, cost, with high skill and knowledge.

(mmmmm) “*Timor-Leste Services*” means services supplied by a Timor-Leste Supplier;

(nnnnn) “*Timor-Leste Supplier*” means a legal or physical person;

- (i) Whose business enterprise is incorporated or otherwise organised under the laws of Timor-Leste;
- (ii) Whose principal place of business is in Timor-Leste;
- (iii) Is more than 50% (fifty percent) owned and controlled by nationals of Timor-Leste; and
- (iv) Supplies services and/or goods to petroleum operations.

(ooooo) “*Third Party Consultant*” means an independent and reputable organisation or individual that can provide expert knowledge on petroleum operations;

(ppppp) “*Verifying Body*” means an international reputable body approved by the Ministry to;

- (i) Verify the design, construction, installation and Decommissioning of Facilities; or

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

(qqqqq) “*Waste Material*” means any waste, substance, and/or material objects considered useless, superfluous, or of no value, generated during petroleum operations, but does not include drilling fluid, and drill cuttings, and other Petroleum by-product with economic value;

(rrrrr) “*Workover*” means any operation performed in a well after the initial Completion that could result in an alteration of the downhole mechanical configuration and would include deepening, pulling or resetting liner

(sssss) s, plugging by squeezing, adding new perforations and re-perforating in the same or alternative interval(s), stimulation, repairing casing damage due to corrosion, collapse, burst or separation or any other similar major repair operation excluding Drilling Operations;

(ttttt) “*Workover Programme*” means the programme described in Article 31;

(uuuuu) “*Work Programme*” and “*Work Programme and Budget*” has the meaning set out in the relevant petroleum contract.

## **CHAPTER II AREA MANAGEMENT**

### **Article 7 Graticulation system**

1. The surface of Timor-Leste shall be graticulated into blocks in accordance with a grid system.
2. The opening and redefinition of a new area for petroleum operations shall be defined by way of reference to blocks.
3. Details of such grid system shall be regulated under a separate guideline for acreage definition.

### **Article 8 Opening and closing of areas**

1. The Ministry may decide to open an area for petroleum contracts and seepage use authorisations.
2. Prior to the opening of areas for petroleum contracts and seepage use authorisations, the Ministry may give opportunity to relevant entities and the interested person likely to be affected to make representation to it and shall give consideration to the relevant representations received by it.
3. The Ministry may decide to close an area declared open pursuant to this Article.
4. The decision of opening and closing of an Area shall be published in local newspapers circulated in Timor-Leste, on the Ministry's website, and in any other manner determined by Applicable Law in Timor-Leste.

**CHAPTER III**  
**PROSPECTING AUTHORISATION AND ACCESS AUTHORISATION**

**Article 9**  
**Prospecting authorisation**

1. Prospecting authorisations are granted in accordance with the Petroleum Activities Law Articles 9 and 13 and may be valid for a period of six (6) months unless otherwise decided by the Ministry.
2. The Ministry may stipulate conditions for the grant of a prospecting authorisation to reflect good oil field practice, the Applicable Law in Timor-Leste, as well as technical and economic aspects and the relationship to, and expected impact on, other users of the sea and potentially affected Persons.
3. The Ministry may decide to permit an authorised person to market and license the right of use of the data and information gathered under the prospecting authorisation.

**Article 10**  
**Content of a prospecting authorisation application**

Application for prospecting authorisation shall be submitted to the Ministry at no later than thirty (30) days prior to the proposed commencement date of the prospecting activity, and shall contain the following information:

- (a) Name, address and nationality of the applicant. If the application comprises more than one applicant, all the names, addresses and nationalities shall be stated;
- (b) The purpose and the nature of the prospecting activities;
- (c) The entire prospecting area indicated by geographical coordinates, including necessary area calibration and testing of equipment in connection with the prospecting activity, and area needed to turn the vessel and aircraft;
- (d) A Local Content Proposal;
- (e) When an authorised person is authorised to conduct Geological and Geophysical Surveys under a prospecting authorisation, Article 17 of this Decree-Law applies correspondingly;

- (f) Attestation for payment of other fees as stated in Article 177 of this Decree-Law shall be enclosed with the application; and
- (g) Any other information required by the Ministry.

### **Article 11**

#### **Authorisation to a prospecting authorisation application**

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

### **Article 12**

#### **Submission of information to prospecting activities**

1. During the prospecting activities, the authorised person shall submit to the Ministry a daily and weekly report which consists at least the following information:
  - (a) The name of the survey;
  - (b) The name of the authorised person holding the prospecting authorisation;
  - (c) The date for commencement of the prospecting activity;
  - (d) Status of the activity, i.e. numbers of kilometres shot in total during the day for the daily report and/or during the last week for case of weekly report, and prognosis plan survey the next coming three days;
  - (e) Name of vessel and call signal;
  - (f) Any records of fishery and mammal migration observed during prospecting activities; and
  - (g) For the last weekly report the conclusion date shall be included.
2. The authorised person shall during the survey inform the Ministries of Fisheries, Defence and Security of the movements of the survey vessels.
3. In case of changes in prospecting activities the authorised person shall:

- (a) If the activity is not commenced at the planned date as communicated to the Ministry, as soon as possible send a new report indicating the start-up date for the activity to the Ministry; and
  - (b) If the authorised person of a prospecting authorisation wishes to continue the activity beyond the stipulated conclusion date, submit the information about the activity to the Ministry as indicated in this Article no later than within twenty (20) days prior to the stipulated conclusion date.
4. When an authorised person is authorised to conduct Geological and Geophysical Surveys under a prospecting authorisation, Article 17 of this Decree-Law applies correspondingly.

### **Article 13**

#### **Access authorisations**

1. Access Authorisations are granted in accordance with the Petroleum Activities Law Articles 11 and 13 and shall be valid for such period as is necessary to perform such work and activities for which it is granted.
2. The Ministry may stipulate conditions to an Access Authorisation to reflect good oil field practice, the Applicable Law in Timor-Leste as well as technical, safety, environmental and economic aspects and the relationship to, and expected impact on, other users of the sea or relevant land areas and other potentially affected persons and local communities.
3. Attestation for payment of application fees as stated in Article 177 of this Decree-Law shall be enclosed with the application.
4. Application for access authorisation shall be submitted to the Ministry at no later than thirty (30) days prior to the proposed commencement date of the activity, and shall contain the following information:
  - (a) Name of the activity that requires an access authorisation;
  - (b) Name of the authorised person holding the access authorisation;
  - (c) The purpose and nature of the access authorisation;
  - (d) Planned commencement and conclusion dates;



- (e) The entire access area indicated by geographical coordinates, including necessary area calibration and testing of equipment in connection with the access activity, and area needed to turn the vessel and aircraft;
- (f) The call signals, IMO numbers and nationality of vessels and aircraft's to be involved in the access activities;
- (g) Any information required by the Ministry.

#### **Article 14**

#### **Seepage Use Authorisation**

1. Seepage use authorisation are granted in accordance with the Petroleum Activities Law Articles 12 and 13, and shall be valid for such period as is necessary to perform such work and activities for which it is granted.
2. Persons applying for seepage use authorisation shall prove to be financially and technically competent, good reputation in the industry, and adhere to government directions on Local Content and domestic market obligation.
3. The Ministry may stipulate conditions to a seepage use authorisation to reflect Applicable Law in Timor-Leste and good oil field practice.
4. The Ministry shall establish a revenue sharing agreement specific for seepage use authorisation.
5. The following information shall be included in the application for the seepage use authorisation:
  - (a) The name of the seepage use activity;
  - (b) The name of the authorised person holding the seepage use authorisation including its financial and technical competences;
  - (c) The type of hydrocarbon to be harvested under the seepage use activity;
  - (d) Proposed appraisal methods and detail designs of infrastructure required to harvest hydrocarbon seepage, including relevant health, safety and environment requirements under this Decree- Law;

- (e) The entire seepage use area indicated by geographical coordinates, including necessary area calibration and testing of equipment in connection with the seepage use activity; and
  - (f) A Local Content Proposal;
- 6. Upon granting the authorisation for seepage use, the authorised person is subject to authorisation fees, as provided in Article 177 of this Decree-Law.
- 7. An authorised person shall prepare and submit a proposal for an annual Work Programme and Budget for each Calendar Year for the Ministry's approval.
- 8. The first proposal for an annual Work Programme and Budget shall be submitted to the Ministry thirty (30) days after the effective date of the Seepages use authorisation and thereafter sixty (60) days prior to the end of a Calendar Year.
- 9. The Work Programme shall include a proposal for all the activities to be undertaken within each calendar year.
- 10. The Work Programme and Budget shall be based on the minimum work requirements to be completed pursuant to the seepages use authorisation and this Decree- Law.
- 11. When an authorised person is authorised to conduct Geological and Geophysical Surveys under a seepage use authorisation in Article 17 of this Decree-Law applies correspondingly.

**CHAPTER IV**  
**EXPLORATION OPERATIONS**

**Article 15**  
**Work Programme and Budget**

1. An authorised person shall prepare and submit a proposal for an annual Work Programme and Budget for each Calendar Year for the Ministry's approval.
2. The first proposal for an annual Work Programme and Budget shall be submitted to the Ministry thirty (30) days after the effective date of the petroleum contract and thereafter sixty (60) days prior to the end of a Calendar Year.
3. The Work Programme and Budget shall include a proposal for Exploration to be undertaken.
4. The Work Programme and Budget shall be based on the Minimum Exploration Work Requirements to be completed pursuant to the relevant petroleum contract.
5. The Work Programme and Budget shall also contain the following information:
  - (a) Details of Exploration proposed to be undertaken, including schedule and an indication of the method, technique and equipment to be employed in the proposed Exploration;
  - (b) Maps of the areas where Exploration are proposed to be undertaken, along with any information about the areas; and
  - (c) A budget showing distribution of expected costs related to the minimum Exploration work requirements and other proposed Exploration, if any, in accordance with the planned schedule.
6. An authorised person shall together with the proposed Work Programme and Budget submit the following information:
  - (a) The name and address of the authorised person;
  - (b) The name of the representative of the authorised person in relation to the Ministry and other Government authorities;

- (c) Details of any temporary or permanent Facility which may be constructed or used in connection with the proposed Exploration;
  - (d) A description on how the authorised person plans to fulfil the obligations set out in the Local Content Proposal and to comply with the Local Content requirements established in this Decree-Law and the Applicable Law in Timor-Leste throughout the Exploration Period;
  - (e) All other information that may be relevant to the conduct of the Exploration;
  - (f) An approved Authorisation For Expenditures by the authorised person; and
  - (g) Any other information required by the Ministry.
7. An authorised person shall promptly notify the Ministry if circumstances change prior to commencement of, or during, Exploration.
8. The Ministry may require the authorised person to make modifications in the Work Programme and Budget.

**Article 16**  
**Approval of Work Programme and Budget**

1. The Ministry may stipulate conditions to its approval of the Work Programme and Budget to meet the requirements of this Decree-Law and to reflect good oil field practice.
2. The Ministry shall provide the authorised person with its decision in writing within reasonable time of receipt of all required information and other materials.
3. Where a Work Programme and Budget is not approved, the Ministry shall state the grounds for its decision.
4. The authorised person may modify and re-submit the Work Programme and Budget within a timeframe stipulated by the Ministry.
5. The Ministry may suspend or revoke an approval if the authorised person has not conducted the Minimum Exploration Work Requirements in accordance with the Work Programme and Budget.

**Article 17**  
**Geological and Geophysical Surveys**

1. The authorised person shall not commence any Geological and Geophysical survey without prior approval from the Ministry.
2. Any modification to a Geological or Geophysical Survey which constitutes change to the scope of the survey previously approved by the Ministry shall require prior written approval from the Ministry.
3. The authorised person shall submit the following information to the Ministry in an application for approval to Geological and Geological Surveys:
  - (a) Name and location, including coordinates, of the survey;
  - (b) The proposed date of commencement, the estimated duration and cost of the survey;
  - (c) A plan to an appropriate scale showing the area to be the subject of the survey;
  - (d) The call signals, IMO numbers and nationality of vessels and aircraft's to be involved in the prospecting activities;
  - (e) Data acquisition summary detailing the operations to be carried out;
  - (f) In the case of a seismic, gravity, magnetic or electromagnetic survey:
    - (i) Details of the equipment to be used;
    - (ii) Names of the Sub-Contractors to be used to carry out the survey;
    - (iii) A plan showing the proposed survey stations or traverses;
    - (iv) A brief description of operations, procedures, the navigation and acquisition systems, and indicating in the case of airborne surveys and the proposed flying altitude;
    - (v) A brief discussion paper on the positioning systems selected for each type of survey;

- (vi) A Local Content Proposal;
  - (vii) Data acquisition summary detailing the operations to be carried out;
  - (viii) Geological/geophysical techniques to be used;
  - (ix) Data processing sequences to be undertaken;
  - (x) List of electronic information with index of intended contents and format;
  - (xi) Interpretations, maps and reports used to support the exploration purpose of the survey;
  - (xii) Such assessments as is required under this Decree-Law of whether the survey activities could harm particularly vulnerable environmental resources; and
  - (xiii) All documents required under this Decree-Law regarding health, safety and environment.
4. If an authorised person submits an application for a Geological or Geophysical Survey to the Ministry, the Ministry may request the authorised person to provide further written information about any matter required by this Decree-Law to be included in the application.
  5. Use of explosives shall be subject to an approval by the Ministry and other relevant authorities in Timor-Leste.
  6. An energy source used in a seismic survey shall be operated in accordance with good oil field practice, the manufacturer's recommendations, and the requirement of Articles 5 and 17 of this Decree-Law with taking into account the following conditions:
    - (a) While diving operations from platform are in progress, a charge shall not be detonated underwater within two (2) km of the platform; and
    - (b) When air gun are used in a seismic survey, the authorised person shall ensure to meet the following minimum requirements and reflect Good Field Practice:
      - (i) Air gun system components shall be maintained free of dirt, oil or grease;
      - (ii) Air lines and electrical lines shall be regularly inspected for signs of

abrasion and wear;

- (iii) Only those fittings, valves, hoses, pipes and other components that comply with the manufacturers' specifications shall be used;
  - (iv) Air pressure shall be reduced to 3500 kPa for each air gun before an array is brought on board, and shall be bled off completely once on board;
  - (v) Maintenance of air guns shall be carried out only after the relevant air lines and electrical lines have been disconnected;
  - (vi) Procedures shall be followed which ensure that air lines, as numbered at the manifold, are connected to the correct sequence of guns in the array;
  - (vii) Any test-firing of an air gun or air gun array on deck or in the air shall be carried out only with approval; and
  - (viii) All pipes or hoses subject to high pressure air shall be secured or equipped with safety chains to prevent whipping when air pressure is applied.
- (c) When gas explosives are used in a seismic survey, the authorised person shall to meet the following minimum requirements and otherwise reflect good oil field practice:
- (i) Welding, brazing, or smoking shall not be allowed near natural gas cylinders or tanks nor in reel and cable work areas;
  - (ii) Natural gas storage areas shall be properly ventilated;
  - (iii) Natural gas cylinders and tanks shall be located in specially assigned locations and warning signs of the potential hazards shall be posted conspicuously;
  - (iv) Propane and butane cylinders shall be stored as far away as possible from oxygen cylinders or tanks; and
  - (v) Natural gas storage cylinders shall be protected from overheating.
- (d) When steam sources are used in a seismic survey, the authorised person shall to meet the following minimum requirement and reflect good oil field practice:

- (i) High pressure and high temperature lines and vessels shall be adequately protected against damage or puncture from falling objects;
  - (ii) Steam safety valves shall be clearly marked with warning signs to describe possible intermittent operation; and
  - (iii) Testing of the source shall be done with the gun fully immersed in water.
- (e) When sparker and boomer electrical systems are used in a seismic survey, the authorised person shall meet the following minimum requirement and reflect good oil field practice:
  - (i) Charging and discharging circuits in the sparker or boomer electrical system shall be equipped with circuit breakers;
  - (ii) Sparker and boomer electrical cables shall be protected from damage, adequately insulated and grounded to prevent current leakage and electrical shock; and
  - (iii) The operation of the sparker or boomer shall be tested with the gun fully immersed in water.
- 7. When carrying out the Geological and Geophysical Surveys, the authorised person shall inform the Ministry of the person in command of the vessel or craft carrying out the survey.
- 8. The authorised person shall ensure that:
  - (a) The name of the person in command be permanently displayed on the vessel; and
  - (b) The person in command shall be that person authorised by the authorised person for supervising the conduct of good oil field practice and compliance to the Applicable Law in Timor-Leste on the vessel.
- 9. Where a Geological and Geophysical Study has been carried out, the following basic survey data and supporting material shall be lodged in accordance with the instructions of the Ministry:
  - (a) Where seismic survey has been carried out, after the survey is completed and no later than ninety (90) days after the acquired data is available, the following



data shall be submitted free of charge to the Ministry:

- (i) Copy of raw Field tapes in SEG-D format;
  - (ii) Navigation and velocity data;
  - (iii) Acquisition & processing reports;
  - (iv) Final migrated seismic stack data in Society of Exploration Geophysicists (SEG-Y) format;
  - (v) Final migrated seismic gather data in SEG-Y format;
  - (vi) Interpreted horizon in American Standard Code for Information Interchange (ASCII) format;
  - (vii) Interpretation report; and
  - (viii) Reprocessed data if applicable.
- (b) Where a gravity or magnetic survey has been carried out, and where applicable, and not later than ninety (90) days after the acquired data is available, the following shall be submitted free of charge to the Ministry:
- (i) Two (2) copies of processed magnetic tapes of both located and gridded data in the Australian Society of Exploration Geophysicists (ASEG)-Geographic Data Files (GDF) format;
  - (ii) Two (2) stable base transparent copies of Bouguer gravity, free air gravity, total magnetic intensity and, if prepared, vertical gradient and residual contour maps;
  - (iii) Two (2) stable based transparent copies of computer generated profile data; and
  - (iv) Two (2) copies of analogue monitor records, diurnal records, and altimeter records and any maps or profiles made available pursuant to this clause shall annotate line position, line number, registration marks and processing parameters.

10. At delivery, all data shall be in accordance with standard industry format.

11. Where a wireline survey has been carried out and no later ninety (90) days after the acquired data available, the authorised person shall submit:
  - (a) Two (2) stable base transparent copies and two (2) paper prints of each log of each scale run in the survey; and
  - (b) Two (2) stable base transparent copies and two (2) paper prints of computer processed interpretation log.
12. Where a survey, other than a gravity, magnetic, seismic or wireline survey, ninety (90) days after the acquired data available, the authorised person shall submit such data and information as requested by the Ministry.
13. All magnetic tapes submitted shall be of at least manufacturers' certified "error free" quality.
14. The authorised person shall provide and shall continue to provide access to the data to the Ministry and their nominees upon request.
15. At no later than ninety (90) days after the completion of the data reprocessing and data interpretation, the authorised person shall submit to the Ministry two copies of:
  - (a) The interpreted data;
  - (b) The processed data;
  - (c) Interpretation report; and
  - (d) Processing report.
16. All data which has not already been lodged with the Ministry must be lodged with the Ministry prior to the surrender, expiry or cancellation of the whole or relevant part of the petroleum contract or prospecting authorisation.

**Article 18**  
**Notification and performance of Exploration Operations**

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

2. If any part of the Exploration is not concluded at the notified time, the authorised person shall send updated information regarding the duration of the Exploration to the Ministry.
3. Where an authorised person intends to conduct a seismic survey, the authorised person shall also notify the Ministry and all other persons known to be operating within eight (8) km of such proposed activity of:
  - (a) The type of energy source to be used;
  - (b) Its frequency and intensity;
  - (c) The time of proposed use; and
  - (d) Any other pertinent information.
4. Explosive materials shall not be detonated within two (2) km of an offshore Facility without prior written approval of the Ministry.
5. All vessels conducting Exploration Operations shall have a marine mammal and a fishery observer on board.

#### **Article 19**

##### **Prospect and well nomenclature**

1. After the completion of Geological and Geophysical Survey, the authorised person shall, prior to drilling, seek the approval of the Ministry for the name of potentially drillable prospect and well.
2. The nomenclature pursuant to Article 19 (1) is regulated under separate guideline.

#### **Article 20**

##### **Exploration periodical reports**

1. An authorised person shall submit daily progress operational reports during the following Exploration activities:
  - (a) Geological and Geophysical Surveys; and
  - (b) Exploration and appraisal Drilling Operations.

2. The authorised person shall submit monthly exploration reports to the Ministry within fifteen (15) days after the end of Calendar Month.
3. The monthly exploration report shall contain:
  - (a) A detailed description and evaluation of Exploration undertaken in the previous Calendar Month organized by type of activity, including Geological and Geophysical Surveys, interpretation, reprocessing, re-interpretation of basic data, drilling, construction, and ancillary activities:
  - (b) If necessary, an update of the information on expected entries into the offshore territory of Timor-Leste in accordance with Article 169;
  - (c) Any other information as the authorised person deems relevant; and
  - (d) Any other information required by the Ministry.

**Article 21**  
**Annual report**

1. An authorised person shall submit an annual exploration report to the Ministry within sixty (60) days after the end of each Calendar Year.
2. The annual exploration report shall contain:
  - (a) An account of actual Exploration undertaken in previous Calendar Year compared with those planned under the Work Programme and Budget;
  - (b) A summary of the health and safety and environment performance and ancillary matters related to the Exploration carried out in the previous Calendar Year;
  - (c) Estimate of resources volume in low, best and high cases in accordance with Article 56 of this Decree-Law;
  - (d) Update on activities related to Appraisal Work Programme and Gas Retention Work Programme;
  - (e) Any other information as the authorised person deems relevant; and
  - (f) Any other information required by the Ministry.

**Article 22**  
**Data collection and management**

1. Timor-Leste shall have title to all data and information obtained pursuant to Articles 9, 12 and 25 of Petroleum Activities Law and the petroleum contract, including, amongst other:
  - (a) Seismic data, velocity data and navigation data;
  - (b) Gravimetric and magnetic data;
  - (c) Seismic refraction measurements;
  - (d) Shallow seismic profiles;
  - (e) Piston core samples, and the unprocessed data, including one half section of each piston core sample where recovery integrity permits; and
  - (f) Well data and information.
2. As soon as possible and no later than ninety (90) days after the annual Work Programme has been completed, an authorised person shall send all data, registrations and results from the Exploration, whether raw, derived, processed, interpreted or analysed, to the Ministry.
3. Any data that requires processing in excess of ninety (90) days shall be submitted as soon as the data has been processed.
4. An authorised person shall retain copies of the data, records and results referred to in this Article 22 in accordance with Article 168 of this Decree-Law.

**Article 23**  
**Discovery, Appraisal and commerciality**

1. The authorised person shall, upon Discovery, give notice in writing to the Ministry within twenty-four (24) hours.
2. As soon as reasonably practicable after a Discovery is made, and in any event no later than thirty (30) days following the submission of the notification made pursuant to Article 23 (1) of this Decree-Law, the authorised person shall:

- (a) Submit to the Ministry information from Exploration leading to the Discovery and any other information the Ministry requires, and
  - (b) Advise the Ministry whether or not the Discovery merits Appraisal.
- 3. If the authorised person is of the opinion that the Discovery merits Appraisal, the authorised person shall, within thirty (30) days following the notification pursuant to Article 23 (1), prepare a proposal for an Appraisal Work Programme, including a proposal for the Appraisal Period, which shall be submitted to the Ministry for approval.
- 4. If relevant, the Appraisal Work Programme shall be updated annually, and all updates shall be submitted to the Ministry for approval.
- 5. The objective of the Appraisal Work Programme is to enable the authorised person to determine if the Discovery is, either alone or in combination with other Discoveries, a Commercial Discovery.
- 6. The Ministry may require further evaluations and information to be submitted.
- 7. Without prejudice to Article 23 (8), the Appraisal Period shall not exceed two (2) years.
- 8. The Ministry may grant an extension to the Appraisal Period where the authorised person has demonstrated to the satisfaction of the Ministry that Appraisal has been conducted in accordance with the Appraisal Work Programme and that further Appraisal activities are required to determine whether the Discovery is a Commercial Discovery.
- 9. No later than one hundred and eighty (180) days after the completion of the Appraisal Work Programme, the authorised person shall submit a report to the Ministry stating whether the Discovery is commercial or not.
- 10. The report referred in Article 23 (9) shall include:
  - (a) The reason(s) for the authorised person's decision;
  - (b) All data and information considered by the authorised person in making the determination of Commercial Discovery;

- (c) Studies which have been carried out or which are planned to be carried out with a view to determine if the Discovery is or can become a Commercial Discovery;
- (d) The authorised person's proposal as to that area to be declared a Development Area; and
- (e) Any other information required by the Ministry.

**Article 24**  
**Declaration of Development Area**

1. If the authorised person has declared a Commercial Discovery in accordance with Article 23, the Ministry may declare the relevant area as "Development Area", defined as a contiguous three- dimensional area, which may be changed by the Ministry from time to time if required to ensure that it encompasses the Field concerned.
2. Unless the Ministry and the authorised person agree otherwise, the change referred in Article 24 (1) shall not take place after a Development Plan has been approved.
3. The Ministry may, upon application, grant an extension of the Development Area.
4. The application for the extension of the Development Area shall include:
  - (a) A map clearly identifying the relevant areas and their relation to the Development Area;
  - (b) The reasons for the proposed extension;
  - (c) A description of any proposed additions or modifications to the approved Work Programme and Budget; and
  - (d) Any other data and information required by the Ministry.

**Article 25**  
**Relinquishment of contract area after initial period**

1. At least ninety (90) days prior to the expiry date of the initial Exploration period as set out in Article 94, the authorised person shall inform its intention to the Ministry of whether it wishes to relinquish the contract area wholly or partially and whether the authorised person wishes to enter into the second Exploration period.

2. If the authorised person wishes to enter second Exploration period as set out in Article 94, it shall apply for the Ministry's approval by submitting the following information for the Ministry's consideration:
  - (a) Detailed account for the Minimum Work Requirement as outlined for the second Exploration period of the petroleum contract;
  - (b) Schedule for the implementation minimum work requirement committed for the second Exploration period;
  - (c) Subject to Article 24 (4) (a), proposal for the areas to be relinquished and proposed areas to be retained for further Exploration; and
  - (d) Detailed account for the minimum work requirement for the third Exploration period as outlined in the petroleum contract and indicative schedule for the implementation of the Work Programme requirement under the third Exploration period.
3. If the authorised person does not submit the required information pursuant to Article 25 (2) (a) and (b), the entire contract area shall be deemed relinquished at the end of the relevant contract year.
4. The entire contract area shall be deemed relinquished at the end of the Initial Period concerned if:
  - (a) The authorised person does not submit the required information pursuant to Article 25 (2) (a) and (b); or
  - (b) The authorised person application is rejected by the Ministry.

