



RED SEA BID ROUND 2019

MAIN COMMERCIAL PARAMETERS

(The Model will be available soon)

1- TYPE OF CONTRACT

The Production Sharing model based on production rates will be applied. This model will be submitted by GANOPE. 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, South Valley Egyptian Petroleum Holding Company (GANOPE) and Contractor.

A national company affiliating to the Egyptian petroleum sector shall obtain 10% of the contractor's share as a free carry share without incurring any burdens or costs until commercial discovery. (Instead of signature bonus), and just the production start-up the contractor will recover all carried expenditures paid on behalf of the national company from the national company percentage in cost recovery.

It is also understood that if no commercial discovery is made, the national company will not incur any expenditures as a result of the exploration phase.

3- ROYALTY & INCOME TAX

- GANOPE shall bear and pay out of its share, the entitled royalty on behalf of Contractor.
- Contractor shall be subject to Egyptian Income Tax. However, GANOPE 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 GANOPE of the Gas price, Quantities and Gas buyer and shall 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. **(With maximum total exploration period of 9 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's approval, provided that commercial production commencement is not later than four (4) years from the date of the development lease approval by the minister of petroleum unless otherwise agreed by Ganope (in case of Oil or Gas development lease). That period may be extended up to two extensions 5 years for each, upon Contractor's written request supplemented by a complementary development or production plan to GANOPE and subject to GANOPE and minister of petroleum approval.



Egypt's Offshore Red Sea International Bid Round /2019 For Oil and Gas Exploration and Exploitation



- c- In case Contractor failed to submit the Development Lease Application including the estimated costs for financing and implementation mechanism of the Decommissioning Plan to be executed by CONTRACTOR within Two (2) years 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.

Contractor shall deliver regular commercial shipments of Oil or regular commercial deliveries of Gas within 4 years unless otherwise agreed by GANOPE 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 GANOPE). 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 (Unless otherwise agreed upon by 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 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** 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 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 may also pay bonus.

By the time of such relinquishment or the termination of the Concession period, upon GANOPE's request, CONTRACTOR shall ensure that the "Decommissioning Plan" stated in Article I and Article III of the Agreement, in addition to, all environmental regulations set out in Article XVIII of the Agreement, have been followed, in accordance with sound and accepted Petroleum industry practices.

6- MINIMUM WORK AND FINANCIAL OBLIGATIONS (competitive)

For each phase, Contractor shall bid the minimum exploration program and its expected relevant minimum financial commitments and the contractor has the following options for the first exploration Period:

- 1) **For (3) years Exploration period the minimum requirements are a new 3D Seismic acquisition to cover at least 50% of the block size.**
- 2) **For (4) years Exploration period the minimum requirements are a new 3D Seismic acquisition to cover at least 50% of the block size and to drill one exploratory well.**
- **If the contractor selects (3) years for the first exploration phase with minimum requirements (3D seismic and drill one exploratory well), it will be advantage in the offers evaluation.**

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 relevant to technical program of the initial exploration period should be submitted to GANOPE 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 letter entitles GANOPE to solidify from the contractor(s) dues an amount equal to the financial commitment of the current phase.

7- Cost Recovery (competitive):

- Contractor recovers its cost out of ... percent (...%) of the total production.
- Exploration and Development expenditures shall be recovered within a minimum of (...) years, but not less than four (4) years.
- 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).

8- Excess Cost Recovery (competitive):

The excess cost recovery, if any, shall be divided between Ganope and Contractor according to production sharing rates.

9- Production sharing (competitive):

After deducting the cost recovery percentage; the remaining percentage of petroleum shall be divided between GANOPE 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 GANOPE share should not be less than (60 %) 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. Ganope's 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 20000 BOPD	More than 20000 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\$ and less than or equal to 120 US\$				
More than 120 US\$				

B. Ganope's Share of Gas and LPG:

Brent Price US\$/bbl.	Gas and LPG produced and saved under this Agreement and not used in Petroleum operations, Standard Cubic Feet per Day (SCFPD) (quarterly average)			
	Less than or equal to 100 million SCFPD	More than 100 million SCFPD and less than or equal to 250 million SCFPD	More than 250 million SCFPD and less than or equal to 500 million SCFPD	More than 500 million SCFPD
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\$ and less than or equal to 120 US\$				
More than 120 US\$				



Egypt's Offshore Red Sea International Bid Round /2019 For Oil and Gas Exploration and Exploitation



10- BONUSES

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') or part of Development block and due upon approval date of each development lease.

