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PETROLEUM LAW REGULATIONS TRANSLATION

DRAFT

DRAFT DATED DECEMBER 2014

This publication was produced for review by the United States Agency for International Development. It was prepared by DAI and Nathan Associates.

PETROLEUM LAW REGULATIONS TRANSLATION DRAFT

Program Title:	Mozambique Support Program for Economic and Enterprise Development (SPEED)
Sponsoring USAID Office:	USAID/Mozambique
Contract Number:	EDH-I-13-05-00004-00
Contractor:	DAI and Nathan Associates
Date of Publication:	December, 2014
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The authors' views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

REPUBLIC OF MOZAMBIQUE
MINISTRY OF MINERAL RESOURCES
OFFICE OF THE MINISTER

Officiate No. 338 /MIREM /GM- SP /001.1/2014

Reference: Request for Opinion

The Assembly of the Republic has approved the Oil Law n°21/2014, on the 18th that needs to be regulated. Following this, MIREM has already produced regulation proposals of the above mentioned Law.

Thus, we hereby request Your Excellency to give us your opinion on the Petroleum Operations Regulation herein. Considering the urgent nature of this subject, we kindly request that any and all comments are submitted until the 5th of December through the following emails: chadrequ@gmail.com, reipicardo@ahoo.com.br, reinaldo.almeida@inp-gov.mz.

We take this opportunity to extend our greetings and regards towards Your Excellency.

Maputo, 22nd of November of 2014

Permanent Secretary

Alfredo Vasco Nogueira Nampete

(Specialist)

Dear Sir

CTA

Maputo

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PETROLEUM OPERATIONS REGULATIONS

CHAPTER I

GENERAL PROVISIONS

Article 1

Definitions

The meaning of the terms used herein is set out in the Glossary, in Annex “A”, which forms an integral part of these Regulations.

Article 2

Scope and Objectives

The current Regulation governs Petroleum Operations pursuant to Law n° 21/2014, of 18 August, and establishes the rules for awarding rights to perform the respective activity, with a view to securing that Petroleum Operations , and any infrastructure belonging or held by the right holder or by third parties, used in connection with Petroleum Operations , subject to Mozambican jurisdiction, including foreign flagged mobile infrastructure aimed at performing or assisting, be undertaken in a systematic way and in conditions that allow a coordinated and broad supervision.

CHAPTER II

CONCESSION CONTRACT

Section I

Award of Rights

Article 3

General Conditions

1. The Petroleum Operations undertaken under a concession contract, be it for reconnaissance, exploration, development and production, construction and operation of oil and gas pipeline systems, and construction and operation of infrastructures. Any concession contract shall provide

for the cessation of Petroleum Operations and demobilization.

2. The right to conduct Petroleum Operations is only awarded to a legal person with proven and adequate technical competence, experience and financial strength to conduct and manage Petroleum Operations , through a concession contract awarded as a result of a public tender, simultaneous negotiation or direct negotiation.

3. The application for a concession contract is only submitted by a legal person.

Under equal circumstances, Mozambican nationals or foreign legal persons associated with Mozambican nationals enjoy the right of preference in the awarding of concession contracts (enjoy the right of preference in the granting of rights to undertake Petroleum Operations).

4. The holder of a right to conduct Petroleum Operations is responsible to ensure that Petroleum Operations are undertaken in a prudent manner, as per applicable law and in accordance with the Petroleum Industry Best Practices, taking into consideration the health and safety of staff and the environmental and facilities protection, as well as the sound use of oil resources and existing facilities.

5. The Development and Production activities, as well as the transportation, shall be performed in accordance with the approved plans.

6. All concession contracts, licences or contracts granted by or entered with the Government under the Petroleum Law, are governed and interpreted in accordance with the Laws of the Republic of Mozambique.

7. Without prejudice to the protection of confidential commercial and competitive strategic information of Petroleum Operations, the main concluded concession contract is subject to prior supervision and *sign-off* from the legally competent authority for this purpose, as well as the publication of the principal terms of the concession contract.

8. The concession contracts shall be written in Portuguese. Non-official translations to a foreign language are allowed.

9. The processing of an application for a concession of rights to perform Petroleum Operations is subject to payment of a fee, under Regulation herein.

10. Before awarding a concession contract of reconnaissance, exploration and production, oil and gas pipeline system or of infrastructure, in areas that have not previously been awarded Petroleum

Operations rights, a Strategic Environmental Assessment shall be prepared by the Ministry that oversees the oil sector.

Article 4

Community Involvement

1. It is compulsory to give the communities prior information about the starting of exploration activities, as well as the need for temporary resettlement for such end.
2. It is compulsory to prior consult the communities for obtaining authorization to start petroleum activities.
3. The Government shall establish engagement mechanisms and ensure the organization and participation of communities in areas where the petroleum undertakings are deployed.

Article 5

Public Tender

1. Without prejudice to the provisions of the following paragraph, the reconnaissance, exploration and production, construction and operation of an oil and gas pipeline system and construction and operation of facilities concession contracts shall arise from a public tender.
2. Simultaneous negotiation and direct negotiation shall take place concerning to areas already declared available due to:
 - a) Prior public tender that has not been granted;
 - b) Waived, cancelled, revoked or abandoned;
 - c) Need to joint adjacent areas to a concession contract area whenever justified by technical and economic reason;
 - d) For the purpose of establishing oil or gas pipeline or an infrastructure, not included in the exploration and production Development Plan, to link and serve a concession contract area.

Article 6

Data Confidentiality

1. Unless otherwise agreed, the data acquired under the Reconnaissance Concession Contracts, in accordance to the applicable law, shall be kept confidential for the duration of the concession contract, license or contract.
2. The data acquired under a concession contract shall be kept confidential for a period of 5 years after the cessation of the latter. The data acquired in a Concession Contract Area shall be treated as any data acquired exclusively in such area.
3. Without prejudice to the established in the previous paragraph, the Government may make generic statements about Petroleum Operations, which are the object of a concession contract and the probability of petroleum discovery.

Article 7

Promotion of the national business sector

1. The government shall devise mechanisms and define terms of engagement of the national business sector in the oil and gas endeavours.
2. The oil and gas companies shall be listed in the Mozambican Stock Exchange, in accordance to applicable Mozambican Law.
3. The provisions of the previous paragraph apply whenever the Government grants a Mozambican person or a foreign legal person registered in Mozambique the right to undertake Petroleum Operations.

Article 8

State participation

1. The State reserves the right to participate in the Petroleum Operations in which any given legal entity is involved.
2. The State participation may occur at any given phase of the Petroleum Operations , under the terms and conditions to be defined by contract.

3. The State shall promote, progressively, the elevation of its participation in the oil and gas endeavours.

Section II

Applications

Article 9

Attribution of Reconnaissance Rights

1. The attribution of reconnaissance rights is granted upon application addressed to the Minister that oversees the oil sector.
2. The application shall be submitted to the National Petroleum Institute and shall comprise of the following information:
 - a) The name, address and nationality of the applicant;
 - b) Whenever the applicant is a foreign Legal Person, identification of the applicant's representative in Mozambique shall be attached;
 - c) The identification of the requested area;
 - d) Description of the objectives, nature of activities and the length of time in which the activities will be carried out.
3. The following documents shall be attached to the application:
 - a) Details on the technical equipment and methods to be used, vehicles, aeroplanes and boats and other equipment to be used;
 - b) Demonstration of technical competence, experience and financial means to undertake and manage Petroleum Operations .

Article 10

Terms of the Reconnaissance Concession Contract

1. The Reconnaissance Concession Contract shall include an activity program, specifying procedures and deadlines applicable to the work commitments foreseen therein and the identification of the Concession Contract parties:
 - a) The nature and conditions of the applicant's association, in case of association of legal persons;
 - b) Identification of the area;
 - c) The obligations of the parties;
 - d) The duration of the operations;
 - e) The treatment of confidential information;
 - f) Indication of the Operator;
 - g) The State participation terms;
 - h) Training Plan for national technicians of the institutions involved in Petroleum Operations . (; and)
2. The Reconnaissance Concession Contract may grant the right to conduct the following activities:
 - a) Magnetic surveys;
 - b) Gravimetric surveys;
 - c) Seismic surveys;
 - d) Geothermic circulation measurements;
 - e) Radiometric measurements;
 - f) Geochemical surveys;
 - g) Soil sampling of the area;
 - h) Drilling for calibration purposes to a depth no deeper than one hundred (100) meters;
 - i) Other activities deemed relevant in the recognition framework.
3. The originals or copies of the documentation, as well as the samples collected under a Reconnaissance Concession Contract, shall be promptly submitted to the National Petroleum Institute. The National Petroleum Institute may share such documentation with other Government entities.

Article 11

Attribution of Exploration and Production Right

1. Exploration and Production rights are awarded upon application addressed to the Minister overseeing the oil sector on the basis of a Public Tender, simultaneous negotiation or direct negotiation.
2. The application shall be submitted to the National Petroleum Institute and contain at least the following information:
 - a) Name, address, and nationality of the applicant,
 - b) Whenever the applicant is a foreign Legal Person, the identification of the applicant's representative in Mozambique shall be attached;
 - c) Description of the applicant's nature, including the relationship with and the identification of the parent company and other subsidiaries, jurisdiction of incorporation and registration, identification, domicile and nationality of the applicant members of the board;
 - d) Applicant's experience in the oil industry, especially in the field of drilling, production and oil transportation in similar circumstances to those in which it intends to carry out activities in the requested area, as well as in the field of oil, including information on the applicant's or its subsidiaries' oil sales activities and other market access conditions;
 - e) Description of the applicant's technical and operating competences, including its exploration, development and production skills;
 - f) Description of the organization and technical resources which the applicant will have available in Mozambique, as well as in any other location, for carrying out activities in the area covered by the application;
 - g) Proof of the applicant's financial standing, including the value of its share capital, shareholder structure and its last three annual reports and accounts and those of its parent company if applicable;
 - h) Information on the geological and geophysical data on which the application is based, including structural maps of prospective horizons in the requested area;
 - i) The proposed work program, including the corresponding schedule and other proposals;
 - j) The proposal of negotiable terms for the requested concession contract;

- k) Appointment of an Operator;
 - l) Additional information which may be required by the Minister overseeing the oil sector;
3. When the application is submitted on behalf of more than one legal person, the information listed in subparagraphs a) to g) above shall pertain to each applicant.
 4. In case of Coal Bed Methane gas, the award of the rights depends on the effectiveness of the viability study of the Methane extraction, in case of the holder the of the mining concession demonstrates interest in and respect of, or by consultation between the parties, the resource to be developed or extracted in the first place.
 5. In case of award of exploration and production rights on coal bed methane and coal separately, over the same areas, it will be given priority to the development of coal bed methane and afterwards to coal, when dealing with incidental gas, to allow the safety of the operation.
 6. Should there be no agreement between the holders on the ore or hydrocarbon to be developed in the first place, the decision will be taken by the Minister with authority over the Oil sector.

Article 12

Terms of the Exploration and Production Concession Contract

1. The Exploration and Production Concession Contract shall, inter alia clauses, comprise the following provisions:
 - a) Identification of the parties to the concession contract,
 - b) Nature and conditions of the applicant's association whenever the case of association of legal persons;
 - c) Identification of the area of the concession contract;
 - d) Minimum work commitments;
 - e) Duration of the various phases of operations;
 - f) Treatment of confidential information;
 - g) Production rights;
 - h) Appointment of an Operator;
 - i) The State participation terms;
 - j) Training plan for national technicians of the institutions involved in the Petroleum Operations ; and

- k) Resolution of disputes.
2. The exploration and production concession contract grants the exclusive right to perform Petroleum Operations as well as the nonexclusive right to build and operate infrastructures for oil production and transportation from a contract area.
3. The exploration and production right holder may maintain, in accordance with the Development Plan approved by the Government, the exclusive right of developing and producing oil and gas in the development area, subject to renewal for equal or smaller periods as more advantageous to the national interest.

Article 13

Attribution of Oil or Gas Pipeline System Construction and Operation Rights

1. The attribution of an Oil or Gas Pipeline System Construction and Operation Right for oil transportation is made through an application addressed to the Minister overseeing the oil sector.
2. The application shall be submitted to the National Petroleum Institute and contain at least the following information:
 - a) Name, address, and nationality of the applicant,
 - b) Whenever the applicant is a foreign Legal Person, the identification of the applicant's representative in Mozambique shall be attached;
 - c) Description of the applicant's nature, including the relationship with and the identification of the parent company and other subsidiaries, jurisdiction of incorporation and registration, identification, domicile and nationality of the applicant members of the board;
 - d) The applicant's financial standing, including the value of the respective share capital, shareholder structure and financial documentation, including its last three annual reports and accounts and those of its parent company;
 - e) Applicant's experience in the oil industry, especially in the field of oil transportation in similar circumstances to those in which it intends to carry out activities in the requested area;
 - f) Description of the organization and technical resources which the applicant will have available in Mozambique, as well as in any other location, for carrying out activities in the area covered by the application;

- g) Proposal of the Oil or Gas Pipeline System Development Plan;
 - h) A proposal of the terms and conditions of the concession contract applied for;
 - i) Appointment of an Operator;
 - j) Additional information which may be required by the Minister overseeing the oil sector;
3. Should the application for rights attribution be made under the name of more than one legal person, the information listed in the above subparagraphs a) to e) shall apply to each applicant.

Article 14

Terms of the Oil or Gas Pipeline System Construction and Operation Concession Contract

1. The Oil or Gas Pipeline System Construction and Operation Concession Contract shall contain, inter alia clauses, the following provisions:
 - a) Identification of the parties in the Concession Contract;
 - b) The nature and conditions of the applicant's association, whenever it is an association of legal persons;
 - c) Specification of the Oil or Gas Pipeline System;
 - d) The treatment of the issues concerning land use and benefit;
 - e) The right of construction, placement and operation of the Oil or Gas Pipeline Systems;
 - f) Appointment of an Operator;
 - g) Third parties access to the Oil or Gas Pipeline System;
 - h) The State participation terms;
 - i) Training plan for national technicians of the institutions involved in the Petroleum Operations;
 - j) Resolution of disputes.
2. The terms for approval of an Oil Pipeline or Gas Pipeline System Construction and Operation Concession Contract are applicable to the Oil or Gas Pipeline System pursuant to an Exploration and Production Concession Contract.

Article 15

Attribution of Infrastructure Construction and Operation Right

1. The attribution of an infrastructure construction and operation right for Petroleum Operations is made by an application addressed to the Minister overseeing the oil sector.
2. The application shall be submitted to the National Petroleum Institute and contain, at least, the following information:
 - a) Name, address, and nationality of the applicant,
 - b) Whenever the applicant is a foreign Legal Person, the identification of the applicant's representative in Mozambique shall be attached;
 - c) Description of the applicant's nature, including the relationship with and the identification of the parent company and other subsidiaries, jurisdiction of incorporation and registration, identification, domicile and nationality of the applicant members of the board;
 - d) The applicant's financial standing, including the value of the respective share capital, shareholder structure and financial documentation, including its last three annual reports and accounts and those of its parent company;
 - e) The applicant's and specially the proposed Operator's experience in the oil industry, especially regarding Petroleum Operations, relevant for the activities related to the application in similar circumstances to those in which it intends to construct or operate the infrastructures;
 - f) Applicant's experience in the oil industry, especially in the field of oil transportation in similar circumstances to those in which it intends to carry out activities in the requested area;
 - g) Description of the organization and technical resources which the applicant will have available in Mozambique, as well as in any other location, for carrying out activities in the area covered by the application;
 - h) Proposal of the Oil or Gas Pipeline Development Plan;
 - i) Proposal of the financing, property, management and use of the Oil or Gas Pipeline system contracts, terms and conditions for transport and access of third parties and other relevant terms of the requested concession contract;

- j) Appointment of an Operator;
 - k) Additional information, which may be required by the Minister overseeing the oil sector.
3. Should the application for rights attribution be made under the name of more than one legal person, the information listed in the above subparagraphs a) to e) shall apply to each applicant.

Article 16

Terms of the Infrastructure Concession Contract

1. The Infrastructure Concession Contract shall contain, inter alia clauses, the following provisions:
- a) Identification of the parties in the concession contract;
 - b) The nature and conditions of the applicant's association, whenever it is an association of legal persons;
 - c) The specification, identification of the location intended to implant the aimed infrastructures;
 - d) The terms and conditions associated with the rights of construction and operation of the infrastructures;
 - e) Concessionaire participation interest and duration of the Concession Contract;
 - f) Provisions on the State participation;
 - g) Ownership of the infrastructures;
 - h) Appointment of an Operator;
 - i) Management Committee;
 - j) Land use and benefit and/or related rights;
 - k) Specific requirements on the environment;
 - l) Economic terms and other charges;
 - m) Procurement;
 - n) Compensation, liabilities and insurances;
 - o) Third parties access to the infrastructures;
 - p) Training plan for national technicians of the institutions involved in the Petroleum Operations ; and
 - q) Resolution of disputes.

2. The terms for the approval of the infrastructure concession contract are equally applicable to infrastructures covered by the development plan of an exploration and production concession contract.

Section III

Duration

Article 17

Duration

1. A Reconnaissance Concession Contract shall be granted for a maximum period of two years.
2. The exploration rights under an Exploration and Production Concession contract shall be granted on an exclusive basis for a maximum period of eight years.
3. The Production right under an Exploration and Production Concession contract shall be granted on an exclusive basis for a maximum period of thirty years, commencing on the date of approval of the corresponding development plan.
4. The oil or gas pipeline concession contract shall be granted for a maximum period of thirty years.
5. The Infrastructure concession contract shall be granted for a maximum period of thirty years.

Article 18

Extension of Concession Contracts

1. The request for an extension of the Exploration and Production Concession Contract shall be made by means of an application addressed to the Minister overseeing the Oil sector, along with a location map indicating the respective coordinates, the part of the area of the Concession Contract which the extension is being applied for.
2. The Exploration and Production right holder may preserve his rights over the development and production area until the approval of the Development Plan.
3. The Exploration and Production Concession Contract may be extended in the following situations:

- a) If, at the end of the exploration period, the exploration and production right holder is conducting drilling works or testing an exploration well. In such case, the period needed to allow the completion of such works and assessment of the results shall be granted; or
 - b) If a discovery has been made during the exploration and production period, in the event that the holder of the concession contract has fulfilled the work commitments and undertakes the commitment to carry out an assessment program or a commercial assessment of the discovery.
4. In the case foreseen in subparagraph a) of number 3 above, an extension period shall be granted which allows for the completion and assessment of the results, which shall not exceed one year.
5. In the event of a discovery of crude oil or non-associated natural gas, an extension may be granted up to two and eight years, respectively, depending on the complexity of the work required conducting an assessment program or a commercial assessment of the discovery.
6. If, at the end of the exploration period or of the extension granted under paragraph number 3 herein, the exploration and production right holder considers the discovery commercially viable, he shall submit a Development Plan, within the maximum period of one year counting from the date of the declaration of commerciality.
7. The extension request shall be submitted to the National Petroleum Institute within the following deadlines:
 - a) In case of an extension of the exploration period, up to three months before the end of the respective period;
 - b) In case of an extension of the development and production period for a determined area of development and production, up to one year before the end of the respective period;
8. At the request of an oil or gas pipeline system construction and operation or of infrastructure rights holder, the Minister overseeing the Oil sector may extend the concession contracts for period equal or smaller to this, in accordance with the terms to be agreed, upon Government's authorization. The extension request shall be submitted up to two years before the end of the respective period.

