

*dated 18th February, 1982.***SIGNED** this 16th day of February, 1982.SIAKA STEVENS,  
*President.*

LS

No. 2



Sierra Leone

1982

**The Exploration, Mining and Processing of Mineral Oil Agreement (1979) (Ratification) Act, 1982** Short title.

Being an Act to ratify and confirm an Agreement made for and on behalf of the Government of Sierra Leone of the first part, The Oxoco International and Aracca Petroleum Corporation of the second part for the exploration, mining and processing of mineral oil in Sierra Leone; and for matters connected therewith or incidental thereto.

[28th May, 1979.] Date of commencement.

WHEREAS an Agreement was made on the 28th day of May, 1979, between the Honourable Francis Stephen Conteh, Esquire, Minister of Mines, acting for and on behalf of the Government of Sierra Leone of the first part, and Oxoco International and Aracca Petroleum Corporation of the second part, which Agreement is set out in the Schedule to this Act:

“Effective Date” means the date on which this Agreement is signed by the parties concerned.

## 2. EXPLORATION LICENCE

- (1) The Government hereby agrees to grant to the Companies upon application Oil Exploration Licence (hereinafter referred to as “the Licence”) covering the areas lying within the territorial waters and continental shelf of Sierra Leone as more fully described in the Schedule attached hereto.
- (2) The provisions of the Mining (Mineral Oil) Act and Regulations relating to mineral oil exploration and mineral oil Prospecting shall apply to the Licence granted hereunder.

## 3. TERMS OF LICENCE

- (1) The term of the Licence is for five (5) years from the date of issue.
- (2) The Licence shall confer on the Companies in addition to the rights granted by the Mining (Mineral Oil) Act and Regulations the exclusive right to carry out within the area specified in this Agreement such operations as are provided for in this Agreement.
- (3) Not later than the end of six months after the coming into force of this Agreement the initial area shall be reduced by at least 30 per cent. Subsequently, not later than the end of 30 months after the coming into force of this Agreement, the area shall be reduced again to the extent necessary to ensure that not more than 40 per cent of the initial area shall remain at the Companies’ disposal.
- (4) The Companies shall designate the boundaries of the area to be relinquished on each occasion, and shall notify the Government accordingly not less than three months in advance of the due date. Such notice shall be accompanied by a map and a clear description of the plots to be relinquished the shape of plots of which shall be as determined by the Director of Mines. However, the Companies shall not be required to relinquish any area that is immediately adjacent to a proven area and which is yet untested.
- (5) The rent payable by the Companies in respect of the Exploration Areas shall be as stated in the Licence.
- (6) The Companies shall throughout the period of the licence be obliged to spend annually on *bona fide* exploration the sum specified in this Agreement. The Companies shall submit to the Director of Mines at the end of each oil exploration year detailed returns of expenditure incurred in respect of this sub-clause.

#### 4. RENEWAL OF LICENCE

Upon written application by the Companies not later than six months prior to the expiration of the licence the Companies shall be entitled to the renewal of the licence for a further period of two years from and after such expiration date upon revised terms and conditions provided that the Companies are not then in default under any of the terms and conditions of the Licence for this Agreement. But the said renewal for a further two years will only be granted if the Companies have applied for an Oil mining Lease under this Agreement. If at the end of the exploration period no commercial exploitable field shall have been discovered, this Agreement shall be deemed to have terminated.

#### 5. MINING LEASE

- (1) The Companies, observing and performing the terms and conditions herein shall have a right at anytime during the term of any exploration licence issued pursuant to this Agreement or any renewal thereof upon written request to the grant of an oil mining lease (hereinafter called "the Lease") covering all or any of the Exploration area as described in the Company's request. The provisions of the Mining (Mineral Oil) Act and Regulations relating to mining leases shall apply to the Lease except to the extent inconsistent with the special provisions incorporated in this Agreement.
- (2) The term of the Lease shall cover a period of twenty-five years from the date of issue. The Companies may by at least six (6) months previous notice in writing to the Government given prior to the expiration of the period of the Lease, request the Government to grant them a new Lease for a further minimum term of five (5) years on terms and conditions to be agreed upon between the parties.
- (3) The Government shall during the terms of the Lease indemnify the Companies against all claims by owners or occupiers (including Chieftom Councillors) in respect of the Mining Areas other than claims for compensation payable in accordance with the provisions of the Mining (Mineral Oil) Act and Regulations and terms and conditions pursuant to this Agreement.
- (4) The Companies may surrender any part or parts, but not all, of the Mining Areas at any time during the term of the Lease by notice in writing to the Government to that effect and upon such surrender the lands surrendered shall cease to be comprised in or subject to the provisions of the Lease.

