

LAW No. 99 / 013 OF 22 DEC. 1999

TO INSTITUTE THE PETROLEUM CODE

The National Assembly deliberated and adopted,
the President of the Republic hereby enacts
the law set out below

PART I

GENERAL PROVISIONS

SECTION 1 : This law institutes the Petroleum Code. To this end it shall :

- promote Petroleum Operations throughout the national territory ;
- lay down conditions for hydrocarbons prospection, exploration, exploitation and transportation ;
- lay down the legal, fiscal and customs and exchange schedule of Petroleum Operations, subject to the provisions of section 118 below ;
- determine the right and obligations relating to petroleum operations.

SECTION 2 : For purposes of this Code and its texts of application, the terms herein after shall have the following meaning :

- a) "Authorisation(s)" : any or all of the authorisations granted under this Code ;
- b) "Exploitation Authorisation" : the Authorisation for Hydrocarbons Exploitation ;
- c) "Prospection Authorisation" : the Authorisation for Hydrocarbons Prospection ;
- d) "Provisional Exploitation Authorisation" : the Provisional Authorisation for Hydrocarbons Exploitation ;
- e) "Exploration Authorisation" : the Authorisation for Hydrocarbons Exploration ;
- f) "Domestic Transportation Authorisation" : the Authorisation for Transportation of Hydrocarbons by pipeline ;
- g) "Concession Contract" : Petroleum Contract attached to a Hydrocarbons Exploration permit and, as the case may be, to one or more Exploitation concessions ;
- h) "Production Sharing Contract" : Petroleum Contract whereby the Holder receives compensation in kind by being entitled to a share of production ,
- i) "Petroleum Contract" : Concession Contract or Production Sharing Contract entered into between the State and a Holder after the date of promulgation, of this Code for the purpose of carrying out, on an exclusive basis, the Exploration and Exploitation of Hydrocarbons within a specified area ,
- j) "Exploitation" : operations intended to extract Hydrocarbons for commercial purposes, in particular the development and production operations as well as ancillary activities, such as abandonment of wells and Hydrocarbons deposits ,

- k) **"Hydrocarbons"** : liquid or gaseous hydrocarbons as found in their natural state, otherwise referred to as crude oil or natural gas as the case may be, as well as all related products and substances extracted in association with the said Hydrocarbons ;
- l) **"Operator"** : A Petroleum Company which is a Holder or a co-Holder, responsible for the conduct and performance of the Petroleum Operations pursuant to the provisions of the Petroleum Contract. The Operator must be able to show a satisfactory record as operator, particularly in areas and under conditions similar to those of the area applied for, with regard to environmental protection ;
- m) **"Petroleum Operations"** : Hydrocarbons Prospection, Exploration, Exploitation, Transportation activities, and storage activities, excluding refining and distribution activities of petroleum products ;
- n) **"Prospection"**: preliminary activities of prospection and detection of possibilities of the existence of Hydrocarbons, particularly through the use of geological, geophysical or geochemical methods, excluding drillings that exceed a depth of three hundred (300) meters ;
- o) **"Exploration"** : detailed Prospection activities including drilling of Exploration wells intended to discover commercial Hydrocarbons deposits, as well as activities of appraisal and delineation of a Hydrocarbons discovery which is presumed to be commercial and the abandonment of Exploration wells ;
- p) **"Petroleum Company"** : a commercial company or an industrial and commercial public body which has shown evidence that it possesses the necessary technical and financial capabilities to properly carry out Petroleum Operations as well as to protect the environment. This company may be constituted either under the laws of Cameroon or under any foreign law. In the latter case, it must, throughout the duration of the Petroleum Contract, have a permanent establishment in the Republic of Cameroon, registered on the registry of Commerce, and comply with the legislation and regulation in force on commercial companies ,
- q) **"Territory of Cameroon"** : land and maritime area as well as the Exclusive Economic Zone (EEZ) of the Republic of Cameroon ;
- r) **"Hydrocarbons Mining Title"** : An Exploration permit or the Hydrocarbons Exploitation concession issued in connection with a Concession Contract ;
- s) **"Holder"** : A Petroleum Company or a consortium of commercial companies at least one of which is a Petroleum Company, bound to the State by a Petroleum Contract. The term "Holder" also include the co-Holders ,

- t) **"Transportation"** : activities of Transportation by pipeline of extracted Hydrocarbons up to the loading points, refinery, or major consumption centers on the Territory of Cameroon, which do not fall within the scope of Law n° 96/14 of 5 August 1996 regulating the transportation of Hydrocarbons via pipeline from third-party countries, excluding gathering lines from the fields ;
- u) **"Special Petroleum Operations Zones"** : portions of the Hydrocarbons national mining lands on which Exploration and Exploitation operations require an increased effort, particularly as regards the type of production, the type, grade, make up of quality of Hydrocarbons, the technics of enhanced recovery utilised, the water depth for the deep offshore zones located within the Republic of Cameroon's exclusive Economic Zone, the type of the terrain, the distance from the means of transportation or the fragility of the environment.

SECTION 3 : (1) All deposits or natural accumulations of Hydrocarbons located within the soil or sub-soil of the Territory of Cameroon, whether or not discovered, are and shall remain the exclusive property of the State.

(2) For purposes of Petroleum Operations, the State exercises sovereign rights over the entire Territory of Cameroon.

SECTION 4 : (1) Natural persons or legal entities, including the owners of the surface area, may only undertake Petroleum Operations, if previously authorised so to do by the State, in a manner which is consistent with the provisions of this Code.

(2) Any person who engages in Petroleum Operations may occupy the land necessary for such operations, both within and beyond the area covered by its Authorisation or Petroleum Contract. The occupational use of such land is subject to the provisions of this Code, its texts of application and the legislation in force relating to land tenure and state lands.

(3) In order to have access to the land required for the said Petroleum Operations, the Holder shall apply to the competent authority for a public inquiry into the status of land, under the conditions specified in Chapter 1 of Part IV of this Code.

SECTION 5 : (1) The State reserves the right to undertake Petroleum Operations either directly or through duly mandated government bodies or units.

(2) The State may also authorize commercial companies to carry out Petroleum Operations in furtherance of a Petroleum Contract entered into between them and the State, in accordance with the provisions of this Code

SECTION 6 : (1) The State, either directly or through a duly mandated government body or unit, reserves the right to acquire or have acquired, an interest under any legal form whatsoever, in all or part of the Petroleum Operations which are the subject of a Petroleum Contract, in accordance with the terms and conditions provided in such Petroleum Contract.

(2) In the case referred to in subsection (1) above, the state or the duly mandated government body or unit shall have the same rights and obligations as the Holder to the extent of its participation in the Petroleum operations under the arrangements specified in the Petroleum Contract.

SECTION 7 : (1) A Petroleum Contract may only be entered into with a Petroleum Company or jointly with several commercial companies at least one of which is a Petroleum Company. The Authorizations derived therefrom and the Hydrocarbons Mining Titles may be granted only to such companies. A Petroleum Company may be the Holder of several Petroleum Contracts.

(2) Several commercial companies, one of which must be a Petroleum Company, may form a joint venture for the purpose of entering into and executing a Petroleum Contract. A Petroleum Company may also form a joint venture with a non-Petroleum Company under the conditions set forth by the Petroleum Contract as long as the non-Petroleum Company has a minority interest in the consortium which is the Holder of the Petroleum Contract, and is not the Operator.

(3) Copies of all protocols, contracts or agreements relating to any joint venture, including the appointment of the Petroleum Company which will act as Operator shall be forwarded to the State for information.

(4) Activities related to Petroleum Operations are considered commercial transactions.

SECTION 8 : (1) Subject to any acquired rights, the state may decide after consultation with the relevant government bodies or units, upon the areas to be open to Petroleum Operations for which Petroleum Contracts may be entered into or, where applicable, for which Authorisations or Hydrocarbons Mining Titles may be granted.

Such areas may be divided into blocks in accordance with the terms and conditions to be laid down by the decree of application of this Code.

(2) For reasons of general interest, certain areas may, by regulation, be closed to Petroleum Operations

SECTION 9 : (1) The State addresses offers for Petroleum Contracts and applications for Authorisations at its absolute discretion. Absolute or conditional rejection shall not entitle the applicant to any recourse or to any compensation whatsoever from the State

(2) Subject to any acquired rights, no right of priority may be claimed in case of competing applications or offers received simultaneously.

(3) The information which must be contained in offers for Petroleum Contracts and applications for Authorisations, as well as the criteria for their award, and the procedures terms for their renewal, assignment or transfer, shall be laid down by regulation.

SECTION 10 : (1) The validity of an Authorisation or a Petroleum Contract over a given area does not preclude the granting to another entity of mining titles for the exploration and exploitation of mineral substances other than Hydrocarbons over all or part of the given area, pursuant to the provisions of applicable legislation and regulation.

In like manner, the validity of the mining titles for the exploration and exploitation of mineral substances other than Hydrocarbons does not preclude the entering into of a Petroleum Contract or of an Authorisation over all or part of the area in question.