Production Bonus:

CONTRACTOR shall pay to GANOPE as a Cumulative Production bonus the sum of ----- U.S. Dollars (-----) every time the total Cumulative Production from the Area exceeds by ten million (10,000,000) equivalent Barrels. Payment will be made within fifteen (15) days thereafter.

First Five Years Extension Bonus:

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

Second Five Years Extension Bonus:

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

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 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.

Training Bonus:

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

11 - **CUSTOMS EXEMPTIONS**

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

12 - **ASSIGNMENTS**

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).

13- VALUATION OF GAS

- In the case Contractor disposes its share of Gas (Cost Recovery, Production Shares and excess Cost Recovery, if any) to Ganope, according to the Gas Sales Agreement between GANOPE and CONTRACTOR (as sellers) and GANOPE/ EGPC/EGAS (as buyer) shall be valued, delivered to and purchased at a price, which should be agreed upon by GANOPE and CONTRACTOR, on the basis of technical and economic factors for developing the area such as water depth, reservoir depth, the actual expenditure and expected investments over the Development project lifetime, proven and probable Gas reserves, internal rate of return on investment to achieve the interests of the parties and the prevailing applicable Gas price in comparable concession areas having similar conditions and stated in the relevant Development Lease before the minister of Petroleum approval of the Development lease.
- In case CONTRACTOR disposes locally part of its share of production share of Gas to third party then the following shall apply:
 - a- CONTRACTOR's quantities disposed to the third party, shall be valued based on the agreed price between the Contractor and such third party.
 - b- CONTRACTOR's quantities disposed to Ganope shall be valued based on gas price agreed by Ganope and Contractor according to the basis mentioned in above.
- In case CONTRACTOR disposes all share of production share of Gas locally to third party then the CONTRACTOR's quantities sold to the third party, shall be valued based on the agreed price between the Contractor and such third party.
- In case CONTRACTOR solely export part or all of its production share of gas to third party, such exported Gas shall be valued based on the agreed price between the Contractor and such third party.
- In case Ganope and Contractor export Gas, such Gas shall be valued at the net back price.

14- Disposition of Gas, LPG and Crude Oil

Priority shall be given to meet the domestic market needs for Gas, LPG and crude oil as determined by Ganope and subject to the minister of Petroleum approval.

- Contractor may elect to dispose to Ganope its share of Gas according to a Gas sales Agreement between Ganope and contractor.
- CONTRACTOR may elect to dispose all or part of its Gas production share by itself for the domestic market; provided that the CONTRACTOR should submit the application to Ganope to obtain the Minister of Petroleum approval on Gas quantities and price.
- In case Contractor or GANOPE and Contractor export Gas, it should obtain the Minister of Petroleum approval on the Gas price and quantities allocated for export.



Egypt's Offshore Red Sea International Bid Round /2019 For Oil and Gas Exploration and Exploitation



- In case Ganope or GANOPE and Contractor export LPG, it should obtain the Minister of Petroleum approval on the LPG price and quantities allocated for export.

15- MANAGEMENT OF OPERATIONS

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

The Joint Venture Company will be established within three (3) months from the date of the Minister of Petroleum's approval of the first Development Lease whether for Crude Oil or Gas, to carry out the Development operations. The name of the Joint Venture Company will be approved by the Minister of Petroleum.

16- 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.

17- APPLICABLE LAW AND ARBITRATION

The Egyptian laws shall be the applied law in enforcing the terms of the Agreement. The competent courts shall settle any dispute between the Government of Arab republic of Egypt and the parties.

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

18- ABANDONMENT OF ASSETS:

The Contractor should submit to Ganope the development plan including abandonment plan of the developed area, such abandonment plan shall include abandonment procedures and its estimated costs.

19- 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 2019 Bid Round blocks.
 - Includes more than one block in one offer.
 - Missing any of documents mentioned in the Procedures.



Egypt's Offshore Red Sea International Bid Round /2019 For Oil and Gas Exploration and Exploitation



- * GANOPE 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 GANOPE the necessary documents required before the final signature as determined by GANOPE.
- * Bidders shall indicate in their offers the acceptance of the GANOPE Model Agreement.
- * State Council will review the initiated draft of the agreement 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) as announced.
- * Nearby production facilities belong 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).
- * GANOPE has the right to reject any offer(s) without giving reasons.

For further information

Geologist / Vice Chairman for Agreements and Exploration:-

Geologist / Adel Ahmed Samaha

Vice Chairman for Agreements and Exploration: -

- * Tel. : + 202 22927031
- * Fax : + 202 26910184
- * E-mail : redsea.bidround@ganope.net