- (5) The Companies shall have the right to terminate the Lease at any time giving not less than (6) months notice in writing to the Government to that effect.
- (6) Upon the surrender or other termination of the Lease or of any other Lease granted hereunder, or of any portion thereof, the Companies shall be granted a period of not less than one (1) year, or such longer period as the Director of Mines may specify, immediately following such expiration or termination in which to remove all or any of their buildings, structures, plant, machinery equipment or effects from areas covered by the Lease or portion of the Lease surrendered or terminated. Any of the Companies' buildings, structures, plant, machinery or effects which are not removed in accordance with the provisions of this sub-clause (6) within the period stated herein, or such longer periods as the Director of Mines may specify, shall at the expiration of such period become the property of the Government. Nothing in this sub-clause (6) contained shall prejudice the right of the Government to take possession of any building, plant machinery or other effects which are the property of the Companies and which on the expiration, surrender or other termination of any lease are left upon the area of such lease if the Companies are knowingly in default in payment due to the Government in respect of such lease.

## 6. FINANCIAL OBLIGATIONS OF THE COMPANIES

### (1) The Companies shall :

- ~~§~~ (i) pay a cash bonus of twenty leones (Le20) per retained square mile or part thereof on discovery of oil in commercially exploitable quantities;
- (ii) pay a cash bonus of five hundred thousand dollars (\$500,000) when production shall have reached seventy-five thousand (75,000) barrels per day for thirty (30) consecutive days;
- (iii) pay a cash bonus of one million dollars (\$1,000,000) when production shall have reached one hundred thousand (100,000) barrels per day for thirty (30) consecutive days;
- (iv) pay a cash bonus of two million dollars (\$2,000,000) when production shall have reached two hundred thousand (200,000) barrels per day for thirty (30) consecutive days;
- (v) pay a cash bonus of three million dollars (\$3,000,000) when production shall have reached three hundred thousand (300,000) barrels per day for thirty (30) consecutive days;

- (2) (i) Rental shall be payable half-yearly in advance on the Exploration Area held by the Companies at an annual rate of fifty cents (Le0.50) per retained square mile or part thereof for the first five (5) years, thereafter twenty leones (Le20) per retained square mile or part thereof during the exploratory period. 10
- (ii) The Companies shall pay to the Government half-yearly in advance a mining lease rent at the rate of nine hundred leones (Le900) per square mile or part thereof per year for the first ten (10) years of the term of the lease. Thereafter the Companies shall pay to the Government half-yearly in advance a mining lease rent at the rate of one thousand three hundred and fifty leones (Le1,350) per square mile or part thereof.

The first payment shall be made within thirty (30) days of the coming into force of this Agreement and shall be proportionate to the amount of time remaining in the half-year.

- (iii) The Companies shall pay to the Government a surface rent in respect of any enjoyment of any easements, right of way and the like as specified in this Agreement.
- (3) (i) Expenditure obligation shall be ten leones (Le10) per square mile or part thereof for the first two (2) years of the exploration period and fifty leones (Le50) per square mile or part thereof thereafter.
- (ii) Within six months after the end of the exploration period, the Companies shall in the event no commercial mineral oil deposit has been found, submit a full report to the Government, supported by adequate documents, indicating the total amount spent by it on exploration operations during the said period. After verification of such report, any sum by which the total expenditure may fall short of the total minimum expenditure obligation herein laid down shall be paid by the Companies to the Government.
- (iii) During the first two (2) years after the commencement of exploration operations, the Companies may not suspend or stop operations for any reason except Force Majeure as prescribed in this Agreement. But at any time after the end of the said two years period, it may relinquish its rights subject to the requirement of notice as laid down in Clause 5 of this Agreement and to having fulfilled all obligations that it may have incurred up to the date of relinquishment, including in particular the relevant minimum expenditure obligation. In the event that there remains an unexpended balance, up to the date of notification of relinquishment, such balance shall be

paid by the Companies to the Government. However, should the Companies cease exploration at the end of the two years from the Effective Date, the Companies shall be released from the obligation to pay such shortfall to the Government provided the Companies have fully carried out their undertaking set out in Clause 6 (3) of this Agreement.

(4) (a) The Companies shall be subject to the provisions of the Income Tax Act in force applicable to Companies generally.

(b) In addition to Sub-clause (4) (a) the Companies shall be liable to Surtax in force in accordance with the Surtax (Temporary Imposition) Act.

(c) Notwithstanding Sub-clause (4) (a) and Sub-clause (4) (b) the total tax liability of the Companies to the Government in respect of Income Tax and Surtax for any year of assessment shall be an amount equal to fifty percent (50%) of its chargeable income ascertained in accordance with the provisions of the Income Tax Act in force.

(d) In computing the total amount of Income Tax and Surtax to be paid by the Companies in respect of any year of assessment there shall be deducted from the amount of tax payable payments made in respect of Royalty as provided for in Sub-clause (6) in so far as such payments fall due within the same year of assessment; so that in any year of assessment the tax paid by the Companies under Sub-clause (4) (a) and Sub-clause (4) (b) together with the said Royalty shall not exceed fifty per centum of the chargeable income of the Companies ascertained in accordance with the provisions of the Income Tax Act in force:

Provided that if the said Royalty exceeds fifty per centum of the chargeable income of the Companies the Royalty shall be payable in full for that year.