(2) Where rights pertaining to different mineral substances overlap on the same area, the activity of the Holder with the most recent rights shall be conducted in such a way as not to hinder the activity of the Holder of the most senior rights in point of time.

PART II

PETROLEUM CONTRACTS

CHAPTER I

PROVISIONS COMMON TO PETROLEUM CONTRACTS

SECTION 11 : (1) The Petroleum Contract is negotiated and signed, on behalf of the State, by the government or any of its bodies or unit duly mandated for such purpose, and by the legal representative of the applicant(s).

It becomes effective upon its execution by the parties. However, for a Concession Contract, the corresponding Exploration permit will be granted by decree. The effective date of the Concession Contract shall be understood to be the date of the grant of the Exploration permit.

(2) The Petroleum Contract shall be governed and interpreted in accordance with Cameroonian law.

SECTION 12 : A Petroleum Contract shall set forth :

- a) the area of the Exploration Authorisation ;
- b) the minimum Exploration work programmes and corresponding financial commitments which the Holder undertakes to complete for the initial period of validity of its Exploration Authorisation and for each renewal period ;
- c) the duration of the Contract and of the different periods of validity of the Exploration Authorisation as well as the conditions for its renewal and extension, including the terms applicable to the reduction of the contract area ;
- d) obligations relating to a commercial discovery and the development of a commercial field ;
- e) terms and conditions for the granting of an Exploitation Authorisation, its different periods of validity and the conditions for its renewal and extension ;
- f) the rights and obligations of the contracting parties ;
- g) the work programmes and budgets and the procedures for supervising their execution ;
- h) the rights and obligations of the Holder with regard to Transportation of the extracted Hydrocarbons, subject to the applicable regulatory provisions ;
- i) the rules relating to ownership of the production and its sharing between the contracting parties ;
- j) the legal regime applicable to property, whether real or personal, necessary to carry out Petroleum Operations, including the terms and conditions for its transfer to the State at the termination and expiration of the Contract ;
- k) the provisions relating to the participation of the State, or a government body or unit duly mandated for such purpose, in all or part of the Petroleum Operations, as well as the rules governing the joint venture between the State or the government body and its co-Holders ;
- l) obligations relating to the training and employment of Cameroonian human resources ,
- m) financial clauses, book-keeping and accounting rules specific to Petroleum Operations ,
- n) the obligations relating to environmental protection, which are in addition to those prescribed by the applicable legislation and regulations ;
- o) the obligations relating to the abandonment of deposits and of wells which must be met prior to expiration of the Petroleum Contract or Authorisation ,

- p) in the event the State carries on with Exploitation after termination or expiration of the Petroleum Contract, the basic terms which govern (i) the transfer to the State of the rights and obligations relating to the Exploitation notably the reserve for abandonment of deposits, and the transfer of the service contracts which bind the Holder to its employees and sub-contractors, and (ii) the settlement by the Holder of outstanding liabilities ;
- q) the terms and conditions for the termination of the Petroleum Contract ;
- r) the clauses relating to the stabilization of economic and tax provisions which impact the profitability of investments ;
- s) Cases of force majeure ;
- t) the procedures for settling disputes, subject to the regulatory provisions in force relating to the settlement of disputes of a technical nature.

CHAPTER II

TYPES OF PETROLEUM CONTRACTS

SECTION 13 : (1) The State may enter into Petroleum Contracts for the Exploration and the Exploitation of Hydrocarbons such as :

- a) Concession Contracts which shall relate to the granting of Hydrocarbons Mining Titles consisting of Exploration permits and, where applicable, Exploitation concessions ; or
- b) Production Sharing Contracts.

(2) Wherever so required, the subject of a Petroleum Contract may be limited to the Exploitation of one or more Hydrocarbons deposits already discovered and delineated, unrelated to the prior grant of an Exploration Authorisation.

I

CONCESSION CONTRACT

SECTION 14 : (1) A Concession Contract is entered into prior to the granting of a Hydrocarbons Exploration permit. It sets forth the rights and obligations of the State and Holder during the period of validity of the Exploration permit and, in the event of the discovery of a commercial Hydrocarbons field, during the period of validity of the Exploitation concession(s) attached thereto.

(2) The Holder of the Concession Contract shall be responsible for financing the Petroleum Operations and shall, in accordance with the provisions of the Concession Contract, be entitled to the Hydrocarbons extracted during the period of validity of such Contract, subject to the right of the State to collect royalty in kind

PRODUCTION SHARING CONTRACT

SECTION 15 : (1) In a Production Sharing Contract, the State directly or through a duly mandated public body or unit contracts for the services of a Holder for the purpose of carrying out, on its behalf and in an exclusive manner, within a specified area, Exploration activities and, in the event of a discovery of a commercial Hydrocarbons field, Exploitation activities.

The Holder shall be responsible for financing the Petroleum Operations.

(2) Petroleum Operations of a Production Sharing Contract shall give rise, depending on their nature, to an exclusive authorisation for Exploration, or to an exclusive Authorisation for Exploitation covering the Exploitation of a commercial Hydrocarbons field.

SECTION 16 : (1) Under a Production Sharing Contract, the Hydrocarbons production shall be shared between the State and the Holder in accordance with the terms of such Contract. The Holder shall receive a share of production as reimbursement for its costs and as compensation in kind, according to the following terms and conditions

- a) As specified in the Petroleum Contract, a share of the total Hydrocarbons production shall be allocated to the reimbursement of petroleum costs actually incurred by the Holder under the Contract for the Petroleum Operations. This share, commonly referred to as "cost oil" or "production for the recovery of costs", may not exceed the percentage of production specified in the Production Sharing Contract, which defines the recoverable petroleum costs, special amortisation terms for such costs as well as the terms and conditions for their recovery by taking a share of the production ;
- b) the remainder of the total Hydrocarbons production, after deduction of the share taken pursuant to paragraph a) above, commonly referred to as "profit oil" or "production for compensation" shall be shared between the State and the Holder in accordance with the terms set forth in the Petroleum Contract

(2) The Production Sharing Contract may also provide for compensation in cash to the Holder rather than compensation in the form of a share of Hydrocarbons production. In such case, the Contract shall be deemed a risk services contract.

CHAPTER III

ASSIGNMENTS AND SURRENDERS OF PETROLEUM CONTRACTS

I

ASSIGNMENTS

SECTION 17 : (1) The rights and obligations under a Petroleum Contract as well as the Exploration Authorisation, and, where applicable, Provisional Exploitation Authorisations and Exploitation Authorisations deriving from the Petroleum Contract are assignable and transferable in whole or in part, subject to the prior approval of the Minister in charge of Hydrocarbons in accordance with the terms and conditions laid down by regulations in force and by the said Contract.

Special conditions for assignement or transfer to an affiliate or between co-Holders may also be specified in the Contract.

(2) The assignee of a right or an obligation under this Chapter must fulfil the conditions provided for in this Code and its texts of application.

SECTION 18 : The Holder of the Petroleum Contract shall submit to the Minister in charge of Hydrocarbons for approval any draft contract or agreement whereby the Holder promises to entrust assign or transfer, or whereby it entrusts, assigns or transfers, in whole or in part, the rights and obligations resulting from the Petroleum Contract.

Any such contract or agreement shall only be entered into subject to the condition precedent of the approval mentioned above. Any instrument executed in breach of the provisions above shall be null and void and may lead to the forfeiture by the State of the Petroleum Contract, in accordance with the provisions of Section 116 of this Code.

SECTION 19 : (1) Where a transaction results in a change of control of the Holder-company, the said company shall apply for the approval of the Minister in charge of Hydrocarbons in accordance with the terms and conditions specified by decree. The Minister in charge of Hydrocarbons may oppose it and compel the Holder to cancel such transaction, under the terms and conditions specified by the decree of application of this Code and by the Petroleum Contract.

(2) A refusal to cancel the transaction may result in the forfeiture of the Mining Title, or the termination by the State of the Petroleum Contract, as provided in the Petroleum Contract.

SECTION 20 : Without prejudice to the provisions of article 7 above where a Petroleum Contract is entered into by several co-Holders, the forfeiture of one or more of them shall not result in the cancellation of the Authorizations deriving from the Contract, nor the termination of the Contract, if the remaining co-Holder(s) assume the obligations under the Contract. This forfeiture shall be deemed accepted by the Minister in charge of Hydrocarbons.

II

SURRENDERS

SECTION 21 : (1) The Holder of an Exploration Authorisation may relinquish, in whole or in part, its rights over the surface areas covered by its Authorisation, provided a two (2) months notice is given to the Minister in charge of Hydrocarbons. The relinquishment shall take effect when accepted by the Minister in charge of Hydrocarbons. This shall result in the cancellation of the Authorisation over the area covered by such relinquishment.

(2) Except as otherwise provided in the Petroleum Contract, a partial surrender does not affect the Holder's contractual obligations.