## **Article 26**

### **Relinquishment contract area after second period**

1. At least ninety (90) days prior to the expiry date of the second Exploration period, the authorised person shall inform its intention to the Ministry, whether authorised person wishes to relinquish the contract area wholly or partially and whether the authorised person wishes to enter into the third Exploration period.
2. Subject to Article 26 (1), if the authorised person wishes to enter into the third Exploration period, the authorised person shall apply for the Ministry's approval by submitting the following information for the Ministry's consideration:



- (a) Detailed account of the minimum work requirement as outlined for the third Exploration period of the petroleum contract;
  - (b) Schedule for the implementation minimum work requirement committed under the third exploration period; and
  - (c) Proposed areas to be relinquished and areas to be retained for further Exploration.
3. The entire contract area shall be deemed relinquished at the end of the Initial Period concerned if:
  - (a) If the authorised person does not submit the required information pursuant to Article 26 (2) (a) and (b); or
  - (b) The authorised person's application is rejected by the Ministry.
4. Subject to Articles 25 (1) and (2) and 26 (1) and (2), any relinquished area shall, unless otherwise permitted by the Ministry, be a contiguous area of a compact nature whereby all sections shall be connected and have in common at least on one of their sides of one (1) minute longitude or latitude, subject to the configuration of the original contract area, and the longest east/west and north/south dimensions of a relinquished area are such as to establish a viable possible future Contract and permit an effective conduct of petroleum operations in the relinquished area and in any retained contract area .
5. Subject to Article 26 (4), the Ministry evaluates and decides on the delimitation of the contract area after relinquishment.
6. The Ministry may stipulate conditions for its decision under Article 26 (5).
7. The decision referred in Article 26 (5) shall, amongst other, be based on resource management considerations and area management considerations.

## **Article 27**

### **Final Relinquishment**

1. At the end of the final contract year of the third Exploration period, the authorised person shall relinquish all of the contract area other than those parts that have been declared as Development Areas.

2. If at the end of the final contract year of the third period the authorised person, having undertaken all reasonable and necessary measures in accordance with this Decree-Law and the petroleum contract, has not had sufficient time to Appraise a Discovery, the obligation of the authorised person under Article 27 (1) may be postponed by the Ministry's decision in writing based on the following conditions:
  - (a) For such area as the Ministry may determine to be reasonably necessary for Appraisal of the Discovery after considering the proposal of the authorised person;
  - (b) For such period as the Ministry may determine is reasonably necessary to permit the authorised person to Appraise the Discovery; and
  - (c) For such period as the Ministry may determine for the authorised person to decide whether to declare a Commercial Discovery as a consequence of Appraisal, and, if it does declare Commercial Discovery, for the Ministry to declare a Development Area in respect of it.
3. If the authorised person does not submit the required information on time, the entire contract area shall be deemed relinquished at the end of the relevant contract year.

**Article 28**  
**Gas retention area**

1. If the Appraisal of a Discovery of non-associated natural gas demonstrates that the Discovery is not at that stage, either alone or in combination with other Discoveries, commercially viable, but that it is likely to become so within a reasonable period which may not exceed five (5) years from the end of the Exploration Period, the Ministry may, at the request of the authorised person, declare a "Gas Retention Area" provided it complies with the requirements of this Article.
2. On request of the authorised person and upon demonstration that an extension period is likely to result in declaration of a Commercial Discovery, the Ministry may extend the period of the Gas Retention Area as considered necessary, and on such conditions, as considered appropriate by the Ministry.
3. A Gas Retention Area shall consist of a single contiguous area that encompasses the Discovery including surrounding area sufficient to cover the probable and possible extent of such areas.
4. The Ministry may exclude deeper formations in which no Discovery has been made.

5. The Gas Retention Area shall be deemed to have been relinquished upon expiry of the period set out in Article 28 (1).
6. The Gas Retention Area shall be deemed to have been relinquished where the authorised person ceases to meet its obligations under this Article.
7. Gas Retention Area shall be deemed cease to exist upon declaration of a Commercial Discovery by the authorised person and the Ministry has declared a Development Area.
8. Retained Areas that are not part of a Development Area shall be deemed relinquished.
9. All obligations that rest upon the authorised person in relation to relinquishment applies correspondingly upon expiry of the periods relating to a Gas Retention Area.

### **Article 29**

#### **Relinquishment report**

1. The authorised person shall prepare and submit a relinquishment report to the Ministry together with the notification prescribed in Articles 25 (1), 26 (1) and 27 (1).
2. The relinquishment report shall at least include:
  - (a) An account for the basis for the decision to relinquish the relevant area;
  - (b) A map of the area proposed for relinquishment and the area proposed to be retained, including corner coordinates and clear identification of the area(s) and/or depths or formations in the area;
  - (c) A description of the regional geology of the area;
  - (d) A description of the Exploration history and work carried out in the area, including an overview of the data coverage such as wells, seismic and other data;
  - (e) A list of all data that has been submitted to Ministry;
  - (f) A list of play types, leads and prospects in the area relinquished, including description of potential reservoir(s), source(s), trap and seal in an agreed format with the Ministry;

- (g) Prospect(s) and/or lead(s) in the area must be documented by seismic line with tie-in to adjacent wells if applicable;
  - (h) The potential resources and reserves in the relinquished area shall be reported in accordance with Society of Petroleum Engineers (SPE) classification and methods for assessing the potential of the acreage shall be described; and
  - (i) All data on the area proposed to be relinquished that has not been previously submitted to the Ministry.
3. The Ministry may request the authorised person to submit additional data and information on the relinquished area(s).

**Article 30**  
**Reduction of contract area and continuing obligations in respect of**  
**relinquished area**

1. The petroleum contract shall only apply for those parts of the contract area that are retained.
2. Relinquishment of all or a part of the contract area is without prejudice to any unfulfilled obligations under any Law including the Petroleum Activities Law and this Decree-Law as well as the petroleum contract.

**CHAPTER V**  
**DRILLING, WORKOVER, WELL MANAGEMENT AND OPERATIONAL**  
**REPORTING**

**Article 31**  
**Drilling Programme and Workover Programme**

1. An authorised person shall prepare and submit a proposal for a Drilling Programme or a Workover Programme at least thirty (30) days prior to the planned commencement of Drilling Operations or Workovers for the Ministry's prior approval.
2. An authorised person shall apply for a name for a new well from the Ministry.
3. The Drilling Programme or Workover Programme shall at least contain:
  - (a) All relevant well data, including:
    - (i) Well number identification and, if applicable, well name;
    - (ii) Well history and well completion configuration;
    - (iii) Well-bore (or sub-well-bore) number;
    - (iv) Water depth at the Drill Site;
    - (v) The position of the well, expressed in latitude and longitude using World Geodetic System (WGS 84);
    - (vi) Surface and subsurface location of other wells in the vicinity of the location for the proposed Drilling Operations or Workover;
    - (vii) Details of well spacing and justification;
    - (viii) Depth of well comprised in the programme ; and
    - (ix) Estimated Spud or re-entry date.
  - (b) A separate prospect summary sheet and map for each target and any studies or analysis considered in analysing and identifying prospects and targets;

- (c) A structural depth map and representative seismic cross-section;
- (d) A well status schematic divided into the following parts, which shall include schematics of the plans appropriate to each part including but not necessarily limited to the casing scheme, tubing/completion equipment, safety valves, proposed perforations and the well as completed, and which in the case of a Workover shall reflect the conditions both before and after the Workover:
  - (i) Part one, which shall provide general information in respect of the well, including the well name, and well classification;
  - (ii) Part two, which shall provide information in respect of surface conditions in the vicinity of the well that may affect the safety and efficiency of Drilling Operations or the Workover, including meteorological, oceanographical and other natural conditions and the topography and composition of the surface (including the seafloor);
  - (iii) Part three, which shall provide comprehensive information in respect of subsurface conditions that may affect the safety or efficiency of Drilling Operations or the Workover; and
  - (iv) Part four, which shall provide comprehensive information to demonstrate that the Drilling Programme or Workover Programme, is suitable for the conditions expected to be encountered.
- (e) A description of the Blowout Prevention Equipment, including:
  - (i) Pressure ratings and proposed test pressures;
  - (ii) A schematic drawing of the Blowout Prevention Equipment that shows the inside diameter of the BOP Stack, number and type of preventers, all control systems and pods, location of choke and kill lines, and associated valves; and
  - (iii) A description of the diverter system and its operating procedures.
- (f) A written confirmation that:
  - (i) The blind-shear rams installed in the BOP Stack are capable of shearing any drill pipe in the hole under the maximum anticipated surface pressure with supporting documentation that includes test results and calculations

of shearing capacity of all pipe to be used in the well including correction for the maximum anticipated surface pressure; and

- (ii) In respect of a subsea BOP Stack, that the BOP Stack is designed for the specific equipment on the Drilling Unit and for the specific well design, that the BOP Stack has not been compromised or damaged from previous service, and that the BOP Stack will operate in the conditions in which it will be used.
- (g) An assessment of:
- (i) The feasibility of drilling a Relief Well in the event of an Blowout, which shall address among other things the availability of a suitable Drilling Unit to drill the Relief Well, the expected time that would be required to bring the Drilling Unit on site, the expected technical and operational issues associated with drilling the Relief Well and the expected time required to drill the Relief Well; and
  - (ii) Where applicable, any measures that an authorised person proposes to employ to mitigate the risk of a Blowout either in conjunction with, or as an alternative to, a Relief Well.
- (h) An account for estimated or planned Drilling Operations or Workover, including:
- (i) Planned use of drilling fluids and its justification;
  - (ii) Estimated fracture and pore pressure gradients; and
  - (iii) Planned casing string(s) and installation schematic diagram and confirmation that casing and liner string are capable of withstanding all anticipated collapse, burst pressure, tensile loading, temperature and environments likely to be encountered.
- (i) Details on the use of tubing and tubing/casing packers;
  - (j) Details on the installation and use of Artificial Lift;
  - (k) An account for planned directional drilling, with details on:
    - (i) Planned true vertical depth;

- (ii) Planned measured depth;
  - (iii) Planned azimuth; and
  - (iv) Planned inclination.
- (l) A formation and well testing program:
- (i) The formation evaluation objectives and the means proposed to achieve these;
  - (ii) Details of Sampling, coring, logging and testing programme;
  - (iii) Details of proposed well testing operations;
  - (iv) Estimated flowing and shut-in tubing pressures;
  - (v) Estimated flow rates and cumulative volumes;
  - (vi) Time duration of flow, build-up and draw-down periods;
  - (vii) Description and rating of surface and subsurface test equipment;
  - (viii) Schematic drawing showing the layout of test equipment;
  - (ix) Description of safety equipment, including fire and gas detectors and fire-fighting equipment;
  - (x) Proposed methods to handle or transport produced fluids;
  - (xi) Description of test procedures;
  - (xii) The detailed procedures to be followed for a negative pressure test of the well and the criteria to be applied to determine whether the test has been successful;
  - (xiii) Details on well completion, completion procedures and applicable standards to be followed;
  - (xiv) Details of any planned well stimulation program; and



- (xv) Details of the experience and technical competence of key personnel onboard Drilling Rigs that may have impact on the proposed Drilling Operations or the proposed Workover.
  - (m) A detailed geological plan for wireline logs, coring and Sampling of cuttings;
  - (n) A summary of the Environmental submission required under this Decree-Law.
  - (o) All other information that the authorised person deems relevant to the Drilling Operations or Workover;
  - (p) Information such as formal identification of Development Area, where known the Field identification, petroleum contract identification and Gas Retention Areas; and
  - (q) Any other information required by the Ministry.
4. An authorised person shall promptly notify the Ministry if circumstances change prior to commencement of, or during, Drilling Operations.
  5. The Ministry may require the authorised person to make modifications to the Drilling Programme and Workover Programme.

### **Article 32**

#### **Approval of Drilling Programme or Workover Programme**

1. The Ministry may stipulate conditions or requirements to its approval of the Drilling Programme or of the Workover Programme pursuant to this Article 32 or Article 170 to meet the requirements of the Applicable Law in Timor-Leste and to reflect good oil field practice.
2. The Ministry shall notify the authorised person of its decision whether to grant an approval of the Drilling Programme or the Workover Programme within reasonable time after the application for such approval has been received by the Ministry.
3. An authorised person shall clearly mark a well with its assigned name and number.
4. The Ministry may suspend or revoke an approval of the Drilling Programme or the Workover Programme when:

- (a) An authorised person has not conducted the Drilling Operations or the Workover in accordance with the approved Drilling Programme or Workover Programme; and
- (b) Conditions encountered during the Drilling Operations or Workover are different from those planned for or predicted by the authorised person at the time of application and the Ministry considers that the Drilling Programme or Workover Programme is no longer consistent with the requirement of this Decree-Law and good oil field practice.

**Article 33**  
**Ministry observers**

The Ministry may designate observers to be present at well sites and an authorised person shall:

- (a) Allow the Ministry observers to observe all Drilling Operations or Workover and shall provide reasonable access to all aspects of Drilling Operations or Workover;
- (b) Notwithstanding the presence of the Ministry observers, be responsible for compliance with the Applicable Law in Timor-Leste; and
- (c) Make at least one permanent bed space available to the Ministry observer or an inspector at any time during Drilling Operations or Workover.

**Article 34**  
**Suspension of Drilling Operations or Workover**

1. An authorised person shall ensure that Drilling Operations or Workover ceases as soon as possible where the continuation of that operation:
  - (a) Causes or may cause pollution; or
  - (b) Endangers or may endanger the safety of persons or property, the security of the well or the safety of the Drilling Installation.
2. An authorised person shall ensure that Drilling Operations or Workovers are suspended where any of the following conditions exist:
  - (a) An inability to maintain well control;

- (b) A failure of, or serious defect in, any major component of the Blowout preventer system, casing or drilling fluid system;
  - (c) An inability to maintain the properties, volume or circulation rate of the drilling fluid;
  - (d) An inability to maintain on site the quantities of critical drilling consumables;
  - (e) A fire;
  - (f) A loss of a significant portion of primary power;
  - (g) An inability to safely handle the drill pipe, casing or heavy equipment necessary for the Drilling Operations or Workover in progress;
  - (h) Diving work is being conducted near any submerged Blowout Prevention Equipment or Wellhead;
  - (i) An inability to satisfactorily maintain the position of the Drilling Unit over the well;
  - (j) An excessive motion of the Drilling Unit caused by meteorological, oceanographical and other natural conditions;
  - (k) Where a Drilling Unit is anchored, the tension on any anchor exceeds the values established when the anchor was set; or
  - (l) Where critical equipment is being maintained.
3. The Drilling Operations or Workover shall not be resumed until the condition that caused the ceasing or suspension has been rectified or ceased to exist, such that operations can be resumed safely or without risk of causing pollution.
4. Where a fatal accident occurs at a Drill Site, the authorised person shall suspend every operation associated with the fatality as soon as possible and shall not resume any operation without the approval of the Ministry.

**Article 35**  
**Verification by Third Party Consultant**  
**Prior to Undertaking Drilling Operations**  
**or a Workover**

1. As a condition to undertaking any Drilling Operations or a Workover, the Ministry may require that an authorised person submit to the Ministry a verification report prepared by an Third Party Consultant prior to the commencement of Drilling Operations or a Workover.
2. The verification report shall be based on a review of the relevant documents, including the Drilling Programme or Workover Programme, as the case may be, and a detailed physical inspection of the Drilling Installation and equipment and systems, and the performance of such tests as may be appropriate.
3. Unless otherwise agreed with the Ministry, the Third Party Consultant shall verify, that taken as a whole the equipment, systems and operational practices for well control comply with the requirements of this Decree-Law and good oil field practice.
4. In the event an authorised person elects to file, or is required to file, an amendment to a Drilling Programme or Workover Programme, or in such other circumstances as contemplated by this Decree-Law, the Ministry may require the authorised person to submit a verification report prepared by an Third Party Consultant.
5. In the event a verification report is required and pending submission of such report, the authorised person shall ensure that well control is maintained at all times and that practices followed are in keeping with existing approved plans, programs and practices.
6. The Ministry may request information to establish that the proposed Third Party Consultant has the necessary qualifications and experience to perform the assessment and to provide verification report and such information shall be provided by the authorised person promptly.
7. In the event the Ministry objects to a proposed Third Party Consultant, the authorised person shall either present additional information satisfactory to the Ministry or propose another Third Party Consultant, in which event the requirements of this Article 35 shall apply.

### **Article 36**

#### **Inspection and Testing of Equipment used in Drilling Operations or Workover**

An authorised person shall ensure that equipment used for carrying out Drilling Operations or Workover is:

- (a) Maintained in good working condition and fit for purpose prior to and at all times during the execution of the Drilling Operations or Workover; and
- (b) Subjected to inspections required by this Decree-Law and good oil field practice and that a report is prepared in respect of any such inspections.

### **Article 37**

#### **Well control and Blowout prevention**

1. An authorised person shall ensure that equipment, materials and operational practices used for well control, including those used in Drilling Operations and Workovers and any associated equipment or systems satisfy the requirements of this Decree-Law and good oil field practice.
2. An authorised person shall not remove installed Blowout Prevention Equipment until all necessary steps are taken to ensure the well is safe.
3. An authorised Person shall immediately notify the Ministry whenever:
  - (a) Blowout Prevention Equipment is removed for any reason; or
  - (b) Blowout Prevention Equipment is re-installed.
4. Other than pursuant to an approved plan for removing Blowout Prevention Equipment, a notification to the Ministry of removal of Blowout Prevention Equipment shall include the reason for the removal of the equipment and information on the steps to be taken to make the well safe.
5. Other than pursuant to an approved plan for reinstallation of Blowout Prevention Equipment, a notification to the Ministry of reinstallation of Blowout Prevention Equipment shall include information on the Blowout Prevention Equipment being reinstalled and the procedures followed and to be followed in respect thereof.
6. In the event of the removal, reinstallation or modification of any Blowout Prevention Equipment or systems, the Ministry may require an authorised person to submit an

updated Certificate from a Verifying Body that confirms the Blowout Prevention equipment is meeting requirement of this Decree-Law and good oil field practice for drilling operations or workover.

7. A secondary control system and a secondary power source capable of activating the Blowout Prevention Equipment, in case the primary control system or primary power source fails shall be established.
8. The secondary control system and secondary power source shall at least allow for activation by a Remotely Operated Underwater Vehicle (ROV) or other subsea vehicle or mechanism effective in such operating environment.

### **Article 38** **Production or Drill Stem Test**

1. A Production or Drill Stem Test on a well, not being a producing well, shall not be conducted without prior approval of the Ministry.
2. An application for approval pursuant to Article 38 (1) shall include the particulars of:
  - (a) The equipment to be used;
  - (b) The testing programme;
  - (c) The intervals in the well to be tested;
  - (d) The expected duration of the test, and
  - (e) The method of disposal of the produced fluids.

### **Article 39** **Abandonment and suspension of wells**

1. A well shall not be abandoned or suspended without prior approval of the Ministry.
2. An application for abandonment or suspension of a well shall be submitted to the Ministry at reasonable time prior to the commencement of abandonment or suspension operation.
3. In the event of emergency or adverse weather conditions requiring, in the opinion of

the person in command of the Facility or of the Ministry, cessation of Drilling Operations or Workover then cessation shall be carried out by the authorised person safely in accordance with good oil field practice.

4. The application for abandonment or suspension of a well should include the details for safe abandonment or suspension plan, including but not limited to the following:
  - (a) Casing removal plan;
  - (b) Location of abandonment plug;
  - (c) Length and quality of cement plug; and
  - (d) Fluids to be used in completed abandonment or suspended well.
5. An authorised person shall ensure that where a well or a portion of a well is abandoned, such abandonment takes place in a manner that prevents any formation fluid from flowing into another interval within that well-bore or escaping from the well-bore.
6. Where the Ministry is informed that a well or a portion of a well has not been completed, suspended or abandoned in accordance with this Decree-Law, the Ministry may order the authorised person to rectify the situation within a period stipulated by the Ministry.

#### **Article 40** **Removal of Drilling Rig**

A Drilling Rig shall not be removed from a well drilled unless the well has been completed, suspended or abandoned in accordance with this Decree -Law and good oil field practice.

#### **Article 41** **Removal of material and equipment**

An authorised person shall ensure that upon completion or abandonment of any well the surface area, including the seafloor, is cleared of any material or equipment, unless the Ministry otherwise approves.

**Article 42**  
**Daily drilling report**

1. An authorised person who undertakes any Drilling Operations or Workovers shall provide the Ministry with a daily drilling report before mid-day on the day following the end of the twenty-four (24) - hour period to which it relates.
  
2. An authorised person's daily drilling report shall contain as a minimum of the following information:
  - (a) Name of the well(s);
  
  - (b) The drilled depth and location (latitude and longitude);
  
  - (c) Summary of the work carried out;
  
  - (d) Lithology of formation penetrated;
  
  - (e) Any indication of petroleum;
  
  - (f) Result of surveys made in the wellbore;
  
  - (g) Estimated daily and cumulative well cost;
  
  - (h) Blowout prevention information, including:
    - (i) Blowout Prevention Equipment pressure tested limits and durations;
  
    - (ii) The sequential order of Blowout Prevention Equipment testing;
  
    - (iii) The control station or pod used during the test;
  
    - (iv) A description of any problems or irregularities observed during the testing and the actions taken to remedy the problems or irregularities; and
  
    - (v) Such other records related to Blowout Prevention Equipment as the Ministry may request.
  
  - (i) Daily mud usage and type;



- (j) Health and safety information:
    - (i) Any failures and/or progress of rectifying safety critical equipment;
    - (ii) Health, safety and environment incident;
    - (iii) Safety drills;
    - (iv) Safety meeting;
    - (v) Safety inspection and audits.
  - (k) Information on ambient conditions such as wave and swell direction, height and period, and information about the Drilling Unit such as pitch, roll, heave and anchor line tension where applicable;
  - (l) Summary of any work performed on a well by a work barge, support vessel or other similar equipment; and
  - (m) Any other information required by the Ministry.
3. The daily drilling report and any referenced documents shall be retained by the authorised persons for the duration of the Drilling Operations or Workover and for a period of no less than ten (10) years after the Drilling Operations or Workover are completed.

### **Article 43**

#### **Well Completion report**

An authorised person shall give to the Ministry within one hundred eighty (180) days of removal of the Drilling Rig from the well submit a well completion report which shall include:

- (a) All relevant well data;
- (b) Operating time;
- (c) Breakdown of non-productive times;
- (d) Non-scheduled events;

- (e) A plan of the Well Completion operations;
- (f) Where applicable, the name of the drilling contractor;
- (g) Spud and Drilling Rig release date;
- (h) Depth drilled;
- (i) Full well-bore survey and plot (total vertical depth and plan view);
- (j) Lithologies and formation information;
- (k) A composite log;
- (l) Core and sidewall sample descriptions;
- (m) Petrographic descriptions;
- (n) Paleontological information;
- (o) Log interpretations;
- (p) Details of holes, casings and cementing;
- (q) Results of interference and pressure testing;
- (r) Information on Well Completion or abandonment;
- (s) A velocity survey;
- (t) Flow test results;
- (u) Summary of health, safety and environment performance; and
- (v) Any other information required by the Ministry.

**Article 44**  
**Reference depths**

1. An authorised person shall measure any depth in a well during the drilling or on the

termination of the Well from a single reference point.

2. The reference point referred to in this Article shall be the rotary table of the Drilling Rig.
3. The authorised person shall measure and record immediately prior to Spud:
  - (a) The distance from the rotary table to the ground surface or seabed ; and
  - (b) The water depth at mean sea level or Lowest Astronomical Tide (LAT).

**CHAPTER VI**  
**DEVELOPMENT AND PRODUCTION**

**Article 45**  
**Prudent Production**

1. Production of petroleum shall take place:
  - (a) In such a manner that as much as possible of the petroleum in place in each individual petroleum deposit, or in several deposits in combination, will be produced; using best available technologies and in accordance with sound economic principles;
  - (b) In accordance with good oil field practice; and
  - (c) In such a manner that waste of petroleum or reservoir energy is avoided.
2. An authorised person 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 Ministry of any changes, in accordance with good oil field practice.
3. Flaring or venting of petroleum is not allowed except for in an emergency or as approved by the Ministry in accordance with Article 45 (5).
4. An authorised person shall consider all reasonable commercial or operational alternatives to the flaring or venting of petroleum, including but not limited to use as fuel, use as a mean for improving petroleum recovery, injection for disposal, storage, or making the excess petroleum available to the Government for domestic use under agreeable economical terms and conditions.
5. If no such alternative solutions are feasible, the Ministry may approve flaring or venting of petroleum of commercially marginal Fields upon application submitted in accordance with Applicable Law in Timor-Leste.

**Article 46**  
**Development Plan**

1. An authorised person shall prepare and submit a proposal for a Development Plan to the Ministry for approval, within twelve (12) months after the declaration of a Development Area.