Article 19

Partial Waiving of the Concession Contract Areas

1. The exploration and production rights holder shall, during the exploration period, waive part of the Concession Contract Area, as follows:
 - a) The beginning of the second exploration period as stipulated in the concession contract, in respect of a part of the concession contract area, in such way that the retained area, with exclusion of the already included in the development and production area or in the discovery area, does not exceed 50% (fifty percent) of the concession contract area assigned;
 - b) At the end of the exploration period, as stipulated in the concession contract, in respect to the remaining part of the concession contract area, except the development and production areas or any area for which the exploration period has been extended in the terms of the previous paragraph and of the concession contract.
2. The discovery area does not include any area for which the rights holder:
 - a) Has notified the Minister overseeing the oil sector that the discovery is not considered as being of potential commercial interest or is not commercial or is no longer considered to be commercial.
 - b) Has been previously delimited a Development and Production area.

Section IV

Termination

Article 20

Termination of the Concession Contracts

The concession contracts may cease in any of the following cases:

- a) Cancellation;

- b) Total waiving of the concession contract area;
- c) Revocation;
- d) Abandonment.

Article 21

Cancellation of the Concession Contract

1. The Government may, by notification to rights holder, cancel the Concession contract for the reasons provided in the applicable law including any of the following cases:
 - a) If the rights holder is in the substantial non-compliance of the terms and conditions of the Concession Contract;
 - b) If the rights holder does not comply, within a reasonable period of time, with any final administrative decision which is reached as outcome of a judicial process, arbitral or conducted by a decision of a single expert;
 - c) If a decision is rendered do dissolve the entity, which holds the rights by a court of competent jurisdiction, unless the dissolution has the purpose of fusion or reorganization of such fusion or reorganization.
2. The Government cannot cancel the concession contract wherever one of the rights holders is in non-compliant to its obligations and does not affect the execution of the obligations stipulated in the concession contract. Whenever the non-compliance prevails for more than ninety days, the Government may approve the immediate termination, unconditional, free from any encumbrances, free of its participative interest, proportionally to other non-defaulting rights holders, which constitute the legal person in the concession contract.
3. The Government may, upon notification, demand the concessionaire, violating the established in the first paragraph of the present article, to concede its quota of participation in the Exploration and Production Concession Contract to other concessionaires holding a part of the Exploration and Production Concession Contract.
4. In those cases where a cession notice has been presented to a Concessionaire, he will proceed immediate and unconditionally, free of charges and any encumbrances, to assign its undivided participation in proportion to the undivided participations of the receiving Concessionaires. Each Concessionaire that receives such participations is obliged to accept the cession. The

Concessionaire that accepts such cession will not be liable for any obligations of the transferor Concessionaire that has been incurred before the cession taking place.

5. The Govern shall present a written warning (hereof the “Warning”) giving not less than 90 (ninety) days to the Concessionaire or, as the case may be, to the Defaulting Participant, communicating the intention to terminate the Contract or presenting a Notification of Cession specifying, in detail, in the Warning, the alleged material breach or other grounds for the basis in which the Government has decided the termination or delivery of Notification of Cession.
6. The Concessionaire shall provide any information it wishes the Government to consider within 30 (thirty) days from receiving the notification.
7. The Government may, by notification to the rights holder, cancel the Concession Contract for the reasons provided in the applicable law, including, any of the following cases:
 - a) If the rights holder is in a substantial default situation of the applicable legislation or of the terms and conditions of the concession contract;
 - b) If the rights holder does not comply, substantially and within a reasonable period of time, with any final decision which is reached as outcome of an administrative decision, arbitral process, judicial or by experts determination;
 - c) If a decision is rendered do dissolve the entity, which holds the rights by a court of competent jurisdiction, unless the dissolution has the purpose of fusion or reorganization and the Government has been previously informed of such fusion or reorganization.
8. The Government will not be able to cancel the Concession Contract in such cases where a rights holder is in non-compliance of its obligations and it does affect the execution of the obligations stipulated in the Concession Contract. Whenever the non-compliance prevails for more than ninety days, the Government may approve the immediate cession, unconditional, free from any encumbrances, free from its participative interest, proportionally for other non-defaulting holders of rights, which constitute the legal person in the Concession Contract. In those cases where the rights holder has notified the Government of the existence of a litigation related to the non-compliance by one of the parties of the legal person, the Government cannot cancel the concession contract, until such litigation issue or issues have been resolved by a final decision, court sentence, arbitration or determination by an expert.
9. (10) Whenever there is a litigation issue subjected to a court, arbitration or determination by an expert, between the Government and one or more rights holders, the Government cannot use such

issue as grounds for terminating the concession contract, until a final decision is passed by a judicial ruling, arbitration or determination by an expert.

Article 22

Total Relinquishment of the Contract Area

1. The exploration and production rights holder may relinquish the concession contract area, no later than three months prior to the expiry of the term of the respective concession contract and by means of application addressed to the Minister which oversees the oil sector, provided that all of its obligatory work commitments or minimum expenditure obligations have been fulfilled, except when concerning an approved development and production area.
2. After the commencement of commercial production, the exploration and production rights holder may relinquish the development and production area upon application addressed to the Minister, which oversees the oil sector with at least one year in advance.
3. The exploration and production rights holder shall submit to the National Petroleum Institute all the documents, data and samples relating to the concession contract area subject to the waiver.

Article 23

Revocation

1. The revocation of a concession contract shall be preceded by prior notice, which shall be communicated to the rights holder with acknowledgement of receipt.
2. The Minister overseeing the oil sector shall issue the termination notice that shall be communicated through registered letter, with acknowledgement of receipt, which shall become effective immediately.
3. (2.) The Government may revoke a Concession Contract on the following grounds:
 - a) Deviation of the purpose of the Concession Contract;
 - b) Bankruptcy of the Concessionaire;
 - c) Non-compliance with the laws and regulation applicable to the Petroleum Operations, when the previous sanctions are proven ineffective;
 - d) Substantial or repeated breach of the concession contract clauses and the applicable law by the Operator;
 - e) Prolonged interruption of activities due to fault of the Operator.

- f) Other causes to be set forth in the concession contracts.

Article 24

Abandonment

1. Abandonment is deemed to take place whenever the rights holder cease to conduct Petroleum Operations in the concession contract area, for a period of no less than three months and without justified reasons.
2. In those instances where termination takes place per abandonment the Minister which oversees the Petroleum sector should determine and declare the area vacant.

Article 25

Effect of the termination of a concession contract

In case a concession contract is terminated according to the grounds foreseen in article 20 the rights over the area and the assets therein integrated shall revert freely to the State, unless there is a contrary contractual provision.

- a) In the case of waiver, cancelation, revocation or relinquishment of the concession contract, the rights holder shall, within ninety days from the date of such waiver, relinquish, cancel or revoke all activities relating to the whole Area of Concession Contract
- b) Block or close all Wells, in a manner consistent with oil industry best practice, unless otherwise agreed or approved by Minister which oversees the oil sector;
- c) Take all necessary measures to prevent hazards to human life or to property of others or the environment resulting from conditions of the concession contract area or, as the case may be, any part therein caused by Petroleum Operations.

Section V

Concession Contract Areas

Article 26

Configuration and Extent of Areas and Blocks

1. The areas available for the purpose of conducting Petroleum Operations are divided into blocks of thirty minutes of latitude and thirty minutes of longitude, on the horizontal plan, unless exceptions imposed by the boundaries with other States or other justifying circumstances.
2. The areas subject to the contracts of oil concessions are delimited by meridians and parallels expressed in minutes, and may comprise one or more blocks or part or parts of a block.
3. The areas resulting from the partial waiver shall be contiguous and delimited by meridians and parallels expressed in minutes, however, the horizontal division may be approved under justifiable circumstances.
4. The areas subject to the partial waiver during the duration of the contract shall be declared available.

Article 27

Land Use rights for Petroleum Operations

1. The rights granted to Petroleum Operations rights holders include the land and maritime areas use and benefit right, encompassed in the concession contract area, for the purpose of conducting Petroleum Operations. For that purpose the Concessionaire, pursuant to the applicable law and the relevant Concession Contract, build and operate the infrastructures that may be deemed necessary.
2. The land use and benefit rights granted will be exercised in order to legitimate the occupier of the lands, covered in the area of the concession contract, to retain rights that they may have to herd cattle or grow crops, except if such activities interfere substantially with the Petroleum Operations in any of those areas.
3. In conducting Petroleum Operations, in maritime areas, the rights holder may proceed with the construction and operation of works and operate the necessary infrastructures in the concession

contract area, considering that, the people maintain the fishing, aquaculture and navigation rights, except when such activities interfere substantially with the Petroleum Operations in such area.

4. The rights to use land, maritime space or the bottom of the sea, will continue to be applied to areas initially included within the awarded concession contract area, but subsequently object of relinquishment in instances where such use is reasonably necessary to conduct Petroleum Operations in the area granted to the Concession Contract.
5. For the purposes of the conducting Petroleum Operations the rights holder shall, at all times, have entry and exit access in the concession contract area as well as in any other area subject to the jurisdiction of the Republic of Mozambique where he may have acquired or constructed infrastructures.
6. The rights pursuant to this Article shall be exercised reasonably so as to affect as little as possible the interests of land and maritime spaces occupants and users included in the concession contract area.
7. Whenever, in the course of conducting Petroleum Operations in the concession contract area, the Concessionaire disturbs the rights of land occupants or causes damage to its growing crops, trees, buildings, stock or works, the Concessionaire shall pay to the legitimate occupant a compensation for such disturbance or damage as long as the Concessionaire has been ordered to pay by final judgment of a court or arbitral tribunal subject to Mozambican jurisdiction.
8. When, in the course of conducting Petroleum Operations in the concession contract area, the Concessionaire causes disturbance to the rights of any person having their fishing fields or grounds occupied, aquaculture activities limited, fishing or aquaculture equipment moved to less favourable locations from a maritime resource management or commercial point of view, as well as having their equipment, catch or harvest polluted or damaged, the Concessionaire shall pay to such affected person a compensation in respect of any such demonstrable disturbance or damage provoked as long as sentenced by means of final judgment of a court of or arbitral tribunal subject to Mozambican jurisdiction.
9. For the purposes of Petroleum Operations in the awarded area a Concessionaire, subject to applicable law and necessary Government permits, shall be entitled to:
 - a) Make bore holes and dike surface waters, as well as establish systems for the water supply to the Petroleum Operations;
 - b) With the consent of, and subject to the terms and conditions agreed with any Person

holding the right to use minerals, withdraw and use in the Petroleum Operation, within the Republic of Mozambique, material such as gravel, sand, lime, gypsum, stone and clay; provided that if such person with the right to dispose of the latter is the Government or a state body, the Concessionaire shall be entitled to use such minerals for the Petroleum Operations in accordance with the applicable legislation;

- c) Erect, install, maintain and operate motors, machinery, oil and gas pipeline systems, collecting lines, umbilical, storage tanks, compressor stations, bombing stations, houses, buildings and all other constructions, installations, works, platforms, service facilities and other accessories necessary to the pursuance of its Petroleum Operations;
- d) Erect, install, maintain and operate all transport and communication systems and installations, but shall not make it, except for temporary purposes, without submittal and approval of plans and location of its installations points by the Government, on reasonable installation and operation conditions of such systems and installations;
- e) Erect, maintain and operate port and terminal infrastructures for exclusive use in Petroleum Operations, together with the necessary communication and transport means between such infrastructures and any part of the concession contract area, provided that the requirements of the applicable law have been met and that the consent of the Government has been obtained for the location of such works;
- f) Concerning lands located outside of the concession contract Area, to have the right of way over land unoccupied with use and benefit by any person and when in lands occupied with use and benefit by the Government, any state company, Government agency or body, to have right of way on reasonable terms and conditions in accordance to the applicable law or agreed between the Government and the Concessionaire; and
- g) Concerning lands located outside of the concession contract area, to have, otherwise than aforesaid, the use of land necessarily required for conducting Petroleum Operations upon agreement of the Person holding an affected right, including the lawful occupant or user of such acreage or, in the case of unoccupied lands or lands occupied or used by the Government or any state company, Government agency or body, on reasonable terms and conditions to be specified by the Government, provided that, if the Concessionaire is unable to reach agreement with the affected person on the terms and conditions for the use of any such right, the Concessionaire shall promptly notify the Government:

- i. if the use of the rights by the Concessionaire is to be of a temporary nature, not exceeding one year, the Government shall authorize such temporary use upon deposit by the Concessionaire with the Government of a sum by way of compensation to such legitimate occupant for loss of use and damage to its interests in the land; or
- ii. if the use is to be for a period longer than one year, the Government shall authorize the land use by the Concessionaire upon deposit by the latter with the Government of a sum by way of compensation, taking the necessary measures to grant the Concessionaire the benefit of such right under the applicable law as if the Petroleum Operations were in all respects a work of public utility.

Article 28

Fair Compensation

1. The State warrants fair compensation, paid by the concessionaires holding the oil exploration rights, to the people or communities holding, in any form, rights to use and benefit from the land as well as from the territorial water.
2. Whenever the concession available area covers part or totality of spaces occupied by families or communities implicating their relocation, the concessionaire is obliged to compensate the latter in a fair and transparent way, in accordance to regulation to be decided by the Council of Ministers.
3. The fair compensation shall be laid down in a memorandum of understanding between the Government, the concessionaire and the community.

Article 29

(Fair Compensation Contents)

1. The fair compensation set forth if the above article encompasses:
 - a. Relocation to decent housing, by the holder of the concession, in better conditions than those before verified;
 - b. Payment of improvement value in accordance to the Law of Land and other applicable laws;

- c. Support in developing the activities of which life and food and nutritional safety depend for the covered beneficiaries;
 - d. Preservation of the historical, cultural and symbolical heritage of the families and communities in terms to be agreed by the parties.
2. The relocation may only occur when supported by research confirming the availability of oil resources subject to licensing for the purpose of starting production, obeying the principles defined by the Government.

Article 30

Overlapping and incompatibility of rights

1. The attribution of rights for conducting petroleum operations is incompatible with the previous or posterior attribution of rights to exert activities relating to other natural resources or uses within the same area.
2. In the occurrence of incompatibility in the exercise of the rights mentioned in the above paragraph, the Government shall decide which of the rights will prevail and in which conditions, without prejudice to compensations due to the rights-holders.
3. The attribution of rights concerning petroleum operations can only be done safeguarding the national interests in the areas of defence, safety, environment, navigation, research, management and preservation of the natural resources, particularly biological aquatic resources, living or otherwise, after consulting the competent entities for the sector, within the applicable specific law.

Article 31

Third Party Access to Oil or Gas Pipeline Systems

1. The construction and operation of oil or gas pipeline system right holder or the exploration and production right holder, has the obligation to transport third party oil, without any discrimination and in acceptable commercial terms, provided that:
 - a) There is available capacity in the oil or gas pipeline system;
 - b) There are no insurmountable technical problems which exclude the use of the oil or gas pipeline system to meet the third-party requests.

2. If the available capacity on the oil or gas pipeline system is insufficient to accommodate third-party requests, construction and operation of oil or gas pipeline right holders or exploration and production right holders, are required to increase the capacity of the oil or gas pipeline system so that, on acceptable commercial terms, third-party requests may be satisfied, provided that:
 - a) Such an increase does not cause an adverse effect on the technical integrity or safe operation of the oil or gas pipeline system;
 - b) Third parties have provided sufficient funds to bear the costs of the application for capacity increase.
3. The Minister overseeing the oil sector may waive compliance of the obligation under the preceding paragraph by the holder of the oil or gas pipeline system or of the exploration and production, as appropriate, if it has made reasonable efforts to meet the third party request and prove that it is not possible to transport the third-party oil or increase the Oil or Gas Pipeline System capacity.
4. The transport fees shall be negotiated on acceptable commercial terms, for the purposes of third party access to the oil or gas pipeline system, using for that effect the industry best practices and applicable law.
5. The negotiations to allow third party access to Oil or Gas Pipeline System, as well as to increase its capacity, should be conducted in good faith.
6. Construction and operation of oil or gas pipeline system right holders shall provide to the interested third parties, in non-discriminatory terms, the relevant historical data in respect on the respective oil or gas pipeline to facilitate negotiations on acceptable commercial terms.
7. If, within six months of the request for access to the oil or gas pipeline system or of the increase to the system capacity notification, the parties do not agree on the commercial and operational terms ensuring access to the latter, depending of the terms of the contract the question may be submitted, for resolution, to:
 - a) an independent commission;
 - b) the arbitration; or
 - c) to the competent judicial authorities.

Section VI
Operator

Article 32
Operator Requirements

1. The Operator shall gather and meet the following minimum requirements:
 - a) Competence and experience in Petroleum Operations;
 - b) Technical and operational competence based in exploration, development, production and demobilization capacities;
 - c) Relevant experience in the type of Petroleum Operations intended to undertake under the exploration and production concession contract or of oil or gas pipeline system or other infrastructures;
 - d) Proven experience in development and project management; and
 - e) Efficient organization.

Article 33
Operator Obligations

1. The Operator, also when not the concessionaire, is jointly and severally liable with the holder of the concession for the management of the Petroleum Operations, being responsible for:
 - a) Establishing the safety goals and acceptance criteria for the risk analysis;
 - b) Inform the National Petroleum Institute on the status of planned activities;
 - c) Involve its staff in developing and updating the management system;
 - d) Pay compensation due for the constitution of servitude and expropriation of rights of third parties;
 - e) Comply with the regulations in force for the oil activity;
 - f) Provide collateral set by the National Petroleum Institute.

