

Royal Decree No: 8/2011

Promulgating the Oil & gas Law

We, Qaboos bin Said, Sultan of Oman

Having viewed the Basic Law of the State, promulgated by Royal Decree No: 101/96, and

The Oil and Gas law promulgated by Royal Decree No: 42/74, and

The Omani Penal Code promulgated by Royal Decree No: 7/74, and

The Expropriation Act for the public interest promulgated by Royal Decree No: 64/78, and

The National Heritage Protection law promulgated by Royal Decree No: 6/80, and

The Royal Decree No: 51/81 concerning the regional sea and continental shelf and special economic zone, and

The Royal decree No: 2/99 determining the buffer zones for the oil and gas pipelines, and

The Law on the Protection of Water Resources promulgated by Royal decree No: 29/2000, and

The Environment Protection and Pollution Control law promulgated by Royal Decree No: 114/2001, and

The Protection of water sources from pollution law promulgated by Royal Decree No: 115/2001, and

The natural reserve and preservation of wildlife law promulgated by Royal Decree No: 6/2003, and

The labor law promulgated by Royal Decree No: 35/2003, and

For the public interest

Decreed the followings:

- Article 1: The provisions of the enclosed oil and gas law shall be applicable.
- Article 2: The Minister of Oil and Gas shall issue the bylaws and decisions required to implement the enclosed law, in coordination with the parties concerned. Until then, the current bylaws and decisions shall continue applicable as long as they do not contradict the provisions of this decree or the enclosed law.
- Article 3: The said oil and gas law promulgated by royal decree No: 42/74 and the royal decree No: 2/99 shall be repealed along with anything that contradict or this decree or the enclosed law or violate their provisions.
- Article 4: This decree shall be published in the Official Gazette and shall be applicable as of the following day from publication.

Issued on: 19 Safar 1432 AH

Corresponding to: 24 January 2011 AD

Qaboos bin Said
Sultan of Oman

Oil & Gas Law

Chapter one

General definitions and provision

Article 1: The following words and expressions shall have the meaning assigned, unless the text dictated otherwise:

The government:	The government of the Sultanate of Oman
The ministry:	The Ministry of Oil and Gas
The Minister:	The Minister of Oil and Gas
Concession agreement:	Contract entered into by the government/representative with third parties for the intention of survey, exploration, discovery, development and exploitation of petroleum materials, or any of these activities separately.
Concession holder:	The party with which the government/representative entered into contract.
Concession area:	The area with the coordinates and location determined on the map enclosed with the concession agreement.
Crude oil:	Liquid hydrocarbon in its natural condition or acquired by condensation or by separating the natural gas.
Natural gas:	The hydrocarbon in its gaseous condition, whether obtained from the oil well or gas well, including the gas remaining from separating the crude oil.

Petroleum products:	Crude oil and natural gas.
Survey:	Geological, geochemical, geophysical and aerial surveys carried out to determine the perception of the petroleum nature of the survey areas.
Prospecting:	All the exploration and evaluation operations required to establish the existence of commercially exploitable quantities of petroleum materials.
Discovery:	Finding petroleum materials.
Commercial discovery:	Finding petroleum materials at commercial quantities and qualities.
Development:	Work inside the concession area preceding commercial production, including all the geological, geochemical and geophysical work, drilling of development wells and all the basic equipment required to extract the petroleum materials.
Exploitation:	Extraction of petroleum materials, including any direct or indirect activities required for this purpose.
Operation:	The works, the subject matter of the concession agreement.
Well:	A bore in the ground – on land or in the sea – made by drilling, perforation or boring to a depth at which petroleum materials can be prospected or exploited.

- Article 2: Without prejudice to the provisions of existing concession agreements, the provisions herein shall be applicable to all the petroleum materials existing on the land, underground, internal waters, regional sea, special economic zone or continental shelf of the Sultanate of Oman.
- Article 3: The petroleum materials in its natural condition, anywhere within the Sultanate of Oman, are owned by the state, and its ownership may not be transferred or acquired by prescription prior to its extraction.

- Article 4: No natural or legal person may import, export, transport, store, distribute, process, market or perform any other operation without a permit from the ministry, in accordance with the rules, regulations, conditions and fees as decided by the minister, after coordination with the Council of Financial Affairs and Energy Resources.
- Article 5: With the ministry's written approval, national universities, colleges, institutes and research centers may carry out scientific research relating to petroleum, provided that the results of such researches are forwarded to the ministry. Such researches may not be used in any way, or published in full or in brief, or the results thereof, without prior written approval from the ministry.
- Article 6: The Minister of Justice, in agreement with the ministry, shall issue a decision awarding law enforcement capacity to the officials in charge of controlling actions in violation to the provisions herein and the executive bylaws and decisions.

