

# The interpretation of legal terms about contractual

[Law](#), [Contract Law](#)



Kavala Institute of Technology MSc in Oil & Gas Technology “ CONTRACT LAW” “ THE INTERPRETATION OF LEGAL TERMS ABOUT CONTRACTUAL OBLIGATIONS OF THE PARTIES IN AN OIL OR GAS EXPLORATION/EXTRACTION CONTRACT” Authors: Andreou Christos Georgiou Manolis Kakanis Iordanis Skarvelas Stathis Supervisor: Pr. K. Kalambouka November 2012 ABSTRACT The purpose of this assignment is to identify the contractual obligations of the parties in oil and gas exploration and extraction contracts.

The assignment is based on the contract between Cyprus Government and the authorized company as is approved by the Cypriot Parliament and is harmonized to “ Directive 94/22/EC of the European Parliament and of the Council of 30 May 1994 on the conditions for granting and using authorizations for the prospection, exploration and production of hydrocarbons” Contents Introduction 4 1. Conditions and requirements for granting authorizations 4 2.

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hydrocarbons<sup>14</sup> 17. Authorized officers<sup>15</sup> 18. Unit development<sup>16</sup> 19. Records<sup>17</sup> 20. Reports<sup>17</sup> 21. Hydrocarbons production records<sup>19</sup> 22. Obligations in case of termination of an authorization<sup>20</sup> 23. Confidentiality<sup>20</sup> 24.

Powers of the Court for seizure and confiscation<sup>21</sup> 25. Abandonment<sup>21</sup> 26. Abandonment of the well<sup>22</sup> 27. References<sup>23</sup> INTRODUCTION Oil and gas contracts are shaped by national and international laws that relate to common industry transactions. With standardized contracts being used across different jurisdictions, it is important that these legal principles are properly understood. The increasing scarcity of natural resources makes it more, rather than less, likely that legal issues will be tested in the oil and gas sector.

The accelerated pace of change in the oil and gas industry make this one of the world's most challenging and complex sectors in which to understand, draft and negotiate contracts. The legal and regulatory framework of upstream oil and gas industry contracts is constantly changing, therefore it is critical that all lawyers, commercial and contracts managers working in this sector are up-to-speed. OBLIGATIONS Conditions and requirements for granting authorizations ) The authorizations may be granted on such conditions and requirements in order to ensure: a) the proper performance of the activities permitted by the authorization b) the financial contribution in money or a contribution in hydrocarbons c) national security d) public safety e) public health f) security of transport g) protection of the environment pursuant to section 11 and the terms specified in the Regulations made under this Law h) protection of biological and mineral

resources and of national treasures possessing artistic, historic or archaeological value i) safety of installations and of workers ) planned management of hydrocarbon resources, such as particularly the rate at which hydrocarbons are depleted or the optimization of their recovery; and k) the need to secure revenues to the Republic. made to the conditions and requirements in the course of the procedure of examining the applications, shall be notified to all interested entities General and specific information submitted by the applicant ) An application for an authorization for exploration shall contain the following specific information: l) the designation of the area or areas for which an application has been made, and if the application is made in respect of more than one area, the priority assigned to each area m) a detailed description of the exploration programme proposed for the area or areas applied for and its geographical distribution over such area or areas n) the minimum obligations to be undertaken relating to work and expenditure during the exploration period o) a brief note concerning the exploration activities and the effects which are likely to have on the environment, and the measures that the exploration work program intends to take for dealing with p) proposals relating to the training and employment of nationals of the Republic and the minimum expenditures to be incurred to that effect q) proposals relating to the economic terms and conditions required as criteria for the evaluation of the application, such as the financial consideration and/or the sharing of production between the applicant and the Government of the Republic r) any agreement between any persons relating to the manner in which hydrocarbons operations are to be financed and s) any other information as may be required by the Minister or under the

applicable model contract or which the applicant wishes the Minister to consider Grant of an authorization 3) The Minister shall negotiate the terms and provisions of the Contract with the selected applicant.