Article 34
Competences

1. It is up to the Government to approve, under this regulations, amongst other matters:
 - a) The arrangements to award rights, terms and conditions of the concession contracts;

- b) Petroleum Operations practices, including resource management, safety, health and environmental protection;
 - c) Submission of plans, reports, data, samples, information and accounts by the rights holders in accordance with their respective contracts or concession contracts;
 - d) Rules of access and use of infrastructures by third parties;
 - e) Procedures for materials, goods and services tenders;
 - f) Rules on abandonment of concession contracts areas;
 - g) The State participation terms and conditions in any concession contract.
2. Within the management of Petroleum Operations, it is also up to the Government to:
- a) Regulate the arrangements of the concession contracts and the rules on tenders for attributing Petroleum Operations rights;
 - b) Approve the signature of exploration and production concession contracts, oil or gas pipeline systems and of infrastructures;
 - c) Approve the development and production plans, oil or gas pipeline system development plans, infrastructures development plans and demobilization plans and any significant changes thereto;
 - d) Approve unification agreements and any significant changes thereto;
 - e) Define the competences as for the signature of other agreements under this Law;
 - f) Define the competences as for the authorization for transmission of rights and subsequent changes to the concession contracts;
 - g) Issue decisions regarding the concession contracts or Petroleum Operations for implementation of this Law;
 - h) Inspect any infrastructures or places where Petroleum Operations are being undertaken;
 - i) Determine the rules and approve contracts for third party access to infrastructures and the methodology for defining the tariffs;
 - j) Approve the methodology for determining oil prices;
 - k) Inventory the revenues derived from Petroleum Operations and publish them periodically;
 - l) Define the forms and content of the guarantees to be provided by the right holders in conducting Petroleum Operations;

- m) Grant an extension of the concession contracts periods under terms and conditions to be agreed with the rights holders for Petroleum Operations,;
 - n) Approve the transfer of property of the infrastructures or their right of use.
3. Approve regulations relating to Petroleum Operations and perform the duties conferred by this Law and other applicable legislation.
4. The Minister overseeing the oil sector is responsible for:
- a) The approval of the reconnaissance contracts;
 - b) The approval of the appointment or change of the Operator;
 - c) Authorizing the export of the original documents and samples taken during the Petroleum Operations ;
 - d) Authorizing the cession of rights and obligations of the right holder for Petroleum Operations and subsequent changes of contracts
 - e) Authorizing the entry into operation of petroleum facilities;
 - f) Approving the procedures for submission of plans, reports, data, samples, information and accounts by the right holders in accordance with their respective contracts or concession contracts;
 - g) Approving tender procedures for procurement of materials, goods and services;
 - h) Approving tender procedures, terms and conditions for granting rights for Petroleum Operations ;
 - i) Approving the terms and conditions of the State's participation in any concession contract;
 - j) Approving the transfer of rights, participation interests and subsequent changes of concession contracts;
 - k) Issuing decisions regarding or arising from concession contracts;
 - l) Approving procedures for the inspection of any infrastructures or locations where Petroleum Operations are being carried out.

CHAPTER III
PLANS AND ASSESSMENTS

Article 35

Types of Plans

1. Petroleum operations shall be subject to a detailed and systematic planning. The Concessionaire shall submit the following plans to the Minister overseeing the oil sector:
 - a) Exploration activities;
 - b) Development;
 - c) Oil or Gas Pipeline system;
 - d) Infrastructures; and
 - e) Demobilization.
2. The reporting and meetings system throughout the planning and execution phases of Petroleum Operations shall be subject to an agreement between the concessionaire and the National Petroleum Institute.
3. The plans submitted to the National Petroleum Institute shall be, as far as possible, extracts of documentation and plans used by the Concessionaire or Operator.
4. The data, studies, interpretations, assessments of possible uncertainty factors, maps, models and financing information or other relevant documents that support the plans and Operator's decisions shall be made available to the National Petroleum Institute.

Article 36

Exploration Activities Plan

1. Each phase of the exploration activity shall be subject to an elaborated plan after consultation with the National Petroleum Institute, according to the Concession Contract.
2. The plan shall include the following information:
 - a) Accurate data about the area to explore, indicating the location of facilities and equipment;
 - b) Activities program;
 - c) Exploration and instrumentation methods;

- d) Equipment to be used, equipment transportation, including, in the case of maritime areas exploration, the speed of the vessels, the length of seismic cables, the origin of the equipment and unloading areas as well as an indication of the ports to be used as bases or ports of call to support the exploration activities;
 - e) Method of presenting results;
 - f) Environmental impact assessment.
3. Each plan shall be submitted to the National Petroleum Institute with a minimum of five weeks in advance regarding the respective activity commencement date.
 4. Before beginning each exploration activity, the Operator shall ensure that the respective operations will take place in a secure environment without affecting other activities in the area.

Article 37

Evaluation of an Oil Deposit

1. The Operator shall inform the National Petroleum Institute, on behalf of the Concessionaire, within twenty-four hours, about any discovery and keep it informed with regard to test results and their evaluation.
2. The Operator shall execute, on behalf of the Concessionaire, with the acknowledgement of the National Petroleum Institute, a discovery assessment program including drilling activities. The Operator shall, on behalf of the Concessionaire, submit to the National Petroleum Institute, within six months of completion of the assessment program, the respective report containing the results of the performed activities and their evaluation.

Article 38

Declaration of Commerciality

1. The Concessionaire shall undertake the necessary technical and commercial assessments to conclude whether a discovery may be commercially developed, individually or jointly, with other oil deposits within the Concession Contract Area.
2. The Operator shall, within one year from the submission of the assessment report, notify the Minister overseeing the oil sector informing whether the oil deposits covered by the discovery may be commercially developed, and such notice shall include a declaration of commerciality

comprising a complete description of the relevant data, researches and evaluations which led to such conclusions.

3. If the report mentioned in the above paragraph n° 2 concludes that the oil deposits encompassed by the discovery, either considered individually or jointly with other oil deposits within the Concession Contract Area, may be commercially developed, the corresponding notice shall be deemed a Declaration of Commerciality.
4. The Declaration of Commerciality made by the Concessionaire shall constitute the basis for the Government to decide whether it will exercise the option to participate in the development and production of the Oil Deposits, for which purpose the Minister overseeing the oil sector may request additional information and clarifications from the Concessionaire.
5. Should the Concessionaire consider the oil deposits comprised by the discovery unsuitable for a practicable commercial development and production, the declaration of commerciality, containing the Concessionaire's technical and commercial assessment, shall address the necessary measures to render their development and production commercially viable and propose additional tasks for the assessment of the commerciality of the referred oil deposits.

Article 39

Unitization of Oil Deposits

1. The oil deposit that falls partly in a concession contract area and partly in another concession contract area shall be developed and operated jointly or in a coordinated manner under a unification agreement subject to Government approval.
2. When a discovery extends to neighboring areas covered by another exploration and production concession contracts, Operators shall report the situation to the National Petroleum Institute, including in the assessment activities report detailed information on the subject.
3. In the case referred to in the previous paragraph, Concessionaires shall make efforts to reach an agreement on how the assessment work can be optimized through joint or coordinated actions.
4. Should there be reasonable evidence that one or more of the oil deposits covered by the commercial development and production of a discovery extend to a neighboring exploration and production concession contract area, the Concessionaires involved shall, within 6 months of the Declaration of Commerciality, seek to reach agreement on the most reasonable manner of unitize development and production of the mentioned oil deposits, after which, the Government may

serve notice to the relevant Concessionaires declaring that such an agreement should take place within three (3) months of that notice. If the Concessionaires fail to reach an agreement within the mentioned deadline, the Government may refer the matter for the opinion of a sole expert.

5. The approval of a Development Plan of an Oil Deposit which covers more than one area of Exploration and Production Concession Contract will be contingent to the signing of a unitization agreement amongst the respective Concessionaires.

Article 40

Development Plan

1. Within a maximum of two years from the date of the Declaration of Commerciality, the Concessionaire shall prepare a Development Plan outlining the development and production of the respective Oil Deposits.
2. The Development Plan and its subsequent implementation shall be based on the rational use of the oil reserves and existing infrastructures. Oil Production from multiple zones with oil reserves through a sole line of production will only be authorized if it is proven that such method of production is necessary to render the development and production commercially profitable.
3. In order to ensure that the Government's and Concessionaire's objectives are compatible, the National Petroleum Institute shall be consulted on the scope and content of the Development Plan, which shall take into account the respective economic, technical, environmental, safety aspects and the existing resources.
4. If the Development covers an Oil or Gas Pipeline System or an infrastructure located outside the concession contract area, the requirements of an Oil or Gas Pipeline Development Plan and infrastructure Development Plan shall also be applicable.
5. The Development Plan shall include, among others, the following items:
 - a) Description of strategy and concept of development, as well as criteria for the choices made, including description of subsequent development stages, if any, including connections with other fields or infrastructures, and, if necessary, coordination with other Petroleum Operations;
 - b) Description of geological and reservoir engineering aspects, with particular reference to detailed analyses and evaluations of the geological structures and considerations, reservoir engineering and production engineering features which constitute the basis for the selection of the production system;

- c) Description of eventual additional planned exploration activities;
- d) Foreseen production schedule and studies on the regularity of production and transportation, including an evaluation of the impact of connections to existing or planned infrastructures and fields;
- e) Status of the licences for the use and benefit of onshore land and other required authorizations for onshore and offshore Petroleum Operations under the legislation in force;
- f) Technical description of the infrastructures and equipment to be used, covered by the development plan, including the number and type of wells, production and processing equipment, the use of oil as fuel at the Production site, injection of gas and liquid components including water or chemicals in any form, measurement and storage, oil or gas pipelines between the various infrastructures, including the oil collection system from the wells and transportation system for buyers of Crude Oil or natural gas, storage or loading infrastructures, as well as technical solutions aimed at preventing and reducing the burning of natural gas and environmentally harmful discharges and emissions;
- g) List of the quality standards which will be implemented;
- h) Information on management systems, including information on the Development planning, organization, and implementation;
- i) General description of the safety systems and their objectives, as well as safety and working environment assessments which form the basis for the Concessionaire preference for a certain development model, including a description of technical measures for emergency purposes;
- j) A separate environmental impact assessment pursuant to the provisions of applicable law;
- k) Summary of the implementation, operating, and maintenance policies and procedures which will be implemented;
- l) Information on the project economic assessments and analyses which determine the grounds for the preference of a determined development model and capital and operating cost and demobilization costs estimates, including a description of how the project will be funded;
- m) Information on the cessation of Petroleum Operations and demobilization of infrastructures and proposed measures to provide its financing; and

- n) Schedule for Development phase implementation.

Article 41

Oil or Gas Pipeline Development Plan

1. For the purpose of approval by the Council of Ministers, an Oil or Gas Pipeline Concession Contract shall be accompanied by the respective Development Plan, describing the Oil Pipeline or Gas Pipeline System and its construction and operation.
2. The Oil or Gas Pipeline Development Plan, and its subsequent implementation, shall be based on the rational use of oil reserves and existing infrastructures.
3. In order to ensure that the Oil or Gas Pipeline Development Plan pursues the objectives and satisfies the needs of the interested parties, its scope and content shall be object of an agreement with the National Petroleum Institute.
4. An Oil or Gas Pipeline Development Plan shall include, amongst others, the following items:
 - a) Description of the production infrastructures, including the Oil Deposit or group of Oil Deposits from which the Transportation will be made, with analyses and calculations of the production and engineering specifications which comprise the basis of the Oil or Gas Pipeline System;
 - b) Estimated volumes expected to be transported and studies on the regularity of production and transportation, as well as an evaluation of the impact of connections with existing or projected Oil or Gas Pipeline Systems;
 - c) Status of license for use and benefit of onshore land and other required for conducting onshore and offshore Petroleum Operations under the applicable law;
 - d) Technical description of infrastructures and equipment to be installed, including an outline of the oil or gas pipeline route and details of the storage system;
 - e) Description of any connection to existing or planned facilities and demarcation in relation therewith;
 - f) List of technical and other standards which will be implemented;
 - g) Information on Management Systems, including information on the Development planning, organization and implementation;
 - h) Description of how the existing infrastructures and related equipment and other infrastructure will be used;

- i) Description of the procedures planned to be used to reach the predefined objectives, in reasonable conditions, namely concerning tariffs applicable to the transportation of third parties Oil;
- j) Description of the safety objectives and risk evaluations which justify the selection of the specific Development concept of the Oil or Gas Pipeline System;
- k) A separate environmental impact assessment pursuant to the provisions of the applicable law;
- l) Summary of the implementation, operating and maintenance policies and procedures which shall be implemented;
- m) Information on the project economic assessments and analyses which determine the grounds for the preference of a determined development model and capital and operating cost and demobilization costs estimates, including a description of how the project will be funded;
- n) Information on the cessation of Petroleum Operations and demobilization of infrastructures and proposed measures to provide its financing; and
- o) Schedule for Development phase implementation.

Article 42

Infrastructure Development Plan

1. An Infrastructure Concession Contract shall be accompanied by the respective Development Plan describing the infrastructures, its construction and operation.
2. The Infrastructure Development Plan and its implementation shall be based on the rational use of Oil resources and existing and planned production and transportation infrastructures.
3. The Infrastructure Development Plan shall be undertaken in accordance with its objectives and shall satisfy the needs of the interested parties.
4. An Infrastructure Development Plan shall include, amongst others, the following items:
 - a) Description of existing and planned infrastructures for production and transportation, oil deposits, which includes analysis and calculations of existing and future production and engineering specifications which form the grounds for the development of the latter;
 - b) Information on other required authorizations obtained or applied for, relevant to build and operate the infrastructures;

- c) Estimated and planned capacities of the existing infrastructures and forecast studies;
- d) Technical description of the facilities and equipment associated to the infrastructure and the Petroleum Operations pursuant to the Infrastructure Concession Contract, i.e. processing, treatment, liquefaction, storage and loading, metering and measurement, the use of oil as fuel in Petroleum Operation and any technical solutions aimed at preventing and reducing the flaring or venting of Oil or reservoir pressure and other environmental potentially harmful discharges and emissions;
- e) Technical and commercial information and a description of any connections to existing infrastructures for Petroleum Operations;
- f) List of technical and other standards which will be implemented;
- g) Information on the management systems, including information on planning, organization and development implementation;
- h) Description of how existing and other infrastructures will be used;
- i) Description of the procedures planned to attain the objectives defined under reasonable conditions, including tariffs for use of infrastructures, including potential use by third parties;
- j) Description of the safety objectives and risk evaluations which justify the selection a specific concept of infrastructures development;
- k) A separate environmental impact assessment pursuant to the provisions of applicable law;
- l) Summary of the main implementation, operating and maintenance policies and procedures to be adopted;
- m) Information on economic evaluations and analysis which substantiate the selection of the specific development concept and estimates of capital and operational and demobilization costs, including a description of how the project will be funded;
- n) Outline for the activities required for the cessation, closure and demobilization of infrastructures and proposed measures to provide its financing; and
- o) Development implementation schedule.

Article 43

Demobilization Plan

1. If, within the reasonable expectation of the right holder he intends to cease production of petroleum or use of infrastructures or the concession contract is revoked, cancelled or terminated, the Operator shall submit a demobilization plan for Government approval.
2. The Demobilization Plan shall be prepared in compliance with applicable law and shall ensure that cessation of Petroleum Operations and demobilization is conducted in a prudent manner and according to oil industry best practices.
3. With no less than two years, prior to the date foreseen for the cessation of Petroleum Operations or use of infrastructures, a detailed Demobilization plan shall be prepared in consultation with the National Petroleum Institute and submitted for approval to the Government.
4. The Demobilization plan shall include, amongst others, the following items:
 - a) Details of measures to be adopted to execute the demobilization in each Development and Production Area including:
 - i. alternative solutions and other recommendation for the cessation of Petroleum Operations and Demobilization of each Development and Production Area;
 - ii. details proposed for the closure and sealing of wells;
 - iii. timely disposal of equipment and facilities not required for the on-going Petroleum Operations; and
 - iv. any other measures deemed reasonably necessary to prevent hazard to human life or to the property of others or to the environment.
 - b) Estimates of the time required to complete activities pursuant to the plan;
 - c) The schedule of demobilization activities and description of the equipment necessary for land and/or sea bed restoration;
 - d) A budget for the foreseen operations to implement the demobilization plan, including details on the costs of removing infrastructures, equipment and facilities and restoration of the affected environment by the Petroleum Operations ;
 - e) A schedule of the work programme with related costs to be drawn from the Decommissioning Fund in order to meet the costs of implementing the plan;
 - f) Environmental, engineering and feasibility studies as may be necessary to support the proposed plan;

- g) Inventory of hazardous materials and chemicals present on the facilities and plans for their removal; and
 - h) A separate environmental impact assessment pursuant to the provisions of applicable law.
5. In the event that the right holder does not submit a Demobilization plan within the prescribed time to the Minister overseeing the oil, the Minister may serve a notice requiring the Concessionaire to submit, within a period of (90) ninety days from date on which the notice was served, a Demobilization plan. If within that period no Demobilization plan is submitted, the Minister may commission the Demobilization plan to consultants of international standing.
 6. A Demobilization plan prepared by a consultant in accordance with the above paragraph shall be implemented by the right holder in accordance to the terms of the concession contract as if was its obligation pursuant to applicable law and the Concession Contract. The cost of commissioning engineering consultants to prepare a consultant's plan shall be payable by the Concessionaire to the Government.
 7. In the event that the right holder considers that the production from a development and production area or use of an infrastructure will cease before a demobilization plan has been prepared, demobilization measures for that development and production area shall be prepared by the right holder and when those measures have been approved by the Minister which oversees the Oil sector they will take effect as an amendment to the development plan for that development and production area.

