

## **LAW No. /2005**

### **ON PETROLEUM ACTIVITIES**

#### **Preamble**

Pursuant to international law, Timor-Leste has sovereign rights for the purpose of exploring, exploiting and managing its natural resources, including Petroleum resources. Timor-Leste has title to all Petroleum resources existing in the subsoil of its territory, both onshore and offshore.

The objective of this Law on Petroleum activities (the Law) is to provide as many benefits to Timor-Leste and its people as possible by establishing a regulatory regime that will allow petroleum companies to develop such petroleum resources.

The Law empowers the Ministry to authorise petroleum companies to explore for and exploit Petroleum resources. Other petroleum regimes have been taken into consideration in order to establish a regime that is internationally competitive and helps attract investments in the development of petroleum activities.

The Petroleum resources owned by Timor-Leste are a strategic component of its economy, have a high-potential value and are expected to generate significant revenues for the country. In addition to aiming to maximise Timor-Leste's oil revenues, the Law also envisages assisting in achieving the country's broad development goals. Oil revenues, and the development of this resource, will allow Timor-Leste to more effectively deal with developmental needs and priorities, further strengthen its human resources, consolidate the advancements made thus far, speed up and sustain economic growth, reduce poverty, and improve the well-being of the Timorese people.

Another objective of the Law is to ensure stability and transparency in regulating the development of Petroleum resources. In this respect, the Law is complemented with transparency requirements already being applied in Timor-Leste, or yet to be established, including those relating to the publication of information and the saving of oil revenues.

Thus, pursuant to subsections 95.1 and 139 of the Constitution of the Republic, the National Parliament enacts the following to have the force of law:

#### **CHAPTER I GENERAL PROVISIONS**

##### **Article 1 Shortened title**

This Law may be referred to as the "Law on Petroleum Activities".

## **Article 2**

### **Definitions**

For the purposes of this Law:

“Affiliate” means, in respect of an Authorised Person (or, if more than one Person, in respect of each such Person), a Person that Controls, is Controlled by, or is under common Control with, the Authorised Person or any such Person, as the case may be;

“Calendar Year” means a period of 12 months commencing on January 1 and ending on the following December 31, according to the Gregorian calendar;

“Authorised Area” means the area from time to time the subject of an Authorisation;

“Contract Area” means the Authorised Area under a Petroleum Contract;

“Authorisation” means an Access Authorisation, a Petroleum Contract, a Prospecting Authorisation or a Seepage Use Authorisation or any Contract entered into in respect of such an Authorisation or Contract;

“Access Authorisation” means an Authorisation granted under the terms of article 11;

“Seepage Use Authorisation” means an Authorisation granted pursuant to Article 12;

“Prospecting Authorisation” means an Authorisation granted pursuant to Article 9;

“Wellhead” means the point where Petroleum exits the confines of the Well and associated systems;

“Code” means the Petroleum Mining Code adopted pursuant to Article 7, paragraph (a) of the Treaty, as amended, varied, modified or replaced from time to time, and regulations made and directives issued under it;

“Contractor” means a Person or, in the case of more than one Person, the group of Persons with whom the Ministry has entered into a Petroleum Contract;

“State-Owned Contractor” means the Contractor incorporated under the laws of Timor-Leste, which is controlled, whether directly or indirectly, by Timor-Leste;

“Petroleum Contract” means a contract, licence or any other type of authorisation entered into or granted pursuant to Article 10;

“Control” means, in relation to a Person, the power of another Person to ensure:

- by means of the holding of shares or the possession of voting power, in or in relation to the first Person or any other Person; or

- by virtue of any powers conferred by the articles of association of the first Person or any other Person or of any document that is likely to confer similar powers,

that the affairs of the first Person are conducted or managed in accordance with the directions or decisions of that other Person;

“Decommissioning” means, in respect of the Authorised Area or part thereof, as the case may be, to abandon, decommission, transfer, remove and/or dispose, as junk or waste, of any structures, facilities, installations, equipment and other property, and other works, used in Petroleum Operations in the Authorised Area, to clean up the Authorised Area and make it good and safe, and to protect the environment.;

“Public Officer” means a civil servant or an individual with a similar status, members of Parliament or of Government, judicial magistrates, and public prosecutors;

“Natural Gas” means all gaseous hydrocarbons and inerts , including wet mineral gas, dry mineral gas, casing head gas and residue gas remaining after the extraction of liquid hydrocarbons from wet gas, but not crude oil;

“Government” means the Government of the Democratic Republic of Timor-Leste;

“Inspector” has the same meaning as set out in subarticle 26.1;

“Reservoir” means a porous and permeable underground formation containing an individual and separate naturally occurring accumulation of producible hydrocarbons (in a liquid and/or gaseous state), that is confined by impermeable rock and/or water barriers, and is characterized by a single natural pressure system;

“Law” means the Law on Petroleum Activities of Timor-Leste, as amended, varied, modified or replaced from time to time, and regulations made and directives issued under the said Law;

“Good Oil Field Practice” has the same meaning as set out in subarticle 23.1;