In case where the negotiation is successful, the text of the Contract shall be submitted to the Council of Ministers for approval, and thereafter, if approved and signed by both parties, the relevant authorization shall be granted. Duration of an authorization for prospection 4) An authorization for prospection shall be granted for a period not exceeding one year. Duration of an authorization for exploration 5) (1) An authorization for exploration shall be granted for an initial period not exceeding three years and may be renewed for up to two terms, each term not exceeding two years, provided that the conditions referred to in paragraph (2) are fulfilled. 2) The authorization for exploration may be renewed, pursuant to paragraph (1), provided that the holder of such authorization has fulfilled all his obligations arising from the authorization and has submitted an application to the Council of Ministers two months prior to the expiry of the current term. (3) The Contract may provide that in case where an appraisal work program with respect to a discovery is in progress and has not been completed at the expiry of the second renewal referred to in paragraph (1), the holder of an authorization may apply to the Council of Ministers for an extension of the exploration period, which, however, may not exceed six months, in case of crude oil discovery and twenty-four months in case of natural gas discovery.

In case of natural gas discovery the Council of Ministers, may extend the exploration period for a turnover the twenty-four months, if it deems that such period is necessary to determine whether a commercially viable natural

gas market exists or/and is to be created. (4) Notwithstanding the provisions of paragraph (2), where the holder of an authorization has not fulfilled all his obligations arising from the authorization, the Council of Ministers may decide to renew the authorization under such terms and conditions as the Council of Ministers may deem proper to impose. Relinquishment of area 6)

(1) Upon each renewal of the authorization for exploration, the holder of an authorization relinquishes at least twenty-five percent (25%) of the initial surface of the area that is included in the authorization granted. 2) Upon expiry of the renewal of the authorization for exploration, as possibly renewed and/or extended pursuant to the provisions of Regulation 9, the holder of an authorization relinquishes all the remaining part of the area that is included in the authorization granted: Provided that the area to be relinquished under this paragraph shall not include the areas included in an authorization for exploitation. Duration of an authorization for exploitation 7)

(1) The duration of an authorization for exploitation for each exploitation area shall not exceed twenty-five years and may be renewed for a period up to ten years, subject to the terms of the Contract. (2) The authorization for exploitation may be renewed, pursuant to paragraph (1), provided that the holder of such authorization has fulfilled all his obligations arising from the authorization and has submitted an application to the Council of Ministers, through the Minister, one year 11 prior to the expiry of the current term.

Grant of rights to the holders of authorizations ) (1) The authorization for the prospection of hydrocarbons shall grant to the holder of an authorization the right to prospect for hydrocarbons in the area for which the authorization was granted, (2) The authorization for the exploration of hydrocarbons shall

grant to the holder of an authorization exclusive rights to explore for hydrocarbons in the area for which the authorization was granted, under the conditions and requirements of the authorization granted, and in the case of a commercial discovery of hydrocarbons, the right to be granted an exploitation authorization related to such a discovery, in accordance with the provisions of this Law and the Regulations. 3) The authorization for the exploitation of hydrocarbons shall grant to the holder of an authorization exclusive rights to exploit hydrocarbons in the area for which the authorization was granted, under the conditions and requirements of the authorization granted under the conditions and requirements of the authorization granted. Transfer of an authorization or assignment of rights arising from an authorization 9) No holder of an authorization may transfer an authorization or assign the rights arising from an authorization to another entity, except upon the consent of the Council of Ministers, which may be granted if t) it does not endanger national security ) the Council of Ministers is satisfied that an entity to whom the authorization would be transferred or the rights arising from an authorization would be assigned has sufficient technical knowledge, experience and financial resources to secure the proper exercise of the activities of prospecting, exploring for and exploiting hydrocarbons v) the entity to which the authorization would be transferred or the rights arising from an authorization would be assigned undertakes to comply with such other conditions and requirements as the Council of Ministers may deem proper to impose. Control of a holder of authorization by a third country or a national of a third country 10) (1) No entity may, after the grant of an authorization thereto, come under the direct or indirect