2. The proposal for a Development Plan shall describe the strategy and concept of the proposed Production Operations.
3. The proposal for a Development Plan shall at least contain:
  - (a) A summary of the proposed Development Plan;
  - (b) The information prepared and submitted in the process leading up to the declaration of the Development Area, including but not limited to:
    - (i) A map of the Development Area with the boundaries of the area fully defined in terms of latitude, longitude and (where applicable) coastline;
    - (ii) The Exploration and Appraisal history of the Development Area;
    - (iii) The geological model of the Development Area, including depth and isopach maps for each reservoir compartment showing the subsurface position of Development Wells and diagrams to illustrate the geological model;
    - (iv) Information on planned or possible coordination with petroleum operations in other areas;
    - (v) Information on Management Systems, including information on the planning, organizing and implementation of the Production Operations,
  - (c) A description of the organisation and expertise which the authorised person will have available in Timor-Leste and elsewhere for activities in connection with the proposed Production Operations;
  - (d) Information on the proposed Production Operations including:
    - (i) The proposed schedule for carrying out such Production Operations;
    - (ii) The types of petroleum to be produced;
    - (iii) The Petroleum reserves attributable to the Development Area;
    - (iv) Any proposed Commingled Production including information on how the authorised person intends to Assign production from each reservoir interval;

- (v) Any planned geological, petrophysical and reservoir studies and analyses; and
  - (vi) Information on fiscal metering demonstrating compliance with Chapter XIII.
- (e) A geological structure and analysis and interpretation;
  - (f) Details of formation parameters;
  - (g) Details of reservoir fluid parameters;
  - (h) Details of any pre-feasibility, feasibility or engineering assessments in respect of the Production Operations, including assessments prepared in respect of Production Facilities;
  - (i) The drilling plan and information on placement of wells together with a description of the operation and maintenance programmes for the wells to be used in the proposed Production Operations;
  - (j) The planned location of Production Facilities, together with a description of the operation and maintenance programs for the Production Facilities;
  - (k) The proposed Work Programme and Budget for the initial three (3) years of Production Operations, including a description of:
    - (i) Production Operations planned to take place in the first year covered by the Work Programme in detail, including monthly production forecasts of the Field;
    - (ii) Production Operations planned to take place in the following two (2) Calendar Years on an indicative basis, including quarterly and annual production forecasts of the Field;
    - (iii) In respect of the first Calendar Year covered by the Work Programme, a detailed budget which includes an estimate of costs for each category of Production Operations planned to take place, and, where applicable, identification of any costs that are eligible or ineligible for cost recovery under the petroleum contract.

- (l) The Reservoir management plan for the Development Area or part thereof, including;
  - (i) The monitoring, surveillance and data management programme that will be established to monitor reservoir performance and to determine operational changes needed to optimise the Production Operations and/or improve the economics of the Production Operations; and
  - (ii) The techniques and system to be used for data acquisition and analysis, the frequency of data acquisition plan and other matters relating to the same.
- (m) Description of petroleum disposal methods to ensure the requirement of zero flaring has been considered and assessed or otherwise as applicable and as permitted or approved under Article 45;
- (n) Description on natural gas to be injected into reservoir if applicable;
- (o) Information on utilisation of Facilities for processing, transportation and storage to be approved pursuant to this Decree-Law;
- (p) Information on the application for authorisation to construct or install a Fixed Platform referred to Article 57 including information on placement, the reason for the selection of that location, the expected date of commissioning and copies of reports and recommendations made by persons responsible for ascertaining the criteria determining the design;
- (q) An estimate of the economic life of the Development Area covered by the Development Plan, together with the major assumptions used in making such estimate;
- (r) Information on economic aspects of the proposed Production Operations, including relevant data and analysis on expected capital and operating expenditures and commercialisation plans and options, in a form acceptable to the Ministry;
- (s) Details on any financing obtained or proposed to be obtained in respect of the Production Operations;
- (t) Information on lifting, marketing and sale of petroleum;

- (u) Information on how Facilities may be Decommissioned upon cessation of use of a Facility or cessation of petroleum operations and how Decommissioning shall be secured and funded;
  - (v) Information on the Health and Safety Plan as referred in Article 119 and the Safety case as referred in Article 120 for the Development;
  - (w) Summary of Environmental Impact Statement.
4. An authorised person shall together with the proposed Development Plan submit the following information:
- (a) The name and address of the authorised person;
  - (b) The name of the representative of the authorised person in relation to the Ministry and other Government authorities;
  - (c) Details of any temporary or permanent Facility which may be constructed or used in connection with the proposed Development Plan, and which is not included in the Development Plan;
  - (d) Information on expected entries into the offshore territory of Timor-Leste of personnel, vessels or aircrafts to be used in Development and Production Period in accordance with Article 169;
  - (e) Details of security measures to be undertaken;
  - (f) A Local Content Proposal including description on the implementation strategies in compliance with the Local Content requirements established in the Applicable Law in Timor-Leste throughout the Development and Production Period;
  - (g) Information on and, if applicable copies of, all licenses, permits, approvals or authorisations that have been applied for or shall be applied for pursuant to the Applicable Law in Timor-Leste;
  - (h) Decommissioning plan including plans for Decommissioning methods and cost estimates;
  - (i) All other information that the authorised person deems as relevant to the Development Plan; and



- (j) Any other information required by the Ministry.
- 5. Where the authorised person proposes to use Facilities located outside the territory of Timor-Leste, the authorised person shall provide detailed information thereof in the Development Plan.
- 6. If the Production Operations are planned in two or more phases, the Development Plan shall to the extent possible comprise the total Production Operations.
- 7. The Ministry may limit its approval of the Development Plan to individual reservoirs or phases.
- 8. Where cost information is provided in the Development Plan, the authorised person shall describe and categorise costs in the same way as provided for in the petroleum contract under which it operates, and include cross-references to such agreement and the accounting procedures or other applicable provisions to facilitate review and understanding of the submission.
- 9. Unless otherwise permitted by the Ministry, the authorised person shall not enter into any contracts relating to the proposed Development Plan or commence construction works until the proposed Development Plan has been approved by the Ministry.

**Article 47**  
**Approval of the Development Plan**

- 1. The Ministry shall evaluate the proposed Development Plan for approval.
- 2. The Ministry may stipulate conditions to its approval to meet the requirements of Applicable Law in Timor-Leste and to reflect good oil field practice.
- 3. The Ministry shall provide the authorised person with its decision in writing within reasonable time of receipt of all required data and information.
- 4. Where a Development Plan is not approved, the Ministry shall state the grounds for its decision.
- 5. The authorised person may modify and re-submit the Development Plan within a timeframe stipulated by the Ministry.

6. The authorised person shall promptly notify the Ministry if conditions encountered during the Production Operations are different from those anticipated at the time of the preparation of the Development Plan.
7. The Ministry may require the authorised person to make revisions in the Development Plan.

**Article 48**  
**Annual Work Programme and Budget**

1. The authorised person shall submit the annual Work Programme and Budget within ninety (90) days from approval of the Development Plan and thereafter no later than 1 November of each subsequent Calendar Year.
2. The annual Work Programme and Budget shall include a forecast of major activities for the next three (3) Calendar Years of Production Operations.
3. The annual Work Programme shall be substantially in accordance with the Development Plan for the Development Area and contain description of activities as follows:
  - (a) Details of the Production Operations which includes reservoir surveillance, maintenance and monitoring activities and any Drilling Operations and Workover planned to take place in the first Calendar Year covered by such Work Programme and providing monthly production forecasts for reservoir and Field;
  - (b) Details of the Production Operations which includes reservoir surveillance, maintenance and monitoring activities and any Drilling Operations and Workover planned to take place in the following two Calendar Years on an indicative basis and providing quarterly and annual production forecasts for reservoir and Field;
  - (c) In respect of the first Calendar Year covered by such Work Programme, a detailed budget which includes an estimate of costs for Production Operations planned to take place, and where applicable:
    - (i) A description of any material differences from the Work Programme submitted as part of the approved Development Plan, or previously in accordance with this Article 48, with an explanation for any such differences;

- (ii) A copy of each Authorisation for Expenditure prepared and approved by the contractor, which shall provide a full breakdown of capital and operating expenditures related to the Work Programme.
  - (d) All other information that the authorised person deems relevant to the Work Programme and Budget; and
  - (e) Any other information that is required by the Ministry.
4. The annual Work Programme and Budget shall include, if applicable, information on all licenses, permits, approvals or authorisations that have been applied for or granted by the relevant authorities or that shall apply pursuant to Applicable Law in Timor-Leste.

#### **Article 49**

##### **Well testing and other measures to obtain information**

1. Before a well is put into production, the authorised person shall carry out Production Tests on the well and shall:
  - (a) Obtain data on the deliverability or productivity of the well;
  - (b) Determine the characteristics of the reservoir; and
  - (c) Obtain representative sample of the fluids present in the reservoir.
2. Within the first ninety (90) days of production of a well, the authorised person shall carry out subsurface pressure tests for all wells fitted with downhole gauges.
3. For each producing well, the authorised person shall carry out monthly Production Test or otherwise approved by the Ministry, and shall:
  - (a) Record all crude oil, natural gas and water volumes resulting from the test;
  - (b) Obtain data on the deliverability or productivity of the well;
  - (c) Determine the characteristics of the reservoir; and
  - (d) Obtain representative samples of the fluids present in the well.

4. The Ministry may require that special measures shall be taken by the authorised person to obtain information, including conducting or running tests, analyses, surveys or logs, if the Ministry considers that this is necessary to implement the objectives of this Decree-Law and to reflect good oil field practice.

#### **Article 50** **Sampling**

The authorised person shall retain for possible inspection by the Ministry all analyses relating to samples of reservoir fluid taken by the authorised person in connection with petroleum operations.

#### **Article 51** **Production monitoring**

1. The authorised person shall continually monitor the reservoir performance and production in the Development Area during Production Operations in order to ensure the maximum possible recovery of petroleum.
2. The monitoring referred in Article 51 (1) shall include:
  - (a) Pressure, temperature and flow conditions;
  - (b) Produced or injected volumes per well, compartment and reservoir; and
  - (c) The composition of components of petroleum.

#### **Article 52** **Daily production reports**

1. The authorised person shall on a daily basis submit to the Ministry information on the most important production parameters for the Petroleum production in the previous twenty four (24) hours, by the methods and in the format decided by the Ministry.
2. The daily production reports referred in Article 52 (1) shall include but are not limited to:
  - (a) The total produced quantity per well or well path and reservoir;
  - (b) Estimate of allocated and value adjusted marketable Petroleum based on:

- (i) The quantity and quality characteristics of petroleum produced;
  - (ii) The quantity of petroleum injected; and
  - (iii) The quantity of petroleum flared or vented with a specification on whether such flaring or venting was carried out in accordance with Article 45 (3).
- (c) In respect of the contract area as a whole, the quantities of petroleum transferred at the Field Export Point;
  - (d) Sales of petroleum differentiated between crude oil and other types of petroleum including information on buyers, owners and cargo;
  - (e) Summary of important events and activities which could impact on production operations and Facilities; and
  - (f) Summary of any health, safety and environment incidents.

**Article 53**  
**Monthly production reports**

The authorised person shall submit to the Ministry, within fifteen (15) days after the end of each Calendar Month following the start of Production Operations, in the format decided by the Ministry, a production report which sets out information on Production Operations for that Calendar Month, including but not limited to:

- (a) An aggregate of the information provided in the daily production reports
- (b) Summary of maintenance activities and forward plan for the following Calendar Months;
- (c) The quantities of petroleum produced and sold;
- (d) The size of petroleum stocks held at the beginning of the Calendar Month in question;
- (e) The size of petroleum stocks held at the end of the Calendar
- (f) Month in question;

- (g) Production forecasts for the coming Calendar Month for each well:
  - (i) The number of days or part-days on which the well was on stream during the Calendar Month;
  - (ii) The number of days or part-days on which production, or injection, occurred for each well;
  - (iii) The quantity of petroleum produced during the Calendar Month, including daily rates; and
  - (iv) The calculated natural gas or injection rates, including daily rates.
- (h) For each well producing by Artificial Lift, information on the pumps used and depths set and operational performance;
- (i) For each reservoir:
  - (i) Information on the quality characteristics of petroleum produced where available, including sulphur content and Total Acid Number (TAN); and
  - (ii) The quantity of Produced Water during the Calendar Month including daily rates and the water quality of such Produced Water.
- (j) For each Field:
  - (i) The quantities of petroleum used in operations for fuel or otherwise;
  - (ii) Details of any injection, flaring or venting of petroleum and any petroleum lost for any reason; and
  - (iii) The details of any imbalance between numbers reported between the report being submitted and any previous report, and between totals presented and the sum of individual parts making up that total, whether resulting from error, allocation methodologies, or otherwise.
- (k) The results of the tests performed in accordance with Article 49;
- (l) Health, safety and environment projects and reportable summary incidents taking place during the Calendar Month; and

- (m) Any other information required by the Ministry.

#### **Article 54**

##### **Quarterly reservoir performance report and six monthly reservoir management plan**

1. The authorised person shall within thirty (30) days after the end of each Calendar Quarter submit to the Ministry a written report which shall provide:
  - (a) A brief description of Production Operations in the preceding Calendar Quarter;
  - (b) A brief analysis of reservoir performance highlighting any technical or operational issues that were not anticipated by the authorised person and that have had, or may have, a significant impact on Production Operations;
  - (c) A brief review of Production Tests and other tests conducted during the preceding Calendar Quarter;
  - (d) A description of new studies or assessments that are proposed by the authorised person to evaluate the reservoir(s);
  - (e) All other information related with the reservoir performance assessment; and
  - (f) Any other information required by the Ministry.
  
2. The Authorised Person shall provide an update of the reservoir management plan described in Article 46 (3) (1) thirty (30) days after end of second quarter of Calendar Year.

#### **Article 55**

##### **Annual production report**

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

- (a) A summary of Production Operations undertaken in the Development Area in the relevant Calendar Year, including but not limited to:
  - (i) Any significant revised views on geology and geophysics, including seismic and geological interpretations or modelling, structures and stratigraphy;

- (ii) Petrophysical interpretations;
  - (iii) Reservoir fluid parameters; and
  - (iv) Reservoir performance, reservoir model, production and injection profiles.
- 
- (b) Cumulative Petroleum and water production by well, reservoir and the Development Area, including average daily production rates and API gravity and sulphur content and Total Acid Number (TAN) for any such petroleum production;
  - (c) Cumulative petroleum and water injection by well, reservoir and the Development Area;
  - (d) Water cut, gas to oil ratio and condensate to gas ratio for each petroleum well, reservoir and the Development Area;
  - (e) Flowing tubing head and flowing downhole pressures for each well, when measured;
  - (f) Petroleum used as fuel, petroleum flared and vented and water discharged;
  - (g) The details of any imbalance between numbers reported between the report being submitted and any prior report, and between totals presented and the sum of individual parts making up that total, whether resulting from error, allocation methodologies, or otherwise;
  - (h) Static tube head and static downhole pressures for each well, if measured;
  - (i) Completion and perforation intervals and details of changes made to those intervals during the relevant Calendar Year;
  - (j) Any suspensions or downtime for each well and the reasons for the suspensions or downtime;
  - (k) The results of the annual Production Tests and the annual pressure survey tests that were conducted during the reporting period;
  - (l) A status report on new Production Facilities commissioned, under design or construction, along with details of significant works on existing Production Facilities undertaken during the prior Calendar Year;



- (m) Annual Production forecast for following Calendar Year;
- (n) List of main maintenance activities conducted during the relevant Calendar Year and maintenance plan for subsequent Calendar Year which include major shut downs and rate reduction scopes;
- (o) An update of information on expected entries into the territory of Timor-Leste offshore;
- (p) A summary report identifying all contracts entered into or active with Timor-Leste Suppliers or for Timor-Leste Goods during the relevant Calendar Year and amounts expended in respect thereof and reporting on the status of compliance with requirements for the use and/or procurement of Timor-Leste Suppliers and Timor-Leste Goods under Applicable Law in Timor-Leste;
- (q) A summary report on all people employed or contracted by authorised Person to work in petroleum operations, identifying the persons that are nationals of Timor-Leste and reporting on the status of compliance with requirements for the employment or contracting of nationals or permanent residents of Timor-Leste under Applicable Law in Timor-Leste;
- (r) A summary report on the training and instruction provided to persons employed or contracted by authorised person to work in petroleum operations, identifying persons who received training or instruction, the status of training and instruction and reporting on the status of compliance with requirements for training under Applicable Law in Timor-Leste;
- (s) A summary of the annual health and safety performance;
- (t) A summary of the annual environmental performance;
- (u) The capital and operating costs incurred in the previous Calendar Year, which costs shall be categorized in the same way as provided for in the petroleum contract, with cross- references to the petroleum contract and the accounting procedures or other applicable provisions to facilitate review and understanding of the submission;
- (v) All other information that the authorised person deems relevant to for the annual report; and
- (w) Any other information required by the Ministry.

**Article 56**  
**Oil and gas reserves and resources**

1. An authorised person shall submit a report with the estimates of proved, probable and possible reserves for each reservoir or portion thereof and resources volume for each of prospects, leads and discovery areas together with the annual report required by Article 21 and Article 55.
2. The report shall contain:
  - (a) A description of the methods used in determining such reserves, which shall be consistent with resource and reserve reporting guidelines issued by the Ministry. In the event that the guidelines are not available, authorised person shall use methods to determine reserve estimates that are consistent with standards pertaining to the estimating and auditing of oil and gas reserves information issued by the Society of Petroleum Engineers Oil and Gas Reserves Committee, as the same may be amended from time to time or standards from other internationally accepted organisations for oil and gas reserves estimation;
  - (b) Information on the supporting data used in such analysis including Geological Maps, Pressure, Volume, Temperature (PVT) properties and source, pressure data and source; and
  - (c) Other information as required by the Ministry.
3. The Ministry may require the reserves and resources report to be reviewed and verified by a Third Party Consultant if there are significant changes specifically in the reserve estimate reported by authorised person compared with earlier reports.

**CHAPTER VII  
FACILITIES**

**SECTION I  
GENERAL REQUIREMENTS**

**Article 57**

**General requirements for design, construction, installation and maintenance of  
Facilities**

1. Any Facility constructed, installed or used in the Territory of Timor-Leste shall be designed, fabricated, supplied, installed and maintained to:
  - (a) Be fit for the purpose for which it shall be or is used;
  - (b) Ensure the structural integrity of the Facility and the safe conduct of petroleum operations;
  - (c) Take into account the specific operational and environmental conditions expected to be encountered during the petroleum operations; and
  - (d) Be in accordance with the approved Development Plan or any Facilities Plan, as applicable.
2. All plans for Facility design, analysis, fabrication, installation, use, maintenance, inspection and assessment shall be in accordance with good oil field practice.
3. All Facilities shall be certified and or verified by a Verifying Body.

**Article 58**

**Authorisation prior to performing certain activities**

1. An authorised person is required to obtain the written authorisation of the Ministry prior to:
  - (a) Commencing the use of a Facility;
  - (b) Commencing construction or installation of a Fixed Platform or a Pipeline; and

- (c) Undertaking major reconstructions or modifications of a Facility.
- 2. An application for authorisation pursuant to Article 58 (1) shall contain:
  - (a) A description of the activity for which the authorised person applies for authorisation; and
  - (b) Certificate of Verification basis of design, Construction and Installation of Facilities.
- 3. An application for authorisation pursuant to Article 58 (1) shall also contain approved Health and Safety Plan or accepted Safety Case, as applicable, covering the activity for which the authorised person applies for authorisation.
- 4. An application for authorisation pursuant to Article 58 (1) shall also contain a copy of Environmental License as applicable, covering the activity for which the authorised person applies for authorisation.
- 5. The Ministry may request progress report of construction and installation to be submitted to the Ministry on certain interval.
- 6. The report referred in Article 58 (5) shall contain all relevant information including progress report of Verifying Body, deviations from approved specification for design, construction or installation, and propose alternative course of actions.

**Article 59**  
**Testing, inspection and surveys**

- 1. An authorised person shall perform all tests required in order to ensure that all Facilities are in compliance with the requirements of Applicable Law in Timor-Leste and good oil field practice.
- 2. All tests results shall be made available to the Ministry upon request.
- 3. An authorised person shall carry out surveys and inspections of Facilities to ascertain that the Facilities are in accordance with the requirements of Applicable Law in Timor-Leste and good oil field practice.
- 4. The surveys and inspections referred in Article 59 (3) shall be carried out at least once per Calendar Year for Mobile Platforms, and for other Facilities as necessary or as the

Ministry may request. Records of or relating to inspections or surveys shall be submitted to the Ministry on request.

5. The Ministry may require the authorised person to prepare and submit a report in respect of the survey or inspection.

### **Article 60**

#### **Lifting and Hoisting Equipment**

1. An authorised person shall ensure that all Lifting and Hoisting equipment used in petroleum operations is appropriate for the conditions under which it will be used.
2. Lifting and Hoisting equipment shall be inspected regularly by an authorised person to ascertain that such equipment is in accordance with the requirements of Applicable Standards, manufacturer requirements and good oil field practice.
3. Except in an emergency, any Significant Repairs to Lifting and Hoisting equipment shall not be conducted without prior authorisation from the Ministry.
4. An authorised person shall ensure that all Lifting and Hoisting operations are managed and conducted in a safe and prudent manner.

### **Article 61**

#### **Electrical equipment**

1. An authorised person shall ensure that electrical equipment, electric motors, lighting fixtures and wiring on a Facility are designed, with appropriate safety system, installed and maintained to operate safely under the maximum anticipated load conditions.
2. The electrical equipment and wiring on any Facility shall be inspected regularly by an authorised person in order to ascertain that such equipment and wiring is in accordance with Applicable Standards, manufacturer requirements and good oil field practice.

### **Article 62**

#### **Radio and Support Craft procedures**

1. All passengers of any Support Craft shall be informed of the safety rules and procedures applicable to that Support Craft upon boarding.

2. All movements of any Support Craft operating between a Mobile Platform or a Fixed Platform and the shore shall be monitored by the person operating the radio station on such platform.
3. Every person in charge of a standby vessel shall:
  - (a) Maintain open communication channels with the Mobile Platform or Fixed Platform;
  - (b) Maintain the standby vessel within safe distance from the Mobile Platform or Fixed Platform as is approved in authorised person's marine policy and procedure; and
  - (c) Stand ready with the standby vessel to conduct rescue operations at any time:
    - (i) That the safety of personnel, the safety of the Mobile Platform or Fixed Platform or the safety of a well is endangered or is likely to be endangered;
    - (j) When there is particular danger of a person falling over board;
    - (k) When a helicopter is landing on or taking off from the Mobile Platform of Fixed Platform; or
    - (l) When diving work from the Mobile Platform or Fixed Platform is in progress.

**Article 63**  
**Life saving appliances**

1. Marine Facilities shall be equipped with adequate life-saving appliances.
2. Life-saving appliances shall be maintained, tested and inspected in regular interval to ensure its compliance with the requirements of Applicable Law in Timor-Leste and good oil field practice.
3. Mobile Drilling Units, Mobile Platforms, and Fixed Platforms shall carry survival craft with an aggregate capacity sufficient to accommodate twice the normal complement.
4. Normal complement in this Article means the maximum capacity of the Facilities referred above.

**SECTION II**  
**PRODUCTION FACILITIES**

**Article 64**  
**Notification of commissioning**

1. The authorised person shall notify the Ministry of the plan for commissioning a Production Facility, including the schedule for commissioning.
2. The Ministry shall be notified immediately upon the completion of the commissioning of a Production Facility.

**Article 65**  
**Production safety equipment**

1. Production safety equipment shall be maintained, tested and inspected with regular intervals.
2. Production safety system shall be certified by a Verifying Body.

**SECTION III**  
**MOBILE PLATFORMS**

**Article 66**  
**Use of Mobile Platforms**

1. A Mobile Platform to be used in the petroleum operations in the territory of Timor-Leste offshore shall be classified by a Classifying Authority, and shall be used and maintained in accordance with the requirements in the Applicable Law in Timor-Leste and the applicable classification rules.
2. Any written authorisations granted from time to time by the Classifying Authority under its rules which relate to the use and maintenance of the Mobile Platform shall be submitted to the Ministry when required by the Ministry.

**Article 67**  
**Moving, raising and lowering of a Mobile Platform**

1. An authorised person shall not, except in the case of an emergency, move a Mobile Platform into, out of or within the contract area without prior approval of the Ministry.

2. An application for approval to move a Mobile Platform shall be made in writing and shall:
  - (a) Provide particulars of the dates and times at which the move is proposed to be carried out, and the locations concerned;
  - (b) Provide details concerning the use of Platform, including where applicable information concerning the plans, approvals or authorisations provided in accordance with this Decree-Law;
  - (c) Describe any buoy or underwater obstruction proposed to be left at a location in the contract area from which the Mobile Platform is to be moved and provide appropriate justification; and
  - (d) Provide safety layout maps for the Mobile Platform.
3. Any movement of a Mobile Platform shall be reported to the Ministry as soon as practicable after it has taken place.
4. The Ministry may require additional information in respect of any move and such requested information shall be provided to the Ministry promptly.
5. A Mobile Platform shall only be raised or lowered if this is in accordance with good oil field practice.

### **Article 68**

#### **Anchors**

1. Where anchors are used for holding a Mobile Platform in position, the authorised person shall ensure that the anchoring and positioning systems keep the Mobile Platform in its position.
2. The authorised person shall ensure that prior to the commencement of petroleum operations, each anchor and anchor line passes a test where tension equal to or more of the tension specified in letter (a) and (b) below is applied:
  - (a) The maximum anticipated tension expected during the time the Mobile Platform is on the site; and
  - (b) The capacity of the winch.



**Article 69**  
**Stability**

The authorised person shall ensure that:

- (a) The mat, legs, footings, hull or piles of Mobile Platforms and the surrounding seafloor are inspected regularly to confirm that no areas of weakness are developing; and
- (b) Where build-up of seafloor sediments or any other condition that threatens the stability of the Mobile Platform occurs, such measures as are necessary to protect the safety of the Mobile Platform and of the personnel on board are taken.

**SECTION IV**  
**FIXED PLATFORMS**

**Article 70**  
**General requirement**

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

- (a) Name, type, particulars and a picture diagram of the Fixed Platform; and
- (b) A list of all integrity certificates for the Fixed Platform and the equipment thereon; and all such certificates required under this Decree-Law, the authorised person's Safety Manuals, the prevailing safety codes and Maritime Regulations.

**Article 71**  
**Structures, Installations and prefabricated parts**

1. The structure of and installations on a Fixed Platform other than the drilling and production equipment, personnel emergency facilities and accommodation shall not be altered or reconstructed without a certification body's prior approval and, where applicable, verification.
2. In respect of parts sections and entire of the Fixed Platform fabricated and prefabricated outside of Timor-Leste for installation inside the territory of Timor-Leste offshore, shall be approved by the Ministry before being installed.