(5) (a) In computing the chargeable income of the Companies no deduction shall be allowed for payments made in respect of Royalty as provided for in Sub-clause (6), depletion, amortization of debts, taxes and other imports paid by the Companies outside Sierra Leone.

(b) Capital Allowances shall be granted in accordance with the Third Schedule to the Income Tax Act.

Provided that :

(i) all expenditure, including prospecting expenditure, other than on plant, machinery and buildings incurred by the Companies during the exploration

period, less the Companies net proceeds from the sale of materials produced in the conduct of its activities in Sierra Leone under and pursuant to this Agreement and sold prior to beginning of production period, and the market value of stocks, unsold petroleum held by the Companies less the anticipated expenses of transporting and selling the same shall be deemed to constitute exploration expenditure and as such shall be subject of capital allowances at the rate of ten per centum per annum.

- (ii) Cash bonus paid as provided for in Sub-clause 6 (1) shall be subject of capital allowance at the rate of ten per cent per annum.
- (6) (a) The Companies shall pay to the Government a Royalty equal to  $12\frac{1}{2}\%$  of the value of all crude oil produced and saved in the Authorised Area each year, excluding Petroleum used by it in its operations. The value of Petroleum shall be calculated on the basis of posted prices as defined in Clause 14.
- (b) The Royalty provided for in the preceding Sub-clause (6) (a) shall be paid in whole or in part either in cash or in kind at the Government's choice. Where the Government elects to receive Royalty in kind, it shall give the Companies notice in writing of the quantities required during a specific year not less than (3) months before the beginning of the year.
- (c) The Royalty payable in respect of Natural Gas sold in or exported from Sierra Leone or used by the Companies to manufacture any substances for sale or export shall be equal to  $12\frac{1}{2}\%$  of the proceeds of the sale thereof.
- (d) Royalties shall be paid quarterly. The amount payable in respect of each quarter of the calendar year shall be paid by the Companies not later than thirty (30) days after the end of the quarter.
- (7) No taxes shall be imposed on, or payments of any nature required from the Companies in respect of Authorised operations, except for the following:
- (a) Payments to be made to the Government as laid down in Clause 6 of this Agreement;
  - (b) Income Tax as provided for in Clause 6;
  - (c) Customs duties as laid down in Clause 9;
  - (d) Payments to the Government of taxes required by the Income Tax Law to be withheld from salaries paid to Employees and payments made to Contractors in Sierra Leone as provided for in Clause 6;

- (e) Reasonable and non-discriminatory charges and fees for services rendered by Government Authorities on request or to the public in general such as tolls, water rates and sanitary charges;
- (f) Non-discriminatory taxes and fees of general application, such as documentary stamp taxes, registry, patent and copyright fees;
- (g) Payroll taxes in accordance with Payroll Tax Act.

## 7. AUDIT AND CERTIFICATION OF COMPANIES' BOOKS

The Companies shall cause their books to be audited as soon as practicable after each accounting year by such independent firm of Chartered Accountants as may be chosen by the Companies and approved by the Government. The Companies' Accounts Book together with the audited report and certificate shall then be forwarded to the Commissioner of Income Tax. The Balance Sheet and Profit and Loss Account shall be drawn up in the English Language.

## 8. GENERAL RIGHTS OF THE COMPANIES

- (i) Subject to the strict observance of the provisions of this Agreement, the Companies shall have full and effective control of all operations.
- (ii) The Companies have exclusive right to explore, search and drill for and produce petroleum within the Mining Area by any methods that they consider appropriate in compliance with good oil field practice; to convey the petroleum produced to any point as necessary for use, treatment, storage, or export or sales for use or consumption outside of Sierra Leone, to store it wherever needed; and to deliver it to any transportation facilities for export.
- (iii) In addition to the other rights granted them by this Agreement and the Mining (Mineral Oil) Act and Regulations and other applicable laws of Sierra Leone, the Companies shall have the following rights:—
  - (iv) Rights incidental to mining operations as follows—
    - (a) To create all facilities for exploring for and producing petroleum;
    - (b) to drill wells, pits, shafts and make excavations;
    - (c) to make dams, drains and water-courses;
    - (d) to reclaim land and create islands;
    - (e) to construct tanks, reservoirs and other storage facilities;

- (f) to construct gas-oil separators, topping plants, casing-head gasoline plants and sulphur plants;
- (g) to create power-lines and telegraph, telephone, radio and other communication facilities;
- (h) to provide pipelines, pumping stations, power houses, and power stations;
- (i) to build offices, factories, warehouses and other buildings;
- (j) to create ports, docks, harbours, piers, jetties, dredgings, breakwaters, submarine loading line and terminal facilities;
- (k) to make railways, roads, bridges, ferries, airways, airports and other transport facilities;
- (l) to administer and maintain all the above facilities.