(3) On a total surrender the Petroleum Contract shall lapse. This surrender shall be effective only where the Holder has fulfilled all the obligations prescribed by the Petroleum Contract and by applicable regulations, particularly those relating to environmental protection, and the abandonment of the wells and deposits, and where applicable, when the compensation due to the State and defined in the Petroleum Contract has been paid

SECTION 22 : (1) The Holder of an Exploitation Authorisation may relinquish, in whole or in part, its rights over the surface areas covered by its Authorisation, provided a one (1) year notice is given to the Minister in charge of Hydrocarbons and the Holder has fulfilled the obligations prescribed by the Petroleum Contract and by applicable regulations, particularly with regard to environmental protection and the abandonment of wells and deposits.

(2) The relinquishment shall only be effective after acceptance by the Minister in charge of Hydrocarbons

PART III
AUTHORISATIONS

CHAPTER I
PROSPECTION AUTHORISATION

SECTION 23 : (1) A Prospection Authorisation shall apply to areas not covered by a Petroleum Contract and may be granted to a natural person or a legal entity by decision of the Minister in charge of Hydrocarbons, who prescribes its terms.

(2) The Prospection Authorisation shall confer upon its holder the non-exclusive right to carry out preliminary Prospection work within a specified area. Such Authorisation does not constitute a Hydrocarbons Mining Title and is neither assignable nor transferable.

(3) The Prospection Authorisation does not confer upon its holder any right to obtain a Hydrocarbons Mining Title or to enter into a Petroleum Contract.

(4) Notwithstanding the above, where exceptional circumstances so warrant, in particular for Special Petroleum Operations Zones, should a Petroleum Contract eventually be entered into covering all or part of the relevant area, the Prospection Authorisation may, while valid, confer upon its Holder either a preferential right on equivalent terms and conditions, or an exclusive right of limited duration to enter into a Petroleum Contract for all or part of the area.

(5) The Prospection Authorisation is granted subject to third-party rights.

(6) Where applicable, the State may also grant Prospection Authorizations for the sole purposes of collecting technical information.

SECTION 24 : Conditions for obtaining and renewing the Prospection Authorisation are determined by regulation.

SECTION 25 : (1) Several Prospection Authorizations may concurrently be granted for the same area.

(2) Without prejudice to the provisions of Section 23 paragraph (4) herein above, the State may also at any time grant a Hydrocarbons Mining Title or enter into a Petroleum Contract for all or part of the area which is the subject of a Prospection Authorisation, in which case said Authorisation shall lapse *ipso jure* with regard to the relevant area, such lapse should not entitle the holder to any compensation whatsoever

I

EXPLORATION AUTHORISATION

SECTION 26 : The Exploration Authorisation, attached to a Petroleum Contract may be either a Hydrocarbons Exploration permit in the case of a Concession Contract, or an exclusive Exploration authorisation, in the case of a Production Sharing Contract.

SECTION 27 : An Exploration Authorisation confers upon its Holder the exclusive right to carry out, at its risk and expense, all Hydrocarbons Prospection and Exploration work within the limits of the relevant area, and to an indefinite depth except as may be otherwise provided for in the Petroleum Contract.

It shall also confer upon its Holder the right to dispose of its share of Hydrocarbons which may be extracted during Exploration work and production tests, subject to prior declaration to the Minister in charge of Hydrocarbons.

SECTION 28 : (1) The Exploration Authorisation shall be granted for an initial maximum term of three (3) years. However, where necessary such term shall be extended to five (5) years in the case of Special Petroleum Operations Zones. Such Authorisation is granted by decree. However, in the case of a Production Sharing Contract, the signature of the Contract by the parties shall constitute the grant of the Exploration Authorisation.

(2) An Exploration Authorisation shall be renewable twice for a period of two (2) years each time. The Holder may file an application for the renewal of an Exploration Authorisation, according to the required procedure and in accordance with the terms and conditions for renewal determined by decree, and provided the Holder has fulfilled its obligations for the current period of validity. Such renewals are granted by regulation.

(3) Subject to the provisions of the last paragraph (5) of this Section, and of Sections 35 and 116 of this Code, the term of the Exploration Autorisation, including the term of the two (2) renewals, may not exceed seven (7) years, or nine (9) years for Special Petroleum Operations Zones

(4) Upon each renewal, the surface area of the Exploration Authorisation shall be reduced in accordance with the terms of the Petroleum Contract.

(5) The period of validity of the Exploration Authorisation may, where necessary, be extended according to the terms and conditions of the Contract, in order to allow .

- (a) for the completion of Exploration wells in progress or the appraisal and delineation of a Hydrocarbons discovery, particularly in case of a discovery of non-associated natural gas or a discovery located in a Special Petroleum Operations Zone, and,
- (b) the search for markets in case of a discovery of non associated natural gas.

SECTION 29 : The Holder of an Exploration Authorisation is required to carry out the minimum Exploration work and expenditure programme specified in the Exploration Authorisation and in the Petroleum Contract, during the initial term and, where applicable, during each renewal period.

SECTION 30 : Should the Holder of an Exploration Authorisation not fulfill the work and expenditure obligations referred to in Section 29 above within the given time-limits and in accordance with the terms of the Petroleum Contract, the State may claim from the Holder the payment of a compensation amount equal to the cost of the unfulfilled obligations, under the conditions specified in the Petroleum Contract.

SECTION 31 : (1) The Holder of the Exploration Authorisation shall notify the Minister in charge of Hydrocarbons as soon as possible of any Hydrocarbons discovery.

(2) When such discovery leads to the presumption of the existence of a commercially exploitable deposit, the Holder of the Exploration Authorisation shall diligently carry out the work required for the appraisal and delineation of such deposit. This appraisal may involve the delineation of the field in question and/or the appraisal of nearby structure and prospects within the contract area. Upon completion of such work, the Holder shall determine whether such a discovery is commercial or not.

SECTION 32 : (1) The Holder of the Exploration Authorisation who has furnished proof of the existence of a commercially exploitable Hydrocarbons deposit in the area covered by its Authorisation, shall be entitled to apply for the grant of an Exploitation Authorisation and must undertake Exploitation activities within a maximum period of three (03) years from the Date of the grant of the Exploitation Authorisation. Failure to take action within the time-limit prescribed shall result in the cancellation of the Exploitation Authorisation without the Holder having any right to claim any compensation whatsoever.

(2) The granting of an Exploitation Authorisation shall entail the cancellation of the Exploration Authorisation inside the Exploitation area, but allows said Authorisation to remain valid outside such area up until its expiration date, without amending the minimum Exploration work programme undertaken by the Holder

SECTION 33 : When an Exploration Authorisation is due renewal or final expiration before a decision on a properly filed application by the Holder for an extension or renewal or for an Exploitation Authorisation is made, the Holder of the Exploration Authorisation shall remain solely authorised to continue Exploration work within the limits of the area(s) covered by its application.

SECTION 34 : Upon total or partial expiration of an Exploration Authorisation, either at the end of each period of validity or in the case of surrender or cancellation, the Holder must carry out, at its own expense, the abandonment of fields and wells as well as environmental protection operations prescribed by applicable law and regulation as well as by the Petroleum Contract. The Holder shall provide the State with all petroleum information and technical data in its possession relating to the area surrendered.

II

PROVISIONAL EXPLOITATION AUTHORISATION

SECTION 35 : (1) During the validity of an Exploration Authorisation, the Holder may apply for the grant of a Provisional Exploitation Authorisation by regulation. The grant of a Provisional Exploitation Authorisation allows the Exploration Authorisation to remain valid, but does not prolong its period of validity.

(2) The Provisional Exploitation Authorisation confers upon its Holder the right to operate productive wells on a provisional basis for a maximum period of two (2) years during which the Holder shall be required to carry out the appraisal and delineation of the relevant deposit, in accordance with the provisions of Section 28 above and the terms of the Petroleum Contract.

(3) The Provisional Exploitation Authorisation may be forfeited by the same procedure in the event of non-compliance with the provisions of Sections 29 and 30 above. Such Authorisation shall lapse with the expiration of the Exploration Authorisation for the specified area for any reason whatsoever, unless an application in proper form for an Exploitation Authorisation is filed within the time limit.

(4) The application procedures and the conditions for the filing of an application for a Provisional Exploitation Authorisation, its extension to new wells and its forfeiture shall be laid down by the decree of application of this Code.

CHAPTER III

EXPLOITATION AUTHORISATION

SECTION 36 : An Exploitation Authorisation, attached to a Petroleum Contract, may be either an Exploitation concession in the case of a Concession Contract, or an exclusive Exploitation authorisation in the case of a Production Sharing Contract.

SECTION 37 : (1) The Exploitation Authorisation covers the surface projection of a commercial Hydrocarbons deposit. It confers upon its Holder the exclusive right to carry out, at its own risk and expense, all Petroleum Operations within the limits of the pertinent area and to an indefinite depth, as well as the right to dispose of all or part of the Hydrocarbons production, in accordance with the provisions of the Petroleum Contract.

(2) The granting of an Exploitation Authorisation shall under no circumstances confer ownership of the deposits; it creates a right of limited duration which is not mortgageable and which is distinct from the ownership of the surface area; said right is assignable and transferable under the conditions provided in Section 39 of this Code.