Chapter two

Concession agreement

- Article 7: No natural or legal person may carry out any exploration, prospecting, discovery, development or exploitation of petroleum materials without a concession agreement.
- Article 8: Independent concession agreement may be entered into with third parties concerning any of the operations stipulated in article (7) herein.
- Article 9: The concession agreements shall be for a limited term, and shall not be valid unless ratified by a royal decree.
- Article 10: No concession right may be awarded to any person unless technically and financially qualified to fulfill the required undertakings – according to the criteria set by the ministry.
- Article 11: The ministry shall coordinate with the Ministry of Interior prior to entering into any concession agreement in the Omani border areas, if the area intended for the concession is less than six kilometers from the border.
- Article 12: Prior to entering into the concession agreement, the ministry may request the other party to submit a financial guarantee of not less than 2% and not more than 5% of the agreement value, valid throughout the concession term, as a performance bond to ensure fulfillment of the

undertakings stipulated in the agreement. The performance bond shall be seized in case of any violation to such undertakings.

Article 13: Without prejudice to the provisions herein, in particular the concession agreement shall include:

1. The borders of the concession area
2. The rights and obligations of both parties
3. Commercial discovery
4. Operation management
5. Average safe production in the concession area
6. Procedures through which the ministry may supervise and control to ensure the implementation of the agreement conditions.
7. The rules through which the concession holder may recover the capital and earned profits
8. Term of agreement
9. Rules for assigning and waiving the concession area
10. Environment, health, security and safety requirements
11. Omanisation and training
12. Dispute settlement

Article 14: The concession agreement shall not result in awarding the concession holder any right of ownership in the concession area.

Article 15: The concession holder, without written approval from the ministry, which handles coordination with the parties concerned, when required, may not perform any of the following activities:

1. Sale of materials, equipment and machinery used to implement the concession agreement.
2. Import materials, equipment and machinery required to implement the concession agreement whereby its import is prohibited by the Omani laws.
3. Transport, store, use or handles hazardous materials.
4. Subcontract with any natural/legal person concerning the execution of any provisions stipulated in the concession agreement.

The minister shall issue the rules and regulations for application submission and decision.

Article 16: At the end of the concession agreement, for any reason, the concession holder undertakes to restore the concession area to its natural condition within the timeframe decided by the ministry for each case separately, by removing any building, plant, installation, equipment,

tool, waste, or any other materials or property, on his own expense. Exempted are the item decided by the ministry.

In case of non compliance by the concession holder, the ministry may perform this and charge the concession holder all the costs and expenses resulting from the removal, plus 10% of its value.

Article 17: The concession holder undertakes to acquire insurance against all types of risks for the fixed and movable assets used in the operations, in addition to civil liability insurance against any damage to individuals, properties, public safety or environment resulting from, or caused by, its operations.

Article 18: The concession holder, and any subcontractor, undertakes to comply with the terms of the concession agreement and all the permits and approvals issued by the ministry, or other government authorities, and the provisions of the laws, rules and regulations applicable in the Sultanate of Oman.

Article 19: The concession holder may not assign or waive any of the rights or obligations stipulated in the concession agreement without prior written approval from the ministry. Such assignment shall be ratified by a royal decree.

Article 20: The concession holder is prohibited from carrying out any operation that may infringe on the right of third parties.

Article 21: The concession holder undertakes to maintain all the records and registrations relating to the operation in the Sultanate of Oman according to the regulations issued by the ministry.

Article 22: After declaring the commercial discovery and prior to exploitation – according to the exploitation agreement to be entered into between the ministry and the concession holder – the concession holder undertakes to prepare a comprehensive security plan establishing the safety and security requirements within the concession area, consistent with the applicable conditions and regulations, in coordination with Royal Oman Police for approval, provided that such plan is renewed every two years.

The provision of the preceding paragraph shall be applicable on the concession holders according to existing agreements.

Article 23: The concession holder undertakes to enable the ministry officials to:

1. Review all the records and documents relating to the operations, and obtain copies thereof.
2. Inspect the petroleum materials extracted and collect samples for analysis.
3. Inspect all the facilities and equipment used in the operations.

Article 24: The concession holder undertakes to inform the ministry in writing upon establishing any of the following situations:

1. Any obstacles facing the work progress and procedures taken accordingly.
2. Any accidents seriously affecting the right of the concession holder/third parties, or exposing the environment, public properties or the workers to serious damage.
3. Suspension of work along with justification.

The concession holder also undertakes to inform Royal Oman Police upon establishing any of the situations stipulated in item (2) herein.

Article 25: The concession holder undertakes to stop any operations within the concession area upon discovering any natural source not included in the concession agreement, or any effects, and to inform the ministry immediately to coordinate with the parties concerned to set a specific date to settle the matter to be agreed between the ministry, the parties concerned and the concession holder.

