



The Federal Oil & Gas Draft Law

The Iraqi Government Version

English Translation

Compiled by the Federal Ministry of Oil

Presented to the Council of Ministers on 25th August 2011

Translated by Iraq Energy Institute



معهد العراق للطاقة

Iraq Energy Institute

w: www.iraqenergy.org

e: admin@iraqenergy.org

In the Name of the People Presidency of the Republic

Based on what was passed by the House of Representatives and endorsed by the President of the Republic, and as per the provisions of item I of article (61), item III of article (73), and article (112) of the Constitution, the following law is hereby enacted:

Law no. () of 2011 Oil and Gas Law

Part I Basic Principles

Chapter I Definitions

Article (1)

For the purposes of this law, the following words and phrases shall have the meanings assigned thereto.

First: Ministry – Ministry of Oil.

Second: Regional Body – The competent authority in the government of the Region.

Third: Competent Body – The Ministry of Oil, Iraq National Oil Company, or the Regional Body.

Fourth: Council – The Federal Oil and Gas Council formed pursuant to this law.

Fifth: National Oil Company –Iraq National Oil Company established by a law.

Sixth: Region – Kurdistan Region or any other region formed in the Republic of Iraq subsequent to enactment of this law according to the provisions of the Constitution.

Seventh: Licensing Rounds – The stages for selecting the best competitor, which include (public announcement of exploration areas and Oil and Gas Fields, pre-qualification and registration of the company with the Competent

Body, invitation for bids, opening and analysis of submitted bids, selection of the best bid for the purpose of contracting, and completion of procedures as per the provisions of article (18) of this law).

Eighth: Petroleum – Crude oil, Gas, oil shale, tar sands, or any hydrocarbons that are produced or can be produced therefrom.

Ninth: Crude Oil – All hydrocarbons, regardless of specific gravity, that are produced and saved from the Field in a liquid state at the atmospheric temperature and pressure, including asphalt, tar, and liquid hydrocarbons known as distillates or condensates acquired from Gas.

Tenth: Development – Activities carried out by the holder of the exploration, Development and Production license based on the Field Development Plan; or the Main Pipelines Development Plan that aim at producing and transporting Petroleum.

Eleventh: Production – The extraction and evacuation of Petroleum.

Twelfth: Producing Governorate – A governorate achieving sustained oil and Gas production at commercial rates of no less than (100,000) one hundred thousand barrels of oil equivalent per day.

Thirteenth: Petroleum Operations – Activities related to exploration, Development, Production, separation, processing, storage, transport and sale or transfer of Petroleum at the agreed Transfer Point, export point, or Delivery Point within or outside Iraq; and Gas processing operations.

Fourteenth: Main Pipeline Development Plan – The schedule and cost assessment specified for all the activities necessary for the transport of Petroleum through the pipeline within Iraq and across the territories of neighboring countries.

Fifteenth: Transporter – The entity appointed by the Council of Ministers to receive Crude Oil or Gas from the holder of the exploration, Development and Production license at the Transfer Point, and to deliver the Crude Oil or Gas for export to the Iraqi Oil Marketing Company or the holder of the exploration, Development and Production license at the Delivery Point.

Sixteenth: Production Measurement Point – The site or sites at which the volume and quality of Crude Oil or Gas are measured.

Seventeenth: Transfer Point– The site at which the Crude Oil or Gas are transferred from the Main Pipeline or Field Pipeline to a different kind of transport, processing or usage.

Eighteenth: Iraqi Company – Any company with an independent corporate personality, registered in accordance with the provisions of the Companies Law, provided that headquarters thereof is in Iraq and more than (50) fifty percent of capital shares thereof owned by Iraqi citizens, or public or private Iraqi companies.

Nineteenth: Foreign Company – Any company incorporated outside Iraq with an independent corporate personality; or incorporated and registered in accordance with the provisions of the Companies Law in Iraq with not more than (49) forty nine percent of its capital shares owned by Iraqi citizens, or public or private Iraqi companies.

Twentieth – Operator – The entity appointed in the initial contract between the Competent Body and the holder of the exploration, Development and Production license to perform Petroleum Operations on behalf of the license holder.

Twenty First: Discovery – The first appearance of Petroleum encountered in a Reservoir through drilling and other means, which can be extracted to the surface by standard practices of the oil industry.

Twenty Second: Development and Production Area – Part of the Contract Area to be specified in light of a Commercial Discovery.

Twenty Third: Commercial Discovery – A discovery that is considered, for the purposes of Development, commercial by the holder of the exploration and Production license.

Twenty Fourth: Field – An area that contains a Reservoir or a number of Reservoirs connected or linked to the same geological structure or stratigraphic setup, for both surface and subsurface.

Twenty Fifth: Field Development Plan – The time schedule and estimated cost set for the evaluation and development of the activities required to develop and produce Petroleum from a specific Field or group of Fields by the holder of an exploration, Development and Production license.