“Ministry” means the ministry or other agency to whom responsibilities and competencies in respect of the application of the present Law are assigned;

“Petroleum Operations” means activities for the purposes of:

- prospecting for Petroleum;
- exploration for, development, exploitation, sale or export of Petroleum; or
- construction, installation or operation of any structures, facilities or installations for the development, exploitation and export of Petroleum, or decommission or removal of any such structures, facilities or installations;

“Operator” means the Authorised Person or other Person named in an Authorisation or unitisation agreement to organise and supervise Petroleum Activities;

“Parliament” means the National Parliament of Timor-Leste;

“Seep” means, in respect of Petroleum, Petroleum which is seeping to the surface, naturally, through natural conduits;

“Person” includes a corporation or any other legal entity, even if it has no legal personality;

“Authorised Person” means:

- in respect of a Petroleum Contract, the Contractor; and
- in respect of any other Authorisation, the Person to whom such other Authorisation has been granted;

“Petroleum” means:

- any naturally occurring hydrocarbon, whether in a gaseous, liquid or solid state;
- any naturally occurring mixture of hydrocarbons, whether in a gaseous, liquid or solid state; or
- any Petroleum, as defined above , which has been returned to a reservoir;

“Crude Oil” means crude mineral oil and all naturally occurring hydrocarbons in a liquid state or obtained from wet gas by condensation or extraction;

“Well” means a perforation in the earth’s surface dug or bored for the purpose of producing Petroleum; and

“Territory of Timor-Leste” consists of the territory of Timor-Leste, including its territorial sea, together with its exclusive economic zone and continental shelf where, under international law, Timor-Leste has sovereign rights for the purposes of exploring for and exploiting its natural resources;

“Timor-Leste” means the Democratic Republic of Timor-Leste; and

“Treaty” means the Timor Sea Treaty between the Government of Timor-Leste and the Government of Australia signed on the 20<sup>th</sup> of May, 2002.

### **Article 3**

#### **Territorial Scope of Application**

1. This Law applies to the Territory of Timor-Leste.

2. Unless otherwise stipulated, this Law does not apply to any area that is subject to a provisional arrangement under the terms of Subarticle 83.3 of the United Nations Convention on the Law of the Sea, done at Montego Bay December 10, 1982.

**Article 4**  
**Material scope of application**

1. This Law applies to Petroleum Activities.
2. The existence of an Authorisation in force in a given area does not prevent authorisation of the exploration and exploitation of mineral substances other than Petroleum, insofar as such other activity does not hinder or interfere with the proper performance of the Petroleum Operations.

**Article 5**  
**Title to Petroleum**

1. Title to, and control over, Petroleum in the Territory of Timor-Leste are vested in Timor-Leste.
2. A Person may acquire title to Petroleum only after it has been lawfully extracted and recovered.

**Article 6**  
**Exercise by the Ministry of its competencies and functions**

1. The Ministry shall exercise its competencies and functions under the present Law, including under Authorisations granted hereunder, in such a manner as:
  - (a) to ensure a balanced and sound resource management;
  - (b) to ensure that Petroleum is exploited and developed in a way that minimises damage to the environment, is economically sustainable, promote further investment and contributes to the long-term development of Timor-Leste;
  - (c) is reasonable; and
  - (d) is consistent with the Good Oil Field Practice.
2. Before exercising any such competency or discharging any such function, the Ministry may give opportunity to the Persons likely to be affected to make representations to it, and shall give consideration to the relevant representations received by it.

**Article 7**  
**Restrictions on rights of public officers**

1. A Public Officer shall not acquire, attempt to acquire or hold:
  - (a) an Authorisation or an interest, whether direct or indirect, in an Authorisation; or
  - (a) a share in a corporation, or an affiliate thereof, that holds an Authorisation.
2. Any instrument that grants or purports to grant, to a Public Officer, an interest, whether direct or indirect, in an Authorisation shall, to the extent of the grant, be void.
3. The acquisition or holding of an Authorisation, interest or share by the spouse or minor children of a Public Officer shall be deemed to be an acquisition or holding by the Public Officer.

### **Article 8 Graticulation**

For the purposes of the present Law, the territory of Timor-Leste, or parts thereof, shall be divided into blocks in conformity with a geographic grid.

## **CHAPTER II- AUTHORISING PETROLEUM ACTIVITIES**

### **Article 9 Prospecting authorisations**

1. The Ministry may grant a prospecting Authorisation, in respect of a specific area, to a Person or group of Persons.
2. (a) a prospecting Authorisation confers the right to undertake geological, geophysical, geochemical and geotechnical surveys in the Authorised Area;
  - (b) the prospecting Authorisation shall require the Authorised Person to report to the Ministry on the progress and results of such prospecting activities, and to maintain confidentiality with respect thereto;
  - (c) Nothing in the prospecting Authorisation authorises the holder to drill a Well or to have any preference or right to enter into a Petroleum Contract.
3. Prior to granting a Prospecting Authorisation in respect of an area that is the subject of an existing Authorisation, the Ministry shall give written notice to the holder of the existing Authorisation.
4. (a) The holder of a prospecting Authorisation may surrender it at any time by written notice to the Ministry, provided that the Authorised Person has fulfilled all its obligations thereunder.