Chapter three

Buffer zones

Article 26: It is prohibited for the concession holder to implement the operations included in the concession agreement at a distance of less than two (200) meters from the cities, villages, roads, mosques, graveyards, archeological areas, natural reserves, natural wildlife reserves, dams, irrigation systems (Falaj), wells, restricted areas or any other installation.

The concession holder is also prohibited from implementing any operation, or establish any installation, at a distance of less than five hundred (500) meters from the lands, installations and camps of the Ministry of Defence and the Sultan's Armed Forces, unless authorized by these parties.

Article 27: For the public interest, the ministry may determine the buffer zones in excess of the stipulations of article 26 herein, not exceeding three (3) kilometers.

Article 28: Existing and future oil and gas pipelines shall have buffer zones of (25) meters wide in each side from the center of the pipeline. The ministry, in coordination with the authorities concerned, may determine lesser buffer zones in urban areas.

Article 29: Public interest projects include the establishment of buffer zones for the oil and gas pipelines stipulated in article 28 herein. By direct execution, the ministry may appropriate the lands required for the project, according to the provisions of the title appropriation for the public interest law.

Article 30: Other than the activities of the oil and gas pipeline operators in the buffer zones stipulated in article 28 herein, no party may perform any activity, or establish any installation or building therein, be it on the surface or underground.

Exempted from this, public authorities may build roads, bridges, tunnels, fences, floodwater drainage, sewage, irrigation, over and covered power and communication lines, water distribution network and any other activity/project within the said buffer zone, after obtaining written approval from the ministry.

Article 31: Without prejudice to the penal responsibility of the violator, any buildings/installations inside the buffer zones stipulated in articles 26 & 28 herein shall be removed by administrative order and charging the violator with all the expenses and costs resulting from such removal, plus 10% of its value, if not removed by the violator, along with its impact, within the timeframe determined by the ministry.

Chapter four

Exploitation

Article 32: In case of declaring commercial discovery within the concession area, the concession holder shall have the priority of obtaining exploitation concession in that area.

Article 33: If a layer containing petroleum products extended from one concession area to another or more, and the reservoir contact was technically established, the right holders – within a timeframe determined by the

ministry – should agree on the best ways and conditions to exploit this layer, after obtaining approval from the ministry.

Article 34: If the right holders could not reach an agreement as stipulated in article 33 herein, the ministry shall set the exploitation regulations to be observed.

Article 35: If it was established that the layer containing petroleum products extends to an area not included within the concession agreement, the ministry may – based on an application from the concession holder – amend the borders of the concession area to include the area wherein the layer is extending, or the limits decided by the ministry, and shall be issued by a royal decree.

Chapter five

Manpower employment and protection regulations

Article 36: Without prejudice to the said labor law, the concession holder undertakes to employ qualified national manpower, and in coordination with the ministry, undertakes to prepare annual training programs aiming at training and qualifying Omani nationals for professional and technical jobs and senior posts and responsibilities relating to the operations, and gradually replace the expatriate workforce .

The ministry, in coordination with the Ministry of manpower, shall determine the stages, ratios, regulations and scope of operation and training, and the undertakings of the concession holder, consistent with the requirements of the petroleum industry and experience.

Article 37: Without prejudice to the said labor law, the concession holder undertakes to set the rules and regulations to ensure protection of the workforce in the operation sites.

Article 38: In all cases, the rights of the workforce should be protected, and their conditions should not be prejudiced in case of assigning or waiving the concession area, in accordance with the said labor law and their contracts.

Chapter six

Environment protection

Article 39: Without prejudice to the provisions of the environment protection laws applicable in Oman, the concession holder undertakes to execute the operations with due diligence according to the technical standards stipulated in the concession agreement and international agreements to which Oman is a party to, to ensure the protection of the environment, and shall take all the precautions required to this end, including:

1. Treatment of all types of remnants wastes prior to disposal to protect to environment and water sources.
2. Not to dispose of gas unless it is necessary, and by using suitable means to protect the environment.
3. Take all the precautions and arrangements required when acquiring, transporting, handling or using hazardous materials during the operations, including its waste, and potentially explosive, pressurized, flammable, oxidizing, toxic, irritant, corroding and radioactive materials and liquids, together with obtaining insurance against responsibility for any damage that may result from such materials.
4. Protect all the ground layers containing fresh water and joint layers containing water.
5. Not to use fresh potable or irrigation water to inject the oil wells unless it is absolutely necessary, due to lack of alternative, and after obtaining the permit required from the authorities concerned.
6. Not to re-inject oil associated water into the ground without partial treatment according to the applicable rules and regulations.
7. Filling or closing dry and unused petroleum wells according to the regulations set by the ministry.
8. Take the necessary precautions to prevent leakage of petroleum materials.
9. Take preventive measures to prevent all types of pollution.
10. Take immediate and suitable procedures to reduce the environmental impacts from explosions and accidents that may occur in the operation sites, remove its residues and inform the authorities concerned of the incident and the steps taken to control it.
11. Reduce the emission of greenhouse gases in the concession area by using suitable technology and means to protect the environment.