SECTION 38 : (1) The initial term of the Exploitation Authorisation shall not exceed twenty-five (25) years for liquid Hydrocarbons and thirty-five (35) years for gaseous Hydrocarbons.

(2) The Exploitation Authorisation may be renewed once on application by the Holder for a maximum additional term of ten (10) years, according to the procedures provided in Section 41 below and pursuant to applicable legislation and regulations. To be so entitled the Holder must have fulfilled its obligations and shown evidence of the possibility of continuing commercial production of Hydrocarbons beyond the current period of validity. The conditions for such renewal may be subject to renegotiation of the terms of the Petroleum Contract.

SECTION 39 : Only the Holder of a currently valid Exploration Authorisation may obtain an Exploitation Authorisation within the area covered by the said Exploration Authorisation.

SECTION 40 : The Holder of an Exploration Authorisation who provides proof of the existence of a commercially exploitable Hydrocarbons deposit within its contract area, may proceed with the exploitation of the deposit in accordance with the terms and conditions laid down by this Code and its decree of application.

SECTION 41 : The Exploitation Authorisation is granted by decree, which shall specify its duration and the delineation of the Exploitation area

SECTION 42 : The extent of the Exploitation area is limited to the surface area determined by vertical lines based on the area defined on the surface, unless otherwise provided by the Petroleum Contract. Moreover, the Exploitation area shall be delineated in such a way as to include the surface area of the deposit over which the Holder holds rights

SECTION 43 : Except in the case of force majeure, should the work on the deposit covered by the Exploitation Authorisation not be diligently carried out, or should the Exploitation be suspended for more than six (6) months, the forfeiture of the Exploitation Authorisation may be ordered by regulation, after a three (3) month notice of non-compliance has been served.

SECTION 44 : (1) Before the expiration of the Exploitation Authorisation, either at the end of its normal term or in the event of surrender or forfeiture, the Holder shall, unless otherwise decided by the Minister in charge of Hydrocarbons, carry out at its own expense operations for the abandonment of the deposit as laid down by applicable legislation and regulations as well as by the Petroleum Contract.

(2) Notwithstanding the provisions of the preceding paragraph, and should the State wish to carry on with the Exploitation operations, the facilities, materials and lands related to the Exploitation Authorisation which are required to carry on the Exploitation shall, at the request of the Minister in charge of Hydrocarbons, be transferred to the State, without compensation to the Holder, subject to the provisions of Section 12 p) herein above.

(3) Incorporation into the private land of the State of the portions of the national territory relating to the said transfer shall be done by regulation. The assignment of leases on private land belonging to individuals and deemed necessary in order for the State to continue Exploitation, shall be done by decree.

CHAPTER IV

DOMESTIC TRANSPORTATION AUTHORISATION

SECTION 45 : (1) A Domestic Transportation Authorisation shall be granted by decree upon an application by a Holder during the term of a valid Petroleum Contract, under the conditions set out in this Part.

(2) Within the territory of Cameroon a Domestic Transportation Authorisation confers upon its Holder the right to transport, using its facilities as well as those belonging to a third party, while maintaining ownership rights, the products of Exploitation activities or its share thereof to major centers of consumption, collection, processing, storage or loading.

SECTION 46 : (1) The Domestic Transportation Authorisation is inclusive of the approval of the construction plan for pipelines and facilities to be annexed to the application. The contents of said plan is specified in decree of application of this Code

(2) The occupation of the land and the declaration as public utility required for pipelines and facilities shall be carried out under the terms and conditions prescribed in Part VIII of this Code

SECTION 47 : (1) The Transportation rights referred to in Section 45 above and the Domestic Transportation Authorisation may be transferred to third parties, individually or jointly, by Holder and under the conditions laid down by applicable regulations and by the Petroleum Contract, subject to the prior approval of the Minister in charge of Hydrocarbons.

(2) For the construction and use of the relevant pipelines and other facilities, beneficiaries of the above-mentioned transfers shall fulfill the conditions laid down by this Code and its texts of application as well as the special conditions specified in the Petroleum Contract.

SECTION 48 : (1) Several Holders may jointly carry out the Transportation of products extracted from their Exploitations.

They may also join with qualified third parties and the State, either directly or through the intermediary of a duly mandated government body or unit for the construction and use of pipelines and facilities.

(2) All protocols, agreements or contracts entered into between the relevant parties shall be subject to the prior approval of the Minister in charge of Hydrocarbons.

SECTION 49 : (1) The layout and specifications of the pipelines and other facilities shall be drawn up in a way as to ensure the gathering, Transportation and removal of the products extracted from the Hydrocarbons deposits are carried out under the best technical, economical and environmental conditions.

(2) To this end, in the case of more than one Hydrocarbons discovery in the same geographical area, the Holders of the beneficiaries of the transfer referred to in Section 47 above, may join for the purpose of joint construction or use of pipelines and facilities for the removal of all or part of the production from these discoveries

SECTION 50 : Except in the case of force majeure, the Domestic Transportation Authorisation shall lapse if the Holder or the beneficiary of the transfers referred to in Section 47 of this Code has not commenced or caused to be commenced the projected work within one (1) year following approval of the project work.

SECTION 51 : (1) The Holder of a Domestic Transportation Authorisation shall give priority to the transportation of the products of the Exploitation for which such Authorisation is granted.

(2) However and without prejudice to the preferential treatment granted to the Hydrocarbons referred to in the above paragraph, the Holder may be required by regulation, within the limits of and for as long as it has excess capacity, to allocate any unused Transportation capacity to the carrying of products originating from Exploitations other than the one for which the Authorisation is granted.

Where the Holder is required to allocate transportation capacity to a business other than his, the latter shall, as a set off be obligated to pay for its use.

(3) Such products shall not be subjected to discriminatory treatment in Transportation tariffs under comparable quality, consistency and output conditions.

(4) Any objections to the application of the provisions above shall, in default of an amicable settlement, be resolved by an international expert determination in accordance with the provisions of the decree of application of this Code on the settlement of disputes of a technical nature.

(5) The terms and conditions for the determination of Transportation tariffs are defined in the texts of application of this Code and in the Petroleum Contracts.

SECTION 52 : This Part does not apply to pipelines and facilities built within the area covered by the Exploitation Authorisation for the needs of such area.

PART IV

RELATIONSHIPS WITH LAND OWNERS

CHAPTER I

OCCUPATION OF LAND ALLOCATED FOR PETROLEUM OPERATIONS

SECTION 53 : For the grant of the right to use the land referred to in Section 4 above, the Holder of an Authorisation or a Petroleum Contract shall submit to the competent administrative authorities a land enquiry file, the contents of which is detailed – by decree

The objectives of such land inquiry are

- a) to identify the status of the land covered by the Authorisation or the Petroleum Contract ,
- b) to make a listing of the holders of land and property rights ,
- c) to inform the persons referred to in paragraph b) above of the terms for compensation on loss of their rights ,
- d) to sensitize the populations on the Petroleum Operations

SECTION 54 : (1) From the findings of the land inquiry, The Holder of an Authorisation or a Petroleum Contract shall submit to the competent authorities the required applications for a certificated land occupancy, in accordance with the legislation in force relating to land tenure and state lands as well as the decree of application of this Code.

(2) Authorisations for land occupancy shall be granted to the applicant where necessary to carry out Petroleum Operations and where the applicant has fulfilled the conditions laid down by the legislation and regulations in force. In other cases, Authorisations for land occupancy may be denied.

(3) When an application relates to national land, private or public State land, Authorisations for land occupancy shall be granted by decree in accordance with the legislation in force relating to land tenure and State lands.

(4) When the occupancy relates to private land (natural persons or legal entities), the Minister in charge of Hydrocarbons may request the Minister in charge of national lands for an expropriation in view of acquiring the said land to be placed at the disposal of the Holder in accordance with the procedures spelt out above.

SECTION 55 : (1) The Minister in charge of Hydrocarbons may request the Minister in charge of lands depending on the legal status of the relevant lands, classification as public land, incorporation into the private land of the State, or expropriation as public utility as follows :

- a) either to be occupied for purposes of construction, use and maintenance of the Hydrocarbons Transportation system ; or
- b) to delimit the land to be covered by the protected areas previously specified by the Minister in charge of Hydrocarbons indicating the areas within which Petroleum Operations shall be subject to certain conditions or prohibitions without giving rise to a claim for compensation in favor of the Holder of an Authorisation or a Petroleum Contract. The purpose of creating protected areas is to preserve buildings, customs, human settlements, springs, access roads, works of art and works of public utility or considered necessary for public interest.

(2) The cost of vacating and making available the land referred to in Section 54 above and in this Section (1), shall be borne by the Holder who acquires the use of the land.

SECTION 56 : The decree referred to in Section 54 (3) above may also authorise the holder of an Authorisation or a Petroleum Contract

- to cut trees whenever necessary within the area of land use for its Petroleum Operations, against payment of duties, taxes and rental fees due under the legislation in force, to use water falls and springs which are neither exploited nor reserved, for the purposes of its Petroleum Operations ;
- to carry out the work necessary for its Petroleum Operations within and outside of the area covered by its Authorisation or the Petroleum Contract, and the related works referred to in Section 57 herein below.

