

**Royal Decree
No. 8/2011
issuing the Oil and Gas Law**

We, Qaboos Bin Said, Sultan of Oman,

After perusal of the Basic Law promulgated by Royal Decree No. (101/96),

And the Law of Petroleum and Minerals issued by Royal Decree No. (42/74),

And the Omani Penal Law promulgated by Royal Decree No. (7 / 74),

And the Law of Expropriation for public Interest issued by Royal Decree No. (6 / 78),

And the Law on the Protection of National Heritage issued by Royal Decree No. (6 / 80),

And Royal Decree No. (15/81) on the Territorial Sea, Continental Shelf and Exclusive Economic Zone,

And the Royal Decree No. (2 / 99) on Determining the Right of Way of Oil and Gas Pipelines,

And the Law on Protection of Water Resources issued by Royal Decree No. (29/2000),

And the law of Environmental Protection and Pollution Control issued by Royal Decree (114/2001),

And the Law on Protection of drinking Water Sources from Pollution issued by Royal Decree No. (115/2001),

And the Law on Nature Reserves and Wildlife Conservation issued by Royal Decree No. (6 / 2003),

And the Labour Law promulgated by Royal Decree No. (35/2003)

And in accordance with the public interest,

Have Decreed as Follows -

Article (1)

The provisions of the attached Oil and Gas Law shall be applied.

Article (2)

The Oil and Gas Minister shall issue the bylaws and decisions required to implement the attached law in coordination with the respective authorities. Till they are issued, the existing bylaws and decision will remain in force as long as they don't contradict with the provisions of this Royal Decree or the attached law.

Article (3)

The Oil and Minerals Law promulgated by the said Royal Decree No. 42/74 and the Royal Decree No. 2/99 shall be cancelled. The decree also cancels all that may contravene with this Royal Decree or the attached Law or contradict with their provisions.

Article (4)

The decree shall be published in the Official Gazette and shall come into force from the next day of its publishing.

Issued on:

19 Safar 1432
24 January 2011

Qaboos bin Said
Sultan Oman

Oil and Gas Law

Chapter One Definitions and General Provisions

Article (1)

The following words and expressions shall have the meaning specified for it, unless otherwise specified.

Government:

Government of Sultanate Oman

Ministry:

Ministry of oil and Gas

Minister:

Minister of Oil and Gas

Concession agreement:

Contract entered into by the government or its representative with third parties with a view to conduct survey, exploration, development and exploitation of petroleum substances, or any of these activities independently.

Concessionaire:

Party, which signs with the government or its representative the concession agreement

Concession area:

Area which its coordinates and location are specified in the map attached to the concession agreement.

Crude oil:

Liquid hydrocarbon, whether in its natural state or acquired by condensation or separation of natural gas.

Natural Gas:

Hydrocarbons in the gaseous condition, whether it is obtained from the oil well or gas well including the remaining gas from the process of separating crude oil

Petroleum Substances:

Crude oil and natural gas

Survey:

Geological, geochemical, geophysical and aerial surveys, which are carried out in order to determine a perception of the oil nature of regions under survey.

Prospecting:

All, exploration and evaluation operations required to ensure the presence of petroleum substances that can be exploited in commercial quantities

Discovery:

The finding of petroleum substances.

Commercial Discovery:

Finding petroleum products in commercial quantities and qualities

Development:

The work done within the concession area, which precedes the commercial production and include all geological, geophysical, geochemical, drilling of developmental wells activities, and all basic tools for the extraction of petroleum substances.

Exploitation:

Extraction of petroleum substances, including any activities needed directly or indirectly for this purpose.

Operations:

Works stipulated in the concession agreement.

Well:

Hole in the ground - whether onshore or offshore - created by means of drilling or boring to a depth in which petroleum substances can be explored, or exploited.

Article (2)

Without prejudice to the provisions of the existing concession agreements, the provisions of this law shall apply to all petroleum substances, which are located on the territory of the Sultanate of Oman, or its subsurface or in its internal waters or territorial sea or its exclusive economic zone or continental shelf

Article (3)

The property, and ownership of petroleum substances in their natural state, wherever it is in the Sultanate, may not be transferred or owned by prescription before it is extracted.