control of a third country, or a national of a third country, without the prior approval of the Council of Ministers. 2) Any holder of an authorization that comes under the direct or indirect control of a third country or a national of a third country without the prior approval of the Council of Ministers, shall commit an offence and shall be liable on conviction to imprisonment for a term not exceeding twelve months or to a fine not exceeding eight hundred fifty four thousand and three hundred Euros or to both such penalties. Work practices 11) (1) Every holder of an authorization shall carry out hydrocarbons operations in a proper, safe and workmanlike manner and in accordance with good oilfield practices. Every holder of an authorization is bound to comply with these Regulations and any other legislation regulating work practices, employers' obligations, safety and health at work and the rights of employees. (2) Every holder of an authorization is bound to: ) ensure that all materials, supplies, machinery, plant, equipment and installations used by him or by subcontractors comply with generally accepted standards in the international petroleum industry and are of proper construction and kept in good working order b) use the natural resources of the area that is included in the authorization granted as productively as practicable c) prevent damage to producing formations and ensure that hydrocarbons discovered, mud or any other fluids or substances do not escape or be wasted d) prevent damage to hydrocarbon and water bearing strata that are adjacent to a producing formation or formations and prevent water from entering any strata bearing hydrocarbons, except where water injection methods are used for secondary recovery operations or are intended otherwise in accordance with generally accepted international



petroleum industry practice e) properly store hydrocarbons in receptacles constructed for that purpose, and not store crude oil in an earthen reservoir, except temporarily in an emergency and f) apply the provisions of the Solid and Hazardous Waste Law as regards the hydrocarbon waste Directions of the Minister to holders of an authorization in case of contravention of Regulation 11 12) (1) In cases where the Minister scertains that any holder of an authorization has not acted in accordance with Regulation 13, he may notify such holder of an authorization in writing accordingly and require him to show cause, within a specified time-period, why he has omitted to act in accordance with Regulation 13 (2) Where the holder of an authorization to whom a written notice has been sent, in accordance with paragraph (1), fails within the specified time period, to satisfy the Minister that he has acted in accordance with Regulation 13 or to prove that such omission is justified, the Minister may direct in writing the holder of an authorization to take such measures as may be necessary with a view to ensuring compliance of the holder of an authorization with Regulation 13 (3) Where the holder of an authorization fails to comply with the Minister's directions pursuant to paragraph (2) a) the holder of an authorization shall be guilty of an offence and shall on conviction be liable to imprisonment for a term not exceeding two years or to a fine not exceeding one million seven hundred eight thousand and six hundred one euro or to both such penalties: Provided that in case of a prosecution against the holder of an authorization in respect of the offence referred to in this subparagraph, it shall be a defense if the holder of an authorization proves that he promptly took all necessary measures in accordance with good oilfield practices in order to comply with

the Minister's directions b) the Minister may take all or any of the measures required by his directions. In such a case, any costs incurred by the Minister shall be payable by the holder of an authorization and shall be collected as a civil debt due to the Republic

Drilling operations 3) (1) The holder of an authorization is bound to ensure that the well design and conduct of drilling operations, including its casing, cementing, well spacing and plugging operations, shall be in conformity with generally accepted international petroleum industry practice (2) Every well is identified by a name, number and geographic coordinates, which are shown on maps, plans and similar records which the holders of an authorization are bound to keep. The holders of an authorization must promptly notify the Minister in writing of any change of the above-mentioned particulars (3) At least seven days before commencing any drilling or other work with respect to any well or recommencing any drilling or other work with respect to any well on which work has been discontinued for more than six months, the holders of an authorization are bound to notify the Minister in writing of their intention to do so. Such notice shall contain the following: a) the official name and number of the well ) a description of its precise location by reference to geographical coordinates c) a detailed report on the drilling technique to be followed, an estimate of the time and depth required, the material to be used and the safety measures to be taken and d) a well location report along with the geological and geophysical data and any interpretations thereof, upon which the particular location was selected (4) Where any drilling or other work with respect to any well is discontinued for a period exceeding thirty days, the holders of an authorization shall promptly notify the Minister