**SECTION V**  
**STORAGE, TERMINAL AND PROCESSING FACILITIES**

**Article 72**

**Storage Facility Plan, Terminal Facility Plan and Processing Facility Plan**

1. An authorised person shall prepare and submit a proposal for a Storage Facility Plan, a Terminal Facility Plan or a Processing Facility Plan for the Ministry's approval.
2. The Storage Facility Plan, the Terminal Facility Plan or the Processing Facility Plan referred in Article 72 (1) shall describe the relevant project in detail and provide the basis for evaluation of the relevant Facility.
3. The Storage Facility Plan, the Terminal Facility Plan or the Processing Facility Plan shall at least contain:
  - (a) Summary of the proposed plan;
  - (b) The name and address of the authorised person;
  - (c) The name of the representative of the authorised person in relation to the Ministry and other Government authorities;
  - (d) Details of the experience and technical competence and capacity of the authorised person that may be relevant to the proposed design, construction and operation of a Storage Facility or Terminal Facility or Processing Facility, including the authorised person's financial capacity to undertake such work and relevant insurance policies;
  - (e) A description of the organisation and expertise which the authorised person will have available in Timor-Leste and elsewhere for activities in connection with the activities under the plan for the proposed Facility;
  - (f) A breakdown of an appurtenant budget and a Work Programme;
  - (g) The design, construction, and operating features of the proposed Facility, including description of:
    - (i) Location for the proposed Facility, with an accompanying map with the boundary of the area fully defined in terms of latitude, longitude and, where applicable, coastline;

- (ii) Maintenance work plan and maintenance schedule for the proposed Facility;
  - (iii) Schedule for constructing the proposed Facility and the expected date of commissioning of the proposed Facility;
  - (iv) A Certificate of Verification of Design of the proposed Facility, unless such verification has been waived by the Ministry; and
  - (v) Details of any storage of hazardous chemicals.
- (h) Details of any temporary or permanent Facility which may be constructed or used in connection with the proposed plan;
  - (i) Information on expected entries into the contract area of personnel, vessels or aircraft to be used;
  - (j) Details of security measures to be undertaken;
  - (k) A description how the authorised person plans to fulfil the obligations set out in the Local Content Proposal and to comply with the Local Content requirements established in Applicable Law in Timor-Leste throughout the implementation of activities under the proposed plan for the proposed Facility;
  - (l) An annual Local Content plan, where required by Article 153;
  - (m) Summary of Environmental Impact Statement, Environmental Management Plan and Environmental Decommissioning Plan if applicable;
  - (n) For Storage Facility or Terminal Facility, the proposed plan shall also include information as stated in Article 72 (4);
  - (o) For a Processing Facility, the proposed plan shall also include information pursuant to Article 72 (5); and
  - (p) Any other information required by the Ministry.
4. An authorised person shall include in the proposed plan for Storage Facility or Terminal Facility at least the following information on the proposed design, construction, and operating features of the proposed Facility:

- (a) The tank type and design;
  - (b) The capacities and types of substances to be handled, including material safety data sheets;
  - (c) The design, type, and operations of all meters to be used for the metering of fluids handled by the proposed Facility, which shall allow for the metering of each type of fluid; and
  - (d) Safety features, including leak detection system, spill prevention, overfill prevention and loss control system and weather protection, and tests that are to be performed on the proposed Storage Facility or Terminal Facility, that shall include integrity, corrosion and leak detection tests.
5. An authorised person shall include in the proposed plan for a Processing Facility at least the following information on the proposed design, construction, and operating features of the proposed Facility:
  - (a) Their configuration, including process flow diagrams, unit capacities, unit design, types of fluids to be handled; and
  - (b) The proposed location of meters to be used for the metering of crude oil, condensate, natural gas, and other fluids produced.
6. The authorised person shall include in a Storage Facility Plan, a Terminal Facility Plan or a Processing Facility Plan a justification of compliance of the proposed plan with Applicable Law in Timor-Leste.
7. Where the authorised person proposes to use or coordinate the petroleum operations under the proposed plan for Storage Facility, Terminal Facility or Processing Facility with Facilities located outside the territory of Timor-Leste, the authorised person shall provide detailed information thereof in the proposed plan for Storage Facility, Terminal Facility or Processing Facility.
8. The Ministry shall have the right to access any information and data of Facilities and activities which have a potential impact to the Facilities within contract area and such access shall be facilitated by the authorised person.
9. Where planned activities for a Storage Facility, Terminal Facility or Processing Facility under an authorisation are likely to affect any lawful economic or social interest or activity the authorised person shall in accordance with the Petroleum Activities Law in particular Article 17 seek to:

- (a) Obtain the appropriate authorisations required from relevant authorities; or
- (b) Obtain permission in writing from relevant Persons and pay such fair and reasonable compensation to such persons as determined by the Ministry in accordance with Article 17 of the Petroleum Activities Law.

**Article 73**  
**Approval of plans**

1. The Ministry shall evaluate the proposed Storage Facility Plan, Terminal Facility Plan or Processing Facility Plan.
2. The Ministry may stipulate conditions to its approval of a Storage Facility Plan, a Terminal Facility Plan or a Processing Facility Plan to meet the requirements of this Decree-Law and to reflect good oil field practice.
3. The Ministry shall provide the authorised person with its decision in writing within reasonable time of receipt of all required information and other materials.
4. Where the Storage Facility, Terminal Facility Plan or Processing Facility Plan is not approved, the Ministry shall state the grounds for its decision.
5. The authorised person may modify and re-submit the Storage Facility Plan, Terminal Facility Plan or Processing Facility Plan within a timeframe stipulated by the Ministry.
6. Unless otherwise permitted by the Ministry, the authorised person shall not enter into contracts relating to the proposed plan or commence construction works until the proposed plan has been approved by the Ministry.
7. The authorised person shall promptly notify the Ministry if conditions encountered during implementation of the plan for Processing Facilities or Terminal Facilities or Processing Facility are different from those anticipated at the time of the preparation of the relevant plan for Processing Facilities or Terminal Facilities or Processing Facility.
8. The Ministry may require the authorised person to make modifications in the plan for Processing Facilities or Terminal Facilities or Processing Facility for approval.

**Article 74**  
**Records and reporting**

1. An authorised person shall maintain an accurate balance of all flows in and out of the Storage Facility or Terminal Facility which shall include:
  - (a) An opening daily inventory balance of all Petroleum including crude oil, condensate, natural gas, Petroleum Products and of water, chemicals, waste or other products used or stored;
  - (b) A daily balance of all Petroleum including crude oil, condensate, natural gas, Petroleum Products and of water, chemicals, waste or other products transferred in, including information on where they are transferred to and from;
  - (c) A closing daily inventory balance of all Petroleum including crude oil, condensate, natural gas, Petroleum Products and of water, chemicals, waste or other products used, transferred or stored;
  - (d) The type, volume, source of received Petroleum including crude oil, condensate, natural gas, Petroleum Products and of water, chemicals, waste or other products used or stored;
  - (e) All other information that in accordance with good oil field practice may be significant for the petroleum operations for the Terminal Facility or Storage Facility; and
  - (f) Any other information as required by the Ministry.
  
2. An authorised person of a Processing Facility shall keep the following records of the Processing Facility:
  - (a) Type, origin, source and amount of raw materials introduced to the Processing Facility;
  - (b) Total production of Petroleum Products, petrochemicals and other products including by-products such as sulphur;
  - (c) Emissions to the environment including atmosphere, land and water;
  - (d) Type, origin, source and amount of chemicals and catalysts;

- (e) Water usage;
  - (f) Power consumption;
  - (g) Daily inventory of the storage tanks as specified in this Article 74;
  - (h) All other information that in accordance with good oil field practice may be significant for the petroleum operations for the Processing Facility; and
  - (i) Any other information as required by the Ministry.
3. An authorised person of a Storage Facility, a Terminal Facility or a Processing Facility shall deliver to the Ministry monthly reports and annual summary reports of the information collected pursuant to Article 74 (1).
4. An authorised person shall keep records of testing and maintenance for the life of the Storage Facility, the Terminal Facility or the Processing Facility and shall provide them to the Ministry on request.

**Article 75**  
**Annual operational plan**

1. The authorised person shall sixty (60) days before end of each Calendar Year submit an annual operational plan for the Storage Facility, the Terminal Facility or the Processing Facility that shall include:
- (a) The operational capacity and planned utilisation of major units in the Facility;
  - (b) Details of past and scheduled construction and maintenance programs;
  - (c) Details of measures to be taken in relation to the health and safety and environment part of the Management System;
  - (d) Details of measures taken to comply with Applicable Law in Timor-Leste;
  - (e) Details of any major modifications, additions or repairs planned in the Storage Facility, the Terminal Facility or the Processing Facility or part thereof; and
  - (f) All other information that in accordance with good oil field practice may be significant for the proper petroleum operations for the Storage Facility, the Terminal Facility or the Processing Facility.

2. The Ministry may require such amendments or additional matters to be addressed in the annual operational plan that the Ministry considers necessary in order to implement the objectives of this Decree-Law.

**Article 76**  
**Monitoring and testing**

An authorised person shall undertake all necessary safety and environmental monitoring and testing of a Storage Facility, a Terminal Facility or a Processing Facility pursuant to Article 75.



**CHAPTER VIII**  
**PIPELINES AND TRANSPORTATION**

**Article 77**  
**Pipeline Project Plan**

1. An authorised person shall prepare and submit a proposal for a Pipeline Project Plan for the Ministry's approval at least six (6) months before the commencement of a Pipeline Project.
2. The Pipeline Project Plan shall describe the Pipeline Project in detail and provide the basis for evaluation of the Pipeline Project.
3. The Pipeline Project Plan shall at least contain:
  - (a) The name and address of the authorised person;
  - (b) The name of the representative of the authorised person in relation to the Ministry and other Governmental authorities;
  - (c) A map of the area to which the Pipeline Project applies with the boundary of the area fully defined in terms of latitude, longitude and, where applicable, coastline;
  - (d) Details of the experience and technical competence of the authorised person that may be relevant to the proposed Pipeline Project, including its financial capacity to undertake such work;
  - (e) A description of the organisation and expertise which the authorised person will have available in Timor-Leste and elsewhere for activities in connection with the proposed Pipeline Project;
  - (f) A description of studies and assessments conducted by the authorised person, or made available to the authorised person, regarding the feasibility of the Pipeline Project, alternatives to the Pipeline Project or any material aspect of the Pipeline Project, including any studies or assessments in respect of alternative Pipeline designs, routes, contracting, construction and implementation;
  - (g) Pipeline design criteria, including:

- (i) The depth of the sea and the nature of the seafloor and subsoil at the intended location;
  - (ii) The maximum and minimum sea temperatures likely to occur at that location;
  - (iii) The water current information;
  - (iv) Details of estimated marine growth at the location;
  - (v) Details of pipeline support method;
  - (vi) The worst combination of dead and live loads likely to be applied to the Pipeline taking account of the magnitude and distribution of production loads;
  - (vii) Dimensions and transportation capacity of the Pipe line;
  - (viii) The proposed maximum operating pressure of the Pipeline;
  - (ix) The proposed safety features, including leak detection, spill prevention and loss control system, and weather protection; and
  - (x) The design of any Associated Pipeline Facilities.
- (h) The specifications for the manufacturing, construction and installation of the Pipeline;
  - (i) Drawings of the Pipeline and of the equipment installed or to be installed on the Pipeline;
  - (j) Pipeline or parts of the Pipeline and equipment constructed or proposed to be constructed before installation in the territory of Timor-Leste;
  - (k) Applicable standards and Applicable Law to be followed during the manufacturing, construction and installation;
  - (l) A Certificate of Verification of Design;

- (m) Other details concerning the planned use and maintenance of the Pipeline, including:
  - (i) The substance to be transported through the Pipeline, including a material safety data sheet; and
  - (ii) The proposed operation and maintenance schedule of the Pipeline System.
- (n) The proposed tests, including planned frequency of test, that are to be performed on the Pipeline System, which must include integrity, corrosion monitoring and leak detection tests;
- (o) The proposed schedule for constructing the Pipeline System and the expected date of commissioning of the Pipeline System;
- (p) Where such information is not provided in a proposed Development Plan filed by the authorised person, information on expected entries into the contract area of personnel, vessels or aircraft to be used;
- (q) Information on how the proposed Pipeline System may be Decommissioned upon cessation of use or cessation of petroleum operations and how Decommissioning shall be secured and funded, including, as far as possible, all elements listed in this Article 77 (3);
- (r) Details on the licenses, approvals or authorisations that have been applied for or that are planned to be applied for pursuant to Applicable Law in Timor-Leste;
- (s) Summary of the Environmental Impact Assessment, Environmental Impact Statement, Environmental Management Plan and Environmental Decommissioning Plan if applicable;
- (t) A description of how the authorised person plans to fulfil the obligations set out in the Local Content Proposal and to comply with the Local Content requirements established in the Applicable Law in Timor-Leste throughout the relevant period;
- (u) All other information that the authorised person deems relevant to the Pipeline Project; and
- (v) Any information that may be required by the Ministry.

4. The authorised person shall promptly notify the Ministry of any actual or planned alteration of the information contained in the Pipeline Project Plan. The Ministry may require the authorised person to make modifications in the Pipeline Project Plan.
5. A Pipeline Project Plan is not required for the design, construction and operation of the following Pipelines:
  - (a) Flowlines and Pipelines and Associated Pipeline Facilities where these are located entirely within the boundary of a contract area;
  - (b) Interconnecting Pipelines wholly situated within the perimeter of a Processing Facility or Storage and Terminal Facilities;
  - (c) For a loading rack, meter regulator station, regulator station, or well site dehydrator; and
  - (d) A Pipeline transmitting gas to either residential or industrial users for the purpose of fuel and originating from a distribution system, to the extent such Pipeline is subject to another regulatory scheme.
6. An authorised person shall give proper consideration to the construction and location and Pipelines that may have an impact of the rights, property or activities of public or private persons and shall obtain such authorisations as may be necessary under Applicable Law in Timor-Leste.

## **Article 78**

### **General operating requirements**

1. An authorised person shall ensure that in relation to a Pipeline in the territory of Timor-Leste:
  - (a) Usage and maintenance is in accordance with an approved operating manual; and
  - (b) All equipment and Facilities, including all valve and monitoring equipment, and safety systems, have been inspected by a Verifying Body.
2. No authorised person shall place a Pipeline into operation until a satisfactory pressure test has been completed.

3. An authorised person shall prior to commencement of Pipeline operations, give written notice to the Ministry enclosing details of the results of the pressure test.
4. An authorised person shall as a part of the Management System as set out in Chapter XV develop operation, inspection and maintenance procedures in accordance with Applicable Law in Timor-Leste and good oil field practice which are appropriate for the conditions under which the Pipeline System is operated.
5. An authorised person shall also ensure that:
  - (a) Communications equipment is installed and maintained as needed for proper Pipeline operations under both normal and emergency conditions;
  - (b) A Pipeline surveillance program is maintained to observe indications of leaks, encroachments, any evidence of sabotage or accidental damage, and any other conditions along the Pipeline route affecting the Pipeline's safe operation;
  - (c) Pipeline System is operated to ensure that the operating pressures are not exceeded;
  - (d) Pressure-limiting devices, relief valves, automatic shutdown valves and other safety devices are designed, manufactured and maintained to an accepted applicable industry specification and tested at specified intervals;
  - (e) For portion of Pipeline arriving on onshore, signs are posted along the boundaries of the Pipeline and Associated Pipeline Facilities indicating the emergency contact details; and
  - (f) Where Pipeline sections are buried, markers are in place to identify the Pipeline route and help avoid accidental damage.

**Article 79**  
**Recording pressure test results**

1. An authorised person's record or chart of pressure test shall be continuous and legible over the full test period, with the commencement and termination points of the tests identified.
2. An authorised person may use electronic pressure recording devices provided that:
  - (a) A permanent paper or electronic copy of the test data is retained; and

- (b) The Sampling rate and instrument sensitivity are sufficient to properly identify the expected deviations from normal test pressure.
- 3. Each pressure-recording instrument shall be calibrated in accordance with good oil field practice to maintain accuracy.

**Article 80**  
**Monitoring and inspection**

- 1. An authorised person shall regularly monitor and inspect the Pipeline to ensure the fitness for purpose of:
  - (a) The internal and external condition of the Pipeline; and
  - (b) Pressure - limiting devices, relief valves, automatic shutdown valves and other safety devices.
- 2. The Ministry may direct an authorised person to test, inspect or assess a Pipeline or to retain a Third Party Consultant to conduct such test, inspection or assessment of a Pipeline to meet requirement in this Decree-Law and to reflect good oil field practice.
- 3. An authorised person shall provide a written report of each test, inspection or assessment of a Pipeline to the Ministry as soon as reasonably practicable. In any event, the report shall be provided within seven (7) days following the test, inspection or assessment unless a longer period for submitting such written report is permitted by the Ministry.
- 4. All instruments used to monitor the Pipeline shall be calibrated in accordance with good oil field practice to maintain accuracy.

**Article 81**  
**Anchoring vessels near Pipelines**

For the purpose of safeguarding a Pipeline the Ministry may require a vessel associated with operations in the contract area to drop anchor within a designated anchorage location.

**Article 82**  
**Reports during Pipeline construction and operations**

- 1. An authorised person shall within fifteen (15) days after the completion of each Calendar Month submit to the Ministry monthly report which shall at least contain :

- (a) The type and volume of fluids transported through the Pipeline;
  - (b) On behalf of whom each such volume of fluids was transported;
  - (c) A status on Pipeline inspection, maintenance or modifications undertaken in the previous Calendar Month;
  - (d) Details of any leaks or releases of substances transported through the Pipeline during the previous Calendar Month;
  - (e) A summary of the environmental and health and safety matters related to the Pipeline operations carried out during the previous Calendar Month;
  - (f) Details of any incidents constituting or leading to reportable incident or violation of the Applicable Law in Timor-Leste during the previous Calendar Month; and
  - (g) Any other information as required by the Ministry.
2. During the construction of a Pipeline, or when a Pipeline is not operating as a result of repairs, maintenance or for any other reason, an authorised person shall on a daily basis report to the Ministry on the following matters:
- (a) Any construction and/or other activities carried out during the preceding day;
  - (b) Any tests performed during the preceding day;
  - (c) Any planned or scheduled activities that were not carried out as planned, and a statement of the reasons thereof; and
  - (d) Any other relevant matters.

**Article 83**  
**Annual Pipeline operations report**

1. An authorised person shall within sixty (60) days after the end of the relevant Calendar Year submit an annual report for Pipeline Operations to the Ministry.
2. The Pipeline Operation Annual Report shall include:

- (a) The information required in Article 82 (1) (a) and (b) and Article 82 (1) (c) and (d) but with respect to the previous Calendar Year rather than the Calendar Month;
  - (b) Details of previously constructed and the planned construction of Pipelines not included in the Pipeline Project Plan associated with the Pipeline System and other Associated Pipeline Facilities;
  - (c) Details of planned Pipeline maintenance and modification programs;
  - (d) An update of the schedule stated in Article 77 (3) (o) and an update of the information on expected entries into the Timor-Leste Offshore as stated in Article 169.
3. The Ministry may require revision to the reports as stated in Articles 82 and 83 as considered necessary or appropriate to implement the objectives of this Decree-Law.

**Article 84**  
**Discontinuance or decommissioning**

Unless otherwise authorised by the Ministry, an authorised person shall discontinue, Decommission or return to active flowing service a Pipeline that has not been in active flowing service within the last twelve (12) months, in accordance with Chapter X, Articles 85 and 86 of this Decree-Law.

**Article 85**  
**Return to active flowing service**

1. An authorised Person shall within thirty (30) days, prior to commencement of returning to active flowing service of a pipeline or part of a Pipeline System that is not in regular use, submit application for Ministry approval.
2. The application for returning a pipeline or a part of a pipeline to active flowing service shall at least include:
  - (a) Information on the fitness of Pipeline as required under Article 80 (1);
  - (b) Records of any inspection and test conducted by authorised person or Third Party Consultant; and
  - (c) Any other information as required by the Ministry.



## **Article 86**

### **Discontinuance**

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

- (a) Be physically isolated or disconnected from the Pipeline System in a manner that does not allow any adjoining part of the Pipeline System to have stagnant fluid traps remaining;
- (b) Be cleaned, if necessary;
- (c) Be purged with a medium appropriate with good oil field practice;
- (d) Be protected by suitable internal and external corrosion control measures;
- (e) Not contain any added chemical substances that are detrimental to the environment if released; and
- (f) Be left in a safe condition.

**CHAPTER IX**  
**THIRD PARTY ACCESS TO FACILITIES**

**Article 87**  
**Third Party access to Facilities**

1. An authorised person shall provide access for third parties to its Facilities to conduct petroleum operations on reasonable terms and conditions.
2. The access referred in Article 87 (1) shall not be to an unreasonable detriment of the needs of the authorised person, or other users who have already been granted a right of use.
3. An agreement on access to Facilities shall be submitted to the Ministry for approval.
4. The Ministry may, as a condition for approval of the agreement, modify the tariffs and other terms and conditions agreed between the parties.
5. Where no agreement for access to Facilities is reached within a reasonable period of time, the Ministry may stipulate the tariffs or other conditions for such access.
6. Where required for resource management considerations, the Ministry may alter the conditions of an approved agreement for access to Facilities in order to ensure implementation or extension of petroleum operations.
7. Where the Ministry decides to modify or alter or set terms and conditions for third party access to Facilities pursuant to Article 87(4) to (6), the Ministry shall stipulate such reasonable terms and conditions for such third party access in accordance with good oil field practice having due regard to resource management considerations and a reasonable profit for the authorised person taking into account, amongst other factors, the authorised person's investment and risks.
8. The authorised person shall promptly notify the Ministry upon receipt of any technical, commercial, financial or other information that is relevant for negotiations with third parties on access to Facilities.
9. The information provided under Article 87 (8) shall include, but is not limited to:
  - (a) A copy of the request for access to Facilities from the third party;

- (b) Updated information on the available capacity on the Facilities, with a view to determine at the earliest stage possible the conditions that are to govern the required use;
  - (c) A progress plan with specific milestones and a time limit for completing the negotiations; and
  - (d) Any draft agreements at the specific milestones in the negotiations on access to Facilities.
- 10. The Ministry may appoint a representative who shall be entitled to participate with an observer status at any meeting on negotiations pursuant to this Article 87.
- 11. The authorised person shall ensure that the observer who is appointed by the Ministry receives any information associated with such meetings, including advance notices and minutes of meetings and any other meeting correspondence as well as a notification within reasonable time prior to any such meeting.
- 12. The right of a third party pursuant to this Article 87 shall apply correspondingly for the use of Facilities that an authorised person has leased for use in petroleum operations.
- 13. Unless the holder of the title to the Facility otherwise agrees, the third party's right to use the Facility is limited by:
  - (a) The term of the lease agreed between the holder of the title and the lessee;
  - (b) The right of the lessee to make modifications to the Facility; and
  - (c) Any specific restrictions on use.
- 14. The third party's right pursuant to the above cannot be further restricted by agreement between the holder of the title of the Facility and the lessee.

**CHAPTER X**  
**CESSATION OF PETROLEUM OPERATIONS**  
**AND DECOMMISSIONING**

**Article 88**  
**Decommissioning Plan**

1. An authorised person shall prepare and submit a Decommissioning Plan to the Ministry for approval either upon the Ministry's request, or two (2) years after the commencement of production provided an estimate of Decommissioning Costs has been included in the Development Plan.
2. The Decommissioning Plan shall be revised and resubmitted to the Ministry for its approval at such times as are reasonable having regard to the likelihood that the Decommissioning Plan, including cost estimates thereunder, may need to be revised.
3. Except when subsequent changes in circumstances requires otherwise, the Decommissioning Plan shall be based on the information provided on Decommissioning in the Development Plan in accordance with Article 46 (4) (i).
4. The Decommissioning Plan shall provide the basis for an evaluation of relevant Decommissioning options and shall for this purpose include a description of:
  - (a) The petroleum operations related to the relevant Field(s) throughout the lifetime of the Field(s);
  - (b) All relevant Facilities and wells, including information on their locations, depths and types of material;
  - (c) The possibilities for continued production;
  - (d) Decommissioning options, including possible technical, safety related and environmental related aspects, and relationship to and expected impact on other users of the sea or potentially affected persons and local communities;
  - (e) The recommended option for Decommissioning, including cost estimates, timeframes, the anticipated date for commencement of Decommissioning, and the reasons for the relevant option being recommended and the reasons for rejecting other options;

- (f) Measures designed to secure the contract area and the safety zone established in accordance with Article 133 against possible future pollution and for clean-up of such areas;
  - (g) Details of all environmental documents required under this Decree-Law.
  - (h) The Local Content Proposal and a description on how the Operator, contractor or other authorised person plan to comply with that Local Content Proposal and the Local Content requirements established in this Decree-Law in relation to activities to be conducted for Decommissioning purposes;
  - (i) A copy of the last annual Local Content plan submitted in accordance with Article 153;
  - (j) Details of any relevant requirements under Chapter XVI on health and safety and, if applicable, how these will be implemented;
  - (k) Estimate of the expected total Decommissioning costs;
  - (l) The arrangement and management of a deposit for the total Decommissioning costs;
  - (m) The anticipated date for permanent cessation of the use of the relevant Facility or the relevant petroleum operations;
  - (n) Any other authorisations, licenses, approvals or permits required in order to carry out the recommended Decommissioning option;
  - (o) How the implementation of the Decommissioning Plan will be carried out, managed and verified in accordance with Applicable Law in Timor-Leste;
  - (p) Plans for post Decommissioning monitoring and maintenance of abandoned Facilities, if applicable;
  - (q) Such other information as the Ministry may require; and
5. In the event that the authorised person does not meet the requirements listed in Article 88 (4), the Ministry has the right to instruct to complete and resubmit or reject the Decommissioning plan.

6. The Ministry may waive or modify the requirement for the content of a Decommissioning Plan.
7. The Ministry may substantiate its reasons when exercising its authority under Article 88 (6).
8. In the event of termination of a petroleum contract or surrender or termination of an authorisation before the scheduled expiry, this Article 88 shall apply correspondingly to the extent it is deemed suitable.

**Article 89**  
**Approval of Decommissioning Plan**

1. The authorised person shall promptly notify the Ministry of any changes in circumstances or actual or planned alterations to the information provided in the Decommissioning Plan and, where appropriate, submit a proposed amendment to the Decommissioning Plan for approval.
2. The proposed amendment to the Decommissioning Plan referred in Article 89 (1) shall include a calculation of the expected costs of Decommissioning for the remaining term of the petroleum contract.
3. The Ministry may require an amendment to be submitted, or impose any new conditions in the Decommissioning Plan that it considers appropriate.
4. Notwithstanding Articles 88(1) and (2), if at any time the Ministry considers that the Decommissioning Plan may not adequately address the potential needs or requirements for Decommissioning, it may require the authorised person to re-evaluate the Decommissioning Plan and to make appropriate revisions thereto.
5. The authorised person shall promptly make and submit any revisions made under Article 89 (4).