Article (4)

It shall be prohibited for any natural or legal person to import, export, transport, store, distribute, manufacture or market petroleum substances or carry out other operations without a license from the Ministry in accordance with the terms, conditions and fees established

by a decision from the Minister, after coordination with the Financial Affairs and Energy Resources Council.

Article (5)

Universities, colleges, institutes and national research centers after obtaining a written approval from the Ministry may carry out scientific research related to the petroleum activities provided that the result of which shall be communicated to the Ministry and this research may not be used in any manner or publish it on full or its summary or its results without a written approval from the Ministry.

Article (6)

The Minister of Justice in agreement with the Minister of Oil and Gas shall issue a decision to give the status of Judicial officers to staff entrusted to monitor the acts that violate the provisions of this law, and implementing regulations and decisions thereof.

Chapter Two - Concession Agreement

Article (7)

It shall be prohibited for any natural or legal person to carry out survey, exploration, discovery, development or exploitation of petroleum substances without a concession agreement.

Article (8)

It shall be permissible to conclude a concession agreement with an independent third party on any of the operations referred to in Article (7) of this law.

Article (9)

The concession agreement shall be for a specific period and shall be valid only after it has been endorsed by a Royal Decree.

Article (10)

It shall be forbidden to grant the concession to any person unless he is technically and financially qualified in accordance with standards established by the Ministry to implement the required commitments.

Article (11)

The Ministry shall coordinate with the Ministry of the Interior, before concluding any concession agreement in the border areas of the Sultanate if the area to be granted is at a distance not less than six kilometers from the boundary line.

Article (12)

The Ministry may request the third party before entering into a concession agreement, to provide financial guarantee not less than 2% of the value of the agreement and not more than 5% and shall be valid for the duration of the agreement, so as to ensure the implementation of its obligations under the agreement. In the case of breach of these obligations the guarantee shall be confiscated .

Article (13)

Without prejudice to the provisions of this law, the concession agreement shall include, in particular the following:

- 1) Boundaries the concession area.
- 2) The rights and obligations of both parties.
- 3) Commercial discovery.
- 4) Operations management
- 5) The safe production rate in the concession area
- 6) Special procedures by which the Ministry supervise and control to ensure implementation of the agreement.
- 7) Rules by which the concessionaire shall retrieve his capital and profits.
- 8) Duration of the agreement.
- 9) Rules of waiver and abandonment of the concession area
- 10) Requirements for the protection of the environment and protection of security and safety.
- 11) Omanisation and training
- 12) The settlement of disputes.

Article (14)

The concession agreement shall not grant the concessionaire any possession in the concession area.

Article (15)

It shall be forbidden to the concessionaire to do any of the following acts without the written approval of the Ministry, which shall coordinate with the concerned authorities when necessary.

1. Selling of materials, equipment and devices that are used in the implementation of the concession agreement.
2. Import of materials, equipment and devices that are necessary for the implementation of the concession agreement which the laws of the Sultanate prevents its importation.
3. Transportation, storage, use, handling of hazardous materials.
4. Sub-contract with any natural or legal person to carry out any of the provisions of the concession agreement

The Minister shall issue a decision on procedures and controls for applications and its approval.

Article (16)

The concessionaire at his own expense shall restore the concession area - after the end of the concession agreement for any reason - to its natural state by the date determined by the ministry on case by case basis, by removing any building, plant, machinery, equipment, tool, residues, other materials or any other type of property. Any facility that is seen by the Ministry it shall not to be remove it shall be exempted from that.

In case the concessionaire violate his commitment to remove the property the Ministry may do so at his own expense and shall held him responsible for all costs and expenses that result from the removal plus 10% of its value.

Article (17)

The concessionaire shall insure against risks of all kinds in respect of movable and immovable assets used in the operations, he shall also be committed to insure the civil liability arising from damage to persons or property or public safety or the environment as a result of work or because of it.