SECTION 57 : The following activities and work listed herein below shall be considered an integral part of Petroleum Operations :

- the building and the use of generators, stations and electrical lines ;
- telecommunications systems ;
- first-aid facilities ;
- the storage and warehousing of materials, equipment, products and waste, as well as facilities intended for ballasting and for the elimination of pollution ;
- constructions intended for accommodation, entertainment, hygiene, care and training of personnel ;
- the construction or improvement of means of access, in particular roads, bridges, railroads, drains, canals, river or maritime ports, and landing fields ;
- the setting up of reference and boundary marks for the area of land use.

SECTION 58 : The projects facilities referred to in Sections 56 and 57 above may, if applicable, be declared to be for public utility within the conditions provided for by the law and regulations in force, and the holder of an Authorisation or a Petroleum Contract shall not be discharged of special or supplementary obligations which may be imposed upon him.

SECTION 59 : The holder of an Authorisation or Petroleum Contract shall bear the expenses, compensation and generally all costs resulting from the application of Sections 53 to 58 above.

SECTION 60 : (1) Telecommunications facilities, electrical lines, water conveyances, medical, educational, sports or recreational infrastructures constructed by the Holder of an Authorisation or Petroleum Contract may, provided it does not impede use of the facility and upon payment of compensation be utilised when needed by neighbouring institutions who have requested it. They may be opened to the public at large

General conditions for use and the amount of the compensation shall be determined by the Minister in charge of Hydrocarbons with the concurrence of the Holder.

The compensation shall cover among other things the costs of the capital invested, as equity or from borrowed funds.

(2) Where the Holder shall open the infrastructure referred to above to use by third parties the latter shall in counterpart be required to pay for their use.

SECTION 61 : The holder of an Authorisation or a Petroleum Contract shall repair any damages caused by its Petroleum Operations to the land used ; it shall be liable in such case to pay a compensation amount commensurate to the damage caused, to be determined by mutual agreement between the parties concerned or, in default by the competent court.

Claims for compensation shall be filed not later than one (1) year from the date the events causing the damages cease to exist.

SECTION 62 : (1) Without prejudice to any applicable sanctions from a criminal liability standpoint, the holder of an Authorisation or a Petroleum Contract who causes any physical or material damage to activities or facilities located within or outside of the contract area shall, without the need to show fault, be liable in tort for any damage, including damage to the environment, when such damage is related directly or indirectly, to the carrying out of Petroleum Operations, and whether such damage is caused by the actions of the holder or its subcontractors. In the absence of reparation, the compensation must correspond to the value of the damage caused.

(2) When it is not a Holder, the State shall incur no direct or indirect liability vis-à-vis third parties for any damages resulting from the performing of the Petroleum Operations by the Holder.

(3) For the implementation of the provision of this section the terms and conditions for guaranties and insurance policies which the Holder has the obligation to obtain for the benefit of the State third parties, the public and the environment shall be spelt out on the Petroleum Contract.

CHAPTER II

OCCUPATION OF LAND ALLOCATED FOR THE TRANSPORTATION OF HYDROCARBONS

SECTION 63 : (1) From the findings of the land inquiry referred to in Section 53 above, the State may decide to set aside land to be part of the land parcels use area for purposes of construction, use and maintenance of the Hydrocarbons Transportation system

For these reasons and in accordance with the provisions of the legislation relating to land tenure and state lands, the State may incorporate such land parcels into its private or public property, or allow an expropriation procedure for public use.

(2) The Holder of the Domestic Transportation Authorisation shall be given notice of the actions taken by the State and shall take into account the areas so set aside while continuing to carry on its Petroleum Operations.

SECTION 64 : (1) The decree granting the land use shall temporarily allocate the relevant area to the construction, use and maintenance of the Hydrocarbons Transportation system, and shall confer upon the Holder of the Domestic Transportation Authorisation the land rights referred to in Section 65 below. This decree will spell out the time-limit within which the holder of the Domestic Transportation Authorisation is required to communicate to the Minister in charge of Hydrocarbons the coordinates of the land areas constituting the area expropriated for the Hydrocarbons Transportation system.

(2) In order to create the expropriated area for the Hydrocarbons Transportation system, the decree shall be amended to preserve the lands for the use and maintenance of the Hydrocarbons Transportation system, in accordance with the legislation relating to land tenure and state lands.

The amended decree shall limit the rights of the holder of the Domestic Transportation Authorisation in the portion of the land area not included in the land expropriated for the Hydrocarbons Transportation system, and shall encumber it with easements of use for the benefit of maintenance work involving excavation.

(3) The lands constituting the area of land use are and shall remain the private property of the State. They shall in no event be disposed of during the term of the Petroleum Contract, nor become the property of the holder of the Domestic Transportation Authorisation.

However, when the pipelines and other facilities referred to in Section 46 above, hinder the normal use of the lands, and when the owner so requests, the State shall, at the expense of the Holder, expropriate the relevant lands and grant the necessary leases to the said Holder, in accordance with legislation relating to land tenure and state lands.

(4) Upon completion of the construction work for the Hydrocarbons Transportation system, the lands situated within the area of land use may be allocated to other usages, subject to the protected areas referred to in Section 55 (1) b) above, provided however that such use shall not impede nor create an obstacle to the proper functioning and maintenance of the Hydrocarbons Transportation system.

SECTION 65 : (1) The decree referred to in subsection (2) of Section 64 above shall confer upon the holder of the Domestic Transportation Authorisation

- a) The right to occupy the lands ;
- b) The right to use the lands in compliance with the purpose and intent of the Domestic Transportation Authorisation ;
- c) The right of free access to the facilities of the Hydrocarbons Transportation system ;
- d) The right to use such facilities.

(2) Pipelines and connected facilities of the Hydrocarbons Transportation system are and shall remain the property of the holder of the Domestic Transportation Authorisation.

SECTION 66 : (1) The expenses and payments of compensation to establish easements, integration, allocation and freeing up of lands intended for the construction, use and maintenance of the Hydrocarbons Transportation system, are determined in accordance with the procedure relating to expropriation for public utility.

(2) The amount of compensation due by reason of use of the easements referred to above shall be commensurate to the value of destruction of improvements created by third parties, pursuant to the provisions of Section 66 below.

SECTION 67 : Owners of private lands or their beneficiaries, users of public property, lessees of public services or occupants of national lands, shall not be authorised to undertake any actions or work likely to damage the construction, use or maintenance of the Hydrocarbons Transportation system carried out pursuant to the provisions of this Code.

SECTION 68 : (1) The Holder of the Domestic Transportation Authorisation may be authorised, where its application is deemed well-founded and upon payment of prior and fair compensation, to temporarily occupy private lands outside of the area of land use which are necessary for the construction, use or maintenance of the Hydrocarbons Transportation system.

(2) The temporary occupancy authorisation establishes the valid grounds of the application, specifies the necessary lands and authorizes the temporary occupancy therein, pursuant to applicable legislation relating to land tenure and state lands.

SECTION 69 : (1) The Holder of the Domestic Transportation Authorisation may, upon payment of prior and fair compensation to the owner of lands situated out of the area of land use, and for purposes of construction, use and maintenance of the Hydrocarbons Transportation system and related industries, dispose of substances for which concessions may not be granted and which shall be extracted in the course of the work

(2) Owners of private lands shall retain, without compensation, the right to dispose of substances for which concessions may not be granted and which are not used by the holder of the Domestic Transportation Authorisation.

SECTION 70 : Where the Hydrocarbons Transportation system permanently prevents the use of lands situated out of the area of land use, the owner of the private lands may compel an expropriation.

SECTION 71 : (1) The holder of the Domestic Transportation Authorisation may, outside of the area of land use, temporarily occupy the national lands, the public or the private property of the State or local authorities, in accordance with the legislation relating to land tenure and state lands.

This occupancy is authorised by order of the Minister in charge of lands, after a certified decision from local authorities or public service bodies which may be involved, concerning their respective private properties or parts of public property they are respectively responsible for.

(2) The occupancy authorisation does not however confer upon the holder of the Domestic Transportation Authorisation ownership of the surface rights of the lands concerned.

SECTION 72 : Where public property is used, except as otherwise provided by law, no legal action may be brought against the State, public or local authorities by the holder of the Domestic Transportation Authorisation :

- by reason of damages that the use of the public property may cause to its facilities ;
- or, by reason of work carried out on public property in the national interest or for public safety.

SECTION 73 : The Holder of the Domestic Transportation Authorisation remains subject to .

- the provisions of the legislation relating to land tenure and state lands with regard to matters concerning the land and work necessary for the construction, use and maintenance of the Hydrocarbons Transportation system ,
- the provisions of the mining legislation relating to quarries necessary for the construction, use and maintenance of the Hydrocarbons Transportation system

PART V
RIGHTS AND OBLIGATIONS RELATED TO
PETROLEUM OPERATIONS

CHAPTER 1 :
CONDUCT OF PETROLEUM OPERATIONS

SECTION 74 : The Holder shall diligently and in accordance with the current standards in the International Petroleum industry, carry out the petroleum operations for which it is responsible.

