



# Arab Republic of Egypt



## Ministry of Petroleum and Mineral Resources

### Ganoub El Wadi Petroleum Holding Company (Ganope)

## ANNOUNCEMENT FOR INTERNATIONAL 2016 BID ROUND For Petroleum Exploration and Exploitation

Ganoub El Wadi Petroleum Holding Company (Ganope) has the pleasure to invite the Petroleum Exploration companies for the **INTERNATIONAL 2016 BID ROUND** to explore /exploit for crude Oil and Gas under the Production Sharing Agreement (PSA). The International 2016 Bid Round includes ten (10) exploration blocks as follows:

Area	No. of Blocks
South Gulf of Suez	5
Western Desert	5

**Closing date will be on Wednesday, November 30<sup>th</sup>, 2016 at 12:00 noon.**

- Data purchasing and data room will be available at Ganope premises: El Nour street from El Nozha street, Nasr City- Cairo, Egypt. P.O.B:3011 El Horria, upon request and according to the determined prices.
- Interested companies shall submit their offer(s) according to the procedures, main terms and conditions. Any offer(s) with different terms or conditions, other than the terms and conditions mentioned herein, shall be disregarded.
- Main Information, Coordinates, Procedures, Main Commercial Parameters and the Model Agreement can be obtained through Ganope website ([www.ganope.com](http://www.ganope.com))

Payment for data shall be either by a payable cheque or a wire transfer to:	For more information
National Bank of Egypt, Main branch, Cairo, Egypt Address:24, Sherif St., Cairo, Egypt	Geol.: Osama Farouk Vice Ch. for Agreements & Exploration
Account no.: 11005545085 Swift code: NBEGEGCX001	Tel.: +202 26910185 Fax: +202 26910184
Ganoub El Wadi Petroleum Holding Company (Ganope)	E-mail: <a href="mailto:osama.farouk@ganope.net">osama.farouk@ganope.net</a>

# **I. Procedures**

Bidders should submit their offers by the closing date in two **separate sealed envelopes**, taking into consideration that those two envelopes should contain **only one offer for one block**, each envelope should contain one original and two copies, as the following:

□ **SEALED ENVELOPE (1) entitled "Qualifications" and should include:**

1. A preliminary bond in amount of US\$ 100,000 submitted by an irrevocable bank letter of Guarantee or a payable cheque confirmed by an Egyptian bank and valid for at least six months from the Bid Round closing date.
2. Bidder previous experience (if any) in Oil and Gas exploration and production activities and assets of the bidder worldwide including exploration and development projects, reserves, latest used technology supplemented by the company's profile, annual reports and financial report & statements
3. Article of incorporation of the company with all supported documents that proves its legal existence, commercial registration, as well as its shareholders, partners and their nationalities. All above mentioned documents should be submitted to Ganope in Arabic or English language and to be notarized, authenticated and legalized by the competent authorities and the Egyptian embassy or the consulate general of the A.R.E in the contractor's country of origin and the ministry of foreign affairs in Egypt.
4. Documents proving company's financial capability.
5. Necessary and sufficient technical and financial guarantees for newly formed affiliated companies.

**N.B.:** The above mentioned parameters should be fulfilled to be evaluated.

□ **SEALED ENVELOPE (2) entitled "Commercial" and should include :**

The Bidder's Proposed Commercial parameters according to the Main Contract Terms & Conditions and the provisions of the Model Agreement.

"**Commercial**" will not be opened unless envelope (1) "**Qualifications**" fulfills all previously stated requirements and bidder is technically accepted .

## **Submission**

The two **separate** sealed envelopes should be submitted and hand delivered together, the first envelope marked "**Qualifications**", the second envelope marked "**Commercial**".

The two envelopes should be entitled "**Confidential**" and addressed to:

**Ganoub El Wadi Petroleum Holding Company.**

**Chairman of the Board.**

**The international 2016 Bid Round.**

Address: El Nour st. from El Nozha st., Nasr City- Cairo, Egypt. P.O.B:3011 El Horria.

## **II. MAIN TERMS AND CONDITIONS**

### **1. Type of Contract :**

- The Production Sharing Agreement (PSA) Model shall be based on production tranches and prices.
- The model shall be submitted by Ganope. Contractor shall undertake all the risks to explore, develop and produce crude oil and Gas.

### **2. Royalty & Income Taxes:**

- Ganope shall bear and pay out of its share, on behalf of the Contractor:
  - Royalty.
  - The applicable Egyptian income tax.
- Priority shall be given to satisfy the Government /Ganope for both crude oil and gas, Ganope shall have the right to buy contractor's share, whereas the Contractor shall bear and pay such royalty of ten percent (10%) and the applicable Egyptian income tax for all or part of the contractor's profit share of Gas and excess gas cost recovery (if any), in case a quantity of Gas isn't required for the Government /Ganope and dispose part or all of its profit gas share and excess Gas cost recovery (if any) in the local or international market after having the A.R.E competent authorities approval.