(b) If the holder has failed to meet any of the conditions or to fulfil any of its obligations under the Prospecting Authorisation, the Ministry may revoke or terminate such an Authorisation by written notice to the holder.

## **Article 10**

### **Petroleum contracts**

1. The Ministry may enter into a Petroleum Contract, in respect of a specific area, with a Person or group of Persons, provided that if a group, such group has entered into a joint operating agreement approved by the Ministry under subarticle 18.1

2. In order to be eligible to enter into a Petroleum Contract, a Person must:

(a) have, or have access to, financial capability, and the technical knowledge and technical ability to carry out the Petroleum Operations in the Contract Area;

(b) not have a record of non-compliance with principles of good corporate citizenship; and

(c) be a limited liability corporation or entity with limited liability.

3.(a) Without prejudice to Articles 11 and 12, a Petroleum Contract grants to the Contractor the exclusive right to carry out Petroleum Operations in the Contract Area.

(b) The subject of the Petroleum Contract may be limited to Crude Oil, Natural Gas or other constituents of Petroleum.

4. (a) An Authorised Person shall give written notice to the Ministry within twenty-four (24) hours of any discovery of Petroleum in the Authorised Area.

(b) The Contractor shall provide such information relating to the discovery as may be required by the Ministry.

5. A Petroleum Contract shall oblige the Contractor to carry on Petroleum Operations only in accordance with work programmes, plans and budgets approved by the Ministry.

## **Article 11**

### **Access Authorisations**

1. (a) The Ministry may grant an Access Authorisation, in respect of a specific area, to a Person or a group of Persons.

(b) The Ministry may not grant an Access Authorisation in respect of an area that is the subject of a Petroleum Contract, a Prospecting Authorisation or a Seepage Use Authorisation until it has taken into consideration any submissions made by the holders of such Authorisations in such a way that there is no encroachment upon the rights of that other Authorised Person.

2. (a) An Access Authorisation, while it remains in force, authorises the holder to carry out one or more of the following activities:

(i) construct, install and operate structures, facilities and installations, and

(ii) carry out other works,

As specified in the Authorisation, in respect of the Authorised Area.

(b) Nothing in an Access Authorisation authorises the holder to drill a Well.

3. (a) An Access Authorisation:

(i) may be surrendered by the holder by written notice to the Ministry, provided that the Authorised Person has fulfilled all its obligations thereunder; and

(ii) may be revoked by the Ministry at any time by written notice to the holder, if the holder has not fulfilled a condition or an obligation to which the Authorisation is subject.

(b) The Ministry shall give written notice of the surrender, revocation or termination to any Authorised Person in whose Authorised Area operations were authorised to be carried on by the Access Authorisation concerned.

4. The Ministry may issue a directive to the holders of Access Authorisations and to other Authorised Persons regarding the coordination of their respective Petroleum Operations.

## **Article 12**

### **Seepage use authorisations**

1. (a) The Ministry may grant a Seepage Use Authorisation in respect of a specific area.

(b) The Ministry may grant a Seepage Use Authorisation to a Person who is acting for this purpose on behalf of a class of Persons specified in the Authorisation.

2. (a) A Seepage Use Authorisation grants an exclusive right to exploit a Seep in a specified area.

(b) A Seepage Use Authorisation shall require the Authorised Person to report to the Ministry on the progress and results of such exploitation.

(c) A Seepage Use Authorisation shall specify the maximum depth to which the Authorised Person may drill a Well.

3. (a) Notwithstanding paragraph (a) of subarticle 10.3, a Seepage Use Authorisation may be granted in respect of an area that is already the subject of an Authorisation other than a



Seepage Use Authorisation, and the Seepage Use Authorisation shall prevail in case of dispute.

(b) Prior to granting a Seepage Use Authorisation in respect of a given area that is already the subject of an existing Authorisation, the Ministry shall give written notice to the holder of the existing Authorisation.

(c) Any Authorisation granted subsequent to a Seepage Use Authorisation shall be subject to the rights of holders of Seepage Use Authorisations.

4. (a) A Seepage Use Authorisation:

(i) may be surrendered by the holder by written notice to the Ministry, provided that the Authorised Person has fulfilled all its obligations thereunder; and

(ii) may be revoked or terminated by the Ministry at any time by written notice to the holder, if the holder has not fulfilled a condition or an obligation to which the Seepage Use Authorisation is subject.

(b) The Ministry shall provide written notice of the surrender, revocation or termination of a Seepage Use Authorisation to any Authorised Person in whose Authorised Area operations were authorised to be carried on under the Seepage Use Authorisation concerned.

### **Article 13 Invitation to apply**

1. (a) The Ministry shall invite, by public notice, applications for Authorisations.

(b) Notwithstanding paragraph 13.1(a) above, the Ministry may choose to award Authorisations through direct negotiation without issuing such invitations:

(i) in the case of Access Authorisations; or

(ii) in the case of all other types of Authorisation, where it is in the public interest to do so.