SECTION 75 : (1) The Holder may under its own responsibility, subcontract to qualified businesses the Petroleum Operations for which it is responsible.

(2) For purposes of and within the limits of the Petroleum Operations assigned to them, the Holder's subcontractors shall comply with the provisions of applicable legislation and regulations in force.

(3) Subcontracts of a value exceeding the floor amount set in the Petroleum Contract, shall be disclosed to the Minister in charge of Hydrocarbons or to any duly mandated government body or unit.

SECTION 76 : The Holder and its subcontractors shall give preference to Cameroonian companies in the award of contracts for construction and the supply of goods and services, when the terms are competitive with regard to quality, price, quantities, delivery, conditions for payment and after-sale service.

SECTION 77 : The Holder and its subcontractors shall employ in priority qualified personnel of Cameroonian nationality for the purposes of their Petroleum Operations.

Therefore and as soon as Petroleum Operations start, the Holder must set up and finance a training programme for Cameroonian personnel of all qualifications, according to the terms and conditions specified in the Petroleum Contract.

SECTION 78 : (1) The Holder and its subcontractors shall ensure compliance with standards of hygiene and safety during Petroleum Operations, in accordance with legislation and regulations in force and the practice in the international petroleum industry

Any serious accident which occurs during the course of Petroleum Operations, shall be promptly reported by the Holder to the competent administrative authorities

(2) The Holder shall comply with any measures it may be instructed to take by the Minister in charge of Hydrocarbons, including the installation, at the Holder's expense, of equipment to prevent or eliminate dangers that its Petroleum Operations may cause on public safety, the safety of its personnel, the environment, public health, or the conservation of protected sites and reserves, springs or public roads, as provided by applicable legislation and regulations.

(3) However, the Holder shall be consulted as to the conditions for the implementation of such work in order to protect the interests of the various parties.

SECTION 79 : (1) In the case of Hydrocarbons commercial production, and when the Minister in charge of Hydrocarbons so requests, the Holder shall allocate in priority the share of production to which it is entitled, to meet the needs of the Cameroonian domestic market.

The conditions of this obligation are laid down by decree.

(2) When the needs of the Cameroon domestic market are satisfied, the Holder shall freely dispose of the share of Hydrocarbons production to which it is entitled.

(3) Entering into a Petroleum Contract shall not under any circumstances confer on the Holder the right to refine or to transform Hydrocarbons and/or to sell products derive therefrom, unless so expressly authorised by the State.

SECTION 80 : Where a Hydrocarbons deposit covers several contractual areas, granted to different Holders, or where they result from separate Petroleum Contracts containing different provisions with regard to entitlement to Hydrocarbons, the Holders shall be required, as the case may be, to enter into a "unitization" agreement to exploit such deposit under the best possible economical and technical conditions.

This agreement, together with the joint Exploitation plan, shall be approved by the Minister in charge of Hydrocarbons or, if applicable, by any duly mandated government body or unit

SECTION 81 : Consistent with the nature and duration of its work, the holder of a Prospection Authorisation shall enjoy the same rights and assume the same obligations as the Holder of a Petroleum Contract for similar operations as provided for under this Part and under Parts X and XI hereafter

CHAPTER II

PROTECTION OF THE ENVIRONMENT

SECTION 82 : The Holder shall carry out the Petroleum Operations in such a manner so as to ensure, under all circumstances, the conservation of natural resources, in particular Hydrocarbons deposits, and due protection of essential features of the environment. For this purpose, the Holder shall take all necessary measures to preserve the safety of persons and property and to protect the environment, the natural surroundings and ecosystems.

SECTION 83 : (1) Where Petroleum Operations are likely, by reason of their size, nature or impact on the natural surroundings, to interfere with the environment, the Holder shall carry out at its own expense an environmental impact assessment.

Such assessment shall allow the evaluation of direct or indirect effects of the Petroleum Operations on the ecological equilibrium of the contract and neighbouring areas, and on the style quality of life of the populations and the effects on the environment in general.

(2) The impact assessment is an integral part of the documentation submitted to public inquiry, where such a procedure is required.

(3) The decree of application of this Code shall set forth the terms and conditions for implementing the provisions of this Section, particularly the list of Petroleum Operations the performance of which is subject to an impact assessment, the contents of said assessment, as well as the conditions under which it shall be made public.

CHAPTER III

TECHNICAL SUPERVISION AND FINANCIAL CONTROL

SECTION 84 : The Petroleum Operations are subject to conditions of supervision, control and safety as provided in this Code and its texts of application.

SECTION 85 : (1) The Minister in charge of Hydrocarbons is responsible for the effective application of the provisions of this Code and its texts of application, as well as the fulfillment by the Holders of Petroleum Contracts of their obligations. The Minister shall take all necessary regulatory measures and shall be responsible, in collaboration with any duly mandated government body or unit, for the technical supervision, the economical and accounting follow up and the financial control of the Petroleum Operations.

(2) The terms and conditions for carrying out the administrative and technical supervision and the economic and accounting follow up, are specified in the decree of application of this Code.

SECTION 86 : Civil servants, public officials and employees of public bodies are prohibited from holding, either on their own or through an intermediary, or under any form whatsoever, any stake the nature of which may jeopardise or constrain their independence, in the Petroleum Companies or Petroleum Operations which are under their control or related to them, directly or indirectly.

CHAPTER IV

RULES GOVERNING SUPERVISION AND REPORTS

SECTION 87 : The Holder shall provide the Minister in charge of Hydrocarbons or any duly mandated public body, with all documents, information, samples and periodic reports derived or resulting from Petroleum Operations, in accordance with the provisions of the decree of application of this Code.

SECTION 88 : Any work undertaken in a manner duly recognized as a breach of the provisions of Part V of this Code and its texts of application likely to cause a prejudice to the interests of the State, shall be discontinued by the Minister in charge of Hydrocarbons. The work shall resume as soon as the causes for its suspension cease to exist.

PART VI

PROVISIONS RELATING TO TAXATION, CUSTOMS

AND RULES GOVERNING FOREIGN EXCHANGE

CHAPTER I

TAXATION

SECTION 89 : Holders of Petroleum Contracts and related businesses they are associated with by virtue of the protocols or agreements referred to in Sections 7 and 17 of this Code, are subject to the payment of duties, taxes and surface rentals referred to herein after, particularly those laid down in the General Tax Code, for the Exploration and Exploitation activities within the Territory of Cameroon, without prejudice to the provisions of this Chapter applicable to Petroleum Operations

SECTION 90 : Applications for grants, renewal, assignment, transfer or surrender of Petroleum Contracts and Authorizations deriving therefrom, are subject to the payment of flat fees, the amounts and conditions for payment of which shall be determined in the annual Finance Law of the Republic of Cameroon in effect on the effective date of the Petroleum Contract. The same principle shall apply to the grant or renewal of the Prospection Authorisation.

SECTION 91 : Holders of Petroleum Contracts and Authorisations deriving therefrom are subject to an annual surface rental fee, the amounts and conditions for payment of which shall be determined in the annual Finance Law of the Republic of Cameroon in effect on the effective date of the Petroleum Contract.

SECTION 92 : (1) Holders of Concession Contracts referred to in Section 14 above shall pay a monthly royalty proportionate to production. The rate of such royalty and the rules governing its basis and collection method, which may be different for liquid or gaseous Hydrocarbons, shall be specified in the Concession Contract.

(2) Royalty shall be paid in kind or in cash pursuant to the terms of the Petroleum Contract.

SECTION 93 : (1) Holders of Petroleum Contracts or businesses referred to in Section 89 above are subject, within the conditions set out in this Chapter, to company tax on the basis of the net profits obtained from all of their Exploration and Exploitation activities within the Territory of Cameroon, whether operating on their own or in joint venture with other businesses.

(2) Each Holder of a Petroleum Contract or business, regardless of its nationality, shall keep, during each fiscal year, a separate account for its Petroleum Operations. This procedure shall make it possible to establish an accounting for production and profits, a balance sheet highlighting the profits of such operations and the assets and liabilities which are allocated or directly related thereto

Revenues from Transportation shall be taxed separately in accordance with Section 103 below.

(3) The net taxable income referred to in the first paragraph above consists of the difference between the value of the net assets at the close and at the beginning of the fiscal year, less additional capital contributions, and increased by forfeitures made during such fiscal year by the business entity or its associates. The net assets consist of the excess of the value of assets over the total liability reflected in third-party debts, depreciation and authorised or justified reserves recorded on the account books

(4) The amount of the deficit not amortised off which the Holder or business entity claims to have incurred from Petroleum Operations, may be deducted from taxable income pursuant to the provisions relating to carryovers provided in the General Tax Code.

However, the Petroleum Contract may include a longer carryover period in order to take into account special circumstances which may affect Exploitation costs.