**Article 90**  
**Responsibility to carry out and implement decommissioning**

1. An authorised person shall carry out Decommissioning in accordance with the Decommissioning Plan as approved by the Ministry and Applicable Law in Timor-Leste.

2. The Ministry's prior permission shall be required for withdrawals from the Decommissioning Fund.
3. The obligation to carry out Decommissioning is applicable even if the Ministry approves the Decommissioning Plan, or the Decommissioning is to be implemented, after the expiry or termination of a petroleum contract or after the expiry, termination or surrender of an authorisation.
4. If the title to Facilities passes to the State in accordance with Article 98, the responsibility for Decommissioning shall be carried out and implemented by TIMOR GAP in accordance with Applicable Law in Timor-Leste.

### **Article 91 Verification**

1. After Decommissioning has been implemented, the Ministry shall require the authorised person to procure verification of the Decommissioning by an independent Verifying Body at the authorised person's cost.
2. Where the independent Verifying Body finds that Decommissioning is implemented in accordance with the approved Decommissioning Plan, the independent Verifying Body shall issue a Certificate of Verification that shall be submitted promptly to the Ministry.
3. Where the independent Verifying Body finds that Decommissioning is not implemented in accordance with the approved Decommissioning Plan, the independent Verifying Body shall issue a report which shall:
  - (a) Be submitted to the authorised person and the Ministry; and
  - (b) State the necessary measures that the authorised person must take in order to comply with the Decommissioning Plan.
4. The authorised person shall implement such measures promptly.
5. The Ministry may require additional measures, information or amendments to the report issued in accordance with Article 91 (3).

**Article 92**  
**Decommissioning Fund**

1. Unless otherwise required by the Ministry, an authorised person shall upon the commencement of Commercial Production, establish an interest bearing escrow account to accumulate Decommissioning Cost Reserves for use as a contingency fund for Decommissioning costs, including environmental remediation, related to petroleum operations in the contract area and the safety zone established in accordance with Article 133.
2. An authorised person shall make such deposit, with such intervals, into the Decommissioning Fund account as is stipulated in the petroleum contract.
3. The withdrawals from the Decommissioning Fund shall be only allowed with prior approval of Ministry and in the event that Decommissioning Plan has been approved.
4. Upon termination of the petroleum contract, and where all obligations in respect of Decommissioning, including environmental remediation, have been fulfilled to the satisfaction of the Ministry, all existing monies in the Decommissioning Fund shall remain as the property of the Ministry.
5. If the Decommissioning Fund is insufficient to complete the Decommissioning Plan in accordance with this Decree-Law, the authorised person shall pay all such additional required costs prior to the termination of the petroleum contract.
6. In the event the Ministry elects to continue the petroleum operations and take over the relevant Facilities, the accumulated Decommissioning Fund and such additional amounts as are estimated for Decommissioning at the time of the transfer shall be deposited in Timor-Leste at nominated bank account under the name of the Ministry as the beneficiary of the fund.
7. In case referred in Article 92 (6), the Ministry assumes all responsibility for the relevant Facilities and Decommissioning, and the authorised person shall be free from any liability arising out of such subsequent use.
8. In the event of an Assignment of the petroleum contract or transfer of interest and where a Decommissioning Fund has been created pursuant to this Decree-Law, the account holding the Decommissioning Fund must be transferred to the Assignee or transferee by the Assignor or transferor.



### **Article 93**

#### **Liability**

1. An authorised person with the exception of TIMOR GAP performing State Participation in petroleum operations is liable for any damage, loss, and claim for compensation or inconvenience caused by or resulting from Decommissioning regardless of any form of liability, whether strict or by negligence, on the hand of the authorised person.
2. Decommissioning involves abandonment of Facilities or parts thereof and the authorised person shall be liable for damage or inconvenience caused in connection with the abandoning, or partly abandoned Facilities.
3. If the title to Facilities is passed to the State in accordance with Article 98 the liability foreseen in Article 93 (2) lies with TIMOR GAP, where production continues after an area is relinquished or the petroleum contract is terminated.
4. Notwithstanding to Article 93 (3), the obligations and liabilities of each person comprising the contractor, except TIMOR GAP, are joint and several obligations and liabilities.

**CHAPTER XI**  
**PETROLEUM CONTRACTS**

**Article 94**  
**Term**

1. The term of a petroleum contract shall consist of:
  - (a) An Exploration Period of up to seven (7) years, which shall be divided into:
    - (i) An initial period of three (3) years;
    - (ii) A second period of two (2) years; and
    - (iii) A third period of two (2) years.
  - (b) A Development and Production Period of up to twenty-five (25) years.
2. Subject to the authorisation, the contractor must fulfil the minimum exploration work requirements for each period of Exploration to the satisfaction of the Ministry within the required time frame, in order to proceed to any subsequent period.
3. A contractor shall have the option to extend the petroleum contract for up to two periods of five (5) years in respect of any Development Area, provided that the contractor must notify the Ministry at least one (1) year prior to the expiry of the petroleum contract of its desire to exercise this option.
4. If the extension is approved, the Ministry shall provide same in writing.
5. The extensions referred in Article 94 (3) shall be in accordance with any additional terms stipulated by the Ministry, in the light of the circumstances then prevailing.
6. In respect of any Gas Retention Area as stipulated in Article 28, the term of the petroleum contract shall be automatically extended by the same period of time as any extension granted by the Ministry in respect of that area.

**Article 95**  
**Operator**

1. The appointment of an operator and any change thereof by the contractor shall be subject to prior approval by the Ministry.

2. For all purposes of the petroleum contract, the operator shall represent the contractor in the relevant petroleum contract, and the Ministry may deal with, and rely on, the operator.
3. The obligations, liabilities, acts and omissions of the operator are the obligations, liabilities, acts and omissions of the contractor.
4. Where the Ministry determines that an operator is no longer competent to be an operator, the Ministry may, by written notice to the operator and to the contractor, revoke its approval.
5. In the case referred in Article 95 (4), the contractor shall have thirty (30) days to appoint a new operator with the approval of the Ministry.
6. Should the contractor fail to appoint an operator within the said thirty (30) days period, the Ministry may proceed with termination of the petroleum contract.

#### **Article 96**

##### **Supply of petroleum to Timor-Leste domestic market**

1. If, the Government of Timor-Leste Decides that it is necessary to limit exports of petroleum, the Ministry may, with sixty (60) days advance written notice, require the contractor to meet the needs of the domestic market with Petroleum that it has produced and received pursuant to a petroleum contract.
2. Each contractor's participation referred to in Article 96 (1) will be made, each Calendar Month, in proportion to its participation in the national production of petroleum in the preceding Calendar Month.
3. The contractor's annual obligation to supply petroleum for domestic purposes shall be calculated in accordance with the petroleum contract.
4. The price at which such petroleum shall be delivered and sold under this Article 96 shall be the price as determined in accordance with Chapter XIV.

#### **Article 97**

##### **Reporting of payments**

The contractor shall comply with the reporting requirements related to the Timor-Leste Extractive Industry Transparency Initiative (EITI), as applicable from time to time in accordance with Applicable Law in Timor-Leste.

**Article 98**  
**Title to Facilities**

1. Title to Facilities shall pass from the contractor to TIMOR GAP.
2. The Facilities purchased by the contractor (with exception to the leased assets) to be used in petroleum operations carried out under a petroleum contract shall become assets of TIMOR GAP when purchased in Timor-Leste or, if acquired abroad, upon entry into the territory of Timor-Leste.
3. The contractor shall have control over such Facilities and is entitled to use them in the petroleum operations carried out under a petroleum contract, and the contractor shall not be charged for any payments for the use of such Facilities during the term of the petroleum contract.
4. The Contractor shall be liable to carry out proper maintenance and repair of such Facilities to ensure integrity of same.
5. The decommissioning obligations lie with the entity which carries out the petroleum operations.
6. The contractor shall maintain the Decommissioning Plan updated and adequately funded for the duration of the relevant petroleum contract, and if a change has to be introduced to the Decommissioning Plan, the contractor shall resubmit the Decommissioning Plan for the Ministry approval, in accordance with Article 88 of this Decree-Law.
7. The details of terms of the transfer referred to in this Article 98 related to depreciation, and cost recovery, shall be stipulated in the petroleum contract.

**Article 99**  
**Assignment**

1. Assignments are subject to the prior written approval of the Ministry.
2. In order to be eligible as an Assignee, a person must meet the requirements for entering into a petroleum contract as set out in and in accordance with Applicable Law in Timor-Leste.
3. An application for approval to Assign shall be accompanied by such information and documentation as required by the Ministry.

4. The Ministry shall evaluate the application to assign for approval.
5. In the evaluation under Article 99 (4), the Ministry may, amongst other, take into account resource management considerations as expressed in the Petroleum Activities Law, the financial and technical capabilities of the prospective Assignee and whether the proposed Assignment may adversely affect the performance of the obligations established in the relevant petroleum contract.
6. If the Ministry requests amendments or additional documents, the contractor shall promptly comply with such requests and, as the case may be, re-submit the application within the time limit stipulated by the Ministry.
7. The Ministry will make a decision on approval within reasonable time after receipt of the application and all required information and other materials.
8. Where approval is not given, the Ministry shall state the grounds for its decision.
9. Where the Ministry approves of Assignment, the contractor shall deliver copies of the duly executed Assignment agreement and all related documents to the Ministry within thirty (30) days from notification of the approval.
10. The Assignment of a part of the contract area shall only be allowed for one or more contiguous areas of the contract area and only among the entities that comprise contractor.
11. The Assignment of part of a Field in production shall only be permitted if the Ministry decides that this is necessary to make an agreement for the Unitisation of production viable.
12. The Assignment referred in Article 99 (11) shall be for the total area of that Field, defined in accordance with the terms of this Decree-Law.

**CHAPTER XII**  
**PARTICIPATION IN PETROLEUM OPERATIONS BY TIMOR GAP**

**Article 100**  
**Participation in Authorisations by TIMOR GAP**

1. TIMOR GAP and its subsidiaries shall be entitled to participate in all Authorisations in accordance with Article 22 of the Petroleum Activities Law.
2. If and when the contractor is required to provide a guarantee for its obligations undertaken as a result of an authorisation, the persons with participating interest shares in the authorisation shall be jointly and severally responsible for obtaining such guarantee.
3. Relevant agreement(s) entered into between authorised persons such as joint operating agreements shall include TIMOR GAP or its subsidiaries.

**Article 101**  
**Participation in petroleum contracts by TIMOR GAP**

1. TIMOR GAP or its Subsidiaries shall be exempted from the requirements for contractor's qualifications in relation to technical and financial capabilities unless TIMOR GAP holds operatorship in a petroleum contract.
2. Subject to the petroleum contract, TIMOR GAP or its subsidiaries shall enjoy full rights and obligations as a participant in a petroleum contract as from and including the date that a decision to participate in the petroleum contract is made.
3. TIMOR GAP or its subsidiaries shall not be liable for petroleum operations performed prior to the date of first production, or until participating interest is fully converted to working interest.
4. TIMOR GAP or its subsidiaries' share of Exploration and Development costs shall be free carried by Contractor and its Joint partners proportionately to each participating interest.
5. The decision for free carry post declaration of commercial discovery up to development stage will subject to profitability and field life of the project..

6. TIMOR GAP or its subsidiaries shall have no financial obligations arising from its or their participation in the petroleum contracts in case there is no Commercial Discovery in the relevant contract area.
7. If a contractor wishes to assign its participating interest in a petroleum contract, TIMOR GAP or its subsidiaries shall have a pre-emption right, which shall imply entering into the sale and purchase agreement instead of the purchaser on the agreed terms and conditions.

## **CHAPTER XIII MEASUREMENT**

### **Article 102 General requirements for measurement**

1. An authorised person shall measure and test produced petroleum for processing, custody transfer and tax purposes.
2. The authorised person shall carry out metering, measurement and testing of petroleum in accordance with Applicable Law in Timor-Leste and good oil field practice and as otherwise required by the Ministry.
3. An authorised person shall ensure, for the purposes of Article 102 (1) and (2), the proper installation and operation of a Metering System which accurately measures and records the rates of flow and the total volumes of:
  - (a) All produced fluids that are:
    - (i) Produced from or injected into a well; and
    - (ii) Sold, flared or otherwise disposed of.
  - (b) natural gas that is used:
    - (i) As fuel for Production Operations;
    - (ii) To assist gas-lift operations; and
    - (iii) Sold, flared or otherwise disposed of.
  - (c) Crude oil that is used as a hydraulic power fluid for Artificial Lift equipment;
  - (d) Each fluid that enters or leaves a Processing Facility;
  - (e) Each fluid that enters and leaves a Pipeline System, Storage Facility, and Terminal Facility; and
  - (f) All petroleum transferred between authorised person.



4. The location of the meters shall be in accordance with good oil field practice for the meter in question, including at or sufficiently close to the contract area boundary for petroleum exported under a petroleum contract to supervise production.
5. Bypassing Fiscal and Custody transfer Metering System is not permitted.
6. An authorised person shall ensure that each person with responsibility for, or who is engaged in any way with, the operation or maintenance of the Metering System shall be properly trained and competent to carry out the operations or activities with respect to which he is engaged, and, where appropriate, has been certified by a relevant authority.
7. All personnel who carry out duties related to the Metering System shall be identifiable in the authorised person's organisation chart along with a description of their duties and responsibilities.
8. Where it is demonstrated that the volume of petroleum produced or sold has been incorrectly calculated, the authorised person shall investigate reasons for such incorrect calculations.
9. In respect of Article 102 (8), the authorised person shall prepare and submit a revised volume calculation as well as all any documentation that supports the basis for the revised volume calculation to the Ministry.
10. The Ministry may give directions on measures to be implemented for correction.
11. The Ministry may require that the authorised person procures a Verifying Body to verify the planning, design, construction or operation of the Metering System in order to demonstrate that the requirements in this Chapter XIII are met and to reflect good oil field practice.

**Article 103**  
**Requirements of the Metering System**

1. The Metering System shall be planned, built, tested, installed, operated and maintained in accordance with Applicable Law in Timor-Leste, good oil field practice and the instructions provided by the manufacturer.
2. The Metering System shall be capable of metering the full range of planned flows without any component involved operating outside its working range.

3. On metering equipment, the number of parallel meter runs shall be such that the maximum flow of petroleum can be measured with one meter run out of service whilst the rest of the meter runs operate within their specified operating range.
4. The Metering System shall be suitable for the relevant type of measuring, the given fluid properties, and the petroleum volumes to be measured.
5. If necessary, flow conditioners shall be installed.
6. In areas where the primary meter and the secondary meter are located there shall be adequate protection against the outside climate and vibration.
7. All valves of significance to the integrity of the Metering System shall be accessible for inspection and secured against leakage.
8. All parts of the Metering System shall be easily accessible for maintenance, inspection and calibration.
9. The Metering System shall be sealed according to the requirements of with Applicable Law in Timor-Leste, good oil field practice and the instructions provided by the manufacturer.

#### **Article 104**

##### **Approval of planned Metering System**

1. An authorised person shall not install or operate a Metering System for custody transfer, fiscal and tax purposes without the prior approval of the Ministry.
2. An authorised person shall submit details of planned Metering Systems to the Ministry for approval, including:
  - (a) A complete specification of the Metering System with dimensioned drawings and relevant descriptive literature. Sufficient information should be included to enable an assessment of the adequacy of the design and operations of the Metering System to be made;
  - (b) A description of the proposed operating procedure including routine calibrations and checking of equipment for maintenance of accuracy;

- (c) Specimen calculations indicating how reported quantities of oil, gas, condensate and water production are obtained giving tolerances and correction factors proposed for converting meter and instrument readings to standard conditions.
3. The authorised person shall procure Verifying Body to verify the design, construction, testing and installation of the fiscal and custody transfer Metering System in order to demonstrate that the requirement in this Chapter XIII are met and to reflect good oil field practice.
4. The Ministry will provide the authorised person with its decision in writing within reasonable time of receipt of all required information and other materials.
5. Where a Metering System is not approved, the Ministry shall state the grounds for its decision.
6. The authorised person may modify and re-submit the Metering System within a timeframe stipulated by the Ministry.
7. The Ministry may stipulate conditions for its decision to meet the requirements of Applicable Law in Timor-Leste and to reflect good oil field practice.
8. Any other meters which are considered to be process meters shall be included in the Development Plan.

#### **Article 105**

#### **Modifications to Metering System**

1. An authorised person shall not alter, modify or replace an approved Metering System without prior approval of the Ministry and Article 104 (2) shall apply correspondingly.
2. An authorised person shall notify the Ministry of the planned time schedule of any planned activities related to alteration, modification, calibration or correction of a Metering System sufficiently in advance of such activities to allow the Ministry to inspect or supervise such activities.

#### **Article 106**

#### **Metering records**

1. An authorised person shall prepare, retain and maintain an archive of documents relating to the Metering System that shall document compliance with Applicable Law in Timor-Leste.

2. The archive shall be readily available for inspection when required by the Ministry.
3. The archive shall at least include the documents submitted in accordance with the requirements of Article 104 and other supporting information including:
  - (a) Technical description of the Metering System;
  - (b) A detailed schematic showing the location of the Metering System in the process and transportation system;
  - (c) Drawings and description of equipment included in the Metering System;
  - (d) List of documentation for the Metering System;
  - (e) Description of the part of the Management System that concerns Metering Systems of the authorised person and the supplier for documenting compliance with Applicable Law in Timor-Leste, follow-up and maintenance of the Metering System;
  - (f) Measurement Uncertainty analysis; and
  - (g) Calibration reports.
4. As a part of the Management System, an authorised person shall prepare a quality assurance manual for the operation of Metering Systems.
5. The manual referred in Article 106 (4) shall be readily available for all relevant personnel where petroleum operations are conducted.

**Article 107**  
**Calibration and corrections**

1. The equipment which is an integral part of the Metering System and which is of significant importance to the Measurement Uncertainty shall be calibrated using traceable equipment before the start of petroleum operations and subsequently be maintained to that standard.
2. A Third Party Consultant acceptable by the Ministry shall once every Calendar Year or such other time interval determined by the manufacturer's specification or as otherwise required by the Ministry, calibrate equipment specified in Article 107 (1) to ensure such equipment are within given limit values.

3. If, during calibration, equipment is shown to be outside the given limit values, an authorised person shall:
  - (a) Ensure that a Third Party Consultant undertakes correction and subsequent calibration and certifies that the equipment meets the standards required by Applicable Law in Timor-Leste; and
  - (b) Notify the Ministry of the planned time schedule of any such correction activities related sufficiently in advance so as to allow the Ministry to inspect or supervise such activities.

### **Article 108**

#### **Maximum allowable uncertainty**

1. The maximum allowable Measurement Uncertainty for any Metering System shall be within a range determined by the Ministry or by manufacturer's specification of metering device used whichever provides lesser uncertainty range.
2. The authorised person shall be able to document the total uncertainty of the Metering System.
3. The Metering System shall be designed so that systematic measurement errors are avoided and or compensated for.

### **Article 109**

#### **Units of measurement**

1. Any report or record of any measurement required by the Ministry shall use the International System of Units (SI Units).
2. An authorised person may use another system of units for reports or records upon prior agreement with the Ministry.
3. Any record or report of any measurement of natural gas required by the Ministry shall be made in units of 1,000 standard cubic meters to two decimal place.
4. A record or report of any measurement of liquid required by the Ministry shall be made in units of standard cubic meters to two decimal place.
5. Where the measurement is in volume units, these shall be referred to metric standard reference conditions of 15°C temperature and 101.325 kPa absolute pressures.

**Article 110**  
**Sampling**

Design and Sampling process shall follow relevant Applicable Standards to ensure that:

- (a) A representative volume is sampled; and
- (b) Both automatic and manual Sampling may be carried out. Automatic Sampling shall be flow proportional.

**CHAPTER XIV**  
**VALUATION OF PETROLEUM**

**Article 111**  
**Point of Valuation**

Petroleum shall be valued as if it were sold in an arm's length transaction free on board, or equivalent, at the Field Export Point.

**Article 112**  
**Value of crude oil**

The value of crude oil:

- (a) Sold free on board, or equivalent, at the Field Export Point in an arm's length transaction is the price payable for it;
- (b) Sold other than free on board, or equivalent, at the Field Export Point in an arm's length transaction is the price payable for it, less such fair and reasonable proportion of such price that relates to the transportation and delivery of the Petroleum downstream of the Field Export Point; or
- (c) Sold other than as mentioned in Articles 112 (a) and 112 (b) is the fair and reasonable market price thereof, having regard to all relevant circumstances.

**Article 113**  
**Value of natural gas**

1. In the case of LNG exports, the value of natural gas at the Measurement Point shall be the arithmetic average value of the natural gas, calculated at the inlet flange to the LNG Facility, based on the delivery price(s) or the price formulae provided in the LNG export agreement to be concluded between the Ministry and the authorised person under the petroleum contract, less the tariff for transport by Pipeline from the Measurement Point to the inlet flange of the LNG Facility.
2. The value of natural gas shall be determined in United States Dollars per MMscf on a monthly basis and the value to be attributed to natural gas shall:
  - (a) For arm's length sales to third parties, be equal to the net realized price obtained for such natural gas Field Export Point; and

- (b) For sales other than at arm's length to third parties, be determined by agreement between the Ministry and the authorised person, provided that such price or value shall reflect the following:
  - (i) The quantity and quality of the natural gas;
  - (ii) The price at which arm's length sales of natural gas from other sources in Timor-Leste and Australia, if any, are then being made;
  - (iii) The price at which arm's length sales, if any, are then being made;
  - (iv) The purpose of which the natural gas is to be used; and
  - (v) The international market price of competing or alternative fuels of feedstock.
- 3. Arm's length sales to third parties shall not include sales to Affiliates of the authorised person or contractors or to the Ministry, any other public authority of Timor-Leste or to any other entity controlled directly or indirectly by the Ministry.

**Article 114**  
**Price payable**

In this Chapter XIV, the price payable is the price that is, or would be, payable by the buyer if the Petroleum were delivered by the authorised person and taken by the buyer, without set off, counterclaim or other withholding of any nature.



## **CHAPTER XV MANAGEMENT SYSTEMS**

### **Article 115 General provision on Management System**

1. An authorised person shall establish, implement, follow up and further develop an appropriate Management System designed to ensure systematic and continuous compliance with all requirements established in Applicable Law in Timor-Leste for petroleum operations.
2. The Management System referred in Article 115 (1) shall specify the requirements of Applicable Law in Timor-Leste and to the extent necessary include internal requirements and routines for compliance with such requirements.
3. The main objective of the Management System established in accordance with Article 115 (1) and (2) is to contribute to ensuring and furthering the quality of the work carried out in and in connection with petroleum operations.
4. The Management System shall be documented in order to demonstrate compliance with Applicable Law in Timor-Leste for petroleum operations.
5. The Management System documentation shall be readily available at all locations where petroleum operations are conducted, including at Field and office locations.
6. The Management System shall be based on good oil field practice.
7. The Management System shall be established before commencement of petroleum operations.
8. The Management System shall include a complete set of Performance Standards for reducing risks to a level as low as reasonably practicable and for the safe conduct of petroleum operations.
9. The Management System shall include requirements as to the competence of personnel, resources and work performance for carrying out petroleum operations.
10. The Management System shall include internal requirements to, and routines for, organisation, division of responsibility, and division of authority internally, and between the authorised person and other participants in the petroleum operations and

the competence, resources and work performance of the party establishing the Management Systems according to Article 115 (1) and (2).

11. The Management System shall be subject to review and, if necessary, updates on a regular basis.
12. The purpose of reviews and updates referred in Article 115 (11) is to contribute to improving compliance with Applicable Law in Timor-Leste for petroleum operations.
13. An authorised person shall ensure and follow up that its Sub-Contractors comply with this Article 115 for the relevant part of petroleum operations and that any non-compliance is corrected.
14. An authorised person shall ensure that any necessary adjustments in its own or Sub-Contractors' Management System are made if required to ensure uniformity and harmonization through a Bridging Document.

## **CHAPTER XVI HEALTH AND SAFETY**

### **Article 116 Health and Safety Management System**

In order to achieve and safeguard a high level of health and safety in petroleum operations, an authorised person shall ensure that the Safety Management System to be established in accordance with Article 115 is designed to ensure and demonstrate compliance with Applicable Law in Timor-Leste and good oil field practice and continuously identifying and reducing risks to a level as low as reasonably practicable.

### **Article 117 General Health and Safety obligations**

1. An authorised person shall ensure, in accordance with the Applicable Law in Timor-Leste and good oil field practice, the protection of the health, safety, hygiene and welfare of all personnel and members of the public directly involved with or otherwise impacted by petroleum operations and Facilities.
2. The obligations referred in Article 117 (1) shall include taking all necessary steps to reduce risk to a level as low as reasonably practicable within the following areas:
  - (a) Working environment;
  - (b) Plant, equipment, materials and substances used in connection with the work of all personnel; and
  - (c) Access to, and egress from, the work location of personnel involved directly in petroleum operations.
3. In carrying out petroleum operations, an authorised person is specifically obligated to:
  - (a) Ensure that routines are established for exchange of information between the various personnel groups in the workplace;
  - (b) Ensure that all personnel have an assigned safety delegate in the workplace, and that they are given the opportunity to bring issues to the attention of the authorised person and to make enquiries or complaints in relation to health and safety;

- (c) Ensure that safety delegates and health and safety personnel are sufficiently familiar with the work operations in the workplace; and
  - (d) Ensure that infringements of Applicable Law in Timor-Leste are pointed out and corrected.
4. An authorised person shall ensure that, while at work, its employees shall take proper care of the employee's own health and safety and the health and safety of any other personnel who may be affected by the employee's acts or omissions.

**Article 118**  
**Conduct of petroleum operations**

1. An authorised person shall conduct all petroleum operations in a manner to, amongst other, ensure that:
- (a) All work and other activities are carried out in a manner that is safe and entails as low risk as reasonably practicable to personnel, the general public, the environment, the facility or other nearby Facilities; and
  - (b) Equipment used is safe and comply with Applicable Law in Timor-Leste for petroleum operations and to reflect good oil field practice.
2. In the event of accidents and emergencies which may lead to loss of lives or personal injuries, pollution or damage to property, the authorised person or anyone else responsible for the operation and use of the Facility shall, to the extent necessary, suspend the petroleum operations for as long as good oil field practice warrants such suspension.
3. An authorised person shall not undertake any change in design, including installation, modification or expansion, to petroleum operations or Facilities without an appropriate Risk Assessment and management of change process including revision of the Health and Safety Plan or Safety Case and appurtenant authorisation of the Ministry.

