

# Saharawi Arab Democratic Republic

2008 Licence Offering



Guidelines for Investors



## Guidelines for Investors

### SADR Offshore Oil & Gas Licence Offering

#### 1 INTRODUCTION

The Saharawi Arab Democratic Republic (SADR) 2008 Licensing Round is based on an open competitive tender with applications evaluated on the basis of standard technical and commercial criteria. The Licensing Round is the second international competitive bidding round arranged by the SADR Government, and follows a period of consultation with industry.

The Polisario are the representatives and government of the SADR with a mandate from the Saharawi people of Western Sahara. There are conditions subsequent that will be satisfied and enable the rightful government to be installed in the SADR.

A total of 18 exploration blocks have been delineated within the SADR, of which 9 were awarded in the initial license round. A total of 6 offshore blocks and 3 onshore blocks will be available in this, the second official licensing round.

#### 2 PETROLEUM REGULATIONS

The SADR will use a Production Sharing Contract regime to govern petroleum operations within their territorial boundaries. There are two (2) key legislative documents governing the petroleum industry operations in the SADR:

- i. Production Sharing Contract ("PSC"); and the
- ii. Production Sharing Contract Assurance Agreement ("AA")

The PSC Assurance Agreement (AA) clarifies certain conditions subsequent relating to sovereignty and the introduction of enabling legislation that must be satisfied before the first exploration period can commence. It also stipulates a schedule of administrative fees, term of the agreement, taxation regime and governing law in the intervening period leading up to the commencement of the first exploration period.

In addition to the Assurance Agreement, the SADR will issue prospective licensees with a Model PSC.

In line with the agreed PSCs the following general provisions should be noted and adhered to:

No Petroleum activity may be undertaken in the SADR except pursuant to, and in accordance with the Petroleum Regulations.

All acreage in the SADR is held on behalf of the State by the State Petroleum Authority.

The contractor shall have:

- i. The exclusive right to search for and produce the oil and gas and,
- ii. The right to carry out exploration and development activity either directly or through an agent.

## 2.1 Key PSC Parameters

Key parameters of the Model Production Sharing Contract for the SADR are:

**Exploration Terms** - The Work Programme Commitment should be phased into three exploration sub periods each of three (3) years.

**Exploitation Term** – Twenty five (25) years from award of exploitation agreement

**Work Obligations** for these three (3) terms are negotiable and part of the award assessment.

**Cost Recovery** – cost recovery ceiling shall be negotiable and part of the award assessment.

**Profit Sharing** – Profit Sharing of "Remaining Production" (Profit Oil) will be based on the average daily production rate (in barrels of oil per day (bopd)) for a period of 30 consecutive days actually achieved by the Contractor from the Delimited Area

**Royalty Rate** – A royalty shall be payable to the State at a flat rate of five percent (5%) of the Total Crude Oil and Natural Gas produced from the Delimited Area.

**Area Surface Rentals** – shall be as follows:

- |                                |                      |
|--------------------------------|----------------------|
| i. First Exploration Period    | US\$0.50 per sq km   |
| ii. Second Exploration Period  | US\$1.00 per sq km   |
| iii. Third Exploration Period  | US\$2.00 per sq km   |
| iv. Development & Exploitation | US\$200.00 per sq km |

**Tax Rate** – The State will be responsible for payment of the Contractors income tax.

**State Participation** – The State's participation (back-in rights) is negotiable and part of the award assessment.

**Signature Bonus** – The Signature Bonus shall be payable following the satisfying of the conditions subsequent and is not recoverable. The Signature Bonus will be negotiable.

**Production Bonuses** – The Production Bonuses are negotiable and part of the award assessment.

**Annual Training** – Training fees are negotiable and part of the award assessment.

**Operatorship** – When granting a PSC, the SADR shall appoint or approve an Operator. Any change of Operator must be approved by the Authority. An Operator must be a party to the PSC having an interest in the block and would cease to be the Operator if its interest terminates or expires.

## 2.2 Key AA Details

The key details covered in the AA are:

**Term** – The term of the AA is ten (10) years and extendable by mutual agreement.

**Governing Law** – the governing law in the intervening period prior to satisfying of the conditions subsequent is English law.

**Conditions Subsequent** – What they are and how satisfied

**Annual Administration Fee** – Administration fee is negotiable and part of the award assessment.

### **3 LICENCING ROUND PARAMETERS**

The License Offering will be based on open competitive tender and applications will be assessed based on stated evaluation criteria. The License Offering will be publicised through print and electronic media. Print media will include international journals and magazines. Electronic media will include the SADR website ([www.sadrolandgas.com](http://www.sadrolandgas.com)) as well as other means of disseminating industry information through the Internet. Additional publicity will be obtained through the carrying out of a road show at specific venues to present and elaborate on parameters to the industry.

#### **3.1 Application Requirements**

Each application should contain the following:

Completed application forms.

Evidence of Company Registration consisting of:

- i. Certificate of registration and/or incorporation.
- ii. Memorandum and articles of association.

Memorandum of Understanding (MOU) (where applicable).

Evidence of previous or existing oil and gas activities.

Evidence of good financial standing from a reputable bank or financial institution.

The aforementioned items 3.1 are minimum requirements and applications lacking any of the above will not be evaluated.

Companies can apply for more than one block.

#### **3.2 Submission of Applications**

The SADR invites interested parties to submit completed applications in triplicate at any time before 30 October, 2008, being the Closing Date of the Second Licensing Round. The SADR will not enter into negotiations on any application prior to 30 October, 2008.

Applications received after the closing date will be dealt with on a discretionary basis.