SECTION 94 : The following items shall in particular be recorded as credit to the production and profits account referred to in Section 93 above :

- the value of products commercialised, which shall be in line with the current international market prices set down in accordance with the provisions of Petroleum Contracts applicable to the Holder ;
- where applicable, the value of the proportional share of the production paid in kind to the State as a royalty proportionate to production, with reference to Concession Contracts, in application of the provisions of Section 92 above ;
- where applicable, revenues from storage, processing and Transportation of Hydrocarbons, as well as from the sale of related substances ;
- capital gains from the assignment or transfer of any capital assets ;
- all other revenue or proceeds relating to Petroleum Operations or ancillary to same

SECTION 95 : Net income shall be established after deducting all charges incurred for the requirements of Petroleum Operations, including in particular :

- a) Overheads of any type, personnel and personnel-related expenses, building rentals, costs for the supply of goods and costs of services provided to Holders.

However for the expenses referred to in the above paragraph :

- costs for personnel, supplies of goods and services provided by affiliates to Holders shall not exceed those normally charged under fully competitive conditions between independent buyers and sellers for the supply of goods or for providing similar services. Only the justified amount of the salary paid to the expatriate personnel of the Holder or of any one of its affiliates is deductible, where such personnel is assigned to Petroleum Operations carried out by the Holder within the Territory of Cameroon ,
- a reasonable percentage of administrative expenses of the Holder's registered office abroad which is chargeable to Petroleum Operations on the Territory of Cameroon shall be deductible in accordance with the Petroleum Contract

- b) Depreciation recorded into the Holder's accounting books, within the limits of the rates defined in the Petroleum Contract, including depreciations which should have been deferred during the previous deficit fiscal years. The depreciation shall begin on the date of first use of the assets and continues until they are fully depreciated.
- c) Interest on capital made available to Holder by third parties for Petroleum Operations of field development and Hydrocarbons Transportation, to the extent that they do not exceed the usual and customary rates on international financial markets for loans of a similar type.

Also covered by the foregoing provision is the interest paid to associates or affiliates on amounts they advance to the Holder over and above their share of capital, where such sums are earmarked as covering a reasonable share of development expenses for Hydrocarbons deposits and for Transportation of their production within the Territory of Cameroon, if interest rates do not exceed those mentioned above.

Moreover, where such borrowing from third parties are made abroad, they must first be reported to the Cameroonian Administration.

- d) Loss of property or materials as a result of destruction or damage, property to be given up or junked in the course of a year, unrecoverable debts and compensation paid to third parties for damages.
- e) Where applicable, the total amount of the royalty on production paid to the State, with reference to Concession Contracts, in cash or in kind, in application of the provisions of Section 92 above.
- f) Necessary provisions made for the purpose of addressing losses or expenses which events in progress make probable, notably the provision for Abandonment of the deposits, set aside in compliance with regulations in force and pursuant to the Petroleum Contract.
- g) Without prejudice to contractual stipulations to the contrary, any other losses or charges directly related to Petroleum Operations, except the amount of company tax referred to in Section 93 above

SECTION 96 : (1) The rate of the company tax applicable to revenue obtained from Exploration and Exploitation Operations is specified in the Petroleum Contract. This rate shall be comprised between the general rate set out under the General Tax Code and fifty (50%) percent

(2) The rules governing the taxable amount and mode of payment of the company tax are those which are laid down by the tax legislation in force, without prejudice to the provisions of this Code and the General Tax Code

(3) The Holder of a Petroleum Contract which is carrying out Petroleum Operations on the Territory of Cameroon is authorised to maintain its books and accounting records in U.S. dollars and to record its authorised capital in this currency. Methods for such accounting in U.S. dollars shall be detailed in the Petroleum Contract.

(4) The Petroleum Contract may provide for accounting rules specific to Petroleum Operations, in particular, the methods for collecting company tax.

SECTION 97 : the Petroleum Contract may provide for a bonus referred to as « signature bonus » which its Holder undertakes to pay to the State in order to enter into a Petroleum Contract, as well as for a bonus referred to as « production bonus » which the Holder shall pay to the State in proportion to the quantities of Hydrocarbons produced.

SECTION 98 : The Holder of the Concession Contract referred to in Section 14 above of this Code may be subject to an additional Petroleum levy calculated on the basis of profits made from Petroleum Operations, the terms of which are determined in the applicable Contract.

SECTION 99 : (1) With the exception of the company tax referred to in Section 93 above and, where applicable, the production royalty, the additional petroleum levy and other taxes referred to in sections 90, 91, 92, 97 and 98 above, the Holder of the Petroleum contract shall be exempt from :

- Any tax on profits and dividends paid to Holder's shareholders ;
- Any direct tax applied to returns from its Petroleum Operations to the benefit of the State, local authorities, statutory authorities and any legal entity under public law by reason of its activities referred to in Section 93 above ;
- Any export duties by reason of its activities referred to in Section 93 above.

(2) The supply of goods and services of any nature, including studies, directly related to the performance of Petroleum Operations shall be exempt from all sales taxes, value added taxes or similar taxes.

(3) A list of supplies of goods and services which may benefit from these exemptions shall be established by the Minister in charge of finance after consultation with the Minister in charge of Hydrocarbons. This list shall be updated from time to time to take into account changes in technology, with the consent of the competent government bodies or units.

(4) For Exploration and development Petroleum Operations carried out by the Holder and its sub-contractors, they shall be exempted from payment of the special tax imposed by Law No 79/01 of 29 June 1979 constituting the finance law of the United Republic of Cameroon for the 1979/1980 fiscal year and its subsequent amendments

Such exemption covers assistance, rental of equipment and material and all other services provided to the Holder by its sub-contractors for Petroleum Operations, provided that said sub-contractors :

- Do not have a permanent establishment in Cameroon ;
- Supply goods and services at cost price for the Petroleum Operations of the Holders of Petroleum Contracts.

(5) For every Exploitation Authorization, the Holders shall lose the benefit of the aforementioned exemption at the end of the development phase.

(6) The Holder shall be liable under conditions of general application for fees related to transaction tax, stamp duty, tolls and real estate publicity, as well as for motor vehicle tax, with the exception of registration fees related to loans, sureties and contracts directly related to Petroleum Operations.

SECTION 100 : The Holder shall remain subject to all obligations regarding taxable income and payment related to taxes and duties withheld at the source for the benefit of the Public Treasury, particularly payroll tax, tax on profits, tax on revenues and real-estate taxes, with the exception of any tax or duty on interest paid to non-resident lenders for funds pertaining to development investments.

SECTION 101 : The Holder shall file with the administration all returns and documents required by regulation of general application, even if they relate to transactions exempted from all taxes and duties under this Code.

SECTION 102 : The Holder shall remain subject to taxes and royalties collected as consideration for services rendered, and generally to any other levies other than those of a fiscal nature.

SECTION 103 : The tax regime applicable to transport activities shall be the subject of a special measure

CHAPTER II

CUSTOMS

SECTION 104 : Without prejudice to the special provisions in Sections 105 to 109 below applicable to Petroleum Operations, Holders of Petroleum Contracts and their subcontractors are subject to the provisions of the Customs Code

SECTION 105 : (1) Holders of Petroleum Contracts and their subcontractors may import into the Republic of Cameroon, subject to the provisions of Section 76 of this Code, materials, supplies, machinery and equipment necessary for Petroleum Operations.

(2) The following shall be admitted free of all taxes and duties on import, including any turnover tax and tax on computer services : products and materials necessary for Petroleum Operations :

- a) involving Prospection and Exploration listed in Law 2/92 -UDEAC- 556- CD-SE1 of 30 April 1992 and its subsequent amendments, particularly Law 2/98- UDEAC-1508-CD-61 of 21 July 1998 ; or
- b) carried out in Special Petroleum Operations Zones, particularly for the exploitation of natural gas.

SECTION 106 : (1) Goods and materials directly used for Petroleum Operations other than those referred to in Section 105 above shall benefit from a preferential customs regime set at five (5%) percent during the first five (5) years which follow the grant of an Exploitation Authorisation or its renewal.

This preferential customs regime which covers spare parts and Sections intended for machines and equipment necessary for Petroleum Operations, also applies during the two (2) years duration of a Provisional Exploitation Authorisation.

Beyond this period, importations of products and materials required for Petroleum Operations are subject to the customs regime of general application.

For the implementation of this provision, a list of goods, materials, machines and equipment which may receive the benefits of such regime shall be established by order of the Minister in charge of finance after consultation with the Minister in charge of Hydrocarbons. This list shall be updated from time to time to take into account technical change.

(2) The other categories of products and materials which are not directly related to Petroleum Operations are subject to the custom taxes and fees prescribed by the common external tariff.

SECTION 107 : Imports and exports are subject to all formalities required by the Customs Administration Nevertheless the Minister in Charge of Finance may, after due consultation with the persons concerned take special steps to speed up the custom clearance procedure

SECTION 108 : (1) Except as otherwise provided in this Section Holders of Petroleum Contracts are subject to the computer services tax for their importations at the rate of zero point five percent (0.5%)

(2) Sub-contractors shall be entitled to the benefit of the advantages listed in Sections 105 to 108 above, provided the Holder will have certified their importations.