in writing (5) At least two days before recommencing any drilling or any work, with respect to any well on which work has been discontinued for more than thirty days but for less than six months, the holders of an authorization are bound to inform the Minister in writing of their intention to do so (6) No holder of an authorization may drill a well any part of which is less than two hundred meters from a boundary of the area that is included in the authorization granted except upon the prior written approval of the Minister and under such terms and conditions as the Minister may deem fit to impose

Protection of the environment 4) (1) The holder of an authorization shall ensure that hydrocarbons operations are conducted in an environmentally acceptable and safe manner, consistent with the environmental legislation in force for the time being and the good international industry practice, and shall exercise effective control for that purpose (2) The holder of an authorization is bound to take all the necessary measures in order to: a) minimize any avoidable environmental pollution or damage to the water, the soil or the atmosphere, in relation to hydrocarbons operations b) comply with the provisions of the International Convention on Civil Liability for Oil Pollution Damage, which entered into force internationally on the 19th June 1975, its Protocol which was signed on the 19th November, 1976 and entered into force internationally on the 8th April, 1981 and the International Convention on Civil Liability for Oil Pollution Damage of 1969 and its Protocol of 1976 (Ratification) and Matters Connected Therewith Law of 1989 (3) If the holder of an authorization omits to comply with the provisions of paragraphs (1) and (2) and any environmental pollution is caused in water, the soil or the atmosphere, the holder of an authorization shall take all

reasonable and necessary measures to remedy or eliminate such pollution

(4) If the Minister deems that any works or installations erected by the holders of an authorization or any operations conducted by the holders of an authorization endanger or may endanger persons or property of a third-party or cause pollution or harm to the environment, wildlife or marine organisms to a degree which the Minister deems unacceptable, the Minister may require the holder of an authorization to take corrective measures within a reasonable time period specified by the Minister, and to repair any damage to the environment.

If the Minister deems it necessary, he may submit a proposal to the Council of Ministers, and the latter may suspend the authorization until the holder of an authorization has taken such corrective measures or has repaired any environmental damage

(5) The measures and methods to be used by the holders of an authorization for the purpose of complying with paragraph (2) (a) shall be agreed in consultation with the Minister upon the commencement of the hydrocarbons operations or whenever there is a significant change in the scope or method of conducting hydrocarbons operations. The measures and methods must comply with the international standards applicable in similar circumstances

(6)a) Prior to the commencement of any drilling operations, the holder of an authorization shall prepare and submit to the Minister for evaluation and approval, a contingency plan for hydrocarbon leakage and fire.

In such a case, the holder of an authorization shall immediately apply the relevant contingency plan

b) case of any emergency or accident other than those referred to in subparagraph (a) which affects the environment, the

holder of an authorization shall take all reasonable and necessary measures, in accordance with the generally accepted international petroleum industry practice (7) In the event that the holder of an authorization omits to take the measures provided for in paragraphs (1) to (6), within the time-period specified by the Minister, the Minister may direct any action which he deems necessary and require the holder of an authorization to pay any expenses required for the execution of such actions