Article (18)

The concessionaire and his subcontractor shall be committed to the provisions of the concession agreement and all licenses and approvals issued by the ministry or other government agencies, and the provisions of applicable laws and regulations in the Sultanate.

Article (19)

It shall be prohibited for the concessionaire to waive or abandon his rights or obligations prescribed in the concession agreement without a written approval from the Ministry and a royal decree shall be issued to this effect.

Article (20)

It shall be prohibited for the concessionaire to carry out his operations in a manner that is prejudicial to the rights of others.

Article (21)

The concessionaire shall keep – in the Sultanate- all records and documents relating to operations and in accordance with regulations prescribed by the Ministry.

Article (22)

The concessionaire shall, after the declaration of commercial discovery and prior to exploitation - in the light of the exploitation agreement which is concluded by the Ministry with the concessionaire, develop a comprehensive security plan to achieve security and safety requirements in the concession area and which satisfies the terms and conditions established in accordance with the applicable laws in this regard, and shall coordinate with the Royal Oman Police (ROP) for its approval. The plan shall be renewed every two years.

The provision of the preceding paragraph, shall be applicable to existing concessionaires.

Article (23)

The concessionaire shall enable the relevant staff of the Ministry to take the following actions:

1. An access to all records and documents relating to operations and obtain copies of them
2. Examine petroleum substances that are extracted and take sample of it and test it.
3. Check all facilities and equipment that are used in operations.

Article (24)

The concessionaire shall notify the Ministry in writing when any of the following cases occur:

1. Impediments to progress and measures taken to face it.

2. The occurrence of any incidents that pose a threat to the rights of the concessionaire or others or threaten the environment or public property or cause serious injury to workers.
3. Stop working with justifications.

The concessionaire shall be committed to notify Royal Oman Police if any of the cases mentioned in item (2) of this article occurred.

Article (25)

The concessionaire shall stop any operations in the concession area in case of discovery of any natural resource that is not covered by the concession agreement or any archeological fines, shall notify the Ministry immediately in order to coordinate with the relevant authorities to set a date to take a decision on the subject, it shall be agreed upon between the Ministry, referred authorities and the concessionaire.

Chapter Three – Right of Way

Article (26)

It shall be prohibited for the concessionaire to carry out operations covered by the concession agreement at a distance of less than two hundred meters from cities, villages, roads, mosques, tombs and archeological sites, nature reserves, sites of natural protected areas, dams, springs, wells, restricted areas and any other facilities.

It shall be also prohibited for the concessionaire to perform any operations or the establishment of any facilities at a distance of less than five hundred meters of the lands and installations and camps, of the Ministry of Defense and the Sultan's Armed Forces without authorization from these parties to do so.

Article (27)

The Ministry may - in cases of public interest – define the distance of the Right of Way more than the distance stipulated in Article (26) of this law and shall not be more than three kilometers.

Article (28)

The existing oil and gas pipeline and that will be constructed in the future shall have a Right of Way of 25 meters on each side from the center of the pipeline, and the Ministry in coordination with the

competent authorities determine the Right of Way in urban areas with a distance that shall not be less than that.

Article (29)

Right of Way for oil and gas pipeline project referred to in Article (28) of this law shall be considered Public Utility projects and the Ministry has the right to size directly the land and whatever on it required for the project in accordance with the provisions of the Public Utility Expropriation Law.

Article (30)

With the exception of activities exercised by the oil and gas pipelines operator in the right of way provided for in Article (28) of this law, no other party may carry out any activities or establish any facilities or buildings within the Right of Way, whether above or below the ground. However, the government parties may build roads, bridges, tunnels, walls, channels for water and sewage, falajs, electrical and communications cables above ground or buried, water distribution pipes, and other activities and projects within the Right of Way referred to after obtaining a written approval from the Ministry.

Article (31)

Without prejudice to the criminal responsibility of the violator, any buildings or facilities built within the Right of Way provided for in Articles (26) and (28) of this law shall be removed via administrative way at the expense of the violator and shall be held responsible for all the expenses of removal plus 10% of its value if the offender did not remove the violation and its effects in the time limit set by the Ministry.