The reclaiming of land, the creation of islands and the construction of any railway lines, ports, telephone, telegraph and radio services, power and aviation facilities shall require the prior consent of the Government which shall not be unreasonably withheld or delayed.

In cases where the conduct of Authorised Operations necessitates the use of land belonging to the State, such land shall upon application by the Companies be placed at its disposal in consideration of a surface rent to be fixed by the Government, but not exceeding the surface rent or similar land in the vicinity of the Exploration or Mining Area. Easements, rights of way, the right to construct roads, railways, pipe-lines and the like where the State land is concerned shall be granted to the Companies as necessary, in the same manner. The Government shall have the right to refuse the Companies application for any land which comprises historical or religious sites or which is deemed unsuitable for Petroleum Operations for safety and security reasons.

Where the conduct of Authorised Operations involves the use of land which is privately owned, or the acquisition of easements, rights of way and the like over privately-owned land, the Companies shall negotiate with the owner for the acquisition of the title desired, either by purchase or lease.

If the owner refuses to sell or lease the land or to grant the easement, or if he demands unreasonable terms, the Companies may apply to the Government to intervene on its behalf and to ensure that such land is placed at its disposal, or that the easement required is granted on reasonable terms.

Any relinquishment of parts of the Authorised Area effected in accordance with the provisions of this Agreement shall not affect the Companies' access rights acquired over land so relinquished.

The Companies may, for the purpose of conducting Authorised Operations, and subject to any third party rights, use any water found on land which it shall have acquired hereunder or on unutilized State land; it may likewise, subject to third party rights, cut timber and take building materials from such land, and may clear parts from a forest existing thereon. However, when land has been rented from a private owner, the exercise of such rights shall depend on the owner's consent.

The Companies shall acquire title to its share of all of the Petroleum which it shall find in accordance with the provisions of this Agreement.

The Companies shall have the right to export the Petroleum produced by it without being subject to any export taxes, duties or other charges. It shall be free to decide with whom to contract for the shipment of its cargoes of Petroleum, and also whether and with whom cargoes shall be insured.

However, the Companies shall give preferential consideration to the transportation of its cargoes by vessels belonging to Sierra Leone, provided such means of transportation are available on reasonable and competitive conditions.

## 9. CUSTOMS DUTIES

The Companies shall be entitled to import, free of customs and other duties, all articles which may be needed exclusively for the conduct of Authorised Operations. This exemption shall not apply in respect of any goods which are available in Sierra Leone of suitable and reasonably comparable quality and at no higher price, provided that in comparing prices of goods available in Sierra Leone to the price of imported goods there shall be added any customs or export duties paid in the country of origin as well as other expenses incurred up to the time the imported goods are landed in Sierra Leone. Any articles thus imported may be re-exported by the Companies without any permits, and free of all duties but subject to notice to the Government, and for the following purpose only:

Repairs which cannot be effected in Sierra Leone, exchange against more modern or more efficient equipment, and return to the place of origin of equipment imported for temporary use. Repaired or renewed parts shall be brought to Sierra Leone within a reasonable time.

The Companies may, subject to the consent of the Government, sell in Sierra Leone articles imported by it, provided that the buyer shall pay all applicable duties and conform to the formalities and rules relating to customs clearance.

Articles needed for personal use of Companies' employees and their dependants may be imported, subject to the payment of customs and import duties generally applicable at the time of import. This provision, however, shall not apply to goods and articles brought in for personal use at the time of first entry.

Employees of the Companies and their dependants shall enjoy freedom of movement throughout Sierra Leone by any form of transport, subject to the observance of any rules concerning such transport. Provided that visits to diamond protected areas shall be in accordance with a valid permit.

The Companies shall be free to retain or dispose of its funds or assets outside Sierra Leone including but not limited to proceeds of any export sales. It shall have the right to export any such funds as it shall have imported or derived from its operations in Sierra Leone.

The Companies shall have the right to engage foreign personnel for the conduct of Authorised Operations, provided that it shall employ Nationals of Sierra Leone to the fullest extent possible, and also that it shall train Nationals of Sierra Leone both within the industry and by the grant of scholarships in order that they may replace foreign personnel as soon as reasonably practicable. Programmes and plans for such training shall be drawn up and agreed upon annually by the Government and the Companies. The obligations to train the Nationals of Sierra Leone shall begin to be carried out as soon as practicable after completion of the first producing well.

The Companies may entrust the execution of any part of Authorised Operations to independent contractors, provided:

- (a) that a copy of each signed contract is submitted to the Government as soon as possible;
- (b) that the Companies shall, as far as possible select contractors who are Nationals of Sierra Leone, provided such Nationals are capable of performing the work desired satisfactorily and on terms and conditions which compare favourable with those of expatriate contractors;
- (c) that the Companies shall remain directly responsible to the Government for the proper performance of the work entrusted to contractors.

