



## 2018 BID ROUND

### II- MAIN COMMERCIAL PARAMETERS

#### 1- TYPE OF CONTRACT

The Production Sharing model based on production rates will be applied. This model will be submitted by EGPC. Contractor undertakes all risk to explore and develop both crude oil and gas.

#### 2- Parties to the Contract

The Government of Arab Republic of Egypt, the Egyptian General Petroleum Corporation (EGPC) and Contractor.

#### 3- ROYALTY & INCOME TAX

- EGPC shall bear and pay out of its share, the entitled royalty.
- Contractor shall be subject to Egyptian Income Tax. However, EGPC shall pay the income tax out of its share on behalf of Contractor in case of such tax is applied.
- In case contractor elects to dispose all or part of its Gas production share and excess cost recovery share if any, by itself for the domestic market, contractor shall notify EGPC of the Gas price, Quantities and Gas buyer and shall also obtain the competent authorities' approval in A.R.E.

#### 4- CONTRACT PERIOD (competitive)

a- The duration of the Exploration period shall be specified in the offer and subdivided into phases. Shorter Exploration period is preferable (With maximum total exploration duration of 7 years). The contractor will have the option to relinquish at any phase provided that Contractor has fulfilled commitment of such phase.

b- The duration of any development lease shall be (20) years from the date of Minister Approval, (**in case of Oil or Gas development lease**). This period may be extended up to 5 years "Five Years Extension" upon Contractor's written request supplemented by a complementary Development or Production Plan to EGPC and subject to EGPC and the Minister of Petroleum approval

In case Contractor failed to submit the Development Lease Application within one (1) year from the Date of Contractor's notification to EGPC of Commercial Discovery of Oil or Gas, as the case may be, (unless otherwise agreed upon by EGPC) the Contractor should immediately surrender the area containing such Oil or Gas reserves to EGPC.

Contractor shall deliver regular commercial shipments of Oil or regular commercial deliveries of Gas within 4 years from the approval date of the Development Lease.

In the event no Commercial Production of Oil in regular shipments or Gas in regular deliveries, have started from any Oil or Gas Development Lease in accordance with the specified items in the granted Development Lease Application, the Contractor should immediately surrender the petroleum reserves and relinquish the relevant Development Lease(s) (unless otherwise agreed upon by EGPC).

Such relinquished area is considered to be contained of the Contractor's relinquishments obligations at the end of the then current Exploration phase, if any.

**Oil and Gas development lease/s** shall be reviewed for the first time after four (4) years from the date of commencement of commercial production for Oil or from the date of first deliveries of Gas locally or for export in such Development Lease and then shall be regularly reviewed every 4 years and till the end of the Development phase, for the purpose of relinquishment of any development block/ blocks not producing or not contributing to production.

If Gas is discovered in a commercial quantity, EGPC and Contractor failed to find a market for such gas within 6 year period from the approval date of a Gas Development Lease, Contractor shall surrender such gas reserves to EGPC.

The duration of development lease based on a commercial oil and or gas discovery shall in no case exceed thirty (30) years from the date of the Minister's of petroleum approval of the oil and or gas development lease.

## **5- RELINQUISHMENT**

The contractor shall relinquish a minimum of ----% (not less than 25%) of the original Exploration area in **a single unit or a configuration accepted by EGPC** at the end of each Exploration phase. At the end of the last phase, the contractor shall relinquish the remaining area except those that have been converted into development lease or leases.

Subject to the approval of the Minister of Petroleum, Contractor may retain the area supposed to be relinquished by submitting at least six (6) months pre-notification to EGPC, including the additional activities to be undertaken (drilling one well, at least) and a statement of costs and expenses of such additional activities, Contractor shall submit a letter of guarantee with an equal amount to the costs of such activities, and shall also pay an unrecoverable bonus.

At the time of relinquishment of all or any part of the Concession area, CONTRACTOR shall ensure that all environmental regulations set out in Article XVIII have been followed, in accordance with sound and accepted Petroleum industry practices, if so requested by EGPC.

## **6- MINIMUM WORK AND FINANCIAL OBLIGATIONS (competitive)**

For each phase, companies shall bid the minimum exploration program (seismic and wells) and its expected relevant minimum financial commitments.