Article 44

Demobilization Fund

1. By the commencement date of production of oil from the concession contract area or facilities or pipelines entry into operation, the right holder shall establish, in a bank of their choice and approved by the Bank of Mozambique, an interest bearing account in a currency mutually agreed with the National Petroleum Institute, to be named "Demobilization Fund", in which periodic deposit funds will be made to cover the estimated costs of implementing the approved Demobilization Plan.
2. The calculation and payments of the estimated future Demobilization costs into the Demobilization Fund shall be prepared by the right holder as follows:
 - a) the estimates of:
 - i. initial recoverable reserves and the projected Production schedule;

- ii. total tariffs and fees generated in relation to the infrastructure; and
 - iii. the total Demobilization costs for the Demobilization solution proposed by the right holder as well as alternative and reasonable Demobilization solutions.
3. Of the proposals submitted, the Minister, which oversees the Oil sector, will select the preliminary demobilization solution to underpin the calculation of demobilization costs to be covered by the Demobilization Fund created to cater for those costs. Appropriate measures to successive reviews of such estimates shall, where appropriate, be included in any updated Demobilization Plan.
 4. In any calendar year in which the Operator has failed to submit to the Minister which oversees the Oil sector a revised Demobilization Plan or the total estimated cost of demobilization, the latter shall update the total cost of the most recent estimate of demobilization costs, preliminary approved by the Government, to match the escalation of the currency used in such demobilization estimated costs approved in the period between the calendar year in which such costs were calculated and the current calendar year.
 5. The currency escalation index applicable shall be based on the Producer Price Index for Oil and Gas Well Drilling as published by the United States Bureau of Labor Statistics (*U.S Bureau of Labor Statistics*). The annual index to be used in the year "n" is determined by the difference between the annual index for the year in which the latest approved estimate was determined and the same annual index for the referred year "n". In case the US Labor Statistics Bureau ceases to publish the Producer Price Index for Wells Oil and Gas Drilling, for any reason, the parties shall appoint an independent internationally recognized alternative source or an alternative representative index.
 6. Costs incurred by the concessionaire to implement an approved demobilization plan will be recoverable costs in accordance with the applicable law, will be considered an operating expense, except when, in any case, such costs have been funded through the Demobilization Fund reserves.
 7. Any funds remaining in the Demobilization Fund after the completion of the approved demobilization plan will be treated as Oil-Profit and the remaining balance shall be shared in accordance with the applicable law.
 8. In the event that, at the time of implementation of any Demobilization Plan, there are insufficient funds available in the Demobilization Fund to finance the activities of that plan, the deficit will be fully paid by the concession contract right holder.

Article 45

Reports, Meetings and Plans

1. Before implementing a business plan, the reporting system, meetings and review of the important stages of the development activity will be agreed between the Operator and the National Petroleum Institute.
2. Reports, meetings and reviews foreseen in paragraph 1 shall comprise the current state of the Petroleum Operations, highlighting any deviations occurred in the Exploration, Development, Oil or Gas Pipeline, Infrastructure and Demobilization Activity Plans.
3. The start of each of the following stages of Petroleum Operations is considered an important step:
 - a) Exploration;
 - b) Evaluation or production drilling;
 - c) Detailed engineering of infrastructures, including oil or gas pipeline systems;
 - d) Construction of infrastructures, including oil or gas pipeline systems;
 - e) Filling infrastructures and oil or gas pipeline systems with flammable substances;
 - f) Regular production;
 - g) Substantial changes or updates to infrastructures and oil or gas pipeline systems;
 - h) Demobilization.
4. Whenever, pursuant to the terms defined in the above number 3, a plan for an important phase of development is presented, the Operator shall agree with the National Petroleum Institute on the deadline for it to review the plan and may request additional information. The Operator may continue its operations in accordance with the submitted plan, if the National Petroleum Institute does not present objections within the prescribed period.
5. The Operator shall develop and maintain reliable and updated records of the Petroleum Operations in the concession contract area and provide the National Petroleum Institute with information, available data and reports relating to the Petroleum Operations as well as assessments and interpretations relating to Petroleum Operations whenever requested.
6. The Operator shall keep the National Petroleum Institute informed of all important stages of development which occur in the course of the Petroleum Operations. Nonetheless, the Operator shall:

- a) Within two (2) months, from the end of each calendar quarter, prepare and submit to the National Petroleum Institute, a report on the progress of works containing a narrative description of the activities carried out under the concession contract during that trimester accompanied by diagrams and maps representing the places where the described work has been carried out; and
- b) Within four (4) months, from the end of each calendar year, prepare and submit to the National Institute of Petroleum, an annual report summarizing and, where necessary, reviewing and developing the quarterly reports on the progress of the works presented with reference to that calendar year.

CHAPTER IV

MANAGEMENT OF PETROLEUM OPERATIONS

Article 46

Conduct of the Petroleum Operations

1. Any person who conducts Petroleum Operations or engaged in activities related to the Petroleum Operations shall perform:
 - a) In accordance with the applicable law, the concession contract and other contracts and related documents and decisions and administrative instructions issued by the competent bodies;
 - b) Prudently, diligently respecting optimal oil recovery and in accordance with oil industry best practices;
 - c) In accordance with the environmental and safety standards generally accepted in the international oil industry and applicable at all times in similar circumstances;
 - d) In accordance with the Petroleum Operations plans approved by the Government.

Article 47

Appointment of a Representative for management of Petroleum Operations

1. The concession contract rights holders shall appoint a representative residing in Mozambique or in another place approved by the Minister that oversees the oil sector.
2. The Operator shall appoint a general manager and notify its identity to the minister in the oil area, with copy to the National Petroleum Institute, within thirty days from the effective date of the concession contract. In the event of cease of functions, the Operator shall as soon as possible indicate an acceptable substitute to the Minister that oversees the oil sector, and notify the minister of its identity.
3. The Operator shall, within thirty days from the effective date of the concession contract, have and maintain an organizational structure in Mozambique, with powers to manage the Petroleum Operations and other matters arising from the applicable legislation and related to the concession contract.

Article 48

Liability

In cases where the legal entity rights holder for the Petroleum Operations consists of more than one person, their obligations under the concession contract shall be regarded as joint obligations in relation to the entities therein, except the following, which constitute individual obligations of each of these legal persons:

- a) Pay Corporate Income Tax or any other tax assessed and levied on profit or net income;
- b) Observe confidentiality obligations under the legislation and the Concession Contract, except in respect to its application to all actions undertook or to be undertaken by the designated Operator in the exercise of his functions; and
- c) Observe stipulations relating to foreign exchange, except in respect to its application to all actions undertook or to be undertaken by the designated Operator in the exercise of his functions.

Article 49

General Obligations

1. During the performance of Petroleum Operations the Operator is required to develop, implement and update the policies, strategies, conduct evaluations, plans and technical solutions in order to:
 - a) Ensure that the Petroleum Operations are carried out in accordance with the objectives set in terms of safety, work environment, health and protection of the environment from pollution;
 - b) Assure that the Petroleum Operations are performed using technology consistent with the technological development and in accordance with the agreed commercial principles;
 - c) Perform the Petroleum operations in order to optimize the extraction and use of oil resources and to ensure the recovery of the maximum possible existing commercially recoverable oil in the oil deposits;
 - d) Ensure that existing and planned infrastructures and the capacity of the oil or gas pipeline systems are used for the extraction and rational use of oil resources;
 - e) Ensure that all measures are taken to avoid the harmful leaking of water or any other damage to the oil formations that can be crossed during drilling operations or after the relinquishment of any well;
 - f) Control the flow and prevent leakage or loss of oil;
 - g) Prevent the loss of natural energy and/or damage to the Oil Deposit;
 - h) Prevent the destruction of the groundwater, rivers, lakes, flora and wildlife, crops, buildings or other infrastructure and property;
 - i) Clear the sites after leakages or discharges, cease to use infrastructures or termination of Petroleum Operations and comply with the requirements for the restoration of the environment;
 - j) Report to the Government on the number and amounts of discharges or operational and accidental leaks, spills, waste and losses resulting from Petroleum Operations;
 - k) Identify and repair existing or potential deviations for plans;
 - l) Ensure compliance with the principles and regulatory requirements.
2. Operator has the responsibility to ensure that all his staff or the subcontractor personnel are fully informed about the contents of this Regulation.

3. The liability of the Operator does not affect in any way the responsibility of every employer and every worker in performing their work in accordance with this Regulation.
4. The Operator shall be liable for damage to the environment infrastructure, the territorial waters and public health in handling, transport, exploration and exploitation of oil and gas.
5. The right holder, under this Regulation, shall undertake the Petroleum Operations in a safe and effectively manner in order to ensure that the disposal of polluted and waste waters are appropriately handled, according to the approved methods, and the closure and safe demobilization of all boreholes and wells before its abandonment.

Article 50

Management System

1. The Operator shall implement a Management System which:
 - a) Ensures the systematic management and implementation of its activities;
 - b) Contributes towards the continuous effort in improving Petroleum Operations;
 - c) Provides for comprehensive and coordinated supervision of the Petroleum Operations;
2. Employees and their representatives shall be fully informed about the Management System and take part in the development, construction and the update of the system.
3. The Management System shall, inter alia, include the following elements:
 - a) Description of the Petroleum Operation objectives;
 - b) An overview of the relevant rules and regulations that are applicable and a description of the mechanisms for keeping information updated with regard to amendments or new regulations;
 - c) The specific applicable requirements concerning safety, work environment, environment protection and resource management that comprise the basis of planning, implementation and updating of the Petroleum Operations;
 - d) Means of organizing the planned activities, including a description with the distribution of responsibilities, authority and duties;
 - e) Description of personnel needs and respective qualifications;
 - f) Manual of procedures, instructions or other routines norms describing the planning and implementation of activities in order to achieve the proposed objectives;

- g) Procedures or instructions manuals describing the handling of events breaching the rules;
- h) Plans for updating and further development of the Management System.

Article 51

Qualifications and Staff Training

1. The Operator shall have an organization in Mozambique able to independently manage and conduct Petroleum Operations and which enables it to assess the safety and effectiveness of the Petroleum Operations.
2. The staff involved in Petroleum Operations shall have appropriate qualifications and training for an effective job performance.
3. For the identification of relevant task classes in terms of safety and environmental protection as well as for the selection of staff responsible for project verification, the criteria's shall be defined.
4. The Operator shall warrant that the staffs involved in the Petroleum Operations, under its direction and the control of the contractor is acquainted with the infrastructures, policies and procedures relevant to the activity as well as ensuring that the staff has appropriate training and experience in dealing with emergency situations.

Article 52

Data Ownership

1. All data obtained under any contract or concession contract are the property of the State.
2. The original documents and the collected samples shall remain in Mozambique, and its exit from the country is subject to approval from the National Petroleum Institute.
3. The export of samples or other original materials which constitute Documentation for processing or for examination or laboratory tests will be approved, provided that samples equivalent in size and quality or copies of equivalent quality, in case of material susceptible of reproduction, have previously been submitted to the National Petroleum Institute.

Article 53

Documentation and Samples

1. The Operator shall elaborate, maintain, archive and make available to the National Petroleum Institute the materials and documents, which ensure and demonstrate the safe and effective performance of Petroleum Operations.
2. The Operator shall establish and maintain updated file systems or storage of documents and samples required for the prudent conduction of Petroleum Operations, which should be organized to allow a systematic and speedy access to data.
3. The Operator shall deliver to the National Petroleum Institute any documentation or sample collected during the Petroleum Operations and shall proceed to the delivery of copies of documents or duplicates of the samples when so requested. The Operator can retain for its own use original material or copies of the material that constitutes documentation, as long as samples equivalent in size and quantities, or copies, in the case of material susceptible of reproduction, have been submitted to the National Petroleum Institute.
4. The documentation provided for in the previous paragraph includes:
 - a) A description of the geological and geophysical work carried out in the concession contract area;
 - b) The data and results of seismic acquisition programs and other geological and geophysical surveys;
 - c) Maps, interpretations and reports resulting from geological, geophysical and technical work concerning the contract area;
 - d) Records on drilling, graphic logs, deepening, testing, closure and abandonment of wells;
 - e) Records of formations and subsoil crossed by wells;
 - f) The description of the original pit outline, supplements and any changes;
 - g) records of occurrence of oil, water or other minerals capable of economic exploitation or hazardous substances found;
 - h) The interpretations, analysis, evaluations and studies based on the samples;
 - i) Detailed plans and construction of processing facilities and oil or gas pipelines;
 - j) Operating records, including pressure registration, temperature, flow, alarm and closure situations;

- k) Inspection reports, accidents and discharges.
- 5. The originals or certified copies of geophysical data acquired, the drilling records of graphic logs and data resulting from the testing of wells shall be submitted to the National Petroleum Institute on magnetic tape or other forms and agreed formats with good quality and susceptible of reproduction.
- 6. The Operator shall archive the documentation provided in this Article during the validity of the Concession Contract, unless otherwise agreed with the National Petroleum Institute. Upon the term of the contract, the original documentation and collection of samples shall be delivered to the National Petroleum Institute.

Article 54

Acquisition of goods and services

- 1. The acquisition of goods and services shall be done by mean of a tender.
- 2. In the evaluation of tenders, the quality of service, price, delivery time and the guarantees offered shall be taken into consideration.
- 3. The Operator shall give preference to local products and services, when comparable in quality to international products and services that are made available in the time and quantity required and whenever the price, including taxes, does not exceed more than ten per cent of the available imported goods.
- 4. For major contracts, the tender for the acquisition of goods and services should comply with the following principles:
 - a) The invitations to tender or pre-qualification shall be sent to a reasonable number of suppliers who are potentially able to deliver the goods or provide the required services. There shall be defined a reasonable period for the preparation of the bidders. All selected suppliers shall receive the same specifications;
 - b) The specifications, the tender deadlines and the delivery timeframes shall be formulated so as not to unduly exclude competitive suppliers;
 - c) A copy of the list of selected pre-qualified bidders shall be sent to the National Petroleum Institute;

- d) Before the award of major contracts, the National Petroleum Institute shall be informed of the Operator's decision.
5. If the National Petroleum Institute, after discussion with the Operator, concludes that the tender procedures were flouted, it may request the Operator to reconsider its decision on the award of the contract.

Article 55

Insurance

1. The Concessionaire and the Operator shall perform and maintain all insurances required by the applicable law and others that the minister which oversees the oil sector may periodically request.
2. In the event of such insurances being contracted in a different jurisdiction to the Republic of Mozambique, the applicable law of such jurisdiction shall be applied in addition but not to the detriment of the requirements provided for in Mozambican legislation.
3. The insurance cover shall keep the government exempt against all claims resulting from the Petroleum Operations or rights and obligations granted under concession contract.
4. The insurances shall at least include the following risks:
 - a) Damages and losses caused to all infrastructures owned by the Operator or used by the latter in the Petroleum Operations;
 - b) Pollution caused by the Operator in the course of Petroleum Operations, for which the Operator may be liable;
 - c) Any damages and losses caused by the Operator to people and third party property in the course of Petroleum Operations, by which the Operator may be liable to pay compensation;
 - d) The cost of removal of debris and cleaning operations by the Operator after an accident in the course of the Petroleum Operations; and
 - e) The responsibility of the Operator for the workers involved in the Petroleum Operations.
5. The Concessionaire shall submit to the Minister which oversees the oil sector an implementation program of an "All Risks" insurance cover that includes, among others, physical damage to the infrastructures under construction and assembly as well as legal responsibilities emerging from Petroleum Operations.

6. Any insurance required to the Operator may, at its discretion and subject to the approval of the minister overseeing the oil sector, be provided by one or more of the following options:
 - a) Insurance through an insurance company wholly owned by the Operator or by the right holder, in which case the premium charged shall be equivalent to the coverage and amounts prevailing in the international insurance market;
 - b) Use by the Concessionaire, for the benefit of Petroleum Operations, of an insurance contract as part of a global coverage, in which case the premium charged will be the value obtained for such global coverage; or
 - c) Insurance through international insurance markets in accordance with the amounts practiced therein, provided that:
 - i. an insurance company wholly owned by the Operator or right holder may participate in any insurance or reinsurance hired internationally; and
 - ii. The Concessionaire has the option to put up for tender and hire all appropriate reinsurance for any insurance taken out by insurance companies registered in the Republic of Mozambique.
7. The Concessionaire shall tender all renewable insurances in the international markets at least once every three (3) years, unless otherwise agreed in the concession contract or approved by the Minister which oversees the oil sector.
8. The Concessionaire shall require its Subcontractors to carry out similar insurances of the type and in the amounts required by law in accordance with the oil industry best practice.

CHAPTER V
INFRASTRUCTURES

Section I

General

Article 56

Ownership

1. The Concessionaire shall finance the cost of the infrastructures and other equipment to be used in Petroleum Operations. Subject to the applicable legislation, the concessionaire shall have the right of use of such infrastructures and equipment for Petroleum Operations during the term of the contract and any extension of the same until the contract expiry, or is subject to renunciation or revocation, in which case the ownership of the referred infrastructures and equipment, at the Government discretion and without additional compensation, shall revert to the Government.
2. The concessionaires shall own the infrastructures and necessary equipment related to the Petroleum Operations under the concession contract unless otherwise authorized by the Government.

Article 57

Infrastructures Right of Use

1. The owner of an infrastructure and the right-holder to the use of an infrastructure, under this Law, is obliged to give third parties the right of use of the infrastructures related to petroleum operations, without discrimination and in reasonable commercial term, as long as:
 - a) There is available capacity in the infrastructures;
 - b) There are no insurmountable technical problems that may prevent the use of the infrastructures to satisfy the third party requests.
2. If the capacity of the infrastructure is enough to accommodate the third party requests, the owner of the infrastructure is obliged to increase the capacity so that, in reasonable commercial terms, the third party requests may be fulfilled, as long as:

- a) Third parties show the need for capacity increase, supported by adequate reserves certificates, in accordance with the best practices of the oil industry;
 - b) Such increase will not cause an adverse effect on the technical integrity or the safe operation of the infrastructure;
3. Any dispute between the owner of the infrastructure or the holder of the right of use of the infrastructure and third parties, concerning the use of the infrastructure, shall be resolved by mutual agreement and if no agreement is met by an independent entity.

Section II

Production Facilities

Article 58

Projection and Construction

1. The facilities and workplaces shall be planned, designed, constructed, equipped and installed in such way that the different Petroleum Operations are carried out safely and efficiently in accordance with the oil industry best practices.
2. The Operator shall base its project in internationally recognized standards, which should be included in the Development Plans. The infrastructures and workplaces shall also observe the requirements of the applicable national standards. Different standards should not be applied in the same area.
3. The planning of new facilities and modifications of existing infrastructures shall take into account the equipment available and new technologies in order to maintain the objectives of the Management System in accordance with this regulation.
4. During the phases of design, construction or operation and use deficiencies that could cause a hazard or accident shall be prevented.
5. All infrastructure and places workplaces shall be kept in appropriate conditions and safety during construction.

6. The functional requirements of the infrastructures shall appear in a written document, set the lifetime of the project, taking into consideration and defining the possible variations of flow levels, pressure conditions, temperature, composition and characteristics of the fluid.