(c) If the Ministry awards an Authorisation without inviting applications as set forth in paragraph 13.1(b) above, it shall provide substantiated reasons for its so doing.

(d) Applications shall be submitted in one of the official languages of Timor-Leste or, in the event that they are written in any other language, be accompanied by an official translation into one of the official languages of Timor-Leste, and shall be delivered in a closed envelope.

2. (a) An invitation shall specify the area concerned, the envisaged activities, the criteria upon which applications shall be assessed, the applicable fees, if any, to be paid with the application, and the time by which, and the manner in which, applications may be made.

(b) Unless otherwise stated in the invitation, the Ministry may choose not to award an Authorisation to any of the applicants.

3. (a) An application for an Authorisation shall include proposals for:

- (i) securing the health, safety and welfare of the persons engaged in or affected by the Petroleum Operations;
- (ii) protecting the environment, preventing, minimising and remedying pollution, and other environmental harm that might be caused by the Petroleum Operations;
- (iii) training of, and giving preference in employment in the Petroleum Operations to, nationals of Timor-Leste; and
- (iv) the procurement of goods and services from Persons based in Timor-Leste

(b) An Authorisation awarded to an applicant obliges it to comply with its proposals as mentioned in paragraph 13.3(a).

4. The Ministry shall not grant an Authorisation in respect of an area until it has given due consideration of all applications made in response to, and in compliance with, an invitation.

#### **Article 14**

##### **Succession of Petroleum Operations under the Treaty**

Once the Treaty is no longer in force, the Ministry shall grant an Authorisation or enter into a Petroleum Contract with those Persons who were engaged in Petroleum Operations under the terms of the Treaty, under conditions equivalent to those that were in place under the Treaty, with the necessary amendments arising out of Article 22.

#### **Article 15**

##### **Petroleum operations generally**

1. Every Petroleum Contract, Access Authorisation and Seepage Use Authorisation shall require that third-party access be granted on reasonable terms and conditions.

2. (a) If there is more than one Authorised Person in respect of a particular Authorisation, the obligations and liabilities of each Authorised Person under the Authorisation are the obligations and liabilities of them all, jointly.

(b) With respect to a Petroleum Contract, the State-Owned Contractor may be exempted by the Ministry of the requirement stipulated in paragraph 15.2 (a) above.

3. An Authorisation is void *ab initio* if secured in contravention of the laws of Timor-Leste, including laws on corruption.

### **Article 16** **Restitution and reparation**

1. Without prejudice to any criminal liability of that Person, a Person who engages in Petroleum Operations other than pursuant to an Authorisation shall:

- (a) make restitution to Timor-Leste of an amount equal to the market value of the Petroleum developed, exploited or exported, together with late payment interest thereon at a rate not to exceed the legal rate of interest to be determined by the Ministry;
- (b) either forfeit the right over any infrastructure and equipment used in engaging in those Petroleum Operations, or remove such infrastructure and equipment or be liable for the payment of such a removal; and
- (c) clean-up pollution resulting from such Petroleum Operations, or reimburse the costs of clean-up to Timor-Leste.

2. The liabilities under subarticle 16.1 above shall apply cumulatively, or not, as is determined to be appropriate by the Ministry, with a view to place Timor-Leste in the position in which it would have been were it not for the Petroleum Operations engaged in other than pursuant to an Authorisation.

3. The liabilities arising from the preceding subarticle of Persons who, together, are engaged in, or have engaged in, Petroleum Operations are the liabilities of them all, jointly.

### **Article 17** **Restrictions on exercise of rights**

- 1. (a) An Authorised Person shall not exercise any of the rights granted under an Authorisation or under this Law:
  - (i) on any immovable property in the state's public domain without the consent of the responsible authority;
  - (ii) on any immovable property in the state's private domain without the consent of the responsible authority; or
  - (iii) on any privately owned immovable property without the payment of a fair and reasonable compensation to the owner.

(b) The owner of any immovable property situated in an Authorised Area retains the right to use and enjoy its property, to the extent that such use and enjoyment does not interfere with Petroleum Operations;

(c ) A Authorisation may restrict or otherwise control the use by an Authorised Person of public infrastructure, as well as the use and/or consumption, by that Person, of other natural resources, including trees, sand, gravel, stones and water;

(d) Nothing in an Authorisation exempts the Authorised Person from applying for and obtaining any other authorisations, approvals or licences as required by law.

2. An Authorised Person shall not exercise any of the rights under an Authorisation or under this Law in a way that interferes with fishing, navigation or any other lawful offshore activity without the written consent of the responsible authority.

3. (a) The Authorised Person is liable to pay fair and reasonable compensation if, during the course of Petroleum Activities, it:

(i) impinges upon the rights of the owner of any immovable property or causes any damage thereto, or

(ii) demonstrably interferes with fishing, navigation or any other lawful offshore activity.

(b) Where the value of any rights has been increased as a result of Petroleum Activities, compensation payable in respect of such rights shall not exceed any amount that would be payable if the value had not been so increased.

4. What constitutes fair and reasonable compensation, payable under this Article 17, shall be decided by the Ministry, after having considered representations by interested parties.