## 10. OBLIGATIONS OF THE COMPANIES

- (i) The Companies undertake to commence exploration operation not later than six (6) months after the Effective Date: to pursue these operations to the maximum extent consistent with good petroleum industry practice; and to commence the drilling of

at least one well for Petroleum not later than twenty-four (24) months after the Effective Date. Such well will be drilled to a depth sufficient to test the Devonian Strata (estimated at 7,000 feet), to basement, or to the depth at which commercial production is found, whichever comes first.

Nevertheless, if in the opinion of the Companies drilling of such a well is not feasible due to a lack of a drilling prospect, it shall not be necessary to drill such well and the Companies may revert the concession to the Government.

- (ii) Previous notice shall be given to the Government concerning the commencement of any drillings, with a description of the location of the proposed well, and work on drilling shall not be started before consulting with the Government.
- (iii) When a productive field has been discovered, the Companies shall exert its utmost efforts for developing it to the maximum extent consistent with good petroleum industry practice, and shall conduct production operations as expeditiously as possible.
- (iv) No well shall be abandoned without first consulting with the Government. All wells so abandoned shall be plugged only with the consent of the Government and in accordance with specifications to be proposed by the Companies and approved by the Government.
- (v) The Companies undertake to carry out all Authorised Operations with due diligence, efficiency and economy; to observe sound technical and engineering principles, in particular in regard to the conservation of hydrocarbon deposits; and to take at all times every reasonable precaution and adopt all reasonable safety measures to prevent injury to person and property, the occurrence of blow-out and fire, the contamination of water through the escape of petroleum or other injurious substances, the pollution of the air by liberation of gas and in general all avoidable waste.
- (vi) All Petroleum produced shall be measured or weighed by methods used in good oil industry practice. The Companies shall propose the methods to be adopted to the Government for approval.
- (vii) The Companies shall enable duly nominated representatives of the Government to inspect at all reasonable times the operations conducted under this Agreement, to control and test the methods and apparatus used for measuring or weighing Petroleum, and to examine all books and records connected with Companies' operations.

- (viii) The Companies shall keep in Sierra Leone books of accounts and maintain full records of operations in accordance with a system which it shall propose to the Government for its approval. Such system shall conform to generally accepted accounting principles and procedures in international petroleum industry, and the books of accounts and records of operations shall be opened to the Government's inspection at all times, upon reasonable notice.
- (ix) The Companies shall give the Government notice of the erection of all fixed installation and shall keep the Government informed of the progress of operations as well as of any discovery of materials other than Petroleum which may come to light in the course of Authorised Operations. The Companies shall furnish the Government with characteristic samples, duly labelled, of strata as well as of Petroleum or of any other minerals which may be discovered in the course of operation.
- (x) The Companies shall submit to the Government within thirty (30) days of the end of each calendar quarter reports containing information in respect of operations carried out and within thirty (30) days of the end of each calendar year a yearly report containing all information required by the Government in respect of operations carried out by the Companies. These reports shall be accompanied by accurate copies of maps, sections, well logs, and other data relating to topographical, geological, geophysical with its interpretation, drilling, producing and other relevant matters. In addition, monthly progress reports shall be submitted by the Companies concerning all wells being drilled.
- (xi) Any plans, maps, records and general technical information except statistical information, obtained by the Companies shall be treated as confidential in the sense that neither party shall disclose the same to third parties without the other party's consent which shall not be unreasonably withheld. However, the duration of such confidentiality shall be limited to three (3) years, except for seismic information which shall only be released with consent of the Companies.
- (xii) In the event of discovery of a gasfield the reserves of which are not deemed by the Companies to be of sufficient size to warrant its commercial development, then such field will be offered to the Government free of charge and if accepted, the Companies will have no further responsibilities for that gasfield.
- (xiii) If additional facilities are required for the purpose of enabling the Government to take delivery of Natural Gas under Sub-clause 10 (xii) the capital for the creation of such facilities shall be provided by the Government.

- (xiv) The Companies shall supply to the Government or to refiners to be nominated by the Government such quantities of Petroleum, to be determined by the Government from time to time, as may be necessary for internal consumption in Sierra Leone, such consumption to include the bunkering of vessels and fueling of aircraft. Such supplies shall be subject to the following provisions:
- (a) The Companies shall not be called upon to supply Petroleum to the Government to the extent that such Petroleum is required for the conduct of Authorised Operations.
  - (b) The Companies shall not be required, in order to meet the requirements provided for in this Clause to produce Petroleum at a rate higher than the maximum efficient rate of production.
  - (c) The Government shall notify the Companies of its requirements under this Clause in respect of each quarter of the calendar year namely three months ending on March 31st, June 30th, September 30th and December 31st; each notification to be given not less than two (2) months before the beginning of the quarter during which delivery is to be made.
  - (d) Deliveries of Petroleum under this Clause shall be made at the Companies' export terminal.