Article 59

Projection of Facilities

1. The requirements of the operation and maintenance of infrastructure should be defined in writing during the stage of the project and serve as the basis for the preparation of its respective procedures.
2. The Operator shall, when projecting the installations, ensure the best possible access for its inspection and maintenance.
3. The infrastructures shall be designed in such a way as to ensure access and evacuation and shall be provided with adequate rescue means.
4. The infrastructures shall be designed in such a way as to minimize the consequences of fires or explosions. The systems and their components shall be designed to minimize risks of eruptions, fires and explosions, with a view to allow effective fight against fires, reducing the risk of personal injury and equipment to the minimum. Appropriate systems for the detection of fires and gas shall be installed.
5. The infrastructures shall be classified according to the risk of explosion and separated by different areas according to this criterion and in accordance with the international standards accepted and the oil industry best practices. Areas of appropriate safety shall also be established around each infrastructure.
6. The buildings containing hydrocarbons shall be ventilated and, if necessary, have pressure control panels.

Article 60

Risk Analysis

1. The Operator, based on risk criterion carefully considered, is obliged to perform risk analyses of the installation operations and related activities that should be considered an integral part of projects or detailed plans.
2. The risk analysis shall be performed in order to identify the consequences in terms of people, the environment and property, including financial interests, of isolated failures or the sequence that in which they may occur.
3. In the risk analysis, it should be taken into account, among other things, the installation design, the operations to be carried out, the work processes and the training programs for the staff involved in the activity.
4. In the infrastructure design and in the activities planning measures to eliminate or reduce the risks identified through the risk analysis shall be taken.
5. The risk analysis shall be updated to follow the progress of the Petroleum Operations.
6. Particular emphasis on the integration of the results of the risk analysis in the manuals, procedures and operational reports shall be given.

Article 61

Project Supervision

1. The body responsible for monitoring the project shall be independent in relation to the respective performer.
2. If reference is made to recognized standards, but with different specifications, the supervision carried out by following these standards should be included in the global check.
3. The evaluation of the different methods of inspection used in the various phases shall take into account the complexity and critical intensity of the project.

Article 62

Data Record

1. The National Petroleum Institute may require that data recording instruments are placed in the facilities, at the expenses of the Operator, which may be deemed important for the performance of petroleum activities.
2. The Operator shall equally be responsible for the maintenance, registration, data processing and presentation of reports costs.

Article 63

Supporting Structures

1. The structures and their components shall:
 - a) Operate satisfactorily under normal conditions, taking into account, among other factors, the deterioration, movement, mountings and vibrations;
 - b) Have safety mechanisms suitable to withstand accidents caused by wear and tear;
 - c) Be able to withstand safely the potential deforming actions, in particular resist against disruptions or non-elastic large movements;
 - d) Have mechanisms for adequate safety against possible risk situations or accidents;
 - e) In case of floating structures, subject to free movements, resist with safety to sinking and submersion.
2. The structural system, including the details and components, shall be designed in such a way that the structures:
 - a) Present ductile properties and low susceptibility to local damage;
 - b) Are easy to manufacture;
 - c) Present an uniform distribution of tensions;
 - d) Are resistant to corrosion and other types of deterioration;
 - e) Allow simple control, maintenance and repair actions.
3. The selected materials to be used on the support structures shall be appropriate for this purpose and its characteristics shall appear in a written document. During the process of manufacture of

the components and connections, these should be subject to the specifications of the manufacturer, tests and checks, which should take into account the importance of each of the components in the safety of the structure. The structure shall be protected from possible deteriorations.

Article 64

Protection against Corrosion and Erosion

1. For the protection of the infrastructures, measures against erosion, corrosion inside and outside, as well as the temporary protection during the construction phase shall be taken into consideration.
2. Systems, equipment and procedures for permanent control of the phenomena of corrosion and erosion shall be developed and installed in order to ensure the safety of operations during the useful life of the infrastructures.

Article 65

Electrical Systems and Instruments

1. The electrical systems and the instruments shall be designed and installed in such a manner as to minimize the risk of explosion, avoid injury, assure a basic emergency operation and ensure the regularity of production. Electrical installations shall be in accordance to the area classification and in accordance with local and international standards for oil facilities.
2. The instruments for controlling and recording of data pertaining to the conditions of safety shall be connected to an emergency power source.

Article 66

Telecommunications

The facilities shall be equipped with appropriate telecommunication systems to ensure the safety of the facilities and its operation in accordance with the legislation in force, and the installation of remote control telecommunications systems may be required.

Article 67

Lifting Equipment

1. It is mandatory the installation of lifting equipment and its operation shall be planned and conducted so as to avoid errors or operational failures and work in situations of danger or accident.
2. The Operator is obliged to implement technical, operational or regulatory measures in order to cope with hazardous or accident situations.
3. The Operator shall perform risk analyses to identify the likelihood and the consequences of the occurrence of isolated failures or in sequence during the removal operations and shall take measures to reduce the risks.
4. The devices and lifting equipment shall be designed, operated and maintained in accordance with accepted national and international standards. In choosing devices and lifting equipment the patterns and climatic conditions to which they will be subjected shall be taken into account.
5. The devices and lifting equipment shall be inspected before the first use, by a competent technician who shall issue a certificate of conformity, and shall subsequently be inspected for at least once a year.
6. After each repair or modification, the lifting equipment shall be subject to a new certification by a competent technician.
7. The Operator shall assure that the personnel involved in the lifting operations have the necessary qualifications to operate the equipment in a safe manner.

Article 68

Working Environment

1. At the design stage of the facilities a program regarding the working environment, that describes how the safety objectives and the work environment requirements will be achieved, shall be prepared. Safety officers shall have an active participation in the preparation of such program.
2. The workplace and residence of people, accesses, transport routes and lifting devices shall be designed so that the work and the movement of people, goods and equipment are carried out in a logical and satisfactory manner.

3. The accommodation and camps shall be designed, equipped and located to provide acceptable levels of safety, environment and health. Development shall be designed so that the areas of accommodation or camping are separated from the drilling, production areas and from auxiliary systems. The description of the staff needs shall be in writing and the ability of households or camps shall be projected according to this description. The areas for housing or camps shall have appropriate infrastructures for entertainment.
4. Workplaces, equipment and operations shall be organized so that staff can perform their work safely and:
 - a) The work shall be planned to reach the reasonable level each individual worker can develop;
 - b) The staff shall not be subject to adverse conditions that may cause injury or illness;
 - c) The working areas and equipment shall be designed and organized to enable a correct attitude and work posture at the individual level;
 - d) The equipment for control and supervision of production processes, technical devices and work operations shall be designed and organized according to accepted ergonomic principles deemed as suitable for a good interaction between man and machine;
 - e) Hand tools and work equipment used shall be appropriate not to cause injury or illness to workers.
5. Safety devices for machinery shall be designed to protect workers from contact with dangerous parts of the equipment and to prevent injury during use.
6. The work area shall be illuminated to ensure that the work is performed in a safe and prudent manner, namely:
 - a) The lighting should contribute to highlight the uneven terrain, physical obstacles and protrusions likely to cause injury;
 - b) Light poles shall be designed and placed so as to avoid the accumulation of dust and corrosion as well as to enable maintenance and change of light bulbs to be performed safely.
7. The oil exploration companies shall ensure employment and technical and professional training of Mozambican nationals and ensure their participation in management and Petroleum Operations.

8. Recruitment of staff for exploration companies shall be published in newspapers of wide circulation in the country or through radio, television and internet, informing where the closest place of delivery is and the requirements and publication of results.

Article 69

Safety Measures during Construction

1. Preference shall be given to the use of materials that are not harmful when used alone or in combination with other materials or gases.
2. The characteristics of materials shall be evaluated taking into account the emissions of dust, gases or vapours harmful to health as well as any other effects on working conditions and environment and the well-being of workers. The characteristics of materials when exposed to fire or excessive heat shall also be assessed.
3. Plans shall be developed to ensure that the equipment available to the workers is appropriate to the safe execution of the tasks.
4. The danger of chemical exposure involving health risks, in particular during storage, use, handling and disposal of chemicals, in working operations and/or processes which produce chemicals shall be minimized. The danger of accidents and diseases caused by prolonged exposure to chemicals shall also be minimized.
5. The exposure of workers to noise shall be minimized as much as possible, particularly through the use of appropriate technologies, namely:
 - a) The level of noise in the various areas of the facilities shall comply with the levels that can be achieved in accordance with the current technological standards;
 - b) No worker shall be exposed to noise levels which may damage hearing;
 - c) Signage shall be placed at the entrance of compartments or areas where the level of noise can damage the hearing.
6. The vibrations of the whole body or hand-arm shall be avoided as far as possible.
7. When the work is done outdoors, the preventive measures to be taken when the weather conditions so justify shall be defined, in particular those situations where works shall be restricted or interrupted. Conditions requiring the suspension and abandonment of facilities shall be defined.

8. At the entrance of compartments and nearby equipment areas, likely to cause injury or damage to the health of the workers, signage shall be placed in accordance with internationally accepted standards.

Section III
Oil or Gas Pipeline System

Article 70
Oil or Gas Pipeline Project

1. The Oil or Gas Pipeline System Project shall be sufficiently detailed in order to demonstrate that the integrity and operability of the system will be maintained over its useful life, namely:
 - a) Representative values of loads and system resistance to them shall be used in accordance with good engineering practices;
 - b) The analysis methods may be based on analytical numerical, empirical models or a combination of these methods;
 - c) Safety principles based on the project “capacity-limit” may be applied, provided that all the fundamental principles and utility threshold are considered;
 - d) All relevant sources of insecurity and resistance of loads shall be considered and the statistic data sufficient for the adequate characterization of these variables made available.
2. The requirements for operation and maintenance of the Oil or Gas Pipeline System shall be established and put in writing to be used as a basis for the design and preparation of operating and maintenance procedures.
3. The system design shall identify and take into consideration, during the design phase, the loads that may cause or contribute to the damage or inoperability of the Oil or Gas Pipeline System. The loads shall be classified as functional, environmental, construction or accidental.
4. The design and operation of the Oil or Gas Pipeline System that crosses the borders of neighbouring countries shall be coordinated with the parties on the other side of the border and the Regulations of the neighbouring country shall be appropriately considered.

5. The Oil or Gas Pipeline System shall be equipped with sending and receiving devices for internal inspection and maintenance of equipment and shall allow the use of mechanized devices and a leakage control system shall be installed as well.

Article 71

Safety of Oil or Gas Pipeline

1. The oil and gas pipeline system shall meet national and international requirements concerning public safety and environmental protection as well as of the employees that work in the system or in its vicinity.
2. It is mandatory to carry out a safety study to identify potential hazards caused by human activity along the oil or gas onshore pipelines and the following rules shall be observed:
 - a) Definition of buffer zones and the restrictions to be implemented therein during the construction, trade, transit and use of open fire;
 - b) Classification of the pipeline location in relation to population density and concentration according to accepted standards;
 - c) Calculation of the oil or gas pipeline dimension, for each segment, based on this classification, in the risk analysis made and in line with accepted standards;
 - d) The National Petroleum Institute, based on the information provided in the oil or gas pipeline development plan, shall set the standards to be used.
3. Based on conducted safety studies, the oil or gas pipelines shall be divided into sections by installing valve stations. The emergency shutdown valves shall be able to be operated by remote control.
4. The location of the compression and pumping stations, in relation to the main oil or gas pipeline and surrounding areas, shall be made in order to minimize the effects of potential accidents.
5. As far as possible, the buildings and facilities shall be located outside the buffer zone, unless there are justified reasons. When the buildings and facilities are situated within the buffer zone, they shall be designed in order to provide protection to staff during risk situations or until their evacuation to safety.

Article 72

Oil and Gas Pipeline Route Selection

1. The construction of pipelines in residential areas or in areas of intense human activity shall be avoided.
2. The environmental impact shall be taken into consideration during construction and over the useful life of the oil or gas pipeline as well as possible loss of fluids.
3. The survey and selection of the route shall take into account the following factors:
 - a) The safety of people;
 - b) The environmental protection;
 - c) Other properties and infrastructure;
 - d) The activities of third parties;
 - e) The geotechnical and hydrographical conditions;
 - f) The requirements for construction, operation and maintenance;
 - g) The local requirements;
 - h) Future survey activities.
4. The routes of onshore oil or gas pipelines shall be previously and properly marked.

Article 73

Installations and Operation of the Oil or Gas Pipeline System

1. When the oil or gas pipelines cross other oil or gas pipelines systems, cable or lines of whatever kind, the respective interested parties shall establish, upon agreement, procedures, which shall subsequently be approved by the National Petroleum Institute.
2. The onshore oil or gas pipelines shall be placed underground in order to prevent their damage, unless another technical solution is acceptable. The depth shall be sufficient to prevent damaging the Oil or Gas Pipeline System by the activities permitted within the buffer zone. Non buried sections shall be properly secured to prevent access by unauthorized persons.
3. The oil or gas pipelines constructed in the sea shall be buried or protected to avoid its external damage and to reduce or prevent interference with other activities. Regulatory authorities of other

activities in the area shall be consulted in the definition of the requirements demanded to reduce or prevent possible interference.

4. Prior to the oil or gas pipeline filling with flammable substances, a pressure strength test and that addresses leaks shall be carried out in accordance with specific procedures. The connections that cannot be tested under pressure shall be subject to special control measures.
5. The Oil or Gas Pipeline System shall be monitored by two independent systems:
 - a) An integrated control system;
 - b) A protection and alarm system.

Article 74

Drilling and Wells

1. The equipment and materials used in drilling activities and in wells shall be appropriate for the purpose and be protected against abnormal loads. The units and the well intervention aid equipment shall be designed, built, installed, tested, operated and maintained in accordance with this Regulation.
2. The Operator shall define safety objectives and tolerance criteria for risks and conduct the risk analyses foreseen in Article 60. One of the overall safety objectives of drilling activities and activities in wells shall be avoiding failures that involve a life-threatening situation of the personnel or cause serious damage to the materials and to the environment. This objective applies both to operational errors and failures related to equipment used directly in the operations, as the equipment with auxiliary functions.
3. During drilling activities and activities in wells at least two independent barriers shall be available and sufficiently tested in order to prevent accidental flow from the well. If a barrier fails, it shall be restored before well operations are resumed. At the design stage a barrier plan shall be established for each operation to be performed from an installation. In order to meet the barrier plan functional requirements shall be defined regarding the ability of drilling and control equipment, operational capacity and ability to mobilize. All systems and components shall meet these requirements.
4. During the design phase, manufacture, installation and operation of control systems, the organization of the facility, its classification as a buffer zone and the main safety plan shall be

taken into consideration. The control systems shall be operable by independent panels located in convenient locations. In the drawing or design of the control system the possibility to reduce failures and their consequences shall be considered. In case of failure of the control system, components with critical functions shall be able to keep themselves in good condition or move to safe positions.

5. The working areas where drilling activities and activities in wells take place shall be properly prepared to ensure staff and operations safety. Special attention shall be given to storage, assembly, disassembly and suspension of drilling pipes, master pipe and pipe coating as well as the transport between the storage location and the drilling rig.
6. The equipment exposed to pressure shall be designed, manufactured, tested and maintained in accordance with the requirements of this Regulation and with the internationally accepted technical standards. The safety devices shall be tested in accordance with established procedures. When the safety devices are activated to avoid excess pressure, a pressure control system shall be installed to prevent injury to workers and damage to the environment, assets and financial interests.
7. The installation shall be equipped with a tank with sufficient capacity to support the amount of drilling fluid necessary to ensure full control of the well and contain, permanently, sufficient quantities of drilling fluid and other materials. The drilling fluid system shall have sufficient capacity to support a rapid increase of drilling fluid in an active system and to increase the weight of the drilling fluid in the event of well instability. A reconditioning system shall be provided with the equipment required for removing the gas from the drilling fluid so that the latter maintains the required quality. The composition of drilling and completion fluids shall be adjustable so that the required fluid properties are maintained. It shall be possible to continuously control the fluids forming the barrier or part of the barrier element.
8. The Blowout Preventer (BOP) shall be designed and installed in order to maintain its functional capacity as a barrier and shall be installed at the initial stage of the operation.
9. The “Christmas Tree” valves and boosters type and the safety valves shall be installed in sufficient numbers and in a way to ensure its barrier function and shall be tested on the basis of established procedures and in accordance with a program of tests. These procedures shall be applied to functionality tests and for leaks or spills.

10. The drilling rigs and wells shall be provided with affordable equipment which can ensure well control and allow staff to operate and close the well during the drilling activities in case of an uncontrolled influx into the well. In case of equipment failure, the mobile facilities shall be removed to a safe area when the well is in a situation of uncontrolled flow.

Article 75

Maritime Infrastructures

1. Fixed or floating infrastructures used at sea shall be designed and equipped in order to have stability or a foundation that allows them to operate safely and withstand the anticipated loads, according to Mozambican legislation in force and under the international standards accepted.
2. The docking device, the anchoring system and the dynamic positioning of ships or floating infrastructures used at sea shall have dimensions and be operated in accordance with the Mozambican legislation, the oil industry best practices and internationally accepted maritime standards.
3. The Minister that oversees the oil industry may define, according to maritime law, other conditions for conducting petroleum activities in floating infrastructures or ships regardless of them being registered in Mozambique or in a foreign State.

Section IV

Processing and Ancillary Facilities

Article 76

Requirements for Processing and Ancillary Facilities

1. Before choosing the type of project for processing and ancillary facilities a comprehensive plan shall be established taking into account the following:
 - a) Aspects concerning to the environment;
 - b) The regularity of operations;

- c) The level of personnel;
 - d) The maintenance strategy;
 - e) The changes in operating conditions;
 - f) The possible changes in operating conditions and future needs.
2. The processing and ancillary facilities shall be designed and located so that the risk to staff, environment, property and financial interests do not exceed the level of risk established by the safety objectives.
3. In the selection of materials for processing and ancillary facilities, the following aspects shall be taken into consideration:
 - a) Loads and environmental conditions that may be subject to, during construction, installation, maintenance and operation;
 - b) Potential changes in operating conditions;
 - c) Written principles that guide the choice of critical materials;
 - d) When new materials are introduced, they shall be subject to analyses, calculations and tests, which can demonstrate their compliance with the established safety criterion.
4. The flow or debit level and the capacity of the facilities shall be determined taking into account reaction times, capacity and safety of control systems and operational aspects such as vibration, noise levels, pressure and effect fluctuations caused by water.
5. In the design of processing and ancillary facilities, attention shall be given to the staff level and convenience of operation or scheduled maintenance. The instruments and control equipment for processing and auxiliary facilities shall have a high level of safety.
6. When the ancillary and processing facilities are located in mobile infrastructures, special attention shall be given to the forms of movement of the infrastructure in order to ensure a safe and efficient operation on the determined conditions.
7. Tanks for formation and drainage water shall be equipped with:
 - a) A closed drainage installation of formation water;
 - b) An open drainage facility for areas with risk of explosion;
 - c) An open drainage facility for non-hazardous areas.
8. Electrical installations shall have sufficient capacity to provide simultaneous energy to all consumers in the installation. The supply to major energy consumers shall be

possible without overloading the power station and creating risk of disruption of supply, taking into account the existing amount of simultaneous users.