Any exploration and financial obligation in excess of the minimum obligations during any phase shall be carried forward to the subsequent phase and offset against the minimum technical and financial commitment for such phase.

A letter of Guarantee for the minimum financial commitment of the initial exploration period should be submitted to EGPC at least one day before final signature of the contract. A similar letter(s) of Guarantee is required if contractor elects to enter the subsequent phase(s). The CONTRACTOR has the right to submit a bank guarantee or a production guarantee or a letter entitles EGPC to solidify from the contractor(s) dues an amount equal to the financial commitment of the current phase.

## 7- COST RECOVERY

- ----- percent (----%) of total production and up to 40% . (competitive)
- Amortization of each exploration and development expenses shall not less than 4 years (competitive)
- Operating expenses : 100%.
- Exploration and development expenditures incurred and paid during the last ( ----- ) years of the development lease(s), shall be cost recovered over the remaining period of the development lease(s)

### EXCESS COST RECOVERY:

Shall be competitive and not less than 85 % for EGPC.

## 8- PRODUCTION SHARING: (Competitive)

After deducting the cost recovery percentage; the remaining percentage of petroleum shall be divided between EGPC and Contractor based on Brent Price (quarterly average) and according to the Production tranches shown in the following table which the bidder shall fill abiding by the specified tranches and submit in the bid provided that EGPC' share should not be less than (75 %) at Brent Price less than or equal 40 US\$ at the 1st Production tranche and should increase with the Brent price and production tranches increase.

### A. EGPC' Share of Crude Oil and Condensate :

Brent Price US\$/bbl	Crude Oil produced and saved under this Agreement and not used in Petroleum operations, Barrel of Oil Per Day (BOPD) (quarterly average)				
	Less than or equal to 5000 BOPD	More than 5000 BOPD and less than or equal to 10000 BOPD	More than 10000 BOPD and less than or equal to 15000 BOPD	More than 15000 BOPD and less than or equal to 25000 BOPD	More than 25000 BOPD
Less than or equal to 40 US\$					
More than 40 US\$ and less than or equal to 60 US\$					
More than 60 US\$ and less than or equal to 80 US\$					
More than 80 US\$ and less than or equal to 100 US\$					
More than 100 US\$					

**B. Gas & LPG (Quarterly Average):**

		EGPC SHARE %	CONTRACTOR SHARE %
Less than 25	MMSCF/Day	--	--
25 - > 50	MMSCF/Day	--	--
50 - >100	MMSCF/Day	--	--
100 - >125	MMSCF/Day	--	--
125 and above	MMSCF/Day	--	--

**N.B.:** Contractor shall propose and abide to fill EGPC/Contractor share for all the above mentioned tranches.

**9- BONUSES “non recoverable”**

**Signature Bonus:**

Shall be competitive and due upon signing the contract.

**Bonus for Retaining a Relinquished Area:**

Due upon approval date.

**Development lease Bonus:**

Shall be competitive and not less than US\$ 100,000 for each Development Block (1'x1') and due upon approval date of each development lease.

**Production Bonus:**

Shall be competitive and due at the following production rates:-

	MMUS\$
3,000 BOPD or its equivalent	-----
5,000 BOPD or its equivalent	-----
10,000 BOPD or its equivalent	-----
15,000 BOPD or its equivalent	-----
25,000 BOPD or its equivalent	-----

**Five Years Extension Bonus :**

Shall be competitive and not less than US\$ 5 MM and due upon the approval date of EGPC and Government on Contractor’s request.

**Training Bonus :**

Minimum training budget shall be US\$ 50,000 for EGPC Agreements, Exploration, Production and Financial Control foreign & joint venture companies departments plus US\$ 50,000 for other EGPC staff training in every financial year during exploration and development periods.

**Assignment Bonus :**

Assignment Bonus shall be 10 % of each & any deal done by Contractor/Contractor member with any assignee other than an affiliated company of the same contractor/contractor member on the Government’s approval date of each and any assignment deals.

US\$ 0.2 MM shall be paid to EGPC in case of assignment to affiliated company of the same contractor/contractor member on the Government’s approval date of each and any assignment deals.

## **10- CUSTOMS EXEMPTIONS**

All imported machinery and equipments required for operations shall be exempted from customs duties.