The price to be paid to the Companies for Petroleum supplied under the terms of Clause 14 shall be an amount equivalent to the average of the prices ex terminal at which the Companies have sold Petroleum to Nonaffiliates during that quarter. In the event no sales of crude oil were made during the said quarter to other than Affiliates the price shall be equivalent to the minimum unit price ex terminal as obtained by producers of crude oil in West Africa (owned directly or beneficially by persons or entities foreign to Nigeria) (for the purposes hereof West African producing countries are deemed to be those along the coast of West Africa commencing with Spanish Sahara and extending to Gabon) for the sale of crude oil during the immediately preceding quarter, taking into consideration quantity and quality of the crude oil in question and any other relevant factors.

- 11. The Government shall have the right to grant to other persons permits for the exploitation of substances other than Petroleum within the Mining Area. In such case, the Companies shall afford safe passage for the holder of the permit to the sites which he wishes to inspect or work on, provided, however, that any activities under the permits shall not in any way hamper the Companies' operations.
- 12. The Companies shall at all times have full regard, in the conduct of its operations, to the rights and interest of the Government and people of Sierra Leone.

13. The Companies shall at all times hold the Government and its agents indemnified against any claims in respect of any injury, damage or loss suffered by third parties as a result of acts or omissions on the part of the Companies relating to its operations.
14. (i) The Companies hereby undertake that the sale price of the Petroleum which they produce or any products thereof shall be the best price which the Company can obtain in a free competitive market.  
(ii) For the purpose of this Agreement posted prices shall mean the FOB prices received by the Companies for each grade, gravity and quantity of Petroleum offered for sale to buyers generally for export at the relevant points of export in Sierra Leone which price shall be a price received with due regard to any other posted prices for Petroleum of comparable grade, gravity and quality and having regard to geographical location.  
(iii) The Government and the Companies may at any time agree on prices other than posted prices, to be known as reference prices, to serve as a basis of computation for any of the cases in which posted prices have to be taken as a basis of computation under the provisions of this Agreement.  
(iv) If a difference arises between the Government and the Companies concerning the determination of posted prices it shall be determined by arbitration.

### GENERAL PROVISIONS

#### 15. NATIONAL EMERGENCY

In the event of war involving Sierra Leone or of national emergency, the President of Sierra Leone may, for the duration of such war or national emergency, if circumstances so require, proceed to take over all the Petroleum and Petroleum products produced by the Companies, and to take control of the whole or part of the Companies installations and premises, provided that fair compensation shall be paid to the Companies for any loss or damage incurred by them as a result of actions taken in pursuit of the President's decision.

16. (i) Where the Companies fail or omit to fulfil an obligation or delay the fulfilment thereof because of Force Majeure, such failure, omission or delay shall not be treated as a failure to comply with the provisions of this Agreement, provided it is proved to be the necessary consequence of such Force Majeure.  
(ii) Force Majeure means any event beyond the Companies' reasonable control, such as but not limited to, war, insurrection, civil commotion, strike, storm, tidal wave, flood, epidemic, explosion, fire, lightning or earthquake.

- (iii) If as a result of a Force Majeure the performance of any obligation or the exercise of any right of the Companies is delayed, the period of such delay shall be added to any relevant periods laid down in this Agreement.
- (iv) If the Duration of Force Majeure preventing the performance of an obligation or the exercise of a right is one year or more, this Agreement shall be automatically extended for a period equal to such duration without prejudice to the provisions of this Agreement concerning further extensions.

## 17. ASSIGNMENT

- (i) The Companies shall not assign this Agreement or any exploration licence or oil mining lease issued pursuant to this Agreement without the previous consent in writing of the Minister of Mines (which consent shall not be unreasonably withheld), except where the assignment is to another Company which is itself a member of the group or groups of which the Companies or any of the Companies mining them are members: provided that on any such assignment the Minister may require the assignors and for the assignees at their expense to execute a deed of covenant to observe and perform the covenants and conditions on the part of the Companies contained in this Agreement or in any of the licences or leases granted hereunder. Subject to such limitation on assignment, the assignment of any oil exploration licence or oil mining lease or part thereof issued pursuant to this Agreement shall carry with it the rights, privileges and benefits set out in this Agreement.
- (ii) No assignment of this Agreement shall release the Companies from any of the obligations assumed by it hereunder except where all such obligations have been fulfilled by the assignee.
- (iii) The Companies shall if it becomes necessary bring in qualified partners in this concession provided however that the prior written consent of the Government shall be obtained. Such consent however shall not be unreasonably withheld and shall be given within a period of thirty (30) days from the receipt of the request by the Companies.

## 18. REVOCATION

The Government may revoke this Agreement if any of the events described hereunder occurs, provided that it shall have given notice of its intention and the reasons therefor to the Companies reasonably in advance of revocation:

- (a) Failure in the part of the Companies to fulfil the work obligations assumed by it for the commencement of operations and drilling, or to meet expense obligations within two consecutive periods; or to observe other substantial provisions of the Agreement;
  - (b) In case the Companies become bankrupt or go into liquidation;
  - (c) If it is proved that the Companies made a wilful misrepresentation of any material fact in the process of the steps taken which have led to the conclusion of this Agreement;
  - (d) If the Companies fail to comply with an award duly given by an Arbitration Board or a Sole Arbitrator as a result of arbitration proceedings as laid down in this Agreement, after the lapse of six (6) months from the date of communication to it of the award.
19. The Government shall, in the case of Clause 18—(a) and (d) and where it considers it appropriate, call upon the Companies while giving it notice of the intention of revoking this Agreement, to remedy the breach which has motivated the revocation, within a specified time limit.