Article 77

Safety for the Processing and Ancillary Facilities

1. The organization of processing and ancillary facilities and the classification of the area where it is implemented shall be considered as a whole. All machinery and ancillary equipment shall be in accordance with the classification of the area in which the equipment is installed.
2. The pressure chambers with foundations, rotating machinery, piping systems, including brackets and penetration devices in areas containing oil or other potentially hazardous means, and in accident conditions, shall be able to withstand the heat and the explosive charges.
3. Processing and ancillary facilities shall be equipped with pressure control devices, which offer protection against abnormal pressures. Drainage shall be designed to avoid accidental release of liquid or gaseous hydrocarbons.
4. The area classification and the results of the risk analysis shall be included in the ventilation systems specifications and these shall ensure that the concentration of smoke, particles, vapor and gas is kept below the specified limits. The system ventilation shall be designed in order to have adequate capacity to perform the functions of cooling and heating equipment, as well as ensure greater ventilation in those spaces where there are sources of ignition and risk of gas inlet.
5. In the event of changing the processing and ancillary facilities, risk analysis shall be updated and necessary measures shall be taken to maintain or improve the original ventilation conditions. Areas with natural ventilation shall have sufficient air circulation to ensure that gas concentrations and pollution levels are kept within the specified limits. The closed or partially closed spaces with natural ventilation shall comply with the accepted technical standards, concerning the size of openings in walls, floors and ceilings. In areas without sufficient natural ventilation mechanic ventilation shall be ensured and motorized fans with motors and other accessories in ventilation systems projected to prevent sparks.
6. The boilers with a heating unit obey the requirements of the accepted technical standards. The heating unit for boilers shall be supplied with combustion air from secure areas. The exhaust gas

shall be driven to a safe area and its piping shall be designed so that the combustion sparks cannot convert into a possible source of ignition. For offshore installations the exhaust gas shall be driven out of the facility in order to not become inconvenient for people or cause hazardous situations for helicopter traffic or supply vessels.

Article 78

Design of Processing Facilities

1. In areas with risk of ice or hydrates formation, facilities shall be provided with devices for injecting glycol or methanol or other similar measures. The self-ignition or pyrolysis risk shall be evaluated in the choice of materials, inspection and maintenance procedures and the components shall be equipped with thermal insulation.
2. The separation equipment shall have sufficient capacity to separate the components of the well stream. In the design of such equipment it is required to predict the effects of changes in well flows over time. The equipment shall be designed so that those located downstream are not adversely affected and shall have means for removal of sands and drainage. The equipment shall be able to separate hydrocarbons from formation water and warrant its purity.
3. The containers under normal atmospheric pressure and the pressure containers shall, as a rule:
 - a) Be designed and used in accordance with internationally accepted standards;
 - b) When containing hydrocarbons, be equipped with two separate devices for protection against high pressure;
 - c) Not affect the protection devices against high pressure in the event of deformation or damage to the latter;
 - d) Be equipped with pressure and vacuum valves with adequate capacity;
 - e) Be placed inside the equipment so that it does not cause damage or deformation thereof;
 - f) Define the inspection and maintenance conditions during the design and construction phases.
4. The pipes shall conform to the requirements of internationally accepted standards. Loads mentioned in the accepted standards shall also be considered and loads caused by abnormal conditions, such as the effect of water.

5. In the analysis of the effects of loads, it shall:
 - a) Be taken into account the loads transferred to associated equipment;
 - b) Be given special attention to the piping of the premises subject to large movements and to the deformations and installing movements under certain environmental conditions;
 - c) Be defined the inspection and maintenance conditions during the design and construction phases.
6. Valves and boosters shall be designed and manufactured to withstand the loads to which they may be subjected, according to the requirements of internationally accepted standards. The valves and boosters that form part of the emergency shutdown system shall withstand fire or explosions to which they may be subjected. The valves of great importance in terms of safety shall be tested in accordance with established procedures and respective testing program, including function tests and spills and leaks.

Article 79

Design of Ancillary Facilities

1. The rotary compressors shall have the necessary equipment for the control of oscillations and pressure relief. Piston compressors shall have the necessary equipment for control and reduction of the pressure pulse variation. Compressors with a closed oil system shall have efficient degassing equipment and shall be protected against oil sealing system failures until it has been depressurized.
2. The liquid dividers shall:
 - a) Protect the compressor facilities and the liquid drainage shall be performed in a safe and prudent manner;
 - b) Be equipped with locking devices of compression facilities in abnormal rising fluid level situations;
 - c) In the event of abnormal decrease of fluid level, the drainage discharge valve shall close automatically;
 - d) Be able to collect into the compressors and liquid droplets released from the natural gas flow in all operating conditions.

3. Facilities with gases and fuel oil shall be organized in order to ensure maximum operational regularity, provide fuel in sufficient quantities and conform to the pressure specifications, temperature and pollution limits. The draining of fluids from the fluid separators shall be performed in a safe and correct manner. The liquid separator shall be equipped in a way that the fuel gas installations are closed in the event of an excessive rise in the fluid level. In the case of an excessive decrease of fluid level, the drain discharge valve shall close automatically.
4. Pneumatic systems for air supply to the working instruments shall be designed in accordance with accepted technical standards for pressure vases, pipes and compressors. The limit values of the condensate, purity, pressure variation and air temperature shall be defined. The facilities shall have compressors with sufficient capacity to ensure stable operating conditions. They shall equally be equipped to meet the air emission limit.
5. The inert gas installations shall be designed in accordance with the technical standards for pressure vases, pipes and compressors, including the transportation standards for tanks containing gas. When choosing the inert gas system, the consequences of any leakage and instruments for detection shall be particularly taken into account. Special measures shall be taken to protect structures that may cool due to the inert gas leakage in liquid state contained in the vases. The hoses and connections used for inert gas in liquid state shall be appropriate for this objective and shall not be confused with the air connections or other connections.
6. Installations for the use of chemicals shall have the capacity to receive, store and distribute chemicals properly. Facilities for chemical use shall, as far as possible, have a fixed storage for tanks and piping stocking. The location of facilities shall take into account, among other things, the safety of transport operations staff of tanks or supply vases and the risk of fire and explosion. When the piping is connected to the facilities containing hydrocarbons or systems under high pressures, verification valves shall be places, as far as possible, near the injection point.
7. In choosing the rotating machinery it shall be taken into account, among other factors, the safety, energy saving, ease of operation and maintenance, previous experience, new technologies and be in accordance with internationally recognized standards.

Section V

On-site Systems

Article 80

Safety Systems

1. The facilities shall be equipped with adequate safety systems designed to prevent any defects or failures that endanger people, the environment, property and financial interests.
2. The safety system shall include among other mechanisms:
 - a) A fire alarm;
 - b) A fire and evacuation alarm;
 - c) Emergency lighting;
 - d) Emergency shutdown systems;
 - e) Safety operation systems;
 - f) Operation control systems;
 - g) Gas escape systems;
 - h) Emergency power systems; and
 - i) Fire extinguishers
3. The systems shall always be in working order and subject to regular maintenance in order to verify if they keep their operational capacity, as well as being designed and protected in order to retain the operational capacity in case of an accident. The systems and their components shall resist environmental loads to which they may be subject.

Article 81

Fire and Gas Detection Systems

1. In the areas of the facility where there is the possibility of accidental fire or gas discharge is verified, fire or flammable and toxic gases detection systems shall be installed.
2. Systems shall allow the rapid and reliable detection and activate a fire and gas discharge alarm, indicating the incident site, in case of an actual or potential fire as well as in the case of accidental

discharge of gas. With the alarm triggering measures shall be taken automatically to prevent or mitigate the consequences of fire or gas discharge.

3. The systems provided for in this Article shall:
 - a) Be independent and cannot be negatively influenced by failure of other systems;
 - b) Have components capable to withstand certain loads in order to maintain the operating capacity during a certain period of time;
 - c) Be designed to allow control, maintenance, testing and modifications.

Article 82

Emergency Locking Systems

1. Facilities with equipment containing oil shall have a high security shutdown system that prevents or limits the escape or leakage consequences and eliminate potential sources of ignition.
2. In the processing unit there shall be installed isolation valves connected to the system, so that the fire does not exceed the capacity of the individual resistance elements.
3. Once activated the emergency shutdown system, it shall ensure maximum safety of the facility and equipment. The manual emergency shutdown system shall be located in strategic places, well demarcated and protected against accidental activation. The system shall be operated manually or by other means.
4. The components incorporated in the system shall be independent or complementary to other systems. Emergency shutdown valves may be used as process safety valves. The emergency shutdown system cannot be affected by failures of other systems. The valves, when installed, will have the emergency shutdown valves function, most noticeably:
 - a) The valves in the production and injection piping or referred to as Sub Surface Safety Valve;
 - b) The valves in the production and injection wing or wing valve;
 - c) The main automatic valve;
 - d) The valves on the “christmas tree” connection with the injection of chemicals or gas lift ;
 - e) The isolation in sections process valve.

5. Components incorporated in the system shall be designed for the loads to which they will be subject. The systems shall be tested without interrupting operations.
6. All emergency shutdown valves shall be designed for easy access and equipped with a position indicator. All information on the status of executed actions shall be automatically transferred to the control center.
7. The assembly of new emergency shutdown valves shall be done in a safe and controlled manner.

Article 83

Processing Safety Systems

1. The facilities equipped with processing units or connected to these facilities shall have a processing safety system. The system shall be of high security, able to detect abnormal operating conditions that may imply danger and be able to prevent abnormal situations leading to dangerous situations.
2. The system shall be designed to operate independently and with the same level of safety of other systems. Emergency shutdown valves may be used as the processing safety system valves.
3. Components incorporated in the processing of the safety system shall be adequate for the loads to which they are subject.
4. When activated, the sensors with locking functions shall give a warning sign.
5. The testing of processing systems can be performed without interrupting operations.
6. Block valves incorporated in the system shall be fixed in the correct position.

Article 84

Processing Control Systems

1. The infrastructure that has a processing unit shall be equipped with a processing control system of high security that allows a safe and regular control of the processing and auxiliary facilities.
2. Components and equipment incorporated in the system shall be suitable for the loads to which they are subject.

Article 85

Gas Exhaust Systems

1. The exhaust systems should be installed to eliminate flammable and toxic gases from the infrastructure whenever necessary. These systems can be manually operated at a safe distance that ensures the protection of the equipment. The activation systems can be activated by other systems.
2. The exhaust system, when activated, shall ensure the gas is discharged to a safe location and the rapid depressurisation of the equipment.
3. The system shall be designed so that the exhaust gas does not cause injury to personnel or damage to the environment, property and financial interests.
4. The state of the gas exhaust system components shall be controlled. The system shall be designed in such a way that maintenance and functional testing can be carried out expeditiously, without interrupting operations.

Article 86

Fire and Evacuation Alarm

1. Working facilities or staff residences shall be equipped with high security warning systems for the events such as fire occurrence or need to evacuate.
2. The fire alarm shall be susceptible to be operated manually from the control centre and, if possible, from other positions. The evacuation alarm shall be able to be triggered from the radio room or from the control centre.
3. The manual activation of the fire-fighting system shall trigger the fire alarm.

Article 87

Emergency Power System

1. Infrastructures shall be equipped with a reliable emergency power system, which shall be independent from other power supplying sources and provide sufficient power to safety systems and to other vital equipment for the necessary period of time in the event of failure of the main power system.
2. Uninterrupted power supply to emergency circuits shall be ensured during switching from the main power system to the emergency power system.
3. The systems' primary engines shall have as few potential interruptions as possible so as to ensure its continuous operation.
4. The system shall be arranged and protected in order to remain operative in the event of an accident as well as being tested without interrupting operations.

Article 88

Emergency Lighting

1. Work and residential facilities shall be equipped with emergency lighting which warrants sufficient lighting within the facilities during danger and accident events.

CHAPTER VI

OPERATIONS REQUIREMENTS

Section I

Safety and Environment

Article 89

General Requirements

1. The operations at the facilities shall take place in a safe and efficient manner and in accordance with regulations, contracts and licenses as well as with the oil industry best practices.

2. Manuals and operating procedures, maintenance and quality assurance of all facilities assigned to Petroleum Operations shall be developed and disclosed to the National Petroleum Institute prior to commencement of operations.
3. Operations may not be initiated before the personnel involved have been informed of the content of the procedure manuals and have been given sufficient training.
4. Prior to initiating any operation, the Operator shall prepare a descriptive plan on the operation execution conduct and stating which equipment shall be used and the applicable safety measures to be implemented. A report describing the inspections undertaken prior to the commencement of operations shall be prepared and disclosed to the National Petroleum Institute for its examination.
5. A systematic maintenance program of facilities and equipment shall be developed which, in addition to record the occurrence of faults and repair and replacement operations, shall also indicate the scope and frequency of routine checks.
6. If the safety devices are deactivated during maintenance or due to abnormal situations, such deactivation shall be clearly marked by means of warning signs posted in visible locations and providing unambiguous indication of the devices affected by the failure.
7. The Operator shall regularly inspect the facilities, systems and their functioning, check their technical condition and repair them or modify them, when and if necessary, so as to guarantee the planned safety levels. All reports of the undertaken examinations and repairs shall be disclosed to the National Petroleum Institute.
8. During the execution of Petroleum Operations, the Government shall always ensure, in compliance with this Article, that the measures taken in the interest of safety, health, welfare or environmental protection are in accordance with the generally accepted rules at all times in the international oil industry and which are reasonable.

Article 90

Work Environment

1. For the working environment in the various phases of Petroleum Operations, shall be defined objectives for the Operator that shall be compatible with those of the contractor.
2. The definition of specific requirements of the work environment shall be based, namely, on the provisions of Articles (**update the Articles**), Section III and IV of Chapter V, of this Regulation.

3. The work environment programme developed in accordance with the provisions of this Regulation shall outline the implementation of the work environment objectives, for which the safety officers and work environment committee shall take an active part in the preparation and implementation of the programme.
4. The employer shall submit all personnel to regular medical exams in order to detect possible long-term effects arising from working conditions and to implement necessary measures.

Article 91

Safety

1. Risk and safety analyses shall be carried out and used as the basis for implementing preventive measures of injuries and loss of human lives as a result of work related accidents or other types of accidents. Employees shall be informed on the work safety and health regulations as well as on the necessary measures to minimize risk.
2. In accordance with internationally accepted standards, safety signaling shall be placed at the entrance of the compartments and areas near to equipment capable of causing injury or hazardous health effects to personnel.
3. The Operator shall ensure that equipment and facilities placed at the disposal of personnel is suitable for the work to be carried out in such a way as to guarantee safety and health at work.

Article 92

Exploration

1. During the exploration activities, the Operator shall inform the National Petroleum Institute in writing of the duration and location of the activities as well as on the movement of equipment, vehicles and ships. Information shall be provided weekly, unless otherwise stipulated by applicable regulations, in reconnaissance Concession Contracts and Exploration and Production Concession Contract or in Exploration Activity Plan and in the Development Plan.
2. The Operator shall submit quarterly to the National Petroleum Institute, report on the development of exploration activities in the previous quarter.

3. Within three (3) months after completion of the exploration activity, shall be sent to the National Petroleum Institute, copies of all documents relating to the activities and results obtained.

Section II

Drilling Operations and Other Activities in wells

Article 93

General Requirements

1. Drilling and well activities shall be carried out in a safe and efficient manner, ensuring that:
 - a) Measures shall be taken to ensure regularity and prevent the interruption of Petroleum Operations;
 - b) Operating and maintenance procedures shall take due consideration of relevant equipment specifications namely the predetermined operating and maintenance limits;
 - c) Operational measures shall be taken to prevent fires, explosions, pollution, or any other damages;
 - d) Well casing shall be conceived and developed so as to be under control at all times;
 - e) Safety equipment for drilling shall be installed in accordance with the requirements of the planned activities and of this regulation ;
 - f) The ground or seabed shall be examined prior to drilling or prior to the installation of drilling infrastructures to ensure that the external environment will not cause damage to existing facilities.
2. The Operator shall:
 - a) Define plans and procedures for drilling and simultaneous operations on wells;
 - b) Identify, through risk analyses, situations where well control may be lost or other hazardous situations that may occur as a result of simultaneous activities;
 - c) Establish the operational limits applicable to drilling and well activities undertaken within the same infrastructure;
 - d) In accordance with the established procedures, shut down wells in areas where falling objects are capable of causing damages thereto.

3. The position of a well shall be determined in accordance with recognized positioning methods.
4. Prior to the commencement of activities, the Operator shall:
 - a) Develop an emergency plan for cases of oil, gas or water eruption, identifying suitable locations for drilling relief-wells;
 - b) Develop procedures of mobilization and organization of personal, equipment and services needed to drill the relief-wells and control of the relief-wells while in eruption, including a possible direct intervention in the erupting well.
5. In the event of a blow-out or fire, escape, waste or loss of oil or damage to the reservoir, the Operator shall immediately notify the Ministry which oversees the oil sector. The Operator shall promptly implement the relevant contingency plan and, as soon as practicable thereafter, submit a full report thereon to the Ministry which oversees the oil sector.

Article 94

Documentation, Reports and Samples

1. The National Petroleum Institute may require, under the terms of Article 36, the preparation of an Exploration Activity Plan related to each well prior to the commencement of the following activities,:
 - a) Drilling;
 - b) Formation tests;
 - c) Completion or re-completion;
 - d) Well reconditioning;
 - e) Sealing.
2. The Operator shall present documentation describing the technical, organizational and administrative principles on which the safety of the planned activities is based.
3. During drilling operations, the Operator shall provide the National Petroleum Institute with copies of daily reports on the drilling operations. In the events of significant changes to the activities program, interruptions of operations and dangerous incidents or accidents, the Operator shall immediately notify the National Petroleum Institute.

4. Fragment samples resulting from drilling shall be collected and, if necessary, evidence from the geological formation surveys. In addition, bore holes graphic logs shall be made and collection of fluid samples in connection with the formation test. Samples, graphic logs and copies of any analyses performed, including stratigraphic and lithological interpretations, shall be made available to the National Petroleum Institute whenever requested.
5. No later than three months subsequent to the completion of an exploration or appraisal well, a final report on the well shall be submitted to the National Petroleum Institute and such report shall include a composition of well logs and a summary of the results of the measurements performed and their interpretation. In case of a discovery, the report shall also contain the Operator's assessment, according to Article 36.