Twenty Sixth: Reservoir – A separate Petroleum accumulation in a specific geological unit specified by rock characteristics, structural or stratigraphic boundaries, and clear or diffuse surfaces between Petroleum and water in the formation, so that the production of Petroleum from any part thereof affects the total pressure therein.

Twenty Seventh: Best Petroleum Industry Practices – Effective good, safe, environmentally friendly and economic practices in Petroleum exploration and Production.

Twenty Eighth: Contract Area – The area in which the holder of an exploration, Development and Production license is authorized to perform exploration, Development and Production of Petroleum.

Twenty Ninth: Gas – Hydrocarbons in a gaseous state at atmospheric temperature and pressure, whether associated or non-associated with liquid hydrocarbons, as well as the Gas remaining after the extraction of the liquid hydrocarbons from the Reservoir.

Thirtieth: Associated Gas – Gas in the Reservoir that is either dissolved in a hydrocarbon liquid or in a gaseous dome over and in contact with Crude Oil.

Thirty First: Non-associated Gas – Free or natural Gas in the Reservoir which does not include appreciable amounts of Crude Oil.

Thirty Second: Main Pipeline – An engineering system including transport pipes, valve stations, pumping stations, compressor stations, and related facilities constructed by the Transporter or license holders to transport Crude Oil or Gas from a Field or several Fields or sources within or outside Iraq.

Thirty Third: Field Pipeline – The set of pipes that collect Crude Oil or Gas from a Field or group of Fields to be delivered to the Transfer Point for further transport, including valve stations, pumping stations, compressor stations and related facilities.

Thirty Fourth: Transfer Point – Entry flange of external pipelines from the Production Measurement Point.

Thirty Fifth: Delivery Point – The point or points of arrival of Crude Oil to the entry flange of the vessel's tank, or the agreed point in the exploration, Development and Production contract, within or outside Iraq.

Thirty Sixth: Best Practices in Pipeline Management – Good, safe, environmentally friendly, economic and efficient practices in the transport of Petroleum.

Chapter II Objectives and Scope of Enforcement

Article (2)

The aims of this law shall be:

First: The ownership of Oil and Gas in Iraq is for all the people in all regions and governorates.

Second: Control over Oil and Gas to ensure fair distribution of their resources to the People.

Third: The Federal Government manages and develops Petroleum resources to achieve national interest at all stages of the Petroleum Operations through the establishments and bodies listed in this law.

Fourth: Setting strategic policies to regulate and develop the upstream Oil and Gas industry to achieve the highest benefit for the Iraqi people.

Fifth: Achieve the highest level of growth in reserves and Production.

Sixth: Maximize the financial resources of Iraq by optimally utilizing and preserving the Oil and Gas wealth on sound and profitable technical and economic bases.

Seventh: Ensure the transfer of technology and training and development of Iraqi staff in this industry.

Eighth: Optimal use and development of the infrastructure and protection of the environment.

Ninth: Develop the Iraqi private sector to be efficient, qualified and capable of contributing significantly in Petroleum Operations.

Tenth: Ensure full professional efficiency, and technical and financial competence of license holders and those from the private sector who deal with this field.

Article (3)

This law shall aim to achieve its purposes through the following:

First: Establishing a new and advanced system for managing Petroleum Operations in Iraq, including setting long, medium and short term strategies, policies and plans.

Second: Setting the bases for cooperation among the relevant ministries, and between same and the authorities of Regions and Petroleum Producing Governorates.

Third: Setting the bases for coordination and consultation between the Federal Authorities and the authorities of Regions and Petroleum Producing Governorates.

Fourth: Expanding the use of direct effort in the public and in the Iraqi and foreign private sectors to implement Petroleum Operations in Iraq based on the latest technologies and market economy.

Fifth: Exchanging experiences between the Iraqi Oil sector and the international Oil industry.

Article (4)

This law shall apply to Petroleum Operations on dry land, inland water, territorial water, and beneath the same in all parts of the Republic of Iraq; and in any area subject to the Iraqi Law as per an agreement, international law, or international norms.

Article (5)

A council by the name of the Federal Council of Oil and Gas shall be established, headed by the head of the Council of Ministers or anyone delegated thereby, and comprising:

First: The relevant Deputy Prime Minister

Second: Minister of Oil]

]

Third: Minister of Finance]

]

- | | | | |
|-----------------|--|---|------------|
| Fourth: | Minister of Planning |] | From the |
| | |] | Federal |
| | |] | Government |
| Fifth: | Governor of the Central Bank of Iraq |] | |
| Sixth: | A representative from the Region, minister level |] | |
| Seventh: | An experienced and specialized representative of each Producing Governorate not included in a Region, to be nominated by the Governorate council | | |
| Eighth: | Heads of the Iraq National Oil Company and the Oil Marketing Company, and any other relevant company, to be nominated by the Council and approved by the Council of Ministers | | |
| Ninth: | Not more than three experts specialized in Oil, Gas, finances, and economy to be selected by the Chairman of the Council of Ministers and appointed by a decision from the Council of Ministers for a period not exceeding (5) five years. | | |

Part II

Management of Petroleum Sources

Chapter One

Competencies

Article (6)

The following entities shall manage the Petroleum resources:

First: The House of Representatives.