## 20. TERMINATION

- (i) This Agreement shall terminate automatically if upon the expiry of the exploration period as laid down in Clause 3 (a) no commercially exploration field has been found.
- (ii) During the exploration and until commercial production is found, the Companies shall be at liberty to terminate this Agreement on giving the Government not less than six (6) months notice in writing, provided it fulfils all its obligations up to the date of such termination.
- (iii) In case of serious and reported violations assumed hereunder, the Government may order the operations to be temporarily discontinued, pending decision concerning the action to be taken.
- (iv) Upon the expiry of the terms of this Agreement or of its termination in any other manner, all the installations and immovable properties of the Companies appropriated to the conduct of Authorised Operations shall be handed over gratuitously and in reasonably good condition to the Government. The government may, if it so desires, purchase all or any of the Companies' movable properties at the acquisition price less depreciation.


## SETTLEMENT OF DISPUTES

## 21. SETTLEMENT OF DISPUTES

- (i) If a difference or dispute arises with regard to the interpretation application or execution of the provisions of this Agreement or the rights and obligations of the parties, and if the parties fail to settle the same by mutual agreement, the difference or dispute shall be submitted to arbitration. Arbitration proceedings shall be instituted by a notice in writing given by the complainant to the respondent. Each Party shall appoint an arbitrator and the two arbitrators before proceeding to arbitration shall appoint a third arbitrator who shall be Chairman of the Arbitration Board.
- (ii) If one Party fails to appoint its arbitrator within one month of the commencement of arbitration proceedings, or if the two arbitrators fail to agree on the appointment of the third arbitrator within two months of the commencement of proceedings, then there shall be designated a Sole Arbitrator in the first case and a third arbitrator in the second case by the President of the International Chamber of Commerce, from among a number of candidates who will be agreed upon by the Parties. Such candidates shall be independent persons, not nationals of either Sierra Leone or the United States of America and not closely connected with the interests of the said two countries. A list of such candidates shall be drawn up and agreed upon between the Parties within two months after the Effective Date. The list shall thereafter be reviewed and modified as necessary at the beginning of each calendar year.
- (iii) In the event of death, disability, or resignation of any arbitrator or his failure to enter upon or to continue his function as arbitrator, notice in writing of such occurrence shall be given by the more diligent party to the other, and a successor shall be appointed in the same manner as in respect of the arbitrator whom he is to replace.
- (iv) The place of arbitration shall be in Sierra Leone, or in such other country as shall be agreed by the arbitrators, and the procedure of arbitration shall be determined by the Parties, or failing agreement of the Parties, by the Arbitration Board or Sole Arbitrator. In arriving at the award, arbitrators shall have regard in the first place to the laws of Sierra Leone but they shall not be precluded from relying on principles of law generally recognised as well as on consideration of equity.
- (v) Where the arbitration is referred to a Board, the award may be given by a majority. The award of an Arbitration Board or a

Sole Arbitrator shall be final and binding, and the Parties shall comply with it in good faith.

- (vi) Pending the issue of an award, the operations which have given rise to arbitration need not be discontinued. In case the award recognises that the complainant was justified, provision may be made as necessary in favour of the complainant.
- (vii) The costs of arbitration proceeds shall be awarded at the sole discretion of the Arbitration Board or Sole Arbitrator.
- (viii) The provisions of this Agreement relating to arbitration shall continue in force notwithstanding the termination of the Agreement.

 22. INTERPRETATION

The Agreement and any oil Exploration licence or mining lease issued hereunder shall be governed by and construed in accordance with the laws of Sierra Leone.

This Agreement and the performance of the obligations hereunder are subject to existing and future laws and regulations of Sierra Leone.

 23. PERIODIC REVIEW

Four years after the commencement of commercial production and periodically thereafter, the Parties to the present Agreement will jointly review the Agreement's terms and compare them with arrangements in effect in other producing areas in West Africa. In the event that the sum of fiscal and other arrangements contained in the present Agreement are found to be less favourable to the Government than the sum of those provided for in such other oil producing areas, the Government and the Companies shall further consult with a view to determining what adjustments in the terms of the present agreement may be appropriate in order to establish an approximate parity of conditions with arrangements in the aforesaid other producing areas.

Any amendment, modification or alteration of this Agreement shall be in writing executed by the Government and the Companies.

24. REGISTRATION

It is understood that the Companies are corporations formed under the laws of the States of New York and Pennsylvania, United States of America, and the Companies agree to file the necessary documents to be registered under the Sierra Leone Companies Act, as Companies incorporated outside Sierra Leone carrying on business within Sierra Leone. The Government agrees that this Agreement may be made with, and oil exploration licenses and oil mining leases may be granted to, such Companies so incorporated and registered.