Article 95

Operating Requirements

1. Whenever there is the probability of encountering shallow Natural Gas, the Operator shall ensure that all necessary measures are taken to ensure that activities are safely carried out.
2. During drilling in well sections, in which resistance of the geological formation is verified, the Operator shall make a reasonable estimate of the location where such resistance is weakest. Procedures for the implementation of drilling operations and estimation of formation consistency shall be documented in the drilling programme. When the consistency of the geological formation is insufficient, programme implementation shall be revised and corrective procedures shall be defined. Registration of relevant data for measuring the formation pressure shall begin early on in the drilling process.
3. In accordance with safety and operational criteria, oil based and synthetic oil based drilling fluids shall only be used when required.
4. Fluid volumes shall be verified prior to, during and subsequent to the removal of equipment from the well. Procedures shall be established to remove the unintentional influx of fluids from the well, as well as to maintain pressure control in the event of its loss.

5. Geological formation tests, including drilling, hydraulic fracturing, acid treatment or other physical or chemical treatment of the Well, shall be done according to requirements of this Regulation and with the international oil industry best practices.
6. Well control equipment shall be periodically tested and examined under pressure to verify that its applicability as a barrier.
7. Prior to temporary or permanent sealing of a well, the potential flow areas shall be located in order to prevent the eruption of hydrocarbons and other formation fluids.

Article 96

Monitoring of Production

1. Unless specifically stated in the approved Development Plan, the production of oil from multiple areas with Oil Deposits through a production line shall be subject to the approval of the Minister which oversees the oil sector.
2. During production, the Operator shall regularly monitor the performance of the reservoir in order to ensure a balanced recovery of oil. The operator shall measure or regularly determine, in each distinct area of each well, including injection wells and other indicators, the pressure and flow conditions, produced or injected quantities, oil composition, gas and formation water, as well as the location contact areas between gas, oil and water.
3. Oil used for burning, fuel or other purposes in the production site shall be closely monitored and recorded in order to keep a low and efficient consumption.
4. Documentation on the reservoir and production control shall be disclosed to the National Petroleum Institute whenever requested.

Article 97

Tests, Inspections and Reporting

1. Prior to using the facilities, the Operator shall perform tests, inspections and checks to make sure that the safety requirements defined in this Regulation or in other applicable regulations are complied with. A report comprising documentation on the completion of activities,

results of any undertaken tests, inspections and checks, as well as the respective evaluation of such results shall be disclosed to the National Petroleum Institute for its consideration.

2. With the purpose of determining whether the facilities are in a technically acceptable and safe condition and to proceed with repairs and modifications thereto so as to ensure that the planned safety levels are being complied with, the Operator shall develop and implement a programme of regular testing and inspection. Results of each inspection and repair shall be documented and disclosed to the National Petroleum Institute.

Article 98

Registration, Monitoring and Reporting of Incidents and Damage

1. The Operator shall establish a system for registration, evaluation and monitoring of any accident, damage, injury, or any relevant event concerning safety.
2. The injuries to personnel, significant material damage and hazardous incidents shall be reported immediately to the National Petroleum Institute as well as the results of the investigations of the incident.

Article 99

Amendments, Modifications and Damage Repair

Changes and modifications to facilities and equipment, as well as the damage repairs, shall be carried out in accordance with specific procedures appropriate to the maintenance of safety levels, and communicated in advance to the National Petroleum Institute.

Article 100

Hazardous Materials

1. Transport, storage and use of hazardous material shall take place in a controlled manner and in accordance with applicable Mozambican law, as well as with the oil industry best

practices and, to that end, documented handling rules and procedures shall be made available.

2. The danger of chemical exposure involving health hazards shall be minimized in the storage, use, handling, and disposal of chemicals and in those tasks or processes, which produce chemical substances. Chemicals that are detrimental to health shall be classified, labeled and identified in accordance with the accepted international standards.
3. If chemicals are transferred into other containers or devices, it shall be ensured that the contents are labeled and clearly identified allowing personnel to identify their contents, which hazards are connected with the use of such chemicals and which safety precautions they should take. Prior to the use of hazardous chemicals, an instructions table indicating the safety rule to be followed for handling each of the substances shall be available at the work site.
4. Personnel shall wear individual protective equipment against risks, which may not be otherwise avoided or limited, to an acceptable extent. Use of radioactive substances shall be limited to the strictly necessary.

Article 101

Oil Measuring

1. Oil produced and transported shall be measured in accordance with internationally accepted standards and the equipment and measurement methods shall be subject to the approval of the Minister which oversees the oil sector.
2. The National Petroleum Institute may, at any given time, inspect or audit the equipment and measuring methods in use. If the equipment or methods used are found to be defective or ineffective, the Operator shall perform the necessary corrections.
3. If the National Petroleum Institute concludes that the equipment or methods led to an incorrect calculation of the production levels, it shall be presumed that the situation is existent since the last inspection, unless specific reasons warrant the conclusion that such

situation was prior thereto or if the Operator demonstrates that such defect or inefficiency has been present for a shorter period of time.

Article 102

Information on the Oil Produced

1. The Operator shall provide documentation on quantity, composition, specific weight and other properties of the oil produced from each individual Oil Deposit, within the frequency predetermined by the National Petroleum Institute.
2. Documentation regarding the quantities of oil sold, used as fuel at the production site, burned, injected or wasted, shall be provided and the National Petroleum Institute may also require additional information.

Article 103

Burning Oil

1. Oil burning is only allowed in the terms to be defined by the Government if proof is made that all alternative methods available to handle the oil are dangerous or not acceptable for the environment.
2. Oil burning for test purposes, verification and functioning of infrastructures or for safety reasons is subject to Government authorization.

CHAPTER VII
EMERGENCY AND CONTINGENCY REQUIREMENTS

Article 104

General provisions

1. The Operator shall be prepared for eventual cases emergencies and accidents, which may lead to loss of life, injuries, pollution or damage to the property.
2. The Operator shall take the necessary measures to prevent or minimize the effects of accidents and to restore the environment in accordance to a contingency plan, which shall define potential accidents and their consequences.
3. The Operator shall cooperate with other Operators on the creation of contingency plans.
4. Under certain circumstances, the National Petroleum Institute may issue orders and stipulate conditions for such cooperation including the participation of Operators in the financing of contingency plans.
5. In case of emergency, the National Petroleum Institute may propose the coordination of intergovernmental contingency measures at the Southern African Development Community level.
6. In the event of an accident or emergency, the Minister which oversees the oil sector shall coordinate the proposed measures and has power to:
 - a) Order other parties to provide emergency resources and necessary equipment; and
 - b) Undertake other measures to obtain the necessary additional resources through other means.

Article 105

Contingency Plans

1. The Operator shall submit a contingency plan to the National Petroleum Institute, for handling accidents and hazardous situations which may occur during Petroleum Operations, which should contain the following information:

- a) An organizational chart with a description of the responsibilities and information reporting channels and competences of each individual in the event of accidents and hazardous situations;
 - b) A list of equipment intended for use in each accident or in each hazardous situation with the precise description of nature and type of equipment, its capacity, location, means of transport, usage and corresponding area of use;
 - c) An action program which describes the alarm and communication systems, including means of communication with authorities, the duties of private parties, the when and how the emergency equipment is to be used, how the operations shall be performed, the measures for limiting the extent of the damage caused by the accident or hazard, and the procedures for closing the operation.
2. The plan shall be updated, compatible with the national contingency systems and submitted to the National Petroleum Institute and to other interested parties.
 3. The National Petroleum Institute shall be notified prior to carrying out the emergency exercises and be presented with the respective report.

Article 106

Emergency Equipment

The National Petroleum Institute may require the installation of emergency equipment namely fire-fighting equipment, oil barriers, vehicles, standby vessels or aircrafts, within or near the facilities or even the main equipment involved in Petroleum Operations and stipulate the operational requirements of the individual equipment under these circumstances.

CHAPTER VIII

DEVELOPMENT AND PRODUCTION OF OIL

Article 107

Liquefaction of natural gas

The Government may authorize the concessionaires that have discovered oil and non-associated natural gas deposits the development of projects for the design, construction, installation, ownership, financing, operation, maintenance, well usage, facilities and associated equipment, be it inland or in the sea, of production, processing, liquefaction, delivery and sale of the gas in the national market and for exporting.

Article 108

Petroleum for domestic consumption

1. The Government shall warrant that a quota of at least 25% of oil produced within national territory is dedicated to the national market.
2. The government rules the acquisition, price definition and other matters pertaining to the use of the oil and gas quota mentioned in the above paragraph.
3. The use and domestic consumption of natural gas shall be in accordance with the assumptions and principles set forth in the Natural Gas Master Plan which, amongst others, stipulates:
 - a) Develop Natural Gas resources in order to maximize the benefits for the Mozambican society to improve the quality of life of the Mozambican people, while minimizing the negative social impacts and environmental adversities;
 - b) Definition of the responsibilities of the regulatory authorities;
 - c) Sustainable use of earnings;
 - d) Need identification and coordination of infrastructures;
 - e) Regional Development;
 - f) Promotion of Small and Medium-sized Enterprises;
 - g) Environmental Sustainability;

- h) Use of local resources such as raw materials, services of national companies and prioritizes national manpower.

Article 109

Marketing and Trading

1. The Government must ensure that Empresa Nacional de Hidrocarbonetos, E.P, representative of the State in the oil and gas businesses, assumes leadership in the marketing and commercialization of the latter products.
2. The Government shall promote the mass use of gas for the development of the national market and industrialization of the country.

Article 110

Oil Ownership and Valuation

1. Ownership of the Concessionaire's entitlement to Oil under an Exploration and Production Concession Contract shall pass to the Concessionaire at the Wellhead. Thereafter the Government and the Concessionaire shall own the oil jointly, and in undivided shares, until each takes individual title to and delivery of its entitlement of Petroleum at the Delivery Point.
2. Without prejudice to any right the Government may have, under Mozambican law and the Concession Contract for imperative reasons of national interest, to acquire oil property of a Concessionaire, the latter may, through export or any other mean, freely sell or in another manner dispose of its oil entitlement.
3. In the event the Government exercises any right it may have to, under Mozambican law, for imperative reasons of national interest, acquire oil belonging to the Concessionaire, the Government shall notify the Concessionaire in writing with at least 45 (forty five) days in advance to exercising such right and informing on the volumes it wishes to acquire. The Concessionaire shall supply the volumes notified from the oil which is entitled to at the Delivery Point or another point which may be agreed upon or still a point within Mozambican jurisdiction designated by the Government. Additional cost incurred by the Concessionaire in order to deliver the oil to any other point besides the Delivery Point shall be reimbursed to the

Concessionaire by the Government and the cost of any new infrastructures or equipment to be used shall be paid by the Government.

4. The Government shall pay the Concessionaire the full market value of the oil acquired, determined in accordance with the applicable law. Payment oil acquired in any calendar month shall be made within 30 (thirty) days after the end of such calendar month.
5. The Government shall exercise its right to acquire oil belonging to the Concessionaire in accordance to the following terms:
 - i. in respect of any month unless during such month the Government is collecting Oil Production Tax entirely in kind pursuant to the terms of applicable law;
 - ii. As long as it's also exerting the same right equally amongst all oil producers in the Republic of Mozambique taking into account the geographical location of the requirements, as far as possible.

Article 111

Production and Use of Natural Gas

1. The concessionaire shall have the right to use the Natural Gas produced from deposits in the Concession contract Area, including, but not limited to, the production of electrical energy, pressure maintenance and recycling operations.
2. The terms and conditions pertaining to the use and production of Associated Natural Gas will be as follows:
 - a) In the event the Concessionaire elects to process and sell Associated Natural Gas, the Concessionaire shall notify the Ministry which oversees the Oil sector and, for the purposes of cost recovery and entitlement of production, the Parties shall treat such Natural Gas in the same way as other Natural Gas.
 - b) In the event the Concessionaire elects not to process and sell Associated Natural Gas not used for purposes stipulated in the subparagraph below, the Government may offtake without any payment to the Concessionaire but at the Government's sole risk and cost, such Natural Gas at the gas/oil separator; provided that such offtake does not seriously disrupt or delay the conduct of the Petroleum Operations.

- c) The Concessionaire may re-inject any Associated Natural Gas which is not taken by Government pursuant to subparagraph (b) above, not used for Petroleum Operations, processed and sold by the Concessionaire, or taken by the Government in accordance with subparagraph (b) above, and the costs of such disposal shall be recoverable to the extent that such re-injection is included in the Development Plan
3. The terms and conditions relating to the Evaluation Program and commercial assessment, production and sale of non-Associated Natural Gas will be the following:
- a) On completion of an Appraisal Programme relating to a Discovery of Non Associated Natural Gas made by the Concessionaire and the submission of an appraisal report thereon, the “Commercial Assessment Period” shall, if the Concessionaire so requests, commence and shall continue in respect of any Discovery Area for a period of 5 (five) years, exercisable at the sole option of the Concessionaire.
 - i. Upon an application by the concessionaire to the Government, an extension may be granted for a second period of up to 3 (three) years. The appraisal report presented in accordance to the terms of this Article shall include the estimated recoverable reserves, pressure and rate of delivery of projects, quality specifications and other technical and economic factors relevant to the determination of a market for the available Natural Gas.
 - ii. The Concessionaire may, at any time during the Commercial Assessment Period, inform the Ministry which oversees the oil sector, by means of a notification, if the oil deposit, concessionaire in respect of which an appraisal report has been submitted, is commercial
 - b) In the event the Concessionaire does not request an extension of the Commercial Assessment Period in accordance with the above subparagraph (a), within 180 days from the date of the appraisal report the concessionaire shall inform the Minister which oversees oil Petroleum sector if any discovery of Non-associated Natural Gas made by the concessionaire in respect of which an appraisal report has been submitted, is commercial.
4. The Commercial Assessment Period will end with the first of the following events:
- a) on the day following the Notification of Commercial Discovery by the Concessionaire;

- b) on the date on which the Concessionaire voluntarily renounces the Area of the Discovery to which the Commercial Assessment period relates to, or;
 - c) Expiry of the period to which the Concessionaire is entitled.
5. The Concessionaire shall be deemed to have relinquished all rights to the discovery of Non-associated Natural Gas if it has not given notice of Commercial Discovery and Declaration of Commerciality under the provisions of this Article by the end of the extension period.
 6. The concessionaires shall investigate market opportunities and seek to develop a market of non-associated natural gas produced from any Area of Development and Production and shall sell such non-associated natural gas on a joint dedicated base in conditions common to all concessionaires of the Exploration and Production Concession contract.
 7. Any contract for the sale of such associated natural gas entered by the Concessionaires, in accordance with this provision herein, shall be subject to the approval of the Minister which oversees the Oil sector. In the application for such approval, the Concessionaires shall demonstrate to the Minister that the price and other terms and conditions of the sale of such Natural Gas represent the market value obtained for the latter, taking into account a fair market cost for the transportation of natural gas from the Point of Delivery for the buyer and having into account the uses and alternative markets which may be developed for such natural gas.

Article 112

Petroleum Valuation

1. The value of Oil shall, to the extent such oil consists of Crude Oil, be determined at the end of each calendar month commencing in the calendar month in which the commercial Production of Crude Oil initiates. In the event of such Oil consisting of Natural Gas, such value shall be set at the end of each calendar month, starting in the month in which the commercial delivery at the point of delivery initiates.
2. The value for each individual export quality of crude oil shall be:
 - a) In the case of sales to non-Affiliated Companies, the weighted average price per barrel at the Delivery Point of each separate export grade of Crude Oil being the FOB

price as defined in the INCOTERMS of 200, at which such Crude Oil has been sold by the Concessionaire during that calendar month; or

- b) If the Concessionaire sells the Crude Oil to a third party on terms different from FOB (as defined in the Incoterms of 200), then for the purpose of this regimen, a calculated net-back FOB price shall be applied, being established by deducting from the agreed price the actual and direct costs incurred by the Concessionaire in fulfilling the obligations under their sales contract in addition to those obligations inherent to a FOB contract.
 - c) In the case of sales to Affiliated Companies, the price agreed between the Government and the Concessionaire, jointly, on the basis of the following factors:
 - i. The weighted average calendar month FOB price for Brent rated Crude Oil, or such other appropriate marker Crude Oil for the production in question and for the period in question. The weighted average will be based on the days in each calendar month when a closing price is reported in Platts Oilgram price report. Days such as weekends and holidays with no price reports will be ignored;
 - ii. A premium or discount to the price of the Brent rated Crude Oil, or such other appropriate marker Crude Oil for the production in question, to be determined by reference to the quality of the Crude Oil Produced from the contract area and the cost of moving such Crude Oil to the market.
2. In the events in which the Government and the Concessionaire are unable to agree a price under the above subparagraph c), in order to determine the premium or discount referred to therein the following procedures shall be undertaken:
- a) The Ministry overseeing the oil sector and the Concessionaire shall submit to each other their assessments of the premium or discount together with an explanation of the key factors taken into consideration in assessing the premium or discount;
 - b) if the premium or discount submitted by the Ministry overseeing the oil sector and the Concessionaire are within ten United States cents (10 US ¢) per barrel of each other, the average will be taken for the purposes of setting the final value of the Crude Oil;
 - c) if the premium or discount submitted by the Ministry overseeing the oil sector and the Concessionaire differ by more than ten United States cents (10 US ¢) per barrel, each

will resubmit a revised premium or discount to the other on the third (3rd) business day after the first exchange of information;

- d) if the premium or discount submitted by the Ministry overseeing the oil sector and the Concessionaire, on the second exchange of information, are within ten United States cents (10 US ¢) per barrel of each other, the average will be taken for the purposes of setting the final value of Crude Oil;
 - e) if the premium or discount submitted on the second exchange of information differ by more than ten United States cents (10 US ¢) per barrel, the matter shall be referred for determination by a sole expert who shall establish a price based on the criteria set out in subparagraph c), but always within the range established by the Parties under the previous subparagraph, all in this article.
3. In the event that the Government enters into a commercial Gas and/or Crude Oil Sales Agreement with the Concessionaire, for purchasing by the Government, such sales shall be at a price no higher than the price of Crude Oil and/or Natural Gas sold to affiliated companies as determined herein.

Article 114

Natural Gas Valuation

The value of Oil shall, to the extent such Oil consists of Natural Gas, be determined at the end of each calendar month commencing with the calendar month in which commercial delivery at the Delivery Point initiates.