### **Article 18** **Approvals by the Ministry**

1. A joint operating agreement, a lifting arrangement and any other agreement related to Petroleum Operations, as well as any amendments to such agreements, shall be subject to prior approval by the Ministry.

2. (a) All changes in Control of an Authorised Person shall be subject to prior approval by the Ministry;

(b) Where a change in Control occurs without the prior approval by the Ministry, the Ministry may revoke the applicable Authorisation;

(c) Paragraph 18.2(a) does not apply if the change in Control is the direct result of an acquisition of shares or any other securities listed on a recognised stock exchange;

(d) For the purposes of paragraph 18.2(a), change in Control includes a Person ceasing to be in Control (whether or not another Person becomes in Control), and a Person obtaining Control (whether or not another Person was in Control).

3. Except with the prior written consent of the Ministry, or as explicitly provided for under the Authorisation, no assignment, transfer, conveyance, novation, merger, encumbrance or any other dealing in respect of an Authorisation shall be of any force or effect.

## **Article 19** **Unitisation**

1. (a) Whenever a Reservoir is partly within a Contract Area and partly in another Contract Area:

(i) the Ministry may require by written notice the Contractors to enter into a unitisation agreement with each other for the purpose of securing a more effective and optimised production of Petroleum from the Reservoir, and

(ii) if no agreement has been reached by the Contractors within a period of eighteen (18) months from receipt of the written notice referred to in sub-paragraph (i) above, the Ministry shall decide on the terms of the unitisation agreement.

(b) Where a Reservoir is partly within a Contract Area and partly in an area that is not the subject of a Petroleum Contract:

(i) the Ministry may require by written notice the Contractor to enter into a unitisation agreement with the Ministry for the purpose of securing a more effective and optimised production of Petroleum from the Reservoir, and

(ii) if no agreement has been reached within a period of eighteen (18) months from receipt of the written notice referred to in sub-paragraph (i) above, the Ministry shall decide on the terms of the unitisation agreement, except as otherwise stipulated in the Petroleum Contract.

2. Without limiting the matters to be dealt with, the unitisation agreement shall define the amount of Petroleum in each area covered by the unitisation agreement, and shall appoint the Operator responsible for producing the Petroleum covered by the unitisation agreement.

3. The Ministry may approve the development or exploitation of the Reservoir only after it has approved or decided the unitisation agreement under the terms of subarticle 19.1 above.

4. Any amendments to the unitisation agreement shall be subject to prior approval by the Ministry.

## **Article 20**

### **Dispute resolution**

1. (a) The Ministry may inquire into and decide all disputes involving Persons engaged in Petroleum Activities, either:

- (i) among themselves, where agreements between them do not specify a dispute resolution mechanism, or
- (ii) in relation to third parties (other than the Government) not engaged in such Petroleum Activities, as long as these third parties accept the jurisdiction of the Ministry for the resolution of the dispute.

(b) The Ministry may refuse to decide any dispute referred to it and, if it does so, it shall notify the parties to the dispute in writing.

(c) The Ministry may, taking into consideration all relevant circumstances, issue any directive that may be necessary for the purpose of giving effect to its decision in proceedings pursuant to this Article 20, including ordering the payment, by any party to a dispute, to any other party to the dispute, of such compensation as may be fair and reasonable.

2. (a) If a dispute arises relating to the interpretation and/or application of the terms of an Authorisation, or the execution thereof, between an Authorised Person and the Ministry, the parties shall attempt to resolve that dispute by means of negotiation.

(b) If the dispute cannot be resolved by negotiation, either party may refer the dispute to arbitration or to the competent judicial authority.

## **Article 21**

### **Exemption from or amendment to conditions and obligations**

The Ministry may exempt an Authorised Person from complying with the conditions and obligations of its Authorisation, and may also agree to amend or suspend such conditions and obligations, either with or without conditions and either temporarily or permanently.

## **CHAPTER III – PARTICIPATION BY THE STATE**

### **Article 22**

#### **Participation by the State in petroleum activities**

1. The decision by Timor-Leste to participate in Petroleum Operations shall be made by the Council of Ministers, which may delegate such competence to the Prime Minister.

2. This Law shall apply to the State-Owned Contractor in the same terms as is applicable to any other Contractor, with the required adaptations.

3. Each Authorisation shall stipulate the right of Timor-Leste to participate in Petroleum Operations, up to a maximum equity of twenty per cent (20%).
4. The participation of Timor-Leste may occur during any phase of Petroleum Operations, in accordance with the terms and conditions to be established by contract.