**Article 119**  
**Health and Safety Plan**

1. An authorised person shall, based on its Health and Safety Management System, prepare a Health and Safety Plan to ensure health and safety performance prior to the commencement of any petroleum operations:

- (a) Which are not already covered by an existing Health and Safety Plan; and
  - (b) Which do not require a Safety Case in accordance with Article 120.
- 2. The Ministry may require the submission of a Bridging Document in relation to one or more Health and Safety Plans.
- 3. An authorised person shall submit the Health and Safety Plan or a revised Health and Safety Plan to the Ministry for its approval not later than sixty (60) days prior to planned commencement of the relevant petroleum operations or at such other time as the Ministry may request.
- 4. The Ministry will provide an authorised person with its decision in writing within reasonable time of receipt of all required information and other materials.
- 5. Where a Health and Safety Plan is not approved, the Ministry shall state the grounds for its decision.
- 6. In the event mentioned in Article 117 (5), the authorised person may modify and re-submit the Health and Safety Plan within a timeframe stipulated by the Ministry.
- 7. A Health and Safety Plan shall include information on plans regarding health, safety, training, Performance Standards, accident and emergency response for the relevant petroleum operations and a statement of intent to demonstrate commitment to comply with health and safety requirement.
- 8. The Health and Safety Plan shall include, but not be limited to, information on:
  - (a) The objectives for health and safety;
  - (b) Overview of activities related to authorised petroleum operations.
  - (c) The Applicable Standards, safety measures and procedures that will be used;
  - (d) Risk assessment measures for mitigation of risk;
  - (e) Handling of interfaces between the participants in the petroleum operations and the follow-up of Sub-Contractors' activities;
  - (f) Operation and maintenance requirements;

- (g) Measures for assessment of health and safety performance including criteria for determining whether the health and safety objectives have been met;
- (h) Job safety analysis methodology to determine occupational health and safety issues;
- (i) Access to preventive and curative medical services, first aid and medical equipment and personal protection devices;
- (j) Handling of hazardous substances in case of specific risks including, but not limited to, safe storage and emergency response measures including specific measures relevant to hazardous substances in case of specific risks such as spillage, leak, fire, collision and explosions;
- (k) Required training programmes for the Petroleum Operations;
- (l) Monitoring, reporting and auditing;
- (m) Measures and mitigation actions to handle non-compliance and how information obtained therefrom will be used to revise the Health and Safety Plan and health and safety manual;
- (n) Command structures, including division of command, including company positions and all relevant contact details for emergency response;
- (o) Emergency procedures, emergency communications systems and back-up power supply, lighting, alarm systems, ballast control, fire-fighting equipment, and emergency shut-down systems;
- (p) Evacuation, escape and rescue measures;
- (q) Accident response Facilities to be used and supervisory staff responsible for actions and investigations that will be performed by the authorised person in the event of a Major Accident Event during petroleum operations;
- (r) Any other matters of importance for health and safety; and
- (s) Such other information as the Ministry may require.

9. Any health and safety studies, background information or other documentation that may assist review by the Ministry of the proposed Health and Safety Plan shall also be submitted.
10. The authorised person shall ensure that records documents are retained and maintained in a manner sufficient to implement the Management System.
11. For Article 119 (10) purposes, all records and documentation shall be dated with dates of revision and be readily available and identifiable.
12. An authorised person shall prepare a revised Health and Safety Plan in case of any significant modification, change or new stage of existing petroleum operations not already catered for in an existing Health and Safety Plan.
13. The authorised person shall review the Health and Safety Plan as and, when necessary, revise the Health and Safety Plan.

**Article 120**  
**Safety Case**

1. The purpose of a Safety Case is to ensure health and safety performance in petroleum operations during each stage of the life of a Facility.
2. Prior to the commencement of construction, installation, drilling, operation, modification or Decommissioning of a Facility, an authorised person shall prepare a Safety Case, or as the case may be, a revised Safety Case, in writing.
3. Scope of validation for design, construction and installation or modification of a Facility shall be submitted to the Ministry for its agreement.
4. Scope of validation under Article 120 (3) shall be submitted prior to the submission of Safety Case.
5. An authorised person shall submit a Safety Case or a revised Safety Case to the Ministry for its approval not later than ninety (90) days prior to planned commencement of Drilling Operations, Workover, construction, installation, modification, operation or Decommissioning of Facilities or when requested by the Ministry.
6. The Ministry may require the submission of a Bridging Document in relation to two or more Safety Cases.

7. The Ministry will provide the authorised person with its decision in writing within reasonable time of receipt of all required data and information.
8. Where a Safety Case is not approved, the Ministry shall state the grounds for its decision.
9. In the event mentioned in Article 120 (8), the authorised person may modify and re-submit the Safety Case within a timeframe stipulated by the Ministry.
10. The Safety Case shall be appropriate to the Facility and the activities to be carried out at the Facility and be a true reflection of the state of safety arrangements for an existing or proposed Facility.
11. The Safety Case shall also identify methods to be used for monitoring and reviewing all activities in connection with the Facility, with a view to the continuous improvement of safety of the Facility.
12. The Safety Case shall demonstrate that the authorised person:
  - (a) Is fully aware of the activities taking place at the Facility;
  - (b) Has ensured that the relevant part of the Management System is adequate to ensure compliance with the Applicable Law in Timor-Leste;
  - (c) Has a clear understanding of the safety critical aspects that influence risks at the Facility;
  - (d) Clearly understands the controls that are critical to managing and minimising risks to personnel at the Facility;
  - (e) Has reflected good oil field practice and the availability of technology in developing appropriate risk management controls; and
  - (f) Is clear on how safety will be assured in the event of an emergency.
13. A Safety Case shall be appropriate to a facility and the activities to be carried out at the facility in a specified location and shall contain:
  - (a) A Facility description that shall place emphasis on the design and operating philosophy of the Facility. The Facility description shall demonstrate that the Facility has been designed and constructed to a standard that meets its



operational needs, and that all engineered control measures for Major Accident Events have been identified and are in place;

- (b) A Formal Safety Assessment that shall be emphasized on Major Accident Events and contain a detailed description of an assessment or series of assessments conducted by the authorised person to reflect comprehensive and systematic Risk Assessment of the Facility and the activities to be carried out at the Facility;
  - (c) Information relating to the Health and Safety Management System that is designed to ensure compliance with Applicable Law in Timor-Leste and good oil field practice and at continuously identifying and reducing risks to a level as low as reasonably practicable for the Facilities and the activities to be carried out at the Facility; and
  - (d) Any other information in relation to risk management as required by the Ministry.
14. The authorised person shall review, update and re-submit the Safety Case for the Ministry's approval:
- (a) If there is reason to suspect it is no longer valid;
  - (b) Within a period that does not exceed five (5) years from the date of approval of a currently-in-force Safety Case;
  - (c) In case of any proposed significant modification, expansion, other change of design or new stage in the life of a Facility; and
  - (d) When requested by the Ministry.
15. The Ministry may provisionally approve a Safety Case.
16. The Ministry shall notify the authorised person its decision to provisionally approve a Safety Case.
17. The notice of provisional approval must state:
- (a) The period when the provisional approval will be in force;
  - (b) The extent to which the Safety Case has been approved; and

- (c) Any limitations or conditions which will apply in respect of the use or operation of the Facility while the provisional approval is in force.
18. The authorised person shall not commence the Petroleum Operation before the Ministry has given its approval of the Safety Case in writing.

**Article 121**  
**Health and safety committee**

1. An authorised person shall establish a Health and Safety Committee for each Facility used for the petroleum operations.
2. The Health and Safety Committee shall consist of the representatives of workforce personnel and shall be chaired by a qualified member of the authorised person's senior management.
3. The Health and Safety Committee shall meet at least once every Calendar Quarter.
4. The Health and Safety Committee shall:
  - (a) Assist in developing and implementing measures, and to review and update measures used to protect the health and safety of workforce personnel; and
  - (b) Facilitate co-operation between the authorised person, Sub- Contractors, and members of the workforce.
5. The Health and Safety Committee shall record and retain minutes of its meetings.

**Article 122**  
**Health and safety monitoring**

1. An authorised person shall carry out regular tests, checks, inspections, calibrations and examinations on Facilities, including all equipment and their operation, and on Management Systems and petroleum operations as required Applicable Law in Timor-Leste and good oil field practice and document their effect on health and safety.
2. An authorised person shall ensure that information and data derived from monitoring in accordance with Article 122 (1) of significance to health and safety are collected, processed and used for implementing remedial and preventive measures, including improvement of the Management System, Health and Safety Plan, Safety Case or other systems and equipment.

**Article 123**  
**Health and safety performance reporting**

1. An authorised person shall produce and submit the following reports on petroleum operations to the Ministry:
  - (a) A monthly Health and Safety Report which reflects monthly health and safety performance of petroleum operations carried out, the Facilities involved and Management System; and
  - (b) An annual Health and Safety Report which includes monthly health and safety performance and its analysis, and any plans or measures to be undertaken in the following Calendar Years to improve health and safety performance of a Facility and petroleum operations.
2. The Ministry may require the authorised person to include additional information in the reports mentioned in Article 123 (1) (a) and (b).

**Article 124**  
**Incident notification and reports**

1. An authorised person shall promptly notify the Ministry and other relevant authorities of an emergency, Major Accident Event and Other Health and Safety Incident.
2. An authorised person shall keep the Ministry and other relevant authorities continuously updated on the development and of the measures that it plans to implement as follows:
  - (a) An authorised person shall communicate and inform the Ministry and other relevant authorities through established communication channel, of such occurrences as soon as possible, no later than twenty four (24) hours after the incident occurred.
  - (b) An authorised person shall file a preliminary report as soon as practicable after a Major Accident Event and other Health and Safety Incident but no later than Forty Eight (48) hours following its occurrence:
    - (i) The date, time, location, coordinates and name of Field, if applicable;
    - (ii) A description of the Major Accident Event and other Health and Safety incident;

- (iii) Details on the equipment or Facility involved including type and name;
  - (iv) A description of the petroleum operations and other activities being carried out at the time of the Major Accident Event or Other Health and Safety Incident;
  - (v) Details of actual or likely environmental impacts resulting therefrom;
  - (vi) The number of fatalities or injuries, if any, sustained as a result therefrom;
  - (vii) The personal details of injured persons;
  - (viii) The relation of injured person or persons to the petroleum operations including the name of the employer;
  - (ix) Other such information the Ministry may require.
- (c) In the event of the Major Accident Event or Other Health and Safety Incidents a full investigation report shall be submitted to the Ministry as soon as practicable but no later than thirty (30) days following its occurrence. Such reports shall be in writing and contain, at a minimum, the following information related to the Major Accident Event or Other Health and Safety Incident:
- (i) The date, time, location, coordinates and name of Field, if applicable;
  - (ii) A description of the Major Accident Event or Other Health and Safety incident;
  - (iii) Details on the equipment or Facility involved including type and name;
  - (iv) A description of the petroleum operations and other activities being carried out at the time of the Major Accident Event or Other Health and Safety Incident;
  - (v) The extent of damage sustained, categorised as total loss, severe damage, significant damage, minor damage, including primary losses and secondary impacts on operations;
  - (vi) Details of actual or likely environmental impacts resulting therefrom;
  - (vii) The number of fatalities or injuries, if any, sustained as a result therefrom;

- (viii) The personal details of injured persons;
  - (ix) The relation of injured person or persons to the petroleum operations including the name of the employer;
  - (x) The name, address and telephone, including all business and mobile, numbers of the person responsible for investigating the Major Accident Event or Other Health and Safety Incident;
  - (xi) The name, address and telephone number of each potential witness known to the authorised person;
  - (xii) Root causes of the incident;
  - (xiii) The status of the corrective-action response at the time of the Major Accident Event or Other Health and Safety Incident to mitigate the impacts of the incident, and proposed immediate actions to be taken in the future to minimize the likelihood of the incident reoccurring; and
  - (xiv) Other such information the Ministry may require.
3. An incident investigation shall be initiated as promptly as possible for a Major Accident Event, considering the necessity of securing the scene, protecting personnel and the general public and the environment.
  4. The purpose of an incident investigation is to learn from the Major Accident Event and to contribute to prevent similar future Major Accident Events.
  5. The investigation shall be conducted by a Third Party Consultant designated by the authorised person, the Third Party Consultant shall possess the legal, technical and other expertise required and have knowledge of appropriate investigation techniques.
  6. Representatives from the Ministry shall have the right to participate as observers in the investigation.
  7. The investigation should be carried out and its findings and recommendations produced in a timely manner, in order to address:
    - (a) The nature of the Major Accident Event;

- (b) The factors that contributed to initiation of the Major Accident Event, its escalation and control; and
  - (c) Recommended changes identified as a result of the investigation.
- 8. The Ministry may appoint an independent special commission of inquiry for Major Accident Events in the petroleum operations.
- 9. The members of the commission shall possess the legal, technical and other expertise required and have knowledge of appropriate investigation techniques.
- 10. The commission of inquiry may require the authorised person and other parties involved in the Major Accident Events to provide the commission with information which may be relevant to the investigation, and that they shall make available documents, Facilities and other objects at a place where it is suitable for the investigation to take place.
- 11. The authorised person shall be required to cover the costs in connection with the work of the commission of inquiry.
- 12. A corrective action programme shall be established based on the findings and recommendations of the investigation, in order to address the root causes of Major Accident Event.
- 13. The corrective action programme referred in Article 124 (12) shall be submitted to the Ministry for its approval.
- 14. Findings of the investigation shall be reported to the Ministry and retained by the authorised person.
- 15. The authorised person shall establish a system to determine and document the response to each finding, to ensure agreed-upon actions are completed.
- 16. Documentation detailing completion of the corrective action programme shall be submitted to the Ministry for its review and approval.

## **Article 125**

### **Audit**

1. The authorised person shall at its own cost carry out an annual Health and Safety Audit of those parts of the Management System that relate to health and safety, any Health and Safety Plans and any Safety Cases in order to determine and demonstrate that these measures have been implemented correctly and are being maintained, that the relevant goals have been met and continue to be met and that adherence to Performance Standards is verified.
2. The annual Health and Safety Audit shall be carried out within thirty (30) days from the end of the prior Calendar Year reflecting the annual health and safety performance of petroleum operations being undertaken.
3. The Ministry may request that such annual Health and Safety Audit shall be carried out by a certified health and safety auditor.
4. The Health and Safety Audit shall be documented in an audit report which shall state the name and qualifications of the health and safety auditor, the date of Health and Safety Audit and describe any deficiencies, conclusions, recommendations and significant concerns of the health and safety auditor.
5. A copy of the annual Health and Safety Audit will be submitted to the Ministry within thirty (30) days of completion of the audit report.
6. Following each annual Health and Safety Audit, the authorised person will determine and document an appropriate response to the audit findings and recommendation to assure satisfactory resolution through implementation of appropriate actions.
7. In an event where petroleum operations are to be carried out for period less than one year, the authorised person shall at its own cost carry out a Health and Safety Audit in accordance with this Article 125 within thirty (30) days from finalisation of the petroleum operations.

## **Article 126**

### **Safe work practices**

1. An authorised person shall establish and implement safe work practices designed to render the level of risks in petroleum operations as low as reasonably practicable for all activities.

2. Safe work practices shall be based on analyses that provide the necessary basis for establishing such practices.
3. When carrying out and updating the analyses referred in Article 126 (2), suitable models, methods and data recognized by good oil field practice shall be used.
4. The purpose of each analysis shall be clear, as well as the conditions, premises and limitations that form its basis.
5. Criteria shall be set for carrying out new analyses and updating existing analyses in case of changes in conditions, assumptions, knowledge and definitions that, individually or collectively, may influence the risk associated with the petroleum operations.
6. The authorised person shall maintain a comprehensive overview of the analyses that have been carried out and are underway.
7. The authorised person shall ensure the necessary consistency between analyses that complement or expand upon each other.
8. Safe work practices shall be documented in writing as a part of the Management System.
9. The documentation referred in Article 126 (8) shall be readily available for all relevant personnel where petroleum operations are conducted in the form of a health and safety manual.
10. For purposes of Article 126 (9), for some locations, site-specific safe work practices may be adopted.
11. When selecting Sub-Contractors pursuant to Article 128, an authorised person shall obtain and evaluate information regarding a Sub-Contractor's safe work policies and practices, and performance thereunder, and the Sub-Contractor's procedures for selecting Sub-Contractors.

### **Article 127** **Competency**

1. An authorised person shall ensure that persons who carry out work related to petroleum operations have the necessary competence and qualifications for the work that is to be performed.



2. The Ministry may require that an authorised person shall provide certificates proving that persons carrying out work for it, have the necessary competence and qualifications for the work that is to be performed.

### **Article 128**

#### **Qualifications and follow-up of Sub-Contractors**

1. Prior to entering into a sub-contract, an authorised person shall ensure that the Sub-Contractors performing work directly or indirectly for them understand and are qualified to fulfil the requirements relating to health and safety established in Applicable Law in Timor-Leste.
2. An authorised person shall follow up to ensure that persons mentioned in Article 128 (1) comply with relevant requirements of Applicable Law in Timor-Leste while performing Assignments in connection with petroleum operations.
3. The process for selection of Sub-Contractors shall be documented in order to demonstrate compliance with this Article 128 (1) and (2).

### **Article 129**

#### **Capabilities and training**

1. An authorised person shall provide all information, instruction and training to carry out work related to petroleum operations as deemed required for the performance of roles and functions.
2. An authorised person shall ensure that all personnel are provided with adequate health and safety training and exercises, so that the personnel are always able to handle operational disturbances, Other Health and Safety Incidents and Major Accident Events in an effective manner.
3. The training referred in Article 129 (1) and (2) shall as a minimum be provided in connection with:
  - (a) Initial arrival at the Facilities; and
  - (b) Exposure to new or increased risks.
4. The training referred in Article 129 (1), (2) and (3) shall:
  - (a) Be repeated periodically where appropriate; and

- (b) Be continuously adapted to take into account of any new or changed risks.
5. An authorised person must take adequate steps to ensure that all personnel have understood the safety information.

**Article 130**  
**Emergency response plan**

1. Prior to commencement of petroleum operations, an authorised person shall submit an emergency response plan to the Ministry for its approval.
2. In the event of an emergency an authorised person shall undertake all necessary actions required to mitigate any danger or damage to life, health or property and environment, whether or not such action is included in the emergency procedures established in this Article 130.
3. The authorised person shall in accordance with Article 124 promptly inform the Ministry of such actions.
4. An authorised person shall establish and, where necessary, give effect to efficient and appropriate emergency procedures.
5. Emergency procedures referred in Article 130 (4) shall, amongst other, be based on risk assessments undertaken in Health and Safety Plans and Safety Cases.
6. Emergency procedures shall be documented in writing as a part of the Management System.
7. The documentation referred in Article 130 (6) shall be readily available for all personnel where petroleum operations are conducted in the form of an emergency response manual.
8. The emergency response manual will set out the procedures and actions to be taken in the event of emergency arising during the conduct of petroleum operations with a view to dealing efficiently with emergencies which may lead to, or has led to Major Accident Events, Other Health and Safety Incidents, Major Environmental Incidents or major damage to property.
9. An authorised person shall:
  - (a) Review and update regularly the emergency response procedures and response manual;

- (b) Ensure that personnel are aware of all emergency procedures and have the emergency response manual readily available; and
  - (c) Develop, implement and practice at regular intervals emergency drills
10. The authorised person shall review and update the emergency response plan.
11. Any update of the plan shall be submitted to the Ministry for approval.

**Article 131**  
**Emergency Exits and escape routes**

1. An authorised person shall in all Facilities provide a sufficient number of suitable emergency escape routes and exits to enable all personnel to reach a place of safety directly and quickly in the event of danger, considering the type and source of emergency, the maximum number of personnel and their location in the Facilities.
2. All emergency escape routes and exits provided and any approaches to these, shall be kept clear and free from obstruction, be protected from degradation and impairment in order to at all and any times allow egress to the safe area and be provided with emergency lighting.
3. All emergency routes or exits shall be clearly indicated by suitable signs.

**Article 132**  
**Diving safety**

1. Prior to carrying out diving work, an authorised person shall ensure that diving activities are covered by its Management System or that of any diving contractor engaged.
2. The authorised person shall ensure that the relevant part of the Diving Safety Management System shall be submitted for approval by the Ministry.
3. The Management System shall specify the standard or code of practice that will be used for the diving work, and provide for all activities connected with the diving work to be undertaken and shall, as a minimum, address:
  - (a) Preparation of an appropriate Diving Plan;

- (b) The continuous and systematic identification of hazards related to the diving work;
  - (c) Risk for injuries or damages;
  - (d) Elimination of risks to persons involved with the diving work;
  - (e) Inspection and maintenance of, and testing programs for, equipment and hardware integral to the control of risks;
  - (f) Communications between persons involved in the diving work;
  - (g) Appropriate Performance Standards;
  - (h) Programme of continuous improvement and system for change management.
  - (i) As a minimum, the diving plan shall include:
    - (i) A description of the diving work to be undertaken;
    - (ii) Hazard identification;
    - (iii) A risk assessment;
    - (iv) A safety management system plan;
    - (v) Job hazard analysis for the diving work;
    - (vi) An emergency response plan; and
    - (vii) Arrangements in the Management Plan and Safety Case for simultaneous operations and emergency response.
4. As part of its review and prior to the issuance of approval, the Ministry may require inspection of the diving equipment and verification in the Management System and the Diving Plan by Ministry-appointed health and safety inspectors with specialist knowledge of the diving industry.

5. Updates to the Diving Plan shall be made by the authorised person and approved by the Ministry whenever modifications to the diving work are proposed that create a significant increase in the overall level of risk.
6. An authorised person shall revise, or cause to be revised, the diving part of the Management System:
  - (a) If developments in scientific or technical knowledge, or in the Risk Assessment with impact on the diving work to be undertaken in the contract area make it appropriate to do so;
  - (b) If the diving contractor proposes to make a significant change to the method of operation, to procedures or to equipment;
  - (c) If required to do so by the Ministry;
  - (d) If a number of minor changes together result in the relevant parts Management System being significantly different from that approved by the Ministry; and
  - (e) At the end of each period of 5 (five) years from the date of the most recent approval or relevant part of the Management System.

**Article 133**  
**Safety zone**

1. The Ministry may, where necessary, establish safety zones around and above Facilities with the exception of Pipelines and cables.
2. The breadth of safety zones shall be based on Applicable Standards and be reasonably related to the Facility.
3. Safety zones shall not exceed a distance of 500 meters around them, measured from each point of their outer edge, except as authorised by Applicable Standards.
4. Established safety zones shall only be marked if the authorised person or the Ministry considers it necessary.
5. Marking made under Article 133 (4) shall be in accordance with international marking rules.
6. The Ministry can require markings to be altered.

7. The authorised person shall ensure necessary public announcement well in advance of the establishment of a safety zone.
8. The announcements referred in Article 133 (7) shall be published in two local newspapers circulated in Timor-Leste of which one shall be published in one of the official languages of Timor-Leste, on the Ministry website, and in any other manner determined by the Ministry.
9. The announcements shall contain information about the safety zone and the applicable prohibitions or restrictions, together with the zone's location, extent and duration, together with possible marking and other necessary information shall also be stated.
10. Safety zones shall cease to exist when the conditions warranting their establishment no longer exist, or when the zones' applicable time period has expired.
11. The discontinuation of a safety zone shall be announced in accordance with Article 133 (8).
12. Where the authorised person considers establishment of a safety zone unnecessary based on an assessment of safety factors, the authorised person may apply to the Ministry to refrain from establishing a safety zone, no later than the date of submission of the Development plan.
13. The authorised person shall monitor all activity inside safety zones.
14. The authorised person shall also monitor what happens outside the zone when such activity can result in a safety risk for the petroleum operations.
15. No person, other than a person authorised by the authorised person or the Ministry shall enter the safety zone around a Facility.
16. The authorised person shall alert a vessel that is in the process of entering a safety zone when it is not authorised to enter such area.
17. The authorised person shall also alert vessels outside a safety zone if the vessels could constitute a safety risk to the petroleum operations.
18. If an object could constitute a safety risk to the petroleum operations, the authorised person shall alert the party responsible for the object, if possible.

19. The authorised person shall alert the Ministry in the event of situations as mentioned in Article 133 (15) to (18), which can result in a serious safety risk for the petroleum operations.
20. The authorised person shall report violation of safety zones to the appropriate police authority and the Ministry according to procedures stipulated by the Ministry.
21. In the event of violation of safety zones and in dangerous situations as mentioned in Article 133 ((15) to (18) the authorised person shall, to the extent possible and safe, refuse entry to vessels or objects.
22. The refusal of entry referred in Article 133 (21) can consist of expulsion order.
23. If safety zones are violated by vessels or objects, and the violation entails a serious safety risk for the petroleum operations, the refusal of entry can consist of physical measures.
24. Article 133 (22) and (23) also applies if vessels or objects outside safety zones entail such risks, and the authorised person has given warning as mentioned in Article 133(17).

## **CHAPTER XVII ENVIRONMENTAL AFFAIRS**

### **Article 134 General obligations for environmental management**

1. An authorised person shall ensure, in accordance with the Applicable Law in Timor-Leste and good oil field practice, the environmental risks are managed to as low as reasonably practicable.
2. Prior to conducting petroleum operations, an authorised person shall make a suitable sufficient assessment of the risks to the environment at and surrounding the Facilities arising directly or indirectly from the petroleum operations under normal operations and in emergency conditions.
3. The result of the risk assessment performed under Article 134 (2) shall be properly documented in the environment management system, and submitted, as appropriate, as part of the environmental submissions required under the Applicable Law in Timor-Leste.

**Article 135**  
**Environment part of the Management System**

An authorised person shall ensure that the Management System to be established in accordance with Article 115 is designed to ensure and demonstrate continuous compliance with Applicable Law in Timor-Leste on environment and good oil field practice relating to environment and to minimise risk to as low as reasonably practicable.