Chapter Four – Exploitation

Article (32)

In case a commercial discovery in the concession area is announced, the concessionaire has the preference to get the privilege of exploiting the area.

Article (33)

If a petroleum substance bearing layer in the concession area extend to another concession area or more and it has been technically established that there is a connection between the reservoirs - the concessionaires

shall during the period specified by the Ministry - agree on the best ways and conditions for the exploitation of that layer, after obtaining a written approval from the Ministry.

Article (34)

If the concessionaires did not reach an agreement as referred to in Article (33) of this law, the Ministry shall set rules of exploitation that shall be adhered to.

Article (35)

If it appears that the layer containing petroleum substance covered by a concession agreement extends to an area not covered by a concession agreement, the Ministry may - at the request of the concessionaire - modify the borders of the concession area to include the area that extends to layer or to the border, estimated by the Ministry. This shall be supported by a Royal Decree.

Chapter Five - Controls on Employing and Protecting Manpower

Article (36)

Without prejudice to the provisions of the Labour law referred to, the concessionaire shall abide by employing qualified national workforce and he shall be committed to - in coordination with the Ministry - prepare annual training programmes designed to qualify Omanis for professional and technical positions as well as senior executive positions related to operations and shall gradually replace expatriate labor force. The Ministry shall determine in coordination with the Ministry of Manpower stages, rates, controls, areas of employment, training and obligations of the concessionaire which shall be in line with the needs of the petroleum industry and expertise required.

Article (37)

Without prejudice to the provisions of the Labour law referred to, the concessionaire shall be committed to implement the regulations and take action to protect the workforce in locations where operations take place.

Article (38)

In all cases the labours rights shall be protected, and not compromising their situation in case of waiver or abandonment of the concession area

in accordance with the provisions of the labour law referred to and contracts with the labours.

Chapter Six - Protection of Environment

Article (39)

Without prejudice to the provisions of the laws relating to the protection of the environment in the Sultanate, the concessionaire shall be committed to conduct operations with due diligence and in accordance with the technical standards set forth in the concession agreement and international conventions to which the Sultanate is a party, to ensure the protection of the environment, and shall take all necessary measures to achieve this, including:

1. Treatment of all wastes before disposal to protect the environment and water sources.
2. Do not dispose of gas but if necessary, the appropriate means shall be observed in order to protect the environment.
3. Take all precautions and necessary arrangements when possessing, transporting, transferring or using hazardous materials while conducting the operations, including wastes resulting from operations and flammable materials and liquids, materials under pressure, burning, oxidizing, toxic, irritating, radioactive, corrosive. Insurance coverage shall be covered by insurance for liability for damages that may result from them.
4. The protection of all ground layers containing fresh water and the common layers that contain water.
5. The fresh potable water for drinking or agriculture shall not be used for oil wells injection, except in cases of absolute necessity and the lack of a suitable replacement and after obtaining a permit from the competent authorities.
6. Production water shall not be re-injection in the ground before it is partially treated according to the specifications and standards prescribed in this regard.
7. Filling or closure of dry or used oil wells in accordance with rules established by the Ministry.
8. Take the necessary precautions to prevent the leakage of petroleum substances.
9. Take preventive measures to prevent pollution of all kinds.

10. Take all appropriate immediate actions to reduce the environmental effects of explosions and accidents that may arise in the operation sites and the removal of waste and inform the other competent authorities immediately with the accident and steps taken to control it.
11. Reduce emissions of greenhouse gases in the concession area using the techniques and appropriate means to protect the environment.

Article (40)

The concessionaire shall use materials and equipment that are in conformity with international standard and specifications and shall meet the requirements of safety and environment according to the best methods in this regard.

Chapter Seven Special Provisions for Natural Gas

Article (41):

The concessionaire who has an oil concession agreement shall be committed to protect natural gas and shall be ideally exploited according to the following priorities, after obtaining a written approval from the Ministry:

1. Exploitation in the oil operations.
2. Commercial exploitation.
3. Injection to improve recovery rates.
4. Storage in the ground including producing layers.
5. Other purposes as seen by the Ministry.