Article 40: The concession holder undertakes to use materials, equipment and instruments conforming with the international specifications and standards, and should fulfill the conditions of safety and environment according to the best practice.

Chapter seven

Provisions concerning the natural gas

Article 41: In the concession agreement for crude oil, the concession holder undertakes to preserve the natural gas and exploited according to the following priorities, after obtaining written approval from the ministry:

1. Exploitation for the oil operations
2. Commercial exploitation
3. Injection to improve extraction ratio
4. Underground storage including the producing layers
5. Other purpose as decided by the ministry

Article 42: The crude oil concession agreement may stipulate one or more of the following additional features, incentives and facilities to encourage gas exploitation within the concession area, consistent with the efforts and investment volume of the concession holder:

1. Extending the term for evaluating the achieved gas discoveries in the concession area.
2. Recover the expenses of commercial discovery spent by the concession holder on gas discovery in the concession area as determined by the concession agreement, if the ministry decided to postpone the development of such discovery to meet the local market future requirements of gas.
3. Join small gas discoveries and interconnect it forming commercial well/s.
4. Reduce the financial burdens of the concession holder as stipulated herein consistent with the efforts and volume of investment aiming to develop the natural gas reserve and production, according to the rules and regulations decided by the minister in coordination with the Ministry of Finance.

Article 43: The concession holder undertakes to dedicate the natural gas in the concession area partially or totally unused in the operations to fulfill the demand of the local market as decided by the ministry. The ministry may agree with the concession holder to reduce the quantities dedicated for the local market whenever gas quantities are available from sources other than the concession area, at ratio and timeframe to be agreed on between both parties.

Chapter eight

Penalties

- Article 44: Without prejudice to any stricter punishment stipulated in the Omani Penal Code, or any other law, offences in violation to the provisions herein shall be punishable by the penalties stipulated herein.
- Article 45: Anyone violating the provisions of articles 4, 7 & 19 herein shall be punishable by imprisonment for not less than one year and not more than three years, and a fine of not less than (OMR 500,000) five hundred thousand and not more than (OMR 1,000,000) one million, along with seizing the petroleum materials, equipment and machinery resulting from the offence, or used to commit it or prepared for this purpose. In case of repetition the penalty of imprisonment and fine shall be doubled.
- Article 46: Anyone violating the provisions of articles 15, 23, 24 & 25 herein shall be punishable by imprisonment for not less than six months and not more than two years, and a fine of not less than (OMR 300,000) three hundred thousand and not more than (OMR 800,000) eight hundred thousand, along with seizing the petroleum materials, equipment and machinery resulting from the offence, or used to commit it or prepared for this purpose. In case of repetition the penalty of imprisonment and fine shall be doubled.
- Article 47: Anyone violating the provisions of articles 22, 26 & 28 herein shall be punishable by imprisonment for not less than three months and not more than one year, and a fine of not less than (OMR 100,000) one hundred thousand and not more than (OMR 500,000) five hundred thousand.
- Article 48: Anyone violating the provisions of articles 16 & 17 herein shall be punishable by imprisonment for not less than one month and not more than six months, and a fine of not less than (OMR 100,000) one hundred thousand and not more than (OMR 300,000) three hundred thousand
- Article 49: Anyone violating the provisions of articles 20 & 21 herein shall be punishable by a fine of not less than (OMR 10,000) ten thousand and not more than (OMR 20,000) twenty thousand.
- Article 50: Legal person shall be criminally punishable by a fine equivalent to twice the value of the maximum fine provided for in articles 45, 46, 47, 48 & 49 herein, as the case may be, if any of the offences was committed under its name or for its interest, with consent, concealment or gross negligence by any chairperson, director, manager

or any other individual acting in this capacity, without prejudice to the criminal responsibility of natural persons.

Article 51: Without prejudice to the penalties stipulated herein, the minister, through the decisions and bylaws, may determine administrative penalties for any action committed in violation to the provisions herein.

Article 52: In public cases and prior to the verdict, the minister/delegate may reconcile in the offences punishable by articles 45, 46, 47, 48, 49 & 50 herein if the violator paid half of the maximum level of the established fine for the offence and removed the violation at his own expense. Reconciliation shall result in the dismissal of the public case in the offence, without prejudice to the ministry's right to impose administrative penalties as stipulated herein to implement the provisions of this law.