**Article 136**  
**Consultation with the Ministry on Environmental Assessment**

Prior to carrying out petroleum operations, an authorised person may consult the Ministry to determine environmental assessment to be carried for its petroleum operations and ensure submission of Environmental Impact Statement or initial environmental examination report and Environmental Management Plan or other required submission to the Ministry.

**Article 137**  
**Environmental impact assessment**

1. Petroleum operations subject to an environmental impact assessment include:
  - (a) All drilling activities; and
  - (b) All activities related with the development, production and transportation of petroleum, including construction, installation and operation, of all offshore Facilities and Pipelines.
  - (c) Decommissioning
2. The requirement to undertake environmental impact assessment under Article 137.1. (a),(b) and (c) may not be required should the Ministry views that the existing environmental impact statement for the proposed petroleum operations under a contract area are still applicable.
3. Notwithstanding Article 137(1) (a) and (b), the Ministry may require that an environmental impact assessment is prepared in respect of any petroleum operations, or is prepared again for existing petroleum operations where:
  - (a) A change in the status of the petroleum operations is proposed by the authorised person and which may have a significant environmental impact, or



- (b) There is new information on actual effects of petroleum operations on the environment.
- 4. Environmental impact assessment shall clearly identify the potential environmental effects and risks of the proposed petroleum operations, including the direct, indirect, acute, chronic, adverse and beneficial effects on the environment.
- 5. Environmental Impact Statement shall reflect the conclusion of environmental impact assessment.

### **Article 138**

#### **Initial environmental examination**

- 1. Petroleum operations subject to an initial environmental examination include all exploration geophysical survey work, including seismic, gravimetric, magnetic, and geochemical.
- 2. Notwithstanding Article 138 (1), the Ministry may require an environmental impact assessment to be carried out, in case the Ministry decides that potential environmental risks from the proposed petroleum operations are not sufficiently addressed through the initial environmental examination.

### **Article 139**

#### **Environmental license for petroleum operations**

- 1. An authorised person shall not carry out petroleum operations prior to obtaining Environmental License issued by the Ministry.
- 2. The authorised person shall ensure that an application for Environmental License for petroleum operations shall include a full description of the scope of any proposed petroleum operations and their assumed impact on the environment, including key characteristics such as type of petroleum, extent of the petroleum operations, geographical locations, environmental impact assessment, or initial environmental examination report, Environmental Management Plan, oil spill contingency plan and other information required by the Ministry.
- 3. Before granting any Environmental License, the Ministry must be satisfied with the submissions described in Article 139 (2).
- 4. For the purpose of this Decree-Law, Environmental License for petroleum operations is classified as follow:

- (a) Category A – includes all petroleum operations that may have significant environmental impact and are subject to the environmental impact assessment.
- (b) Category B – includes all petroleum operations that may cause environmental impacts and which are subject to the initial environmental examination.

**Article 140**  
**Environmental Management Plan**

1. An authorised person can only carry out petroleum operations if the Ministry has approved an Environmental Management Plan for such petroleum operations.
2. The authorised person must not carry out petroleum operations in a manner that is contrary to the Environmental Management Plan in force for the activity, and conditions given in the approval letter.
3. An authorised person shall establish an Environmental Management Plan, which shall detail the implementation of environmental requirements in respect of specific petroleum operations, including, but not limited to, the following:
  - (a) Detail of the authorised person;
  - (b) Description of activities;
  - (c) Description of the existing environment that maybe be affected by the petroleum operations;
  - (d) Legislative requirements;
  - (e) Evaluation of environmental risks and possible impacts;
  - (f) Environmental performance objectives, Performance Standards, and measurement criteria;
  - (g) Implementation strategies, includes but not limited to the following:
    - (i) Systems, practices and procedures;
    - (ii) roles and responsibilities of personnel;

- (iii) training and competency;
  - (iv) environmental monitoring program, auditing, management of non-conformance and review;
  - (v) Reporting and record keeping
  - (vi) Emergency response; and
  - (vii) Consultation.
4. An Environmental Management Plan shall be submitted to the Ministry for approval prior to the commencement of any new petroleum operations or prior to any significant modification, change or new stage of existing petroleum operations not already catered for in an existing Environmental Management Plan.
  5. A revised Environmental Management Plan shall be submitted for the Ministry approval, should there be any significant new environmental risk or impact.
  6. The Environmental Management Plan will be reviewed on an annual basis and, when necessary, revised and submitted by the authorised person for the Ministry's acceptance, to reflect any changes necessitated by the actual environmental performance being achieved by the authorised person, as assessed through ongoing monitoring, reporting and inspection/audit, and by any significant changes in environmental impacts and risks.
  7. Notwithstanding with Articles 140 (4) and (5), the authorised person shall submit to the Ministry a proposed revision of the Environmental Management Plan at the end of each period of 5 years from the date of approval of a first Environmental Management Plan, or from the date of the most recently revised Environmental Management Plan approved by the Ministry.

#### **Article 141**

##### **Environmental monitoring program**

1. As indicated in the Article 140 (3) (g) (iv) the authorised person shall provide the Ministry with an environmental monitoring program which shall include but not limited to the following:
  - (a) Information needed to provide a suitable baseline for subsequent monitoring;

- (b) The type of petroleum operations effects that are likely to need monitoring; and
  - (c) The ecosystem parameters to be monitored;
  - (d) Policies for evaluating and amending the monitoring programme.
2. The Ministry may require that changes be made to the environmental monitoring program, if required, to comply with Applicable Law of Timor-Leste and good oil field practice.

**Article 142**  
**Oil spill contingency plan**

1. An authorised person is obliged to lodge with the Ministry an oil spill contingency plan to combat pollution from its petroleum operations at least thirty (30) days for the Ministry review and approval prior to commencement of petroleum operations.
2. Oil spill contingency plan shall provide effective and timely prescribed measures to be undertaken by an authorised person for controlling, containment, and clean-up of oil spill resulting from the petroleum operations.
3. Oil spill contingency plan shall clearly define the Assignment of tasks and responsibilities for the purpose of deployment of equipment and materials in combating pollution caused by oil spill resulting from petroleum operations.
4. An authorised person shall carry out an analysis of potential circumstances and the types of incidents arising out its petroleum operations which can lead to incidental spillage.
5. The result of the analysis in Article 142 (4) shall be used as the basis to classify the potential for oil to spread, into several sequential classes of magnitude.
6. The oil spill contingency plan shall clearly outline the classification of oil spill resulting from petroleum operations and shall provide the trajectory analysis for each classification.
7. The oil spill contingency plan shall provide for authorised person's formulation of its organisation for combating each classification of pollution, this include its control and command system, communication system, the reporting system, as well as the

arrangement with a third party person, or shore based entities for mobilizing resources in responding to oil spill resulting from petroleum operations.

8. An authorised person shall provide an evidence of appropriate insurance as required under Chapter XX.
9. Notwithstanding Article 142(2), (3), (5), (6) and (7), the Ministry may request additional information to be included in the oil spill contingency plan.
10. The oil spill contingency plan will be reviewed annually by an authorised person and submitted for approval by the Ministry.
11. The revisions to the oil spill contingency plan must also be submitted to the Ministry within 15 days of when a change occurs:
  - (a) Which significantly reduces response capabilities;
  - (b) In the worst case discharge scenario or in the type of oil being handled, stored or transported; or
  - (c) In the names or capabilities of the oil spill removal organisations given in the plan.

### **Article 143**

#### **Reporting of environmental performance**

1. Reporting of environmental performance of petroleum operations shall be made by the authorised person pursuant to this Decree-Law.
2. All environmental reports, document or record submitted by the authorised person shall be stored and maintained by the Operator for a minimum period of five (5) years from the making of each record or document, in a way that makes the retrieval of the record reasonably practicable.
3. The report referred to in this Article 143 (1) constitute annual environmental performance report for petroleum production, drilling completion report for drilling activity, as well as other environmental related report as provided for in the Environmental Management Plan.

4. The annual environmental performance report shall provide summary of the authorised person's performance in meeting the environmental performance objectives and performance standards for the reporting period.

#### **Article 144**

##### **Notice of Significant Spill and Emergency Response**

1. An authorised person shall provide an oral or written notice the Ministry of any Reportable Spill and Significant Spill within the time frames set out in the Article 144 (3).
2. Oral notice shall be followed by prompt written notices to the Ministry, in any case not later than three (3) days after the first occurrence of the Reportable Spill and Significant Spill.
3. The period of time which the authorised person has to notify the Ministry of a Reportable Spill and Significant Spill shall be as follows:
  - (a) Significant Spill shall be notified as soon as possible, but not later than two (2) hours after the authorised person is aware of the first occurrence; and
  - (b) A Reportable Spill that does not constitute a Significant Spill shall be notified within twenty-four (24) hours after occurrence.

#### **Article 145**

##### **Waste management**

1. An authorised person shall ensure that Waste Material is handled and managed in accordance with the Environmental Management Plan, Applicable Law in Timor-Leste and good oil field practice.
2. An authorised person shall ensure that all Waste Material, drilling fluid and drill cuttings generated at a Drill Site are handled and disposed in accordance with Applicable Law in Timor-Leste and good oil field practice.

#### **Article 146**

##### **Utilisation of chemical in petroleum operations**

Any chemical for use in petroleum operations including drilling, production and pollution clean-up chemical shall be subject to prior approval by the Ministry.

**Article 147**  
**Liability for damage to the environment**

The authorised person shall pay compensation in accordance with the Environmental Base Law and other Applicable Law in Timor-Leste regardless of fault where the authorised person has caused damage to the environment.

**Article 148**  
**Liability for third party claims**

The authorised person shall defend and hold harmless the Government and Ministry from all claims by third parties resulting, directly or indirectly, from petroleum operations in accordance with the Petroleum Activities Law Article 28. The Ministry shall give the authorised person prompt notice of any such claim and shall not settle it without the prior consent of the authorised person.

**Article 149**  
**Restitution**

If an authorised person in violation of Applicable Law in Timor-Leste has caused damage to one or more environmental components, the authorised person is obliged to restore the environment, or pay compensation, pursuant to Applicable Law in Timor-Leste.

**Article 150**  
**Liability and restitution for unauthorised activities**

A person who engages in petroleum operations other than pursuant to an authorisation is liable for any claims and responsible to restore the environment pursuant to the Petroleum Activities Law Article 16.

**CHAPTER XVIII**  
**LOCAL CONTENT**

**Article 151**

**General principles**

1. Authorised person for petroleum contract and seepage authorisation are required to:
  - (a) Contribute and actively implement Local Content program in all phases of Petroleum Operations; and
  - (b) Develop and finance sustainable local content program for commercial petroleum projects.
2. The administration of financing the Local Content development as referred to Article 151 (1) (b) shall be established and regulated by Ministerial Diploma of the member of the government responsible for the Petroleum sector in consultation with the authorised person.
3. The selection, planning, and the implementation of the Local Content Proposal shall be undertaken in close consultation with the Ministry.
4. The Ministry shall ensure that all Local Content Proposals are measureable, achievable, reasonable, fair, accountable, and transparent in all phases of undertakings.

**Article 152**

**Presence in Timor-Leste**

An authorised person for the petroleum contract and seepage use authorisation shall:

- (a) Incorporate a company in Timor-Leste specifically for the sole purpose of the petroleum operations.
- (b) Have a representative in charge of the office in Timor-Leste who shall have full authority to act and to enter into binding commitments on behalf of the authorised person;
- (c) Ensure permanent establishment of Sub-Contractors to perform the following activities:
  - (i) Undertake major supplies of goods and services for petroleum operations in Timor-Leste; and



- (ii) Manage the employment and training of Timorese citizens.
- (d) Open and maintain an account with a bank in Timor-Leste to support the execution of the annual work program and budget.

**Article 153**  
**Annual Local Content Plan**

1. An authorised person for the petroleum contract and seepage use authorisation shall prepare and implement an annual Local Content plan.
2. The annual Local Content plan shall be submitted to the Ministry for approval every Calendar Year either:
  - (a) Together with Work Programmes and Budgets required in accordance with Articles 15 and 48 of this Decree-Law; or
  - (b) Where the abovementioned Articles do not apply, thirty (30) days prior to the end of a Calendar Year.
3. The annual Local Content plan shall be based on approved Local Content Proposal and shall demonstrate how the authorised person fulfils its commitment and ensure the compliance of its Sub-Contractors.
4. The annual Local Content plan shall include:
  - (a) A plan detailing contracting and procurement strategies and procurement plans for the purposes of using Timor-Leste's Goods and Timor-Leste's Services;
  - (b) A detailed plan listing number of Timorese citizens to be employed under each of the following categories: unskilled, clerical, technical and supervisory, management and professional including recruitment processes and career development plan ;
  - (c) A detailed plan on training Timorese citizens outlining:
    - (i) The skills needed, anticipated skill shortages in the Timorese labour force, and the anticipated expenditures associated with the training plan; and
    - (ii) Plan on training for employment of Timorese citizens in the petroleum operations during the authorisation period.

- (d) A plan to transfer to the Ministry, TIMOR GAP, Institute of Petroleum and Geology – Public Institute, or any entities approved by the Ministry, technology and knowledge related to petroleum operations during authorisations periods as stipulated in Article 156 of this Decree-Law;
  - (e) Any other information as may be requested by the Ministry.
5. The Ministry evaluates the annual Local Content plan for approval.
  6. In the evaluation of the annual Local Content plan, the Ministry may take previously submitted Local Content reports and the Local Content performance of the authorised person and its Sub-Contractors into consideration.
  7. The Ministry may stipulate conditions for its approval to meet the requirements under this Decree-Law and to reflect good oil field practice.
  8. The Ministry shall provide the authorised person with its decision in writing within reasonable time of receipt of the annual Local Content plan.
  9. Where an annual Local Content plan is not approved, the Ministry shall state the grounds for its decision.
  10. In case of Article 153 (9), the authorised person may modify and re-submit the annual Local Content plan within thirty (30) days.
  11. The approval provided in Article 153 (9) shall be collectively executed for the annual work program and budget in accordance with Article 153 (2).
  12. In addition to the annual Local Content plan, the authorised person is also required to present a separate plan for Corporate Social Responsibility (CSR), if available, for consultation with the Ministry.

#### **Article 154**

##### **Employment for petroleum operations**

1. Employment for petroleum operations is reserved for Timorese citizens only and shall be based on merits and competition.
2. In the event that Timorese citizens apply for specialized position do not meet the required level of competence as per good oil field practice, the authorised person for the petroleum contract and seepage use authorisation temporarily allowed to employ

persons of other nationalities until such time that Timorese citizens are qualified.

3. During the employment of persons of other nationalities as referred to in Article 154 (2), the authorised person for the petroleum contract and seepage use authorisation shall present succession plan for approval by the Ministry.
4. The succession plan as referred to in Article 154.3 maybe, on case to case basis taking into consideration industry practices exempted by the Regulatory Authority for the works requiring skills and experiences greater than the life of the project.
5. Notwithstanding Article 154 (1) and (2) , the Ministry may, due to practicality of petroleum operations, approve authorised person for the petroleum contract and seepage use authorisation to employ other nationalities under the following conditions:
  - (a) Works requiring specific skills and experience for the length of service less than one year or works related to development such as construction, installation, drilling and Decommissioning; or
  - (b) Protection of Intellectual Property; or
6. All employment opportunities for petroleum operations shall be advertised publicly.
7. Subject to this Article 154, an authorised person or a Sub- Contractor shall not engage in discriminatory practices on grounds of race, tribe, nationality or gender in the conditions of service provided for the employees.
8. All matters related to employment conditions for petroleum operations under this Decree-Law shall comply with Applicable Law in Timor-Leste

### **Article 155** **Training of Timorese citizens**

An authorised person for the petroleum contract and seepage use authorisation shall:

- (a) Carry out training for the purposes of employment and competency development for all phases of petroleum operations; and
- (b) Establish a blue print outlining positions and trainings required during petroleum operations in accordance with good oil field practice.

**Article 156**  
**Technology and knowledge transfer**

1. In carrying out petroleum operations, an authorised person for the petroleum contract and seepage use authorisation shall ensure that transfer of technology and knowledge to Timor-Leste entities and or individuals take place in all contracts associated with its authorisation.
2. Transfer of technology and knowledge may include one or more of the following:
  - (a) Provide technical and financial support for Timor-Leste to enhance its capability to supply goods and services for petroleum operations;
  - (b) Enhance Timorese citizens' knowledge and skills in petroleum industry through internship, scholarship, overseas employment and research and development; and
  - (c) Any other directions as provided by the Ministry.
3. Transfer of technology and knowledge as outlined in Article 156 (2) shall be incorporated into the Local Content Proposal.

**Article 157**  
**Local Content Reporting**

1. An authorised person for the petroleum contract and seepage use authorisation shall, within sixty (60) days after the end of Calendar Year submit to the Ministry an annual Local Content report.
2. The annual Local Content report shall provide full account on how the authorised person for the petroleum contract and seepage use authorisation has complied with the annual Local Content plan.
3. The annual Local Content report provided for in Article 157 (2) above shall include, but not limited to, the following:
  - (a) A detailed breakdown on the amount of expenditures incurred by the authorised person for the petroleum contract and seepage use authorisation and all associated contracts on the supply of Timor-Leste Goods and Timor-Leste Services;

- (b) Detail information on Timor-Leste Suppliers contracted for the purposes of using Timor-Leste's Goods and Timor-Leste's Services;
  - (c) Detail breakdown for each of the contracts under a petroleum contract and a seepage use authorisation on Timor-Leste Goods as defined in this Decree-Law.
  - (d) Detailed information on execution of the approved plans related to transfer of technology and knowledge;
  - (e) Detailed information on activities and expenditures related to the implementation of the Corporate Social Responsibility;
  - (f) A table outlining the execution of overall local content plan for the reporting Calendar Year comparing with the preceding Calendar Year. Information in the table should include all Local Content details.
4. The authorised person for the petroleum contract and seepage use authorisation is required to submit a midyear progress report summarizing execution of an approved annual Local Content plan.
  5. The Ministry may establish guidelines on Local Content reporting template.

**Article 158**  
**Local Content Audit**

1. The purpose of the audit is to determine that the Local Content requirements and commitments have been fulfilled.
2. Upon request of the Ministry, the authorised person for the petroleum contract and seepage use authorisation within ninety (90) days after the end of Calendar Year shall appoint Third Party Consultant to conduct Local Content audit.
3. All expenditures incurred for the Local Content audit shall be the responsibility of the authorised person.
4. The authorised person for the petroleum contract and seepage use authorisation shall present its audit report to the Ministry within ninety (90) days after the appointment of Third Party Consultant.
5. The scope of work for Local Content audit as referred in Article

|158 (2), shall be consulted to and obtained prior approval from the Ministry twenty (20) days before end of the calendar year.

6. Following the submission of Third Party Consultant Local Content audit report, the authorised person for the petroleum contract and seepage use authorisation shall present its responses on the audit findings to the Ministry within thirty (30) days.
7. Notwithstanding with Article 158 (2) the Ministry from time to time, on its own discretion and cost may conduct Local Content audit.
8. The Ministry may issue directions and impose corrective measures to the authorised person for the petroleum contract and seepage use authorisation and their Sub-Contractors to comply with the audit findings and recommendations.
9. The Ministry may decide otherwise or to revoke or suspend its approval for the contractual arrangement associated with petroleum operations, if the authorised person for the petroleum contract and seepage use authorisation and their Sub-Contractors fail to comply with the directions issued by the Ministry.

**CHAPTER XIX**  
**PROCUREMENT OF GOODS AND SERVICES**

**Article 159**

**General provisions on procurement**

1. Procurement of goods and services for petroleum operations shall be governed by the following principles:
  - (a) The authorised person shall make best endeavour to procure Timor-Leste Goods and Timor-Leste Services from Timor-Leste Suppliers with due consideration to quality and health and safety requirements.
  - (b) All goods and services use for petroleum operations shall be Timor-Leste Goods and Timor-Leste Services and procured from Timor-Leste Suppliers on open and competitive basis;
  - (c) All procurement for goods and services for petroleum operations require prior approval from the Ministry;
  - (d) An authorised person for the petroleum operations shall:
    - (i) Acquire Timor-Leste Goods of acceptable quality which are available for sale and delivery in due time at prices which are no more than ten percent (10%) higher than the imported items including transportation and insurance costs and customs charges due;
    - (ii) Ensure that provisions as referred in Article 159 (1) (d) (i) is contained in contracts between an authorised person and its Sub-Contractors; and
    - (iii) In the absence of Timor-Leste Goods and Timor-Leste Services, an authorised person, with the approval of the Ministry, may consider utilising imported goods and imported services.
2. Preferential rights to supply goods and services for petroleum operations shall be governed by the following principles:
  - (a) All goods and services for petroleum operations reserved for Timor-Leste

Suppliers; and

- (b) If no Timor-Leste Suppliers are available or meeting the required quality of services, the Ministry may approve foreign suppliers to provide goods and services for petroleum operations.
3. Foreign suppliers that render services in Timor-Leste for more than twelve (12) months or that are awarded contracts with a duration exceeding twelve (12) months shall incorporate, prior to the commencement of performance of the respective contracts, and subsequently maintain, a company in the territory of Timor-Leste.
4. All companies performing services or providing goods for petroleum operations in the territory of Timor-Leste shall mandatorily use Suai Supply Base and petroleum infrastructure in Timor-Leste as their base of operations.

#### **Article 160** **Procurement process**

1. The authorised person and its Sub-Contractors shall be responsible to prequalify suppliers to provide goods and services for petroleum operations.
2. Any request for expression of interest for the purposes of supplying goods and services for petroleum operations shall be published on the Ministry's website, the authorised person's preferred options, and any other manner determined by the Ministry.
3. The authorised person and its Sub-Contractors shall amongst others include the following requirements in its prequalification:
  - (a) The interested parties shall be Timor-Leste Supplier;
  - (b) Relevant experience including Timor-Leste context;
  - (c) Company's financial and technical profile;
  - (d) Company structure; and
  - (e) Company's record on health, safety and environment.
4. The authorised person and its Sub-Contractors shall:
  - (a) Submit list of the qualified suppliers for the Ministry's approval



within thirty (30) days following the completion of prequalification process; and

(b) The Ministry shall issue the approval within thirty (30) days from the date of submission.

5. The Ministry may decide to grant an exemption from the obligation stipulated in Article 160 (3) (a), the Ministry shall publish the reason of doing so.
6. Notwithstanding the needs of expression of interest as referred to in Article 160.2, the ministry and authorised persons may agree to conduct prequalification annually.
7. The authorised person and its Sub-Contractors shall register and submit all information on qualified suppliers through an appropriate online portal established by the Ministry.
8. The Ministry shall maintain unsuccessful bidders for a contract as referred to in Article 160.10 in the online Portal.
9. The unsuccessful bidders are eligible to participate in the future bidding for petroleum operations without having gone through prequalification under Article 160.3
10. The invitation to tender shall be made based on the list of qualified suppliers as published in online portal under Article 160.7.
11. Before inviting any bidders for goods or services, the Ministry shall approve the bid package and tender guidance to accompany the invitation, which shall include:
  - (a) Draft contract
  - (b) The scope of work
  - (c) A technical proposal
  - (d) A commercial proposal form
  - (e) A Local Content Proposal
  - (f) Tender evaluation criteria and relative weight; and
  - (g) Timeframe of the tender.

12. The authorised person shall, before awarding any contract for goods and services, obtain the written approval of the Ministry.
13. The Ministry's approval shall be deemed granted thirty (30) days after recommendation of a contract award submitted by the authorised person, unless otherwise notified by the Ministry in writing to the authorised person.
14. The recommendation for contract award by the authorised person shall include ;
  - (a) Contract execution time frame;
  - (b) Evaluated Contract price; and
  - (c) Score Card during the tender evaluation process.
15. The recommendation for contract award shall be made within fifteen (15) days after evaluation of the tender.
16. The authorised person shall obtain an approval of the Ministry prior to:
  - (a) Any variation of the existing sub-contracts; and
  - (b) Any extension of existing sub-contracts.
17. The authorised person shall, promptly after awarding a sub-contract or a call-off for purchase under a framework agreement for the supply of goods and services in connection with activities stipulated under this Decree-Law, provide the Ministry with a detailed report on the reasons for the award together with a copy of the signed contracts or the call-off for purchase. Such copies shall be submitted electronically to the Ministry, within sixty (60) days.
18. The authorised person shall, irrespective of the expenditure amount, provide the Ministry, for information, the full financial details of all sub-contracts for goods and services.
19. The authorised person shall provide the Ministry, the progress report of every contract execution on annual basis.
20. Except the Article 160.11 (a), (b), (c), (d) and (e) , the Ministry may exempt partial or whole procurement processes as foreseen in Article 160 under the following conditions:
  - (a) No tender submission or tender submission does not represent value for money;

- (b) No tender submissions meet minimum content and format required under Article 160.11;
- (c) Urgency due to unforeseen conditions;
- (d) Exceptionally advantaged situation; and
- (e) Goods and Services can only be supplied by particular company.

**CHAPTER XX**  
**RISK OF LOSS AND OBLIGATION TO PROCURE AND MAINTAIN INSURANCE**

**Article 161**  
**Risk of loss – indemnification right**

1. An authorised person shall defend, indemnify and hold harmless the Ministry from all claims and economic loss of whatsoever nature, including but not limited to environmental damage, which are brought against the Ministry by an authorised person or any third party directly or indirectly in respect of petroleum operations.
2. An authorised person shall be responsible for all costs, expenses and liabilities incurred as a consequence of losses and damages referred in Article 161 (1).
3. Nothing in this Article 161 shall modify or limit the responsibilities of an authorised person under Applicable Law in Timor-Leste.