Construction and maintenance of installations, pipelines and related equipment 15) (1) The holder of an authorization is bound to maintain in good condition and repair all structures, equipment and other installations used for the hydrocarbons operations and being available in the area that is included in the authorization granted (2) In conducting offshore operations, the holder of an authorization, in accordance with international petroleum industry practice and applicable legislation and regulations, is bound to ensure that constructions and installations to be erected shall: a) be constructed, placed, marked, buoyed, equipped and maintained so that there are safe and convenient channels for navigation b) be fitted with navigational aids and be illuminated between sunset and sunrise in accordance with the provisions of the International Convention for the Prevention of Pollution from Ships of 1973, its Protocol of 1978 and the Resolutions MEPC 14(20) of 1984, MEPC 16(22) and MEPC 21(22) of 1985 c) be kept in good repair and working order and ) not hinder navigation or fishing or cause pollution of the sea or rivers (3) No holder of an authorization may construct, alter or operate a pipeline, pumping station, storage facility or any other related facilities for the conveyance or storage

of hydrocarbons from the area that is included in the authorization granted except upon his written application and the approval of the Minister (4) Such written application, referred to in paragraph (3) above, shall contain the following information: a) the proposed design and construction of the pipeline, pumping station, storage facility or other related facilities b) the proposed work program and budget and the technical and financial resources available to the holder of an authorization for the construction, alteration or operation of the pipeline, pumping station, storage facility or any other related facilities and c) the proposed route to be followed by the pipeline and the location of any pumping station, storage facility or other related facilities to be constructed, altered or operated (5) a) The Minister may, by Order published in the Official Gazette of the Republic, order the construction of common installations, including pipelines and other transportation, processing, storage and communication facilities, for different areas included in the authorizations granted, if this is justified by public interest b) The holders of an authorization referred to in subparagraph (a) shall take all necessary measures and use their best efforts to reach agreement on the construction and operation of such common facilities and shall report to the Minister every fifteen days on the progress of their negotiations.

If no agreement is reached after the expiration of three months, the Minister may refer the dispute to a mediation procedure (6) a) Where there exists excess capacity, a holder of an authorization may, upon approval by the Minister, enter into an agreement with another holder of an authorization, in order to use such facilities including pipelines and any other transportation,

processing, storage and communication facilities b) If no agreement is reached within thirty days for the usage of the installations, the holder of an authorization who wishes to enter into an agreement may submit an application to the Minister, who, if he deems it appropriate, shall refer the dispute to arbitration or mediation

Measurement of hydrocarbons 6) (1) a) Every holder of an authorization is bound to obtain, operate and maintain equipment for measuring the volume and quality of any hydrocarbons produced and saved from the area that is included in the authorization granted to him including equipment or other measuring devices of the gravity, density, temperature and pressure b) All such equipment and devices along with their permissible tolerances shall not be installed or used or replaced or altered except with the prior approval of the Minister (2) Such measurement, as referred to in paragraph (1), shall be conducted by the method or methods customarily used in the international petroleum industry. The frequency and the measuring operations must be submitted in advance to the Minister for approval (3) The holder of an authorization shall give to the Minister two days' notice of his intention to conduct measuring operations and an authorized officer may be present and inspect such operations (4) Equipment and measuring devices shall be available for inspection and testing at all reasonable times by any authorized officers: Provided that, any such inspection and testing does not obstruct the normal operation of the facilities involved (5) If it is ascertained, following an inspection or test referred to in paragraph (4), that the equipment, devices or procedures used for measurement are inaccurate and exceed the permissible tolerances approved as provided for in paragraph (1), such

inaccuracy is deemed to have existed for the entire period since the last such inspection or test, unless it is proved that the inaccuracy has been in existence for a longer or shorter period. The holders of an authorization shall proceed to the appropriate adjustments within thirty days from the date of such ascertainment

Authorized officers

7) (1) The Minister may, by notification published in the Official Gazette of the Republic, authorize an appropriate person or persons to act as authorized officers in the application of this Law and the Regulations made there under and the conditions of the authorization

(2) An authorized officer may carry out any or all of the following acts:

a) enter at all reasonable times, showing his credentials, if so requested, and without prior notice, any building or premises or any other place, in which he has reasonable cause to believe that there is a contravention of the conditions of the holder's authorization or any other contravention of this Law and the Regulations.