The value calculated for Natural Gas produced from oil deposits within a contract area shall be:

- a) In the case of sales to non-Affiliated Companies, the weighted average price per Gigajoule of commercial specification Natural Gas at the Delivery Point where such Natural Gas has been delivered;
- b) by the Concessionaire during that calendar month, the weighted average price per Gigajoule of all other commercial specification Natural Gas delivered during the same calendar month from oil deposits subject to Mozambican jurisdiction and the weighted average of available prices posted or advertised for alternative fuels to Natural Gas for large scale industrial consumers, including

- power generators, in the market where the latter has been delivered to end consumers;
- c) in the case of sales to Affiliate companies, such price as stipulated in subparagraph a) above for sales to non-Affiliated companies or the price agreed by the Minister which oversees the Oil sector and the Concessionaire.
 - d) In the event that the Government enters into commercial oil sales agreement with the Concessionaire, such sales shall be at a price no higher than the price of oil sold to an Affiliate.

CHAPTER VIII

TRANSITIONAL AND FINAL PROVISIONS

Article 115

Health, Safety and the Environment

1. The Operator shall promote a high level of safety and define the overall safety and work environment objectives for the specific phases of Petroleum Operations.
2. The Operator and its contractors shall establish safety and work environment requirements for Petroleum Operations.
3. The Operator shall ensure compliance between its specific requirements and those of its contractors.
4. The Operator's regulations shall include the identification of the specific safety and work environment requirements, during the Petroleum Operations, which will constitute the basis for decision making or for inspections to deviations of the established procedures
5. To ascertain the conditions of safety and environment, systematic assessments shall be undertaken and the results shall be used to reduce risks.
6. The Operator shall prevent:
 - a) Accidents and material damages resulting from the activities and the operation of facilities;
 - b) Damages or threat of damages to personnel and third-party property.
7. The Operator shall pay attention to staff health, as well as the requirements and qualifications of medical personnel. Health aspects shall include, among others:

- a) Health services;
 - b) State of preparation in relation to medical assistance and health services;
 - c) Personnel transport of sick and injured personnel;
 - d) Sanitary aspects; and
 - e) The supply of drinking water, food preparation and distribution.
8. In each installation there shall be a system of security agents and a commission for the work environment.

Article 116

Environment

1. Environmental impact assessments shall be performed, including impact mitigation measures covering all areas affected by the Petroleum operations.
2. A registry of environmental aspects influenced by Petroleum Operations shall be developed and kept in all phases.
3. The Operator shall prevent:
 - a) Damage to animals, vegetation, sea life and monuments;
 - b) Pollution of the sea and the water sources discovered in the course of Petroleum Operations;
 - c) Air pollution;
 - d) Damages to oil deposits.
4. The Operator shall control and reduce the effects of accidental and operational discharges or the handling of waste, and air, sea, lakes, rivers and land polluting emissions. The operational discharges shall be in accordance with the limits established by the entity that is in charge of the environment.
5. The Operator shall inform the National Institute of Petroleum of the quantities of operational and accidental discharges, leaks and waste, and shall make this information public.
6. The Operator shall take the corrective measures that are required and repair the damage to the environment, when the Petroleum Operations carried out by him causing danger to the physical safety of people or property, or pollution or other environmental damage harmful to people, animals, sea life, monuments or vegetation.

7. In the selection of materials and chemicals preference shall be given to those less hazardous to health and safer, so as to mitigate the danger for the people, for the environment and for the facilities. Attention shall be paid to the possibility of recycling materials and chemicals.

Article 115

Anti- Corruption Prevention

Concessionaires shall cooperate with the Government in preventing corruption and each concession contract management shall contain an instrument for this purpose in accordance with the applicable law.

Article 117

Transfer of Rights

1. The direct transfer of rights and obligations granted under a concession contract, to an affiliate or third party, shall be conducted according to Mozambican law and shall be subject to Government approval.
2. This provision also applies to other direct or indirect transfers of participation interests in concession contracts, including the assignment of the shares, quotas or other forms of participation of the entity holding rights under the concession contract.

Article 118

Rules, Instructions and Administrative Guidelines

1. The Minister which oversees the Oil sector may approve additional regulations or administrative measures necessary for the implementation of Petroleum Operations.
2. It is up to the National Petroleum Institute to issue notices containing orders and instructions pertaining to the conduction of Petroleum Operations.
3. The notices shall be given in writing and with deadlines for compliance and penalties, with exception in the events of imminent danger of damage to personnel or property in which verbal orders and instructions may be issued and shall, as soon as possible, be documented thereafter.

4. As a strict security measure and in order to cease a hazardous or dangerous activity, remove an imminent danger to health and safety of personnel, substantial material or substantial environmental damage, or repeated serious violation of safety requirements following from the applicable law or a Concession Contract, public authorities may require the suspension of all or specific Petroleum Operations or other related activities.
5. Orders, as well as specific administrative instructions, shall take due regard of their potential commercial consequences.
6. The Concessionaire or the Operator shall disclose to its personnel, and to those of its contractors or subcontractors, the orders issued by the National Petroleum Institute.

Article 119

Inspections

1. It is incumbent upon the General Inspectorate of the Ministry, which oversees the oil sector the supervision of compliance with the oil law, the respective regulations and other technical and safety norms in petroleum activities.
2. Infrastructures and places where Petroleum Operations are taking place are subject to inspection and audit.
3. The general inspectorate of the Ministry, which oversees the oil sector, shall inspect the sites, buildings and infrastructures where Petroleum Operations are carried out.
4. The general inspectorate of the ministry that oversees the oil sector, upon prior notification to the Operator with reasonable notice, have the right to oversee the implementation of Petroleum operations and inspect all goods, records and data in the possession of the Operator.
5. The Operator should provide the representatives of the general inspectorate of the Ministry, which oversees the oil sector all the needed assistance, and resources for the execution of its inspective activity, including transportation.
6. The representatives of the General Inspectorate of the Ministry, which oversees the oil sector, shall comply with all applicable procedures on health and safety set by the Operator and shall not interfere with the Petroleum Operations.
7. Except as provided above, the Minister which oversees the oil sector may require that their direct expenditure, pertaining to audits and inspections of Petroleum operations, are supported by the

concessionaire in accordance with the terms specified in the relevant Concession contract.

8. Inspection and audit are commissioned to an independent entity created or assigned by the Government.

Article 120

Providing a Bond or Performance Guarantee

1. Without prejudice to the joint liability of Legal Persons which constitute the concessionaire, each Legal Entity that constitutes the concessionaire shall, within a maximum period of 30 (thirty) days after the Effective Date, provide a bank guarantee or letter of guarantee of the parent company in the amount equivalent to the minimum obligations of work to fulfill contractual obligations arising from the concession contract.
2. The bond can only be raised one year after the end of the production operations or of the concession.

Article 121

Taxes

1. The Petroleum Operations rights holders shall be liable for the payment of the following taxes, in addition to specific taxes:
 - a) income tax;
 - b) value added tax;
 - c) municipal tax, when applicable;
 - d) Other taxes established by law.
2. The specific regime for the taxation of Petroleum Operations shall be established by specific law.

Article 122

Fees

1. The Petroleum Operations right holders shall pay the fees identified in Annex B, which forms

part of this Regulation.

2. It is up to the Ministers overseeing the finance and the oil sectors to update the fees values foreseen in the annex referred to in the preceding paragraph.
3. The fees mentioned herein shall be charged by the National Petroleum Institute on the act of delivery, and provided to the Treasury Office of the local tax area in the subsequent month of its collection, and forty percent of such payments shall be consigned to the revenue of the National Petroleum Institute.

Article 123

Fines

1. The non-compliance of orders and specific administrative instructions shall be subject to a fine, for each day of non-compliance, of at least 250.000.00MT and to a maximum 2.500.00MT, per each non-compliant day.
2. The levels of fines referred to in the preceding paragraph, shall be made in accordance with the gravity of the infringement, dimension and consequences as per the internationally accepted standards in the oil industry.
3. The fines referred to in this provision shall be collected by the National Institute of Petroleum and delivered to the fiscal area Treasury, within one month of the date of its collection, and fifty percent shall be consigned to the National Institute of Petroleum revenue.

Article 124

Inspection Costs

The Minister, which oversees the oil sector, may demand that the costs directly related to Petroleum Operations audits and inspections are supported by the Operator, in accordance with the concession contract.

Article 125

Training of public servants

1. The Operator and the right holder are obliged to provide training to the Ministry staff and other Mozambican authorities. The training program shall be implemented in accordance with the terms and conditions set forth in the concession contract.
2. The Operator and the rights holder shall provide, as per the terms established in the concession contract, training to State officials involved in the administration and monitoring of Petroleum Operations and related activities, public training institutions or training institutions linked to public educational institutions.
3. In pursuing the Petroleum Operations, each Concessionaire shall, as far as possible, endeavor to employ citizens of the Republic of Mozambique having appropriate qualifications at all levels of its organization, as subcontractors or employed by subcontractors. The Concessionaire shall, in consultation with the Minister which oversees the oil sector, propose and carry out an effective training and employment programme for its Mozambican employees in each phase of activity and level of management, taking into account of the requirements of safety and the need to maintain reasonable standards of efficiency in conducting Petroleum Operations. Such employees may be trained in the Republic of Mozambique or abroad as required by the training programmes prepared.

Article 126

Buffer zones

1. The buffer zone may be extended up to 200 meters on each side, of the outer limits of a Petroleum Facility.
2. Without prejudice to the applicable legislation, the implementation of infrastructures along the Buffer zone is subject to prior consent by the Operator of the installation and approval by the National Institute of Petroleum.
3. In offshore Petroleum Operations a buffer zone shall be established around all permanent, mobile and floating installations whose extension is 500 meters, which shall be measured from the outer limits of each installation.

4. The Ministry, which oversees the oil sector, may establish a buffer zone with different dimensions to those provided for in the preceding paragraph.
5. The buffer zone perimeter around the facilities should be established in order to allow a full implementation of Petroleum Operations without any restriction. However, the overseeing Ministry shall promptly set the safety perimeter to be complied with in each installation.
6. Ships, aircraft and other means of transportation and equipment may only enter the established buffer zone, defined in the terms of the above n.1, upon authorization by the area Operator.
7. Without prejudice to the supervision by the competent authorities, access to buffer zones set out in paragraphs 1 and 3 are only allowed upon authorization of the area Operator.
8. It is incumbent upon the overseeing Ministry, in consultation with other competent authorities, to establish the buffer zones limits and the regime adjacent to the location for implementing equipment and permanent installations or provisional engaged in the conducting of Petroleum Operations.

Article 127

Accident Investigations

In the event of a serious incident which has led to, or could lead to an accident, the National Petroleum Institute shall monitor the actions undertaken by the Operator in order to restore the situation to its prior condition, and may elect to visit the scene of the accident as soon as the situation has been brought under control and shall carry out its own investigations, as well as render assistance to other authorities carrying out investigations on the same matter.

Article 128

Technical Standards

1. National technical standards shall be applied to Petroleum Operations and supplemented by the internationally accepted standards of the oil industry, such as the International Standard Organization, American Society of Mechanic Engineers and American Petroleum Institute.
2. The standards, which will be applied, shall feature in the respective Development plan.

Article 129

Regulations, Instructions, Administrative Directives

1. The Minister, which oversees the Oil sector, may approve additional regulations or administrative measures necessary for the implementation of Petroleum Operations.
2. It is up to the National Petroleum Institute to issue notices containing orders and instructions pertaining to the conduction of Petroleum Operations.
3. The notices shall be given in writing and with deadlines for compliance and penalties, with exception in the events of imminent danger of damage to personnel or property in which verbal orders and instructions may be issued and shall, as soon as possible, be documented thereafter.
4. As a strict security measure and in order to conclude an exceptionally hazardous activity, authorities may require the suspension of all or specific Petroleum Operations or other related activities.
5. Orders, as well as specific administrative instructions, shall take due regard of their potential commercial consequences.
6. The Operator shall disclose the orders issued by the National Petroleum institute to their staff and that of the contractor.

Article 130

Regulation

The Minister, which oversees the Oil sector is hereby, delegated the authority to issue, by means of ministerial diplomas, the necessary guidelines or rules for the implementation of these Regulations.

ANNEX “A”

GLOSSARY

- a) **Affiliate** - An entity submitting an application to become a Concessionaire, the Concessionaire or other Person holding rights to conduct Petroleum Operations pursuant to the Oil law; any entity which directly or indirectly controls a Concessionaire or Person holding rights or as a consequence of an application may be granted rights to conduct Petroleum Operations under the Oil Law herein referred to as a parent company or any such Person which is directly controlled by such Concessionaire or entity or any company which is controlled, directly or indirectly, by any such company in control of Concessionaire or rights holders to conduct activities under the Oil Law. For the purpose of this definition a company is directly controlled by another company or companies when these hold shares or other equity ownership carrying in the aggregate more than fifty percent (50%) of the voting rights exercisable at general meetings; or a particular company which is indirectly controlled by a number of companies whenever the parent company or companies can be identified, ending with that particular company, so related to each company of the series, except the parent company, is directly controlled by one or more of the companies that precede it the series.
- b) **Appraisal Programme** – a programme, subsequent to an Oil Discovery in the Concession Contract Area, which aims to delineate the Oil Deposit to which such Discovery relates in terms of thickness and lateral extent and to estimate the quantity of recoverable Oil existent therein. Such a Programme may include a seismic survey or appraisal of wells drilled to a sufficient depth so as to penetrate the reservoir being appraised, or both;
- c) **Appraisal Well** – a Well drilled in the course of carrying out an Appraisal Programme;
- d) **API** (American Petroleum Institute) - the authority or American institute of crude oil that produces norms, standards and practices for the oil industry.
- e) **Discovery Area** - a part of a Contract Area whose limits contains all or part of the geological structure outlined on the basis of seismic data, geophysical and sampling, where a discovery is located;
- f) **ASME** (American Society Of Mechanic Engineers) - society of Americans mechanical engineers that establishes norms and technical standards for equipment and industry.

- g) **Best Practices** - all procedures that are generally accepted in the international oil industry as good, safe, in accordance with the environmental legislation, economical and efficient in the oil or gas pipeline operations;
- h) **BOP** (blowout preventer) - shut-off emergency valve installed at the wellhead, used during the drilling process or testing of wells, which incorporates hydraulic systems capable of closing the space around the drilling pipe against high pressures and preventing the output of fluids or gases from the pit.
- i) **Demobilization Fund** - means the fund established to cover the costs of demobilization operations.
- j) **Delivery Point** - means, in the case of Natural Gas, the inlet flange of the transportation gas pipeline and in the case of Crude Oil the inlet flange of the lifting oil tanker or, in both cases, any give place that shall be agreed by the Government and the concessionaire.
- k) **Commerciality Declaration**- report which concludes, on the basis of the assessment carried out by the exploration and production right holder of all relevant data, that an oil deposit is or is not commercially viable;
- l) **Documentation** - information, data, analysis, interpretation and results relating to Petroleum operations, in paper or electronic format;
- m) **ISO** (International Standard Organization) - International Standard Organization.
- n) **Facilities** - equipment and infrastructure employed in the conduct of Petroleum operations;
- o) **Operator**- the holder of rights to conduct Petroleum Operations or the company performing the Petroleum Operations on behalf of such right holder, both of which are ultimately responsible for complying with applicable law;
- p) **Exploration** - process of petroleum exploration by means of geological, geophysical or other, including drilling of exploration wells and appraisal;
- q) **Exploration Period** - means any relevant exploration period provided for in this Agreement;
- r) **Exploration Drilling** –exploration or appraisal drilling;
- s) **Pit of Evaluation**- well drilled in the course of carrying out an evaluation programme;
- t) **Production** - all activities related to the extraction, separation, treatment, measurement, storage, survey, productivity increase and optimization of oil recovery.

u) **Flammable Substances** - may be substances which, in liquid or semi-solid state, have an ignition point no higher than + 55°C and regardless of the ignition point, motor fuel and fuel oil (flammable liquid) or gas that after being ignited, will burn in air (flammable gas);

v) **Government** - the government of the Republic of Mozambique, including its ministries and any central, regional or local public authority central, or any authority authorized to act as per law on behalf of the Government of the Republic of Mozambique

x) **Person** - means any natural person or company, firm, association, “partnership”, “joint venture” or entity which is considered a separate legal entity under the Mozambican law or the law of the country in accordance with the which such company, association, "partnership", "joint venture" or entity is governed.

z) **Petroleum Produced** - oil which has been extracted from an Oil Deposit and initially separated and processed into Crude Oil, condensed or Natural Gas and delivered at the Delivery Point in an appropriate form for onwards transportation in bulk or through an oil or gas pipeline. The same applies to "Crude Oil Produced", “Condensate Produced" and "Natural Gas Produced" as the case may be.

a.1) **Profit Petroleum** - that portion of Disposable Petroleum, in excess of Cost Petroleum, which is allocated to the to the parties under the terms of the Contract;

b.1) **Sub Surface Safety Valve** – a strangling valve installed on a Well with the purpose of interrupting any outflow from the Well in case of emergency until safety is restored;

c.1) **Wellhead** – the fitting at the top of the surface casing of the Well connected to the inlet flange of the first valve after the Wellhead Production manifold.

d.1) **Well** – a borehole in the subsoil of the land surface or the seabed by drilling as part of Petroleum Operations performed for the purpose of penetrating Petroleum bearing strata, except for drilling conducted for geosciences’ calibration purposes;

e.1) **Management System** - organization, procedures, processes and resources necessary to ensure compliance with legal provisions, as laid down by this Regulation.

f.1) **SSSV (Sub Surface Safety Valve)** - a strangling valve installed on a well with the purpose of interrupting any outflow from the well in case of emergency until safety is restored;

g.1) **Flammable Substances:**

- i. substances which, in liquid or semi-solid state, have an ignition point no higher than + 55°C and, regardless of the ignition point, motor fuel and fuel oil (flammable liquid); or
 - ii. gas that after being ignited, will burn in air (flammable gas);
- h.1) **Competent Technician** - qualified expert, by a renowned accreditation entity or classification society, in the issuance of conformity certificates and recognized by the National Institute of Petroleum;
- I.1) **Transport** – activities concerning the transport of crude oil or natural gas through a system of oil or gas pipelines, of production facilities in an oil or gas field up to the point of delivery to the purchaser, excluding lines of flow and distribution of crude oil, natural gas or petroleum products.

ANEXO B

PROCEDURE IDENTIFICATION	RATE VALUE
Filing an application for the award of rights to conduct Petroleum Operations	500,000.00MT
Handling of an application for renewal of a Concession Contract	125,000.00 MT
Evaluation of a Development Plans, except in case of Concession Contract to construct and operate an Oil or Gas Pipeline System	500,000.00MT
Authorization for the commencement of operations of Facilities	125,000.00MT
Approval of a Demobilization plan	250.000,00 MT