Article (42)

It may be permissible that the oil concession agreement stipulates one or more of the following benefits, incentives and additional facilities in order to encourage the exploitation of gas in the concession area, in line with the effort of the concessionaire and the size of his investments, namely:

1. Prolong the period of assessment of gas discoveries in the concession area.

2. Recover the commercial discovery expenses incurred by the concessionaire for a gas discovery in the concession area in the manner determined by the concession agreement if the Ministry deems that the development of this discovery shall be postponed to meet the future requirements of the domestic gas market.
3. Merge small gas discoveries and link them together to be combined a field or commercial fields.
4. Reduce the financial burden on the concessionaire stipulated in this law to commensurate with his efforts and the size of investments aimed at developing natural gas reserves and the development of its production, in accordance with the principles and regulations established by a decision from the Minister, in coordination with the Ministry of Finance.

Article (43)

The concessionaire shall allocate unused natural gas from the concession area, to meet the requirements of the local market as determined by the Ministry.

An agreement may be reached between the Ministry and the concessionaire to reduce the amounts allocated to the local market if there is a large quantities of gas from other sources outside the concession area, with rates and timetable that shall be agreed by both parties.

Chapter Eight – Penalties

Article (44)

Without prejudice to any severer penalty provided for by the Omani Penal Code or any other law, crimes committed in violation of the provisions of this law, shall be punished by the penalties set forth herein.

Article (45)

Any person who violates the provisions of Articles (4.7, 19) of this law shall be punished by imprisonment for not less than one year and not more than three years and a fine of not less than RO (500000) Five hundred thousand riyals and not more than RO (1000,000) one million riyal, with the confiscation of petroleum substances, equipment and devices derived from crime or which is used in the commission of or

preparation for that, in the case the offence is repeated the prison and a fine shall be doubled.

Article (46)

Any person who violates the provisions of articles (15, 23, 24, 25) of this law, shall be punished by imprisonment for not less than six months and not more than two years and a fine of not less than RO (300, 000) three hundred thousand riyals and not more than RO (800, 000) eight hundred thousand riyals, with the confiscation of materials, equipment and devices derived from crime or which is used in the commission of or preparation for that, in the case the offence is repeated the prison and a fine shall be doubled.

Article (47)

Any person who violates the provisions of articles (22, 26,28) of this law, shall be punished by imprisonment for not less than three months and not more than a year and a fine of not less than RO (100,000) one hundred thousand riyals and not more than RO (500,000) five hundred riyals.

Article (48)

Any person who violates the provisions of articles (16,17) of this law shall be punished by imprisonment not less than one month and not more than six months and a fine of not less than RO (100,000) one hundred thousand riyals and not more than RO (300,000) three hundred thousand riyals.

Article (49)

Any person who violates the provisions of articles (20,21) of this law shall be punished by a fine of not less than RO (10,000) ten thousand riyals and not more than RO (20,000) twenty thousand riyals.

Article (50)

The legal person shall be punished criminally with a fine equivalent to twice the maximum value of fine provided for in each of the articles (45, 46, 47, 48, 49) of this law, as the case may be, if he commits an offense set forth in his name or for his account, with consent of or cover up or gross negligence by the President or one member of the board of directors or manager or any other official acting in that capacity, without prejudice to the criminal responsibility of natural persons.

Article (51)

Without prejudice to the penalties contained in this chapter, the Minister shall issue the regulations and decisions determining administrative sanctions on acts that are committed in violation of the provisions of this law.

Article (52)

The Minister or his delegate may reconcile in crimes punishable by articles (45.46, 47, 48.49, 50) of this law if the offender paid half the value of the maximum fine prescribed for the crime and removed the offence at his expense, in any stage the public case may be and prior to the issuance of judgment, the reconciliation shall result in the cancellation of the public case in the crime, without prejudice to the right of the Ministry to implement the approved administrative penalties for the implementation of the provisions of this law.