**Article 162**  
**Insurance requirements**

1. An authorised person shall:
  - (a) Ensure that insurance cover is maintained at all times for all petroleum operations which, unless decided otherwise by the Ministry, shall be taken out with reputable insurers. Self-insurance, insurance through Affiliates, captives or use of policies global insurance programs shall only be permitted upon prior written approval by the Ministry;
  - (b) Ensure that the limits, deductibles and other terms and conditions of such insurance shall be commensurate with those customary for the industry and operations of the nature to be undertaken, name the Ministry, its members and its employees as co-insured, and obtain from their insurers waivers of all rights of subrogation against the Ministry and their insurers;
  - (c) Provide the Ministry with certificates clearly identifying the coverage limits deductibles, etc., and the insurer names, reflecting such insurance as required

by this Decree-Law. Copies of full policies should be made available on demand; and

- (d) Cause all Sub-Contractors performing petroleum operations on behalf of an authorised person, to:
  - (i) Name the Ministry, its members and its employees as additional insured on the insurance policies, other than employer's liability and worker's compensation, and obtain from their insurers waivers of all rights of recourse against the Ministry and their insurers;
  - (ii) Ensure that each insurance policy shall survive the default or bankruptcy of the insured for claims arising out of an event before such default or bankruptcy; and
  - (iii) Provide the Ministry with certificates reflecting such insurance prior to the commencement of their services.
- 2. The Ministry may require at any time that an authorised person, at its sole cost and expense, commissions a report addressed jointly to the Ministry and an authorised person by a reputable party knowledgeable in such matters and acceptable to the Ministry, advising as to the nature and levels of insurance that should be held by an authorised person in recognition of conditions pertaining at the time and the specific activities contemplated under the relevant petroleum contract or authorisation;
- 3. Any change in or cancellation of insurance obtained to meet the requirements of this Decree-Law shall be notified to the Ministry by an authorised person which shall cause the Sub-Contractor to also provide such notice, at least thirty (30) days prior to such change or cancellation, and the Ministry shall be provided with a replacement certificate.
- 4. If the Ministry determines that an authorised person or any Sub- Contractor has not complied with the requirements of this Decree-Law in respect of insurance coverage, the authorised person or such Sub-Contractor shall upon notice rectify the deficiency promptly.

### **Article 163**

#### **Types of mandatory insurance**

- 1. An authorised person shall procure and maintain, with respect to and for the duration of petroleum operations under the petroleum contract or authorisation, any and all insurance in the types and amounts commensurate-taking into account the petroleum

operations to be undertaken by them, including employer's liability, workers compensation and other insurances as required by Applicable Law in Timor-Leste, and also including but not limited to

- (a) All loss or damage to Facilities and other assets used in connection with petroleum operations for no less than full replacement value;
- (b) Minimum insurances in relation to construction and development projects under a petroleum contracts or an authorisation, such as, but not limited to, construction all risk insurance and marine cargo insurance;
- (c) Operators extra expenses coverage as per EED 8/86 or equivalent with endorsement for, underground blow out, making wells safe endorsement, extended re-drill, evacuation expenses, care custody and control this coverage to be for a minimum limit of 3 times AFE;
- (d) All loss, damage or injury caused by pollution or environment damage, including but not limited to cleaning up oil spills and rectifying the situation, in the course of, directly or indirectly, as a result of petroleum operations, without limitation;
- (e) All loss of property or damage, death or injury of any kind suffered by any third party, including but not limited to employees of the Ministry, in course of or, directly or indirectly, as a result of petroleum operations for which an authorised person liable to indemnify the Ministry;
- (f) The cost of removing wrecks and cleaning up operations following any accident in the course of, or directly or indirectly, as a result of petroleum operations;
- (g) A guarantee for payment of salaries, benefits and indemnities and other employment liabilities which may arise from court orders derived from claims made by employees contracted by an authorised person as the sole and true employer of the same. The validity of the policy will be not less than three years from the date of termination of the petroleum contract, and the sum insured shall be not less than the equivalent of 1+% of an authorised person's payroll for employees assigned to the performance of the petroleum operation subject to the petroleum contract during the Calendar Year prior to termination;
- (h) All loss or damage resulting from delayed start-up of petroleum operations and business interruption;

- (i) Where in respect of risks to be covered and premium payable, an insurance company which is a Timor-Leste Supplier which is solvent, reliable and reinsured in to international markets with rating no less than Standard and Poors or AM Best A rating or the equivalent and offers terms and conditions no less favourable to the contractor than other insurers in the South and South East Asia region, insurance shall be effected with such company, otherwise with a company of the contractor's choice.
2. Insurance obtained by an authorised person shall not stop the collection of claims that may become apparent after the end of petroleum operations because such claims were not made by a specified date.
3. An authorised person shall promptly inform the Ministry when such insurance is obtained by an authorised person or any Sub-Contractor and provide certificates of insurance or copies of the relevant policies when the same are issued.
4. When deemed necessary, the Ministry may require an authorised person to procure and maintain additional insurance coverage in accordance with good oil field practice.

#### **Article 164**

##### **Use of insurance proceeds**

1. In the event that insurance proceeds are received by an authorised person, the Ministry may direct by written notice that these shall be applied to the replacement or restitution of the status quo ante.
2. In the event that an authorised person declines to apply the insurance proceeds in accordance with the directions, they shall immediately become due and payable to the Ministry.
3. The application or non-application of insurance proceeds at the direction of the Ministry shall not relieve an authorised person of any other obligations it may have under the Applicable Law in Timor-Leste.

#### **Article 165**

##### **Insurance coverage assessment and periodic reporting**

1. An authorised person shall undertake an assessment of the adequacy of coverage for insurance obtained for the petroleum operations in light of conditions encountered, or expected to be encountered, during petroleum operations and any risks identified under Risk Assessments in accordance with Chapter XVI of this Decree-Law.

2. The assessment under Article 165 (1) shall be undertaken as and when needed, and, in any event, no less frequently than once every twenty-four (24) months.
3. In the event an authorised person determines that any insurance coverage is inadequate in any respect, the authorised person shall cause such insurance coverage to be modified or replaced so to assure the appropriate level of coverage.



**CHAPTER XXI**  
**MISCELLANEOUS**

**Article 166**  
**Provision of information**

1. The authorised person shall provide information and Project Data to the Ministry as required under this Decree-Law.
2. Information and Project Data shall be submitted in such form and format required by the Ministry and shall be accompanied by a cover letter written in one of the official languages of Timor-Leste.

**Article 167**  
**Safekeeping duty**

1. The authorised person shall make and retain accurate and complete records of information and Project Data as required by this Decree-Law and Applicable Law in Timor-Leste.
2. Where not otherwise specified in this Decree-Law, an authorised person shall keep complete and accurate records of:
  - (a) Work Programmes and Budgets and any amendments thereto;
  - (b) Development Plans, Decommissioning Plans, Local Content Proposals, recruitment plans, training plans, Local Content reports, Local Content plans and any amendments thereto;
  - (c) Details of relinquished areas;
  - (d) Production of crude oil, condensates, natural gas and other production;
  - (e) Information and data regarding exports of crude oil, condensate, natural gas liquids and natural gas as well as the prices and values of each such product and any other products at the export point;

- (f) Information and data regarding amounts and calculation of cost recovery;
  - (g) Cost recovery crude oil and cost recovery natural gas;
  - (h) Data and Information regarding volumes and amounts of profit crude oil or profit natural gas paid to Timor-Leste;
  - (i) All payments and contributions made to the Ministry or any other body in or representing Timor-Leste, under Applicable Law in Timor-Leste, as well as details as to the timing, amount, and computations of all payments and contributions due or paid to the Ministry or any other body in or representing Timor-Leste;
  - (j) Details of accidents resulting from any petroleum operations, including number and frequency;
  - (k) Details on monitoring, maintenance and inspection procedures and the results of monitoring, maintenance and inspection activities conducted in accordance with this Decree- Law;
  - (l) Details of payments or services provided pursuant to a Local Content Proposal or an annual Local Content plan;
  - (m) Details and reports of Environmental Impact Assessments, Environmental Management Plans, and any other environmental management programmes, assessments, annual environmental management reports or similar reports as may be required under the Authorisation or Applicable Law in Timor-Leste, the “Operational Information”;
  - (n) Project Data; and
  - (o) Other data and information necessary to ensure that the Ministry can supervise and verify whether the petroleum operations are carried out in accordance with Applicable Law in Timor-Leste.
3. Irrespective of Timor-Leste’s title to all data and information as stated in the Petroleum Activities Law Article 25, the authorised person may retain copies of all Project Data delivered to the Ministry under this Article, for use in relation to petroleum operations.
  4. The authorised person shall keep the records in its offices in Timor-Leste; or, if the authorised person has ended its business in Timor-Leste, in another location within

Timor-Leste, subject to prior written approval by the Ministry.

5. Unless otherwise stipulated in this Decree-Law, the authorised person shall keep the records for as long as it provides necessary information about the petroleum operations.
6. On request, all records of the activities conducted by the authorised person pursuant to this Article shall be provided to the Ministry.
7. Where the authorised person wishes to dispose data including Project Data or information which may be of importance to the management of resources, the Ministry shall receive a list of such data and information prior to it being destroyed.
8. Within a reasonable time after having received the list, the Ministry may order handing over or further safekeeping free of charge.
9. In the case of handing over, sufficient documentation in relation to such data and information shall be included.
10. Data and information shall not be disposed without prior approval of the Ministry.

### **Article 168**

#### **Disclosure and confidentiality of Data and Information**

1. Basic information and raw data about petroleum operations in a contract area may be released two (2) years after it was lodged with the Ministry or when the contract area to which that information and data relates cease to be part of the contract area, if earlier.
2. The processed data and information, including any conclusions drawn or opinions based in whole or in part on that data and information shall not be released until five (5) years after that data and information was lodged with the Ministry.
3. Under certain circumstances, upon the request of the authorised person, the Ministry may at its own discretion approve a longer confidential period for information and Project Data under specific contract areas and prospecting authorisations.
4. Data and information relating to a seismic or other geochemical or geophysical survey shall be deemed to have been lodged no later than three (3) months after the survey was essentially completed.
5. Data and information on wells shall be deemed to have been lodged no later than three (3) months after the well was essentially completed.

6. Notwithstanding Article 168 (2) and (3), the authorised person shall have the right to have access to and use all data and information held by the Ministry relating to a contract area awarded to the authorised person.
7. Where data and information has been released by the Person or some party acting on the Person's behalf, the Ministry shall not be obliged to maintain the confidentiality of that data and information.
8. The Ministry shall be free to use any data and information relating to relinquished, surrendered and other blocks outside contract areas, including releasing it to any party.
9. The authorised person shall not use such data and information owned by Timor-Leste without the prior approval of the Ministry.
10. The Ministry may make such use as it wishes of data and information contained in a report, return or other document furnished to the Ministry for its internal studies and for the use of third parties provided that in the latter case data and information shall not be shared with third parties before the periods of confidentiality stated in this Article have expired.
11. The Ministry may stipulate conditions for an authorised person holding a prospecting authorisation to acquire non-exclusive or multi-client Project Data.
12. In the case referred in Article 168 (11), the Ministry may approve a prolonged time period for confidentiality for the data and information so acquired.
13. Except with the authorisation of the Ministry or as required by any domestic or foreign law or the rules of a recognized stock exchange, an authorised person shall not make any public statement about an authorisation or the petroleum operations.
14. If the authorised person is required by any law or the rules of a recognised stock exchange to make any public statement about the Authorisation or the petroleum operations it shall submit such statement to the Ministry for consideration, within a reasonable time in advance, to allow the Ministry to review the statement.
15. The authorised person shall make any amendments to the statement requested by the Ministry unless such amendment is shown by the authorised person to conflict with the relevant law.
16. In any event, no public statement shall state or imply that the Ministry approves or agrees with its contents, without the prior written authorisation of the Ministry.

17. In communications to individuals or to the public, an authorised person shall not, without the prior authorisation of the Ministry, directly or indirectly quote or refer to statements or communications emanating from the Ministry, any other public authority or any person employed by or performing duties for them that concern the probability of making discoveries, the size of hydrocarbon deposits and the timing and nature of any hydrocarbon production.
18. This Article 168 shall not prevent the disclosure of information and data if:
  - (a) If information of a general nature is furnished in connection with statutory requirements in the home jurisdiction of an authorised person for the issuance of public statements, annual reports or the like concerning matters relating to petroleum operations; and
  - (b) If information is disclosed in co-operating with the authorities of other countries, subject to the condition that similar provisions for ensuring secrecy of such information apply in the country in question.
19. With the prior written authorisation of the Ministry, Project Data may be taken out of, transmitted from or stored outside Timor-Leste for the purpose of processing, interpreting or analysing the Project Data.
20. The Ministry will not withhold authorisation if the authorised person can show the Ministry that resources for the processing, interpretation or analysis of the Project Data are not available in Timor-Leste and provided that any Project Data which is taken out of, transmitted from or stored outside Timor-Leste by the authorised person must be promptly returned to Timor-Leste after processing, interpretation or analysis and provided that accurate copies, or useable and representative samples, of such Project Data must be retained by the authorised person in Timor-Leste.

### **Article 169**

#### **Entry into the offshore territory of Timor-Leste**

1. All entry into the offshore territory of Timor-Leste shall subject to Applicable Law in Timor-Leste.
2. The authorised person shall seek approval from the Ministry for all entry of personnel, vessels and aircrafts for the purposes of entering into contract area for petroleum operations.
3. The authorised person shall specify, to the extent known at the time of application:

- (a) The entry and exit dates of all personnel, vessels and aircraft;
  - (b) The name, employer and position of personnel;
  - (c) The name, international maritime identification number and expected activities of all vessels;
  - (d) The mark, serial number and expected activities of all aircraft;
  - (e) Evaluation of whether the prospecting activities could harm particularly vulnerable environmental resources;
  - (f) A Seismic Safety Management Plan and all the other documents required under the health, safety and environment requirements; and
  - (g) Prior to the start of the Survey the Ministry may request to inspect the Survey Vessel and the support vessel.
4. The authorised person may at any time submit updated plans to bring into the Timor-Leste offshore personnel, vessels and aircraft, for the approval of the Ministry.

**CHAPTER XXII**  
**ADMINISTRATIVE PROVISIONS AND PENALTIES**

**Article 170**  
**Powers of the Ministry**

1. The Ministry shall supervise compliance with provisions stipulated in or issued pursuant to this Decree-Law.
2. The Ministry may stipulate conditions other than those mentioned in this Decree-Law to decisions, approvals and authorisations issued pursuant to this Decree-Law, provided that such conditions shall be naturally linked with the measures or the activities to which the decision, approval or authorisation relate, and shall enhance the compliance with and follow-up of this Decree-Law.
3. The Ministry may, prior to granting Authorisations in accordance with Article 12 and 15 and approval of Development Plan in accordance with Article 46 and Decommissioning Plan in accordance with Article 88, give appropriate opportunity to authorised person or representative institutions of groups of persons likely to be affected to make representations in respect of any such planned activities.
4. In the case referred in Article 170 (3), the Ministry shall take due consideration to representations made when deciding on the grant of an authorisation or an approval.
5. In the exercise of its functions and powers under this Decree-Law, the Ministry may, amongst other, take into account resource management considerations as expressed in the Petroleum Activities Law as well as technical, safety, environmental and economic aspects and relationship to, and expected impact on, other users of the sea, potentially affected persons and local communities.
6. The Ministry may give directions as stipulated in the Petroleum Activities Law Article 32 and issue guidelines for the implementation of provisions stipulated in this Decree-Law.
7. Provided that an authorised person can demonstrate to the satisfaction of the Ministry that an exemption from a requirement stipulated in or issued pursuant to this Decree-Law will not be contrary to the objectives of the Decree- Law, the Ministry may grant exemptions to this Decree-Law at its discretion.

8. Except in cases of emergency, exemptions must be requested in writing and may only be granted by written order of the Ministry.
9. Any exemptions granted under Article 170 (7) and (8) shall be confirmed in writing as soon as possible after the grant.
10. If work relating to approved activities pursuant to this Decree-Law has not commenced within twelve (12) months from the date the approval is issued, the approval shall be deemed revoked.
11. Representatives from the Ministry shall have the right to participate as observers in meetings of cooperative bodies established in accordance with a joint operating agreement.
12. For purposes of Article 170 (11), the authorised person shall ensure that the representatives receives any information associated with such meetings, including advance notices and minutes of meetings and any other meeting correspondence as well as a notification within reasonable time prior to any such meeting.

**Article 171**  
**Inspections and supervision**

1. The Ministry may, in the exercise of its functions, authorise a person to inspect or supervise that petroleum operations are carried out in accordance with this Decree-Law.
2. The Ministry or a person authorised by the Ministry pursuant to Article 171 (1) may:
  - (a) Enter any offices, buildings, sites or areas operated or controlled by an authorised person;
  - (b) Inspect all Facilities, vessels, aircrafts, wells and related records on the site at any time, including during construction and installation ;
  - (c) Make any environmental tests on a well or Facilities;
  - (d) Request any samples from an authorised person;
  - (e) Request any information from an authorised person;



- (f) Inspect, test or audit the works, equipment, operations, records, registers and financial records related to or used in petroleum operations including the Metering System;
  - (g) Direct any vessel or a Mobile Drilling Unit or Mobile Platform to be brought to a port in Timor-Leste when considered necessary for the purpose of inspection or supervision pursuant to this Decree-Law;
  - (h) Witness any tests conducted by an authorised person; and
  - (i) Conduct such examinations, inquiries and activities that are necessary to ensure that the provisions of the Petroleum Activities Law, this Decree-Law, a petroleum contract or an authorisation are being complied with.
3. In carrying out inspections, the Ministry shall not interfere unreasonably with the conduct of petroleum operations.
  4. All persons subject to inspection or supervision pursuant to this Decree-Law shall, when so demanded by the Ministry or its authorised representative and without hindrance of the duty of secrecy, provide information deemed necessary for performance of the inspection or supervision.
  5. The Ministry may decide the form in which the information referred in Article 171 (4) shall be provided.
  6. An authorised person shall provide the Ministry or the authorised person pursuant to Article 171 (1) with reasonable Facilities and assistance to enable the effective and timely performance of the inspection or supervisory functions under this Article.
  7. The Ministry may require all persons being inspected or supervised pursuant to this Article to cover the expenses related to the supervision or inspection.

## **Article 172**

### **Audits**

1. The Ministry may require an independent audit of the authorised person's books or accounts relating to a petroleum contract, any other Authorisation, petroleum operations or Assignments and, in such event:
  - (a) Such audit shall be at the cost of the authorised person except if otherwise provided in the petroleum contract or the relevant Authorisation;

- (b) The authorised person shall provide the Ministry with a copy of the terms of reference or other document by which the auditor is engaged prior to the commencement of the audit, which shall include the scope of the proposed audit in reasonable detail; and
  - (c) The authorised person shall provide the Ministry a copy of audit results conducted by the independent auditor.
- 2. The Ministry may within reasonable time request additions or adjustment to the scope of the audit as the Ministry deems necessary taking into account of petroleum operations undertaken by the authorised person or other appropriate considerations into account.
- 3. The Ministry may at its discretion direct an authorised person to instigate an audit by a Third Party Consultant of the authorised person's adherence to the health and safety part of the Management Systems.
- 4. The Ministry reserves the right to audit the books and records of the authorised person.
- 5. An audit conducted by the Ministry may include the review of the additional information for prior contract years provided in Article 172 (1) or at the discretion of the Ministry, may be extended to other matters.
- 6. Article 171 shall apply to the person conducting an audit in accordance with this Article 172.

### **Article 173**

#### **Enforcement**

- 1. The Ministry may issue such directions as are necessary for the implementation of provisions stipulated in this Decree-Law or decisions, approvals or authorisations issued pursuant to this Decree-Law.
- 2. Where authorised person does not comply with directions issued under Article 173 (1), the Ministry may take such steps as are necessary in order to initiate procedures or prosecution to determine liability in accordance with Article 176.
- 3. Where there is an immediate threat to the health and safety of an authorised person, or where there is clear non-compliance with Article 4 or Chapter XVI, the Ministry may direct authorised person to restrict or cease any activity related to petroleum operations and to implement acceptable corrective measures acceptable to the Ministry.

4. When the authorised person has demonstrated that such corrective measures have been carried out to the satisfaction of the Ministry, the Ministry may approve in writing to lift such restrictions or to resumption of the activity.

#### **Article 174** **Revocation or suspension**

In the event of non-compliance by the authorised person with the Petroleum Activities Law, this Decree-Law or conditions, orders or directions stipulated in or issued pursuant to this Decree-Law the Ministry may suspend or revoke an approval or authorisation granted in accordance with this Decree-Law.

#### **Article 175** **Appeals**

1. Decisions issued pursuant to the Petroleum Activities Law or this Decree-Law may be appealed.
2. The appeal shall be made in writing and be submitted within fifteen (15) days after receiving notice of a decision, unless otherwise prescribed by Applicable Law in Timor-Leste.
3. The appeal shall set out in detail the grounds on which the appeal of the decision is made.
4. Where the requirements of Article 175 (3) are not met, the Ministry may reject the appeal.
5. An appeal under this Article will not postpone the effect of the decision.
6. The Ministry may confirm, revoke, modify or replace the decision based on the appeal.
7. The provisions of this Article 175 are without prejudice to Applicable Law in Timor-Leste on administrative procedures in relation to appeals, including but not limited to decision periods, grounds for rejection and requirements as to form.

#### **Article 176** **Penalties**

1. Whoever fails to comply with requirements stipulated in this Decree-Law, or decisions or directions issued pursuant to this Decree-Law, may incur accessory,

civil, criminal liability in accordance with Chapter VIII of the Petroleum Activities Law and Applicable Law in Timor-Leste.

2. Where liability has incurred in accordance with Article 176 (1), the Ministry may require a bond, guaranty or surety in respect of such liability.
3. Subject to Chapter VIII of the Petroleum Activities Law, where civil liability is incurred, the Ministry shall notify the relevant person of the particulars of the proposed penalty, including as applicable the amount of any fine and the instructions for payment of the fine, the nature and specifics of the accessory penalty imposed, and any other information the Ministry determines to be appropriate in relation to its determination.

**CHAPTER XXIII**  
**FINAL PROVISIONS**

**Article 177**  
**Administration fees**

1. The Ministry imposes the following fee categories in respect to Access Authorisation, prospecting authorisation, Seepage Use Authorisation and petroleum contract.
2. Fees shall be payable prior to granting such Authorisation or during the petroleum operation of the contract.
3. An application fee shall be payable when lodging an application for any authorisation in the Timor Sea Offshore area.
4. This application fee shall not be refunded for unsuccessful applicant.
5. The following are fee categories apply to each application of Authorisation:
  - (a) Access authorisation application fee of USD 2,500 (two thousand five hundred dollars);
  - (b) Prospecting authorisation application fee of USD 5,000 (five thousand dollars);
  - (c) Seepage use authorisation application fee of USD 7,500 ( seven thousand five hundred dollars); and
  - (d) Production Sharing Contract application fee of USD 15,000(fifteen thousand dollars).

**Article 178**  
**Fees related to petroleum contracts**

1. An authorised person holding a petroleum contract shall pay a surface rental fee of USD 30 per square kilometre covered by the contract area, less any area which has been relinquished in accordance with relinquishment requirement stipulate under this Decree-Law.
2. The first payment shall be made 30 days after the effective date of the petroleum contract, this surface rental fee is payable in each calendar based on each respective

anniversary year of the petroleum contract, until the termination of the petroleum operations.

3. An authorised person holding a petroleum contract under seepage use authorisation shall pay seepage use rental fee of USD 5,000 (five thousand dollars).
4. In respect of Production Operations, the authorised person shall pay a development fee after 60 days of Commercial Discovery is declared by the authorised person in respect of each of crude oil and natural gas in an amount determined as set forth in Schedule 1, and thereafter each time the authorised person reports increased Recoverable Reserves in an amount equal to the fee that would have been payable if such Recoverable Reserves had been reported at the time of Commercial Discovery less development fees actually paid.
5. In the event that the authorised person may revise the Recoverable Reserve which will reduce the Development Fee payable to the Ministry, such revision on Recoverable Reserve shall be mutually agreed between the authorised person and the Ministry, subject to third party verification with evidence that satisfies the Ministry.
6. Declaration of Commercial Discovery and application of field development plan fee shall be payable at once in advance of USD 50,000 to the Ministry and this payment shall be non-recoverable cost for the contractor.
7. Where the Ministry has declared a Gas Retention Area, a retention fee will apply in addition to the contract fee until the earlier of:
  - (a) The relinquishment of the entire contract area; or
  - (b) The time when a Commercial Discovery is declared by the authorised person.
8. The retention fee, which amount is to be determined by the Ministry, is payable in full at the start of each contract year.
9. In respect of Assignments, the contractor shall pay a transfer fee to the Ministry for each Assignment within thirty (30) days of the Assignment becoming effective.
10. The transfer fee shall be calculated according to the following rates, which apply to the value of the transaction:
  - (a) For every dollar of the first US\$ 100 million: 1%

- (b) For every dollar of the next US\$ 100 million: 1.5%
- (c) For every dollar thereafter: 2%

11. The transfer fee for Assignments shall not be payable where:

- (a) The contractor is a consortium or an association of companies, and the Assignment is among those companies;
- (b) The Assignment is made in favour of an Affiliate of the Assignor; or
- (c) The Assignee is TIMOR GAP.

**Article 179**  
**Amendment to fees**

The Ministry may adjust any such fees from time to time as necessary to take account of inflation or for other reasonable justification.

**Article 180**  
**Administration of payment of fees**

1. All payments shall be made in United States Dollars to a bank account designated by the Ministry.
2. A failure to pay fees on a timely basis as required by a petroleum contract, authorisation or this Decree-Law may result in the termination of the petroleum contract, authorization or in the Ministry taking such other action as it may deem appropriate.

**Article 181**  
**Further regulation**

The Ministry may approve ministerial diplomas, instructions and other administrative regulations aimed at implementing this Decree-Law.

**Article 182**  
**Revocation**

All prior statutes or regulations contradicting the provisions of this Decree-Law are hereby revoked.

**Article 183**  
**Entry into Force**

This Decree-Law shall enter into force ninety (90) days after its publication in the official Gazette.



Approved on....

**Prime Minister,**

**Rui Maria de Araújo**

Promulgated on....

To be published in the official Gazette.

**President of the Democratic Republic of Timor-Leste**

Taur Matan Ruak

### Schedule 1- Fee structure

Application	Rental cost
Contract area fee	\$30 per Km2
Retention Fee of petroleum contract	\$80,000 per Annum

Crude Oil	<ol style="list-style-type: none"> <li>1. Recoverable Reserves divided by the number of full or partial blocks within the Development Area (round to two decimal places).</li> <li>2. Multiply the result in 1 by 1,560 (and round to the nearest 1,000).</li> <li>3. Multiply the result in 2 by the total number of blocks in the Development Area.</li> </ol>
Natural gas	<ol style="list-style-type: none"> <li>1. Recoverable Reserves divided by the number of full or partial blocks within the Development Area (round to two decimal places).</li> <li>2. Multiply the result in 1 by 485 (and round to the nearest 1,000).</li> <li>3. Multiply the result in 2 by the total number of blocks in the Development Area.</li> </ol>