SADR Petroleum Authority  
2008 Licencing Round  
PO Box 291  
Glebe NSW 2037  
AUSTRALIA

Companies submitting applications for several blocks need only submit additional copies in triplicate for non-generic information. The SADR Petroleum Authority may request additional information as may be required to fully evaluate the offer.

### 3.3 Technical Evaluation Criteria

The basic criteria for the evaluation of applications are as follows:

#### **Evidence of the Company's or Group of Companies' Technical Capability:**

Evidence of the company's technical capability, including experience and expertise, in exploration, development and production. These claims should be supported by a listing of some or all of the company's participation in oil and gas ventures clearly indicating the following:

- i. Country of operation
- ii. Block
- iii. Terrain (land, swamp, shallow offshore, deep offshore)
- iv. Operator (Yes/No)
- v. Percentage Stake held by company
- vi. Status of Project (exploration, development, production)
- vii. Production Level

#### **Work programme commitment:**

This should include for each exploration period, seismic and other data to be acquired and the number of wells the company is willing to drill as a commitment. The Work Programme Commitment should be phased into three exploration sub periods of 3 years each (3+3+3). Details of the cost estimate of each item in the work programme shall be provided.

Presentation of a regional geological interpretation covering the block bid for.

#### **Plans for the Utilisation of Associated Gas:**

Outline options for the utilisation of associated gas.

#### **Health, Safety and Environmental management of applicant:**

Detailed environmental policies of the company should be stated with particular reference to environmental impact analysis and HSE Management.

### 3.4 Commercial Evaluation Criteria

#### **Percentage Ceiling of Cost Oil Recovery:**

The Cost Oil Recovery ceiling is negotiable. The bidder should state the ceiling of Cost Oil Recovery as part of the commercial application.

#### **The Profit Sharing Split:**

The Profit Sharing Split of the "Remaining Production" (Profit Oil) is negotiable. The bidder should state the State's and Contractor's respective share of the Profit Oil for each incremental rate of daily total production in the Delimited Area (bopd).

#### **State Participation:**

The State's Participation (Back-in Rights) is negotiable. The bidder should state the percentage Back-in Rights available to the State as part of the commercial application.

### **Bonuses the company wishes to offer:**

The Bonuses are negotiable. The bidder should state the bonus for each of the following categories:

- i. **Annual Administration Fee** – This fee is required as part of the AA and is negotiable and not cost recoverable.
- ii. **Signature Bonus** – The Signature Bonus is negotiable and shall be payable following the satisfying of the conditions subsequent and is not cost recoverable.
- iii. **Production Bonuses** – Production Bonuses are negotiable for specific production thresholds and are not cost recoverable.

### **Annual Training Fees:**

The Training Fees are negotiable and should be stated for each exploration and the exploitation period. The Training Fees are cost recoverable

### **Projects to be undertaken in the SADR:**

Any commitment by the applicant to projects either social or otherwise in the SADR will be considered as part of the application. Such proposals should include a description of the project proposal, including the benefit to the Saharawi people, a schedule for the project and a cost estimates for each project.

## **3.5 Procedure for Assessment of Applications**

Applications will be assessed based on a three- step approach as follows:

Step 1: Verification of Application Requirements as stated in 3.1

Step 2: Assessment based on Technical Evaluation Criteria as stated in 3.3

Step 3: Assessment of Commercial Evaluation Criteria as stated in 3.4

## **3.6 Granting and Approving Authority**

Awards will be made by the Authority upon approval by the Government of the SADR.

## **3.7 Announcement of Results**

Following the evaluation of applications, the successful bidder will be invited to finalise terms of the PSC and AA.



SAHARAWI ARAB DEMOCRATIC REPUBLIC  
2008 LICENSING ROUND  
APPLICATION TO ENTER INTO A PSC

- 1 Name of Company \_\_\_\_\_
- 2 Date of Registration/Incorporation \_\_\_\_\_
- 3 Address \_\_\_\_\_
- 4 Technical Partner (where applicable) \_\_\_\_\_
- 5 Name of Banker(s) \_\_\_\_\_

6 Company Directors

Name	Address	Nationality

7 Block Applied for \_\_\_\_\_

I declare that all the foregoing particulars as contained in this application are correct.

\_\_\_\_\_  
Signature of Applicant or his Attorney

\_\_\_\_\_  
Date





COMMERCIAL EVALUATION CRITERIA

I. Cost Recovery Ceiling (%) \_\_\_\_\_

II. Profit Sharing

Increments of daily total Production rates in the Delimited Area (bopd)	Government (%)	Contractor (%)

III. State Participation (Back-in Rights) (%) \_\_\_\_\_

IV. Bonuses

i. Annual Administration Fee (US\$/Year) \_\_\_\_\_

ii. Signature Bonus (US\$) \_\_\_\_\_

iii. Production Bonus

First Commercial Discovery Bonus (US\$) \_\_\_\_\_

Flow Rate 1 \_\_\_\_\_ (bopd) Bonus \_\_\_\_\_ (US\$)

Flow Rate 2 \_\_\_\_\_ (bopd) Bonus \_\_\_\_\_ (US\$)

Flow Rate 3 \_\_\_\_\_ (bopd) Bonus \_\_\_\_\_ (US\$)

V. Fees

Term 1 Exploration Period Training Bonus \_\_\_\_\_ (US\$/Year)

Term 2 Exploration Period Training Bonus \_\_\_\_\_ (US\$/Year)

Term 3 Exploration Period Training Bonus \_\_\_\_\_ (US\$/Year)

Production Period Training Bonus \_\_\_\_\_ (US\$/Year)