Provided that, an authorized officer may not enter any residence without the prior securing of a judicial warrant

b) carry out such searches, examinations, tests, inspections, reviews and investigations that may be necessary for the purpose of ascertaining whether there is a contravention of the conditions of the holder's authorization or any other contravention of this Law and to inspect, take extracts or copies of documents related to the hydrocarbons operations

c) keep copies of any evidence or records which he has reasonable cause to believe that may be required for the purpose of proof in criminal or civil proceedings in respect of any offence pursuant to this Law and copies of any information required to be given to the Minister under section 17, on condition that the provisions of the Processing of Personal



Data (Protection of Individuals) Laws are being complied with d) carry out anything that he may deem necessary and reasonable with a view to securing compliance with the provisions of this Law and the Regulations made thereunder e) enter at all reasonable times, showing his credentials, if so requested and without any prior notice, any building, premises, area, vehicle, vessel or aircraft, and examine any machinery or equipment, which has been, is being or is to be used in connection with the hydrocarbons operations f) enter at all reasonable times, showing his credentials, if so requested and without any prior notice, any building, premises, area, vehicle, vessel or aircraft, and examine any machinery or equipment, which has been, is being or is to be used in connection with the hydrocarbons operations (3) Any holder of an authorization and any person who is the owner, occupier or in charge of any building, premises, area, vehicle, vessel or aircraft, machinery or equipment referred to in subsection (2), is bound to provide the Minister with all reasonable assistance, including the provision of necessary means of transport, for the effective exercise of his powers Unit development 8) (1) For the purposes of this Regulation, " unit development", in relation to a hydrocarbon reservoir, means the operations for the recovery of hydrocarbons being carried on or, to be carried on in an area, for which an authorization has been granted and in which there is part of a reservoir, that falls into another area that is included in an authorization granted to another person by the Republic or other state and in which operations for the recovery of hydrocarbons are carried on or will be carried on (2) No holder of an authorization may enter into an agreement in writing with another person for, or in relation to, the unit development of a hydrocarbon reservoir except

upon the submission of such an agreement to the Minister and his written approval (3) Subject to the provisions of paragraph (2), the Minister may, either on his own motion or following an application made to him in writing by a holder of an authorization in whose licensed area there is a part of a particular hydrocarbon reservoir, for the purpose of securing the more effective and productive recovery of hydrocarbons from that hydrocarbon reservoir, direct any such holder of an authorization whose licensed area includes part of that hydrocarbon reservoir to enter into an agreement in writing within a specified period or or in relation to the unit development of the hydrocarbon reservoir (4) Where a holder of an authorization, omits to enter into the agreement referred to in paragraph (3) within the specified period or enters into the agreement referred to in paragraphs (2) and (3) but omits to submit it to the Minister for approval, the Minister may, by notice served on the holder of an authorization, request the submission, within a specified period, of an action plan for, or in relation to, the unit development of hydrocarbons (5) In case the hydrocarbon reservoir extends beyond the median line that separates the Exclusive Economic Zones of the Republic and a neighboring country, the unit development shall be governed by the relevant international agreements Records 9) Every operator is bound to keep at his office in the Republic accurate records in respect of the area that is included in the authorization granted, containing full particulars of the following a) the areas in which any geological or geophysical work has been carried out b) accurate geological maps and plans, geophysical records and interpretations thereof c) drilling, operation, deepening, plugging or abandonment of wells d) the strata and subsoil through which wells are