## **CHAPTER IV – DEVELOPMENT OF PEROLEUM ACTIVITIES**

### **Article 23 Working practices**

1. Petroleum Operations shall be conducted in compliance with the Good Oil Field Practice, that is, in compliance with such techniques, practices and procedures employed in the petroleum industry worldwide by prudent and diligent operators, under circumstances and conditions similar to those experienced in connection with the relevant aspects of the Petroleum Operations, principally aimed at guaranteeing:

- (a) conservation of petroleum resources, which implies the utilisation of adequate methods and processes to maximise the extraction and recovery of hydrocarbons in a technically and economically sustainable manner, with a corresponding control of the decline in reserves, and to minimise losses at the surface;
- (b) operational safety, which entails the use of methods and processes that promote occupational security and the prevention of accidents;
- (c) environmental protection, that calls for the adoption of methods and processes that minimise the impact of Petroleum Activities on the environment;

2. Production of Petroleum shall take place:

- (a) in such a manner that as much as possible of the Petroleum in place in each individual Petroleum deposit, or in several deposits in combination, will be produced;
- (b) in accordance with the Good Oil Field Practice and with sound and balanced economic principles; and
- (c) in such a manner that waste of Petroleum or reservoir energy is avoided.

3. The Contractors shall carry out an ongoing evaluation of the production strategy and of the technical solutions, shall adopt all necessary measures in order to achieve this, and shall inform the Ministry of any relevant changes, in accordance with the Good Oil Field Practice.

**Article 24**  
**Decommissioning**

An Authorised Person shall decommission on the earlier of:

- (a) termination of the Authorisation; or
- (b) when no longer required for Petroleum Activities; and, in either case:
- (c) except with the written consent of the Ministry and in accordance with the conditions of that consent; or
- (d) unless otherwise provided for in the Authorisation.

**PART V**  
**INFORMATION AND RESEARCH**

**Article 25**  
**Data and information**

1. Timor-Leste shall have title to all data and information, be they raw, derived, processed, interpreted or analysed, obtained under any Authorisation.
2. Data and information obtained during the course of Petroleum Operations may be freely exported by Authorised Persons, and the Ministry may require that an original or, in the case of a core, rock, fluid or any other physical sample, a usable portion of the original, of all data and information, whether they are physical or electronic, be kept in Timor-Leste.

**Article 26**  
**Auditing and inspection**

1. (a) The Ministry may appoint a person to be an Inspector for the purposes of the present Law (an “Inspector”)
  - (b) The Inspector shall have such powers and rights as established by specific regulation.
2. On request, an Authorised Person shall make its books and accounts available to the Ministry for auditing.

**Article 27**  
**Cancellation of Authorisations**

1. (a) Termination of a Authorisation for any reason is without prejudice to rights and obligations under this Law or the Authorisation to survive termination, or to rights and obligations accrued thereunder prior to termination, and all provisions of an Authorisation



reasonably necessary for the full enforcement of such rights and obligations shall remain applicable for such a period of time as deemed necessary.

(b) The Ministry has the competence to cancel a Authorisation in conformity with the terms established in the Authorisation.

2. (a) Should there exist more than one Authorised Person, in respect of a particular Authorisation, and circumstances arise in which the Ministry may cancel that Authorisation, the Ministry may elect to cancel it in part, in respect of those Authorised Persons whose acts or omissions (or in relation to whom such acts, omissions or events have occurred) have led to such circumstances, and shall so notify the remaining Authorised Persons.

(b) Should the Ministry decide to cancel an Authorisation under paragraph 27.2(a) above, it shall give the remaining Authorised Persons right of preference in the acquisition of the cancelled Authorisation, in proportion to their respective shares. Any share not acquired by the remaining Authorised Persons shall revert to Timor-Leste.

## **Article 28**

### **Subrogation in respect of civil liability**

An Authorised Person shall:

(a) defend, hold harmless and exonerate the Government and Ministry from any claims by third parties arising, whether directly or indirectly, from Petroleum Operations, and pay all compensations relating to any civil liability claims, pretensions or demands; and

(b) unless the Ministry is satisfied, after consultation with the Authorised Person, that the potential liability arising from paragraph (a) of this Article may be covered by other means, maintain insurance in respect of any demands, pretensions or claims referred to in paragraph (a) of this Article on a strict liability basis for such amount as the Ministry may require from time to time.

## **CHAPTER VI – PUBLIC INFORMATION**

### **Article 29**

#### **Publication by the Ministry**

1. The Ministry shall publish, in the Official Gazette:

(a) notices of grant or issuance of Authorisations, and a summary of such Authorisations;

(b) invitations to apply for Authorisations under subarticle 13.1, and

(c) notices of cancellation of Authorisations.

2. The Ministry shall publish, in the media, calls for the invitation to apply for Authorisations under paragraph (a) of subarticle 13.1 as may be established by specific regulation.

### **Article 30** **Public register**

1. (a) The Ministry shall make available to the public:

- (i) copies of all Authorisations and amendments thereto, whether terminated or not;
- (ii) details of exemptions from, or variations or suspensions of, the conditions or obligations made under article 21;
- (iii) copies of all unitisation agreements.

(b) The Ministry shall make available to the public, within a reasonable period of time of a request having been made therefor, the summary details pertaining to:

- (i) all Authorisations, and amendments thereto, whether or not terminated, and unitisation agreements contemplated in paragraph 30.1(a);
- (ii) development plans approved under a Petroleum Contract;
- (iii) all assignments and other dealings consented to in respect of Authorisations, subject to commercial confidence as to the commercial terms; and
- (iv) all Authorisations, and amendments thereto, whether or not terminated, and unitisation agreements in compliance with the Code.