### **3. Parties to the Contract**

The Government of Arab Republic of Egypt, Ganoub El Wadi Petroleum Holding Company (Ganope) and Contractor.

### **4. Contract Period (competitive)**

- The duration of the Exploration period shall be specified in the offer and subdivided into phases (With maximum total exploration duration of 6 years for the Gulf of Suez and 7 years for the Western Desert Blocks) and each phase should not exceed four (4) years. The contractor will have the option to relinquish at any phase provided that Contractor has fulfilled commitment of such phase.
- 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 Ganope and subject to Ganope 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 Ganope of Commercial Discovery of Oil or Gas, as the case may be, (unless otherwise agreed upon by Ganope) the Contractor should immediately surrender the area containing such Oil or Gas reserves to Ganope.

Taking into consideration that the commencement of the commercial production shall not exceed four (4) years from the date of signing and approving the development lease otherwise that development shall be surrendered unless otherwise approved by competent authorities.

- 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.
- If Gas is discovered in a commercial quantity, Ganope 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 Ganope.
- 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 accepted by Ganope 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 Ganope, including the additional activities to be undertaken (drilling one well, at least in the next exploration phase) 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.
- At the time of relinquishment of all or any part of the Concession area, Contractor shall undertake and be committed to restore the area as it was by the time Contractor had received it or in a condition demanded by Ganope upon relinquishment

**6. Minimum Work and Financial Obligations: (competitive)**

Companies shall bid the adequate exploration program and its expected relevant financial commitment, such program shall be considered as the minimum obligation by the contractor

A letter of guarantee for the minimum financial commitment of the initial exploration period should be submitted to Ganope by the Contractor before the signature date of the concession agreement.

A letter of guarantee shall be required if the Contractor elects to enter the subsequent exploration period(s).The Contractor has the right to submit a bank guarantee or a production guarantee or a letter entitles Ganope to solidify from the Contractor(s) dues an amount equal to the financial commitment of the current phase

The Contractor after Ganope’s approval has the right to perform any obligations of the extension phase of the initial exploration period , however to be deducted from the letter of guarantee for the next phase.

**7. Cost Recovery: (Competitive)**

Contractor shall recover its cost out of up to (40)%.

Amortization of each exploration and development expenditures shall be recovered in (4) years, except any new investments/expenditures during the last five years, shall be cost recovered for the remaining period of the development lease(s).

**8. Excess Cost Recovery: (competitive)**

not less than 85% to Ganope

**9. Production Sharing Split: (competitive)**

The remaining percentage of petroleum after deducting the cost recovery percentage shall be divided between Ganope and Contractor based on Brent prices and oil tranches as follows:

**A. Oil production : crude oil and/or condensate (quarterly average):**

Brent Price US\$/bbl	Less than 3000 BOPD		From 3000 and less than 5000 BOPD		From 5000 and less than 10000 BOPD		From 10000 and less than 15000 BOPD		Equal to or More than 15000	
	Ganope %	Contractor %	Ganope %	Contractor %	Ganope %	Contractor %	Ganope %	Contractor %	Ganope %	Contractor %
Less than or equal to US\$40										
More than US\$ 40 and less than or equal to US\$ 60										
More than US\$60 and less than or equal to US\$ 80										
More than US\$ 80 and less than or equal to US\$100										
More than US\$ 100										

B. Gas & LPG (quarterly average):

<b>Production Rate</b>	<b>Ganope %</b>	<b>Contractor %</b>
Less than 25 MMSCF / Day		
Equal to 25 and less than 50 MMSCF/Day		
Equal to 50 and less than 100 MMSCF/Day		
Equal to 100 and less than 125 MMSCF/Day		
125 and above MMSCF/Day		

10. Bonuses: (non recoverable)

A. Signature bonus: (competitive)

It shall be Transferred to Ganope account before the signature date of the Concession Agreement

B. Development lease bonus: (competitive)

Shall be competitive and not less than US\$ 100,000 for each development block (1'×1') or (division of block) before the approval date of each development lease.

C. Five years extension bonus of development lease: (competitive)

Due upon contractor's request and before Ganope and the Government approval.

D. Production bonus : (competitive)

Due to the following production rates:

<b>Production Rate</b>	<b>US\$</b>
Start Production	
Cumulative production 1 million barrels (or equivalent)	
Cumulative production 2 million barrels (or equivalent)	
Cumulative production 4 million barrels (or equivalent)	
Cumulative production 6 million barrels (or equivalent)	
Cumulative production 8 million barrels (or equivalent)	

#### **E. Training bonus:**

- Contractor shall pay to Ganope in each financial year the sum of US\$100,000 as a training bonus or pay for the prorated due for the remainder of the financial year for the training purpose of Ganope employees throughout the validity of the Concession Agreement for Gulf Of Suez Blocks.
- Contractor shall pay to Ganope in each financial year the sum of US\$50,000 as a training bonus or pay for the prorated due for the remainder of the financial year for the training purpose of Ganope employees throughout the validity of the Concession Agreement for Western Desert Blocks.