SECTION 109 : Holders may export the share of Hydrocarbons to which they are entitled pursuant to their Petroleum Contracts, free of all export taxes and duties.

CHAPTER III

RULES GOVERNING FOREIGN EXCHANGE

SECTION 110 : (1) Holders of Petroleum Contracts shall be subject to the rules governing foreign exchange applicable in the Republic of Cameroon, without prejudice to the provisions of this Chapter applicable to Petroleum Operations.

(2) During the validity of their Petroleum Contracts and provided they comply with their obligations particularly with regard to the rules governing foreign exchange and taxation, Holders shall be guaranteed :

- the right to open and operate accounts in national and foreign currency, both in the Republic of Cameroon and abroad ;
- the right to freely deposit, retain, acquire or borrow funds abroad, including proceeds of sale of their proportional share of production, and to freely dispose thereof, to the extent of the amounts exceeding their tax obligations and local needs for Petroleum Operations on the Territory of Cameroon ;
- the right to transfer and freely retain abroad, the proceeds from sales of Hydrocarbons, dividends and proceeds of any type from invested capital as well as the proceeds from the liquidation or disposal of their assets ;
- the right to pay directly abroad non-resident suppliers for goods and services necessary for Petroleum Operations.

(3) Expatriate personnel employed by the Holder residing in the Republic of Cameroon shall be guaranteed the freedom of exchange and free transfer to their country of origin of all or part of the amounts to which they shall be entitled, subject to the payment of taxes and other charges for which they may be liable under applicable regulations

(4) The Petroleum Contract shall stipulate that subcontractors of the Holder of the Petroleum Contract who are of a foreign nationality and their expatriate employees, shall benefit from the same rights

(5) The Holder of the Petroleum Contract shall periodically furnish to the government any information related to the movement of funds between the Republic of Cameroon and a foreign country to deposits and forfeitures from accounts opened abroad, all in relation with Petroleum Operations which the government considers necessary in order to keep up to date the national accounts with regard to the export, import and retention of foreign convertible currencies.

SECTION 111 : The Minister in charge of Hydrocarbons and any duly mandated government body, shall have the right to audit the books and accounting records of the Holder in accordance with the terms and conditions specified in the Petroleum Contract.

SECTION 112 : Conditions for implementation of this Part shall be laid down by decree as necessary.

PART VII

STABILISATION, SETTLEMENT OF DISPUTES AND FORFEITURE OF AUTHORIZATIONS

SECTION 113 : The Holders of Petroleum Contracts and Authorisations are subject to the laws and regulations of the Republic of Cameroon.

SECTION 114 : The Petroleum Contract may provide for special regimes with regard to force majeure and the stabilization of economic and tax conditions, in particular if the conditions of the performance of said Contract are aggravated by the introduction in the Republic of Cameroon of laws or regulations after its effective date.

SECTION 115 : (1) Violations of the provisions of this Code and its texts of application are subject to the jurisdiction of the Cameroonian courts.

(2) Without prejudice to regulatory provisions in effect related to the settlement of disputes of a technical nature, the Petroleum Contract may include a clause providing for a conciliation and arbitration procedure for settling any dispute relating to the interpretation or application of said Contract, which may arise between the State and the Holder.

SECTION 116 : (1) In the event the holder of an Authorisation or a Petroleum Contract commits any serious breaches of the provisions of this Code or its texts of application, the Authorisation or the Petroleum Contract, or becomes bankrupt, is subject to a court supervised settlement of its debts or to a liquidation of its assets, the Minister in charge of Hydrocarbons shall send to such holder formal notice to remedy, within prescribed time limits, such established breaches

(2) If the formal notice is not acted upon within the allotted time, the Minister in charge of Hydrocarbons shall issue an order forfeiting the relevant Authorisation and/or cancelling the relevant Petroleum Contract.

SECTION 117 : The forfeiture of the Authorisation or the cancellation of the Petroleum Contract does not discharge the holder from its obligations, either contractual or otherwise vis-à-vis third parties, which remain to be fulfilled under its Authorisation or Petroleum Contract in relation to the Petroleum Operations.

PART VIII

MISCELLANEOUS, TRANSITIONAL AND FINAL PROVISIONS

SECTION 118 : (1) This law shall apply to Petroleum Contracts which are entered into as from the date of its promulgation.

(2) The petroleum association contracts and convention of establishment entered into between The State and Petroleum Companies before the date of promulgation of this Code, as well as mining titles and related authorisations, remain valid for the term for which they are entered into or granted. The holders retain their right to receive the benefit of grant or renewal of exploration or exploitation authorisations under the provisions of said contracts and conventions.

(3) The Holders of petroleum association contracts and convention of establishment in force on the date of the promulgation of this Code shall remain subject to the stipulations contained therein as they may be amended subsequently by the parties during the term of their validity.

(4) Should any Holder referred to herein above rely upon a clause of its convention of establishment to request for the application of a particular provision of this Code for the purpose of improving the economic balance of the agreements which bind it to the State, such holder shall be required to accept the renegotiation of such agreements in accordance with the provisions of this Code and its texts of application.

SECTION 119 : Any public establishment or body, and its subcontractors, duly mandated to carry out Petroleum Operations in the name of the State or in its own name shall enjoy the same rights and have the same obligations as the Holder and its sub-contractors, in particular with respect to the fiscal and customs provisions as well as the exchange schedule provided for under this Code and its subsequent implementing instruments

SECTION 120 : (1) The provisions of Law No. 78/24 of 29 December 1978 relating to the basis of assessment the rate and the method of collection of fix duties and land loyalties concerning solely hydrocarbons within the meaning of this Code shall remain in force unto the inclusion of the said provisions in the Finance Law as provided for under Section 90 and 91 above.

(2) For autorisation granted between the date of enactment of this Code and that of Finance Law referred to under Articles 90 and 91 above, as well as for petroleum contracts signed between this two days, the basis of assessment, the rate and the method of collection of fixed duties and land royalties shall be those provided for under Law No. 78/24 of 29 December 1978 to determine the basis of assessment, the rate and the method of collection of fixed duties, royalties and mining taxes.

(3) For the application of the provisions of subsection (2) above, the basis of assessment, the rate and the method of collection of fixed duties and land royalties shall be :

- those fixed for exploration permits, in the case of exclusive exploration authorisations;
- those fixed for concessions, in the case of exclusive exploration autorisations.

SECTION 121 : The provisions of Ordinance n° 90-007 of 8 November 1990 to institute the Investment Code of Cameroon or of any subsequent text which may supersede it, shall not apply to Holders of Petroleum Contracts or to Petroleum Operations carried out under this Code.

SECTION 122 : All provisions prior to and repugnant to this legislation are hereby repealed :

- Law No. 64-LF-3 of 6 April 1964 to establish the Mining Code as amended by Law No. 78/14 of 29 December 1978 and of its implementing Decree No. 64-DF-163 of 26 May 1964, only with respect to Hydrocarbons within the meaning of this Code ;
- Law No. 64-LF-4 of 6 April 1964 determining the tax basis, rates and means of recovery of flat taxes, royalties and mining taxes, as supplemented and amended by Law No 68-LF-13 of 18 November 1968, only with respect to Hydrocarbons within the meaning of this Code ,
- Law No. 82-20 of 26 November 1982 setting special obligations for petroleum companies, as supplemented and amended by Law n° 89-15 of 28 July 1989 ;
- Law No. 89/006 of 28 July 1989 authorising the President of the Republic to modify through ordinance certain legal provisions which apply to exploration and production activities of Petroleum Companies as well as certain provisions for establishment conventions entered into between the Republic of Cameroon and certain Petroleum Companies ,

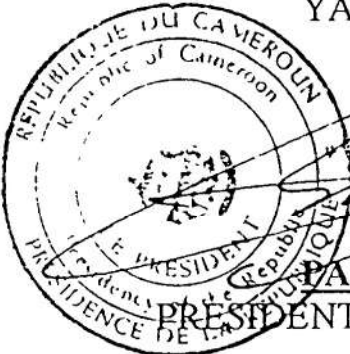
- Law No. 90/018 of 10 August 1990 authorising the Government to enter into establishment conventions with Petroleum Companies which are beneficiarie of mining exploration titles covering sedimentary basins other than Rio del Rey ;
- Law No.91/018 of 12 December 1991 pertaining to special incentive measures for the purpose of promoting activities of exploration and production of hydrocarbons in the Douala Basin ;
- Law No. 95/13 of August 1995 to lay down special measures for the promotion of activities related of the production of liquid hydrocarbons in marginal fields in the mining property of the State ;
- Law No. 98/003 of the 14 April 1998 to lay down special measures relating to the exploration of hydrocarbons in the mining property of the State.

SECTION 123 : The conditions for engaging in refining, storage and distribution activities of petroleum products shall be laid down by regulations.

SECTION 124 : The modalities for the implementation of this Code shall be laid down by regulation.

SECTION 125 : This law shall be registred, published according to the procedure of urgency and inserted in the Official Gazette in English and French.

YAOUNDE, 22 DEC 1999



Paul Biya
PAUL BIYA
 PRESIDENT OF THE REPUBLIC