## 25. NOTICES

All notices, consents, or other communication given pursuant to this Agreement shall be in writing, and the contracting parties shall not under any circumstances be permitted to allege or rely upon any oral order, approval, declaration, notice or communication.

All orders, approvals, declarations, notices or communications from the Government to the Companies shall be delivered to the representative of the Companies in Freetown.

All declarations, notices and communications from the Companies to the Government shall, unless otherwise required by law or by the terms of this Agreement or unless the Government shall otherwise direct by written notice to the Companies, be mailed or delivered to the Director of Mines at his office in Freetown.

Following the execution of this Agreement the Government will introduce and use its best endeavours to cause to be pursued legislation for the purpose of ratifying and confirming this Agreement and implementing the terms thereof.

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement as of the day and year first above written.

Signed, Sealed and Delivered by the  
Honourable Francis Stephen Conteh, for (Sgd.) F. S. Corteh  
and on behalf of the Government of Sierra  
Leone in the presence of

(Sgd.) S. M. Jonjo

Signed, Sealed and Delivered by the  
legally authorised representatives of (Sgd.) Robert Haft  
Aracca Petroleum Corporation in the  
presence of

(Sgd.) Arthur Lake

Signed, Sealed and Delivered by the  
legally authorised representatives of Oxoco (Sgd.) Robert Haft  
International in the presence of

(Sgd.) Arthur Lake

## SCHEDULE

## TERRITORIAL WATERS AND CONTINENTAL SHELF

All that Area lying west of Sierra Leone in the ATLANTIC OCEAN known as Territorial Water and Continental Shelf Commencing at a point X on the mouth of the MANO RIVER along the MEDIAN LINE SIERRA LEONE—LIBERIA BOUNDARY for a distance of 47 miles to a point A on the Territorial Waters of Sierra Leone whose Geographical Co-ordinates are N-6° 26' 00" W-12° 00' 00" THENCE on a TRUE BEARING of 190° 00' for a distance of 7 miles to a point B on the Territorial Water of Sierra Leone whose Geographical Co-ordinates are N-6° 20' 00" W-12° 00' 00"

## Oil Agreement (1979) (Ratification)

THENCE on a TRUE BEARING of 270° 00' for a distance of 144 miles to a point C on the Territorial Waters of Sierra Leone whose Geographical Co-ordinates are N-6° 20' 00" W-14° 20' 00" W-14° 00' 00" THENCE on a TRUE BEARING of 369° 00' for a distance of 48 miles to a point D on the Territorial Waters of Sierra Leone whose Geographical Co-ordinates are N-7° 00' 00" W-15° 00' 00" THENCE on a TRUE BEARING of 360° 00' for a distance of 84 miles to a point F on the Territorial Waters of Sierra Leone whose Geographical Co-ordinates are N-8° 10' 00" W-15° 00' 00" THENCE along the MEDIAN LINE—SIERRA LEONE—GUINEA BOUNDARY for a distance of 129 miles to a point SALLATOUK THENCE along the HIGH WATER MARK on the Coast of Sierra Leone on the South Eastern direction for a distance of 3 miles to a point G whose Geographical Co-ordinates are N-90° 00' 00" W-13° 17' 00" THENCE on a TRUE BEARING of 270° 00' for a distance of 3 miles to a point H on the Territorial Waters of Sierra Leone whose Geographical Co-ordinates are N-9° 00' 00" W-13° 20' 00" THENCE on a TRUE BEARING of 180° 00' for a distance of 120 miles to a point J on the Territorial Waters of Sierra Leone whose Geographical Co-ordinates are N-7° 20' 00" W-13° 00' 00" THENCE on a TRUE BEARING of 180° 00' for a distance of 24 miles to a point L on the Territorial Waters of Sierra Leone whose Geographical Co-ordinates are N-7° 00' 00" W-13° 00' 00" THENCE on a TRUE BEARING of 90° 00' for a distance of 99 miles to a point M on the Coast of Sierra Leone whose Geographical Co-ordinates are N-7° 00' 00" W-11° 37' 00" THENCE along the HIGH WATER MARK on the Coast of Sierra Leone for a distance of 14 miles to a point X on the mouth of the MANO RIVER along the MEDIAN LINE SIERRA LEONE—LIBERIA BOUNDARY which is the point of commencement thus enclosing an area of 22,470 square miles approximately be the same several dimensions little more or less as the same is more or howsoever otherwise the same may be bounded known described or EDGED RED on the attached map.

Passed in Parliament this 27th day of *January*, in the year of our Lord one thousand nine hundred and eighty-two.

J. W. E. DAVIES,  
*Clerk of Parliament.*

THIS PRINTED IMPRESSION has been carefully compared by me with the Bill which has passed Parliament and found by me to be a true and correctly printed copy of the said Bill.

J. W. E. DAVIES,  
*Clerk of Parliament.*