(c) The Ministry shall make available to the public, within a reasonable period of time of a request having been made therefor, the summary details pertaining to Petroleum Operations in the area covered by the Treaty, provided in compliance with the Code.

2. Within ten (10) business days of a request having been made, the Ministry shall publish brief reasons for:

- (a) granting an Authorisation subsequent to an invitation under paragraph 13.1(a)
- (b) granting an Authorisation without inviting applications under paragraph 13.1(b);

- (c) approving a development plan under a Petroleum Contract;
  - (d) granting an exception from, or agreeing to a variation or suspension of, the conditions and obligations under article 21; and
  - (e) making any decision or granting any approval that, under an Authorisation, requires publication.
3. (a) Companies shall report on their compliance with their obligations and requirements under the Law and Authorisations in such a manner and detail as required by their Authorisation and as provided by specific regulation.
- (b) The Ministry shall make such reports available to the public.
4. The Ministry shall make available to the public such reports by Authorised Persons on payments pertaining to Petroleum Operations made to the Government of Timor-Leste as required by law.
5. The information alluded to in this Article 30 shall be available to any Person on payment of the fee therefor, to be determined to that effect in specific regulation.
6. The information alluded to in paragraphs (b) and (c) of subarticle 1 of this Article shall be available to the public in at least one of the official languages of Timor-Leste.

## **CHAPTER VII – REGULATIONS AND DIRECTIVES**

### **Article 31 Regulations**

1. The Government may make regulations under this Law relating to the following:
- (a) graticulation of the territory of Timor-Leste;
  - (b) the exploration for and the production of Petroleum;
  - (c) the use and disclose of data, information, records and reports;
  - (d) the measurement and sale or disposal of Petroleum;
  - (e) health and security;
  - (f) protection and restoration of the environment;
  - (g) resource management;
  - (h) structures, facilities and installations;
  - (i) the clean-up or other remedying of the effects of the leakage of Petroleum;

- (j) abandonment and decommissioning;
- (k) the control of movement into, within and out of Timor-Leste of persons, vessels, aircraft, vehicles and any other structures and platforms;
- (l) work programmes and budgets;
- (m) the control of tariffs charged for third-party access
- (n) the auditing of an Authorised Person and of its accounts and records;
- (o) reporting by Authorised Persons on compliance with obligations set out in the Law and Authorisations, including those relating to:
  - (i) the training and employment of Timorese nationals;
  - (ii) procurement of Timor-Leste goods and services;
  - (iii) occupational health and safety; and
  - (iv) environmental protection;
- (p) fees to be paid, including by applicants for Authorisations, Authorised Persons and Persons wishing to consult the public register; and
- (q) any other matters relating to this Law.

2. The Ministry shall publish the regulations in the Official Gazette.

### **Article 32 Directives**

In addition to its power to issue directives under subarticle 11.4 and paragraph (c) of subarticle 20.1, the Ministry may issue directives to Authorised Persons:

- (a) relating to any matter referred to in subarticle 31.1; or
- (b) otherwise requiring compliance with this Law or their Authorisations.

## **CHAPTER VIII – PENALISING PROVISIONS**

### **Article 33**

#### **Territorial and material scope of the application of this Chapter**

1. The provisions of articles 34, 35, 37, 39, 40, 41 and 43 are, with the required adaptations, applicable to the areas that are subject to the Treaty.
2. The provisions of this Chapter are without prejudice to criminal and civil liability under the general law.

### **Article 34**

#### **Unauthorised activities**

1. Whoever engages in Petroleum Operations other than pursuant to an Authorisation shall be punished with imprisonment of no less than three (3) months but not exceeding five (5) years or a fine of no less than one hundred (100) days.
2. Where the estimated damage caused to the state is in excess of fifty thousand American Dollars (US\$ 50,000.00), the penalty shall be one (1) to eight (8) years' imprisonment or a fine of no less than one hundred and fifty (150) days.

### **Article 35**

#### **Danger to people, property and the environment**

Whoever, through any conduct contravening the provisions of this Law or the Code, endangers the life or physical integrity of another person, endangers property of high value, or seriously endangers the environment, shall be punished with:

- (a) one (1) to eight (8) years' imprisonment or a fine of no less than two hundred (200) days, where the conduct and the creation of danger are malicious;
- (b) up to five (5) years' imprisonment or a fine of no less than one hundred (100) days, where the conduct is malicious and the creation of danger results from negligence.

### **Article 36**

#### **Impeding or disrupting the exercise of functions by the Inspector**

1. Whoever, whether directly or indirectly, to any extent or by any means, impedes or disrupts, or leads someone else to impede or disrupt, the exercise of inspection powers and functions by the Inspector, is punished with imprisonment of no less than three (3) months but not exceeding four (4) years or a fine of no less than one hundred (100) days.
2. An attempt is punishable.