## **11- ASSIGNMENTS**

Neither EGPC nor CONTRACTOR may assign to a person, firm or corporation, in whole or in part, any of its rights, privileges, duties or obligations under this Agreement either directly or indirectly "indirect assignment shall mean, for example but not limited to, any sale, purchase, transfer of stocks, capital or assets or any other action that would change the control of the CONTRACTOR/CONTRACTOR MEMBER on its share in the company's capital " without the written consent of the GOVERNMENT, and in all cases priority shall be given to EGPC, if it so desire, to obtain such interest intended to be assigned (except assignment to an Affiliated Company of the same CONTRACTOR Member).

## **12- VALUATION OF GAS**

The cost recovery and profit gas price for local market will be agreed upon between contractor and EGPC or EGAS after the Commercial Discovery and before converting an area to a development lease(s). Production sharing gas price for export will be valued at netback price.

## **13- Disposition of Gas, LPG and Crude Oil**

- Priority shall be given to EGPC to buy contractor's share of crude oil and / or gas.
- CONTRACTOR may elect to dispose all or part of its Gas production share and excess cost recovery share if any, by itself for the domestic market, contractor shall notify EGPC of the Gas price, Quantities and Gas buyer and shall also obtain the competent authorities' approval in A.R.E.
- In case EGPC or EGPC and Contractor export Gas, they should obtain the A.R.E. competent Authorities' approval on the Gas price and quantities allocated for export.

## **14- MANAGEMENT OF OPERATIONS**

During the exploration period, an Exploration Advisory Committee consisting of equal number of representatives from contractor and EGPC shall discuss and recommend proposed annual work program and budget to EGPC for approval.

For the purpose of development & production of any commercial discovery, EGPC and Contractor shall meet and agree on the organization that will take place to conduct the operations subject to the economics of the discovery. Such organization will be approved by the Minister of Petroleum.

## **15- EMPLOYMENT & TRAINING**

Contractor shall give preference to the employment of qualified Egyptian Nationals and shall undertake appropriate training programs. Minimum training budget shall be the sum of US\$ 100,000 in every financial year during exploration and development period.

## **16- APPLICABLE LAW AND ARBITRATION**

The Egyptian laws shall be the applied law in enforcing the terms of the Agreement.

Arbitration procedure shall be governed by the Arbitration rules of the Cairo Regional Center for International Commercial Arbitration.

## **17- GENERAL:**

- \* Individual petroleum exploration company or group of companies are free to submit their offers for each block or part of a block (separate offer for each block).
- \* Offer(s) shall be disregarded if:
  - related to any other concession agreement in Egypt that the bidder(s) may have.
  - includes any area(s) out of 2018 Bid Round blocks.
  - includes more than one block in one offer.
  - missing any of documents mentioned in the Procedures.
- \* EGPC shall liquidate without any legal procedure the US\$ 100,000 letter of guarantee or cheque for the successful bidders, in case the successful bidder withdrew after the announcement of the bid results, or failed to increase it up to the amount of US\$ 2 MM, and shall liquidate the US\$ 2 MM letter of guarantee in case the company withdrew or failed to deliver EGPC the necessary documents required before the final signature as determined by EGPC.
- \* Bidders shall indicate in their offers the acceptance of the EGPC Model Agreement.
- \* The initiated draft of the agreement will be reviewed by State Council and any comments raised by the state council should be applied.
- \* Any bidder to submit offer(s) for any block(s) should purchase the data package(s) of such block(s) from EGPC Geological & Geophysical Information Center, Nasr City.
- \* Nearby production facilities belongs to bidder operations (if any) will be considered while evaluating offers.
- \* **Offer(s) should be unconditioned.**
- \* The Contract shall be issued by law which authorizes the Minister of Petroleum to Sign the Agreement (effective date). Any expenditure made by the bidder before the effective date is not subject for recovery.
- \* EGPC has the right to reject any offer(s) without giving reasons.

## **18- For further information**

Geologist / Deputy Chief Executive Officer for Exploration and Agreements supervisor:-

\* Tel. : (202) 27065227 (202) 27065358  
\* Fax : (202) 27065207 (202) 27065887  
\* E-mail : bidround@egpc.com.eg

-----