#### **F. Assignment bonus:**

- Contractor shall pay to Ganope, prior to the Government approval (10%) of the total assignment deal value during the exploration and development phases including extension(s) if any. This assignment bonus shall not be less than ten percent (10%) of the Contractor remaining financial obligation during the exploration phase in which the assignment request was accepted by the Government
- US\$ 0.1 MM shall be paid to Ganope 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.

#### **11. Assignment:**

Neither Ganope 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 Ganope, 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 Production Shares of Gas, which is disposed of for local market, according to a Gas Sales Agreement entered into by and between Ganope and Contractor (as sellers) and Ganope (as buyer) pursuant to Article VII (e) shall be valued, delivered to and purchased at a price, which should be agreed upon between Ganope and Contractor before the final signature of the development lease(s), according to the Gas price prevailed in the Concessions of a similar condition in the A.R.E.

### **13. Disposition of Crude Oil and Gas:**

- Priority shall be given to meet the needs of Government/Ganope. In case a quantity of Gas isn't required for the Government/Ganope, the Contractor may have the right to dispose part or all of its profit gas share and excess gas cost recovery (if any) in the local or international market after having the A.R.E competent authorities approval.
- In case Ganope or Ganope 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 phase(s), an Exploration Advisory Committee consisting of an equal number of representatives from the contractor and Ganope, shall discuss and approve the contractor proposed annual work program and budget for each fiscal year. Upon commercial discovery, Ganope and Contractor shall form in the A.R.E. an operating joint venture company, such company shall be named by mutual agreement between Ganope and Contractor and shall be approved by the Minister of Petroleum.
- For the purpose of development & production of any commercial discovery, Ganope 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. 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.

### **16. General Conditions:**

- Bidders should purchase the principal data package(s) to be able to bid.
- The successful bidders should increase the bid bond to an amount equal to 10% of the minimum financial obligation of the initial exploration phase as specified in the offer by the bidder within fifteen (15) days from receiving Ganope's awarding notification to the company as a successful bidder.
- The successful bidder increased amount to 10% of the minimum financial obligation of the initial exploration Phase, will be replaced by a bank letter of guarantee from a Bank under the full supervision and control of the Central Bank of Egypt or production letter of guarantee covering the minimum financial obligation of the initial exploration phase, before signing the concession agreement.



- The successful bidder should submit, upon Ganope request, a cheque, confirmed by an Egyptian Bank, made payable to the order of Ganope or a wire transfer to Ganope's account with an amount estimated at US\$ 80.000 (only eighty thousand US\$) (non recoverable) in order to print copies and publish the concession agreement in the Official Gazette, this amount shall be paid prior to signing the concession agreement.
- Any expenditure made by the bidder before the effective date is not subject for recovery.
- The preliminary bid bond shall be returned to the unsuccessful bidders
- Submit a valid power of attorney of the Bidder(s) representative(s), whom is authorized to initialize the Concession Agreement for ratification as well as signing the ratified and issued by law, Concession Agreement.
- Ganope shall have the right to reject any offer without giving reasons
- Bidders shall indicate in their offers the acceptance of the Ganope Model Agreement.
- **Offer(s) should be disregarded if:**
  - Included any area(s) not specified in Ganope international Bid Round 2016.
  - The bidder didn't purchase the principal data package relevant to the block(s) they bid for.
  - Bid is conditioned or related to any other concession agreement in Egypt.
- **Ganope shall liquidate without any legal procedure the bid bond in the following cases:**
  1. The US\$ 100.000 (One hundred thousand) bid bond would be liquidated, if:
    - A. The bidder withdrew before the announcement of the bid results.
    - B. The successful bidder failed to increase the bid bond amount of US\$100.000 (one hundred thousand) up to the amount of 10% of the minimum financial commitment of the initial exploration phase.
  2. The bid bond of 10% of the minimum financial commitment of the initial Exploration phase will be liquidated, if the successful bidder withdrew or failed to deliver to Ganope the required documents needed for signing the Concession Agreement on the due date specified by Ganope.

3. in the event of not-signing the concession agreement by the contractor within (6) months from issuing the concession agreement law or from the date set by Ganope for signing it, the final bond 10% of the initial exploration period obligations value and any amounts or bonuses paid shall be a full right to Ganope. The Government of the Arab Republic of Egypt shall be fully responsible for cancelling the block awarding, the issued law and considering such block an open area to be included in Ganope future Bid Rounds (unless otherwise approved by the competent authority).