**Article 37**  
**False or misleading information**

1. Whoever,

- (a) in, or in connection with, any application under this Law or the Code, knowingly or recklessly provides information that is materially false or misleading; or,
- (b) in any report, return or affidavit submitted under any provision of this Law or an Authorisation thereunder, knowingly or recklessly includes or permits to be included any information that is false or misleading;

shall be punished with up to three (3) years' imprisonment or a fine of no less than seventy-five (75) days.

2. An attempt is punishable.

**Article 38**  
**Non-compliance with regulations or directives**

1. Where a Person fails or neglects to comply with any of the regulations referred to in Article 31, and/or any of the directives referred to in Article 32, the Ministry may cause to be immediately fulfilled all the obligations arising from any of such regulations or directives or proceed with the execution of any appropriate material acts required to fulfil such obligations, at the cost and expense of that Person.

2. The State enjoys the right of redress in connection with any costs and expenses incurred under the terms of the previous subarticle, plus late payment charges at a rate to be determined by the Ministry. The amount in question shall be a debt due to the State.

**Article 39**  
**Accessory penalties**

1. The following accessory penalties shall be applied in connection with the offences provided for in this Law:

- (a) temporary deprivation of the right to participate in public tenders in respect of Petroleum Operations, in particular those relating to Authorisations and the procurement of goods and services;
- (b) embargo of any construction works, in such cases as they may result in irreversible damage to relevant public interests;
- (c) disability, up to a maximum of two (2) years, of the exercise of activities, if the Person has, within the period of one (1) year starting from the date of the first

contravention, committed three (3) contraventions of any of the provisions of this Law;

- (d) termination of Authorisations;
- (e) good conduct bond;
- (f) deprivation of the right to subsidies or grants awarded by public entities or services;
- (g) publication of the sentence; and/or
- (h) other writs of prevention deemed appropriate taking into account the circumstances of the case in question.

#### **Article 40**

##### **Liability of legal persons, corporations and other legal entities**

1. Legal persons, corporations, mere de-facto partnerships or any other legal entities, including those without legal personality, are liable for contraventions provided for in this Chapter when committed by its organs or representatives in its name and in the collective interest.
2. Liability is excluded when the agent has acted against express orders or instructions properly issued.
3. The liability of the entities mentioned to in subarticle 40.1 above does not exclude the individual liability of the respective agents.
4. The entities mentioned in subarticle 40.1 above are jointly liable, as provided for in civil law, for the payment of any fines or compensations, or for the fulfilment of any obligations, arising from facts or with incidence on matters covered by the scope of application of this Law.

#### **Article 41**

##### **Fines to legal persons, corporations and other legal entities**

1. In the case of legal persons, corporations, mere de-facto partnerships or any other legal entities, including those without legal personality, the daily rate for fines corresponds to an amount ranging between five American Dollars (US\$ 5.00) and ten thousand American Dollars (US\$ 10,000.00), as determined by the court on the basis of the economic and financial situation and burdens of the legal person, corporation, mere de-facto partnership or any other legal entity.
2. If the fine is applied to an entity without legal personality, its payment shall be guaranteed by the entity's assets and, in the event of non-existence of such assets or under-capitalisation, jointly, the assets of each of the associates.

**Article 42**  
**Inspection**

1. It is the competence of the Ministry and the Inspector, as well as any other organs of the Public Administration to whom such competence is delegated, in accordance with the law and regulations, to ensure the inspection of compliance with the provisions of this Law, without prejudice to the competencies that the law confers upon other public entities.

**Article 43**  
**Extrajudicial writ of execution**

For the purposes of coercive collection under general law, a certification issued by the Ministry in relation to a debt constituted, or amount due, as a result of the application of the provisions of this Law, which is not paid within a reasonable period to be determined by the Ministry, and which shall be notified in writing to the debtor, constitutes an extrajudicial writ of execution.

**Article 44**  
**Subsidiary legislation**

Criminal law, as well as relevant administrative and civil legislation, is applicable, in a subsidiary manner, with the required adaptations, to give effect to the provisions of this Chapter.

**CHAPTER IX – OTHER PROVISIONS AND FINAL PROVISIONS**

**Article 45**  
**Transitional Provisions**

1. Article 16 is applicable, with the required adaptations, to all Petroleum Operations engaged in other than pursuant to an Authorisation from 28 November 1975.
2. At its discretion, the Ministry may issue regulations setting out the administrative procedure to be followed, as well as the obligations to be undertaken, by Persons who have engaged in or are engaging in Petroleum Operations other than pursuant to an Authorisation as of the date of entry into force of this Law in order for past and/or ongoing Petroleum Operations to be deemed, for the purposes of this Law, to be engaged in pursuant to an Authorisation.

**Article 46**  
**Non-transferability**

Unless expressly permitted by the Ministry, an Authorisation granted to an individual cannot be transferred by inheritance, without prejudice to the ability of the value of that Authorisation to be transferred by inheritance.



**Article 47**  
**Entry into force**

This Law shall come into force on the day following the date of its publication in the *Official Gazette*.

Approved on 29 July 2005.

The Speaker of the National Parliament

[Signed]  
(Francisco Guterres “Lu-ÓLo”)

Promulgated on 23 August 2005

To be published.

[Signed]  
Kay Rala Xanana Gusmão