drilled e) the casing inserted in wells and any alteration to such casing f) any hydrocarbons, water and other economic minerals or dangerous substances encountered g) such other matters as the Contract may provide or as the Minister may deem reasonably necessary to require by notice in writing served on the holder of an authorization Reports 0) (1) The holders of an authorization are bound to inform the Minister of all major developments in relation to the course of hydrocarbons operations (2) Without prejudice to those mentioned in paragraph (1), the holders of an authorization shall submit to the Minister the following particulars a. as soon as possible after the same are acquired or prepared i. copies of all geological, geophysical and other technical reports, well logs, maps, diagrams, magnetic tapes, electronic and other stored data, in any form, reports and interpretations which have been prepared by or for the holder of an authorization and ii. representative geological samples including cuts of core and cutting samples, properly labeled, from all wells drilled b. at half-yearly intervals commencing from the completion of six months from the grant of an authorization iii. summary of all geological and geophysical works carried out and the results thereof iv. a summary of all drilling operations and the results thereof and v. a list of maps, reports and other geological and geophysical data prepared by or for the holder of an authorization, in respect of the period concerned c. every year and within sixty days commencing from the completion of one year from the grant of an authorization: vi. a report describing the results of all hydrocarbons operations carried out by the holder of an authorization within the year concerned and vii. estimates, if available, of economically recoverable reserves of crude oil and natural gas

at the end of the year concerned d. summaries of exploration wells drilled, including lithological groups and hydrocarbons zones, within six months of completion of drilling or, in the case of information that cannot be reasonably obtained in that period, as soon as possible thereafter e. any other available information, data, reports, assessments and interpretations related to the hydrocarbons operations as the Minister may reasonably require (3) No holder of an authorization may transport outside the Republic originals of records, magnetic tapes, electronic and other stored records, in any form, except upon the prior approval of the Minister, which may be granted if the Minister is satisfied that f. the magnetic tapes or other data which will be processed or analyzed outside the Republic shall be exported only if the originals or copies shall remain in the Republic and g. in case where such originals of records, magnetic tapes, electronic and other stored records, in any form, are exported outside the Republic, the said originals shall be returned to the Republic within a reasonable time-limit (4) Ownership of all original information and data referred to in this Regulation shall vest in the Republic (5) The Minister may have access to the originals of all records, magnetic tapes, electronic and other stored records in any form, and may, upon request, obtain two copies thereof from the holder of an authorization free of charge (6) The holder of an authorization shall keep originals beyond the termination of the Contract for a period and under such terms prescribed in the Contract

Hydrocarbons production records 1) (1) The operator is bound to keep during the validity of the Contract at his office in the Republic accurate production records containing full particulars of the following: w) the gross quantity of any crude oil and natural gas produced and saved from

the area that is included in the authorization granted x) the grades, gravity and composition of any crude oil produced and the composition of any natural gas produced y) any quantities of crude oil, natural gas and sulfur, in any form, or any other minerals, gases, liquids or solids disposed of by way of sale or otherwise, the consideration received, the quantity disposed of and the name and address of the natural or legal person to whom any such quantity was disposed of z) the quantity of crude oil, natural gas and other liquids or gases injected into a geological formation {) the quantity of crude oil and natural gas consumed for drilling and other development and production operations, other than the quantity referred to in Sub paragraph (d), and the quantity of crude oil and natural gas consumed in pumping to field storage, in the refineries of the Republic or up to the delivery point |) the quantity of crude oil refined by or on behalf of the holder of an authorization in the Republic, if any } ) the quantity of natural gas treated in the Republic by or on behalf of the holder of an authorization for the removal of liquids and liquefied petroleum gases and the quantity of butane, propane and any other liquids, gases or any solids obtained therefrom ~) the quantity of natural gas flared or vented and □) any other information as the Contract may provide or the Minister may reasonably require in writing by the holder of an authorization Obligations in case of termination of an authorization 22) In case of termination, revocation, suspension, cancellation or expiration of an authorization, or upon relinquishment of any part of the area that is included in the authorization granted, the holder of an authorization is bound, within seven days, to deliver to the Minister, in relation to the area, copies of such documents or material not previously delivered.

The Minister may, by notice in writing, require the holder of an authorization to deliver any other data as he may reasonably deem necessary

Confidentiality 23) (1) Subject to the provisions of section 20 of the Law, all returns, reports, plans, data and other information submitted to the Minister pursuant to these Regulations shall be treated as confidential within the meaning of section 13 of the Statistics Law, and shall not be disclosed to third parties prior to the relinquishment of the area to which the above-mentioned particulars relate or prior to the expiry of the exploration period if such area is not sooner relinquished, unless the Contract provides otherwise

(2) Notwithstanding the provisions of paragraph (1) ) any surface geological maps and interpretations may be utilized at any time by the competent authorities of the Republic for incorporation into official maps b) annual statistical information may be published at any time by the Republic in a form which does not disclose the operations of any particular holder of an authorization c) the Republic may communicate such returns, reports, plans, data and other information at any time, if deemed necessary, to professional consultants, lawyers, legal advisers, accountants, underwriters, creditors, government services and organizations and public corporations (3) Without prejudice to the terms of the Contract, no holder of an authorization may publish or communicate any returns, reports, plans, data and other information compiled, received, kept or submitted pursuant to these Regulations or the terms of the Contract except upon the prior written approval of the Minister (4) Notwithstanding the provisions of paragraph (3), the holders of an authorization may, without the prior written approval of the Minister, communicate such returns, reports, plans, data and other

information available, to professional consultants, lawyers, legal advisers, accountants, underwriters, creditors and companies in which the holders of an authorization maintain the majority in shares, or appoint the majority of members of the board of directors as well as to services and organizations and public corporations of the Republic that shall be entitled to require he disclosure of such information (5) Any notification or communication made by the Minister or a holder of an authorization pursuant to this Regulation shall be made on condition that the information so notified or communicated shall be deemed to be and treated as confidential by the natural or legal person that is the recipient of such information Powers of the Court for seizure and confiscation 24) The Court may order that any quantity of hydrocarbons that has been obtained as a result of the commission of an offence, as well as any machine, equipment, vehicle, ship or aircraft and also any construction that has been used during the commission thereof shall be confiscated and/or seized. Where the confiscation of hydrocarbons is not possible, the Court may order that the person committing the offence shall pay a fine to at least the value of the quantity of the hydrocarbons that have been unlawfully obtained Abandonment 5) (1) Unless the Minister deems otherwise, on expiry of the time-period or termination of an authorization, the holder of an authorization is bound to: ) remove all equipment, installations, structures, plants, appliances and pipelines from the area in accordance with the abandonment plan provided by the Contract ) perform all necessary site restoration activities in accordance with good international petroleum industry practice and take all other necessary measures to prevent hazards to human life or to the property of others or the

environment (2) For the purpose of complying with the provisions of this Regulation, the Minister may, at any time, in accordance with the terms of the Contract, require the holders of an authorization to submit a guarantee, for an amount determined by the Minister, or in the alternative, to establish a reserve for future estimated abandonment and site restoration costs

Abandonment of the well 6) (1) Prior to the abandonment of any well, the holders of an authorization are bound to inform the Minister in writing of their intention to do so, in the case of a producing well, at least thirty days before the abandonment and, in the case of any other well, at least two days before the abandonment. Such written notice shall contain a detailed plan and a time-schedule for the abandonment and plugging of the well. (2) Subject to the terms of the Contract, the holder of an authorization may, upon the expiration of the relevant period specified in the notice referred to in paragraph (1), or upon receipt by the holder of an authorization of the written approval of the plan by the Minister as provided for in paragraph (1), whichever is earlier, commence the abandonment operations in relation to such well. (3) The holder of an authorization is bound to: plug such well with a view to avoiding pollution and possible damage to the reservoir and, unless the Contract otherwise provides or the Minister otherwise decides, remove all equipment, materials and facilities relating thereto ) ensure that cemented strings or other forms of casing shall not be withdrawn except with the prior written approval of the Minister and ) permit an authorized officer to inspect such abandonment operations.

REFERENCES Marc Hammerson, Upstream Oil and Gas, July 2011 Republic of Cyprus, The hydrocarbons (prospection, exploration and exploitation) regulations, 2007and 2009



Republic of Cyprus, The hydrocarbons (prospection, exploration and exploitation) law, 2007