Second: The Council of Ministers.

Third: The Federal Oil and Gas Council.

Fourth: The Ministry of Oil.

Fifth: The Iraq National Oil Company

Sixth: The Regional Body

Article (7)

The Council of Representatives shall:

First: Legislate federal laws for Oil and Gas sector related operations.

Second: Endorse international Oil and Gas sector related agreements.

Article (8)

The Council of Ministers shall:

First: Submit draft laws relevant to the oil sector to the House of Representatives.

Second: Endorse the Petroleum policy submitted by the Council, and supervise implementation thereof.

Third: Supervise the whole Petroleum Operations related to exploration, Development, Production, transport and marketing; and issue relevant regulations.

Fourth: Ensure that the Council and the Ministry adopt the appropriate and sound means for consultation and coordination with Regional Bodies and oil and Gas Producing Governorates to achieve the objectives of this law in accordance with the Constitution.

Article (9)

First: The Council shall:

- a. Approve federal Petroleum industry policies, exploration and Fields Development plans, and Main Pipelines plans, and amendments thereof.
- b. Endorse regulations on standards for negotiations and contracting to grant licenses or Development and Production contracts, and companies' qualification criteria.
- c. Endorse and amend models for exploration, Development and Production contracts in accordance with the standards set herein as per the classification of Fields and exploration areas to achieve the highest benefit to the Iraqi People.

- d. Approve, decide on and amend exploration, Development and Production contracts granting licenses to carry out Petroleum Operations in accordance with the mechanism provided in article (18) of this law.
- e. Approve the funding entity and decide on the transfer of shares among holders of the exploration, Development and Production licenses and relevant subsequent amendments to the contracts, provided that this does not negatively affect the degree and quality of national participation and percentage thereof in the project.
- f. Ensure that the Competent Body explores, Develops and utilizes Petroleum resources to ascertain Oil and Gas reserves, compensate for the production, and add new reserves to achieve the interests of the Iraqi People as per the provisions of applicable laws and regulations, contractual terms and approved international standards.
- g. Nominate the Iraq National Oil Company to contribute on behalf of the Republic of Iraq in the implementation of paragraphs (a) and (b) of item (Second) of article (13) of this law.
- h. Set the national level of petroleum production as per the national policy, provided that the setting is fairly and justly applied on the basis of the production rate of each Contract Area as per the approved Field Development Plans.

Second: Council members may propose oil policies and draft laws and submit same to the Council.

Third: The Council shall meet by invitation of the Chairman at least once a month, and make its decisions by a two-thirds majority of its members on approving Petroleum policies and plans and endorsing model contracts and negotiations and contracting instructions. For other matters decisions are made by simple majority.

Fourth: The formations, divisions and functions of the Council shall be set through bylaws issued by the Council.

Article (10)

First: The Council shall form a bureau by the name of the Bureau of Independent Advisers to study exploration, Development and Production

contracts, Oil and Gas Fields Development Plans, and all other matters related thereto; and provide advice and recommendations on same to the Council.

Second: The Bureau shall comprise a number of experts in the field of Oil, Gas and law, the number of which to be specified by the Council. The experts shall be selected by the Council and contracted for a renewable term of one year.

Article (11)

The Ministry of Oil shall:

First: Set petroleum policies, draft laws and plans.

Second: Prepare draft regulations and issue instructions and statements for the implementation of federal Petroleum policies, laws and plans.

Third: Supervise Petroleum Operations in light of relevant legislations, contractual terms and adopted international standards, in coordination with other Regional Bodies and Producing Governorates to ensure the uniform implementation and harmonized application of the Petroleum policy in all parts of Iraq.

Fourth: Set the most successful program and methods for the Development of discovered undeveloped Fields, and submit same to the Council.

Fifth: Prepare draft policies and federal plans targeting exploration, Development and Production provided that the same specify the required levels of production for the short and long terms; and arriving at optimal solutions for the geographical distribution and timing of exploration, Development and Production methods, in consultation and coordination with the Regional Bodies and Governorates, and submit same to the Council for review and approval.

Sixth: Present a comprehensive plan to the Council for the exploration of Oil and Gas in all parts of Iraq in consultation with Regional Bodies and producing Governorates, and the classification of areas according to oil and gas prospects.

Seventh: Prepare model exploration, Development and Production contracts, and cooperate with the Iraq National Oil Company and Regional Bodies according to the respective responsibilities of each as specified in this law.

Eighth: Verify the costs and expenses incurred by license holders.

Ninth: Ensure the collection of revenues for the State resulting from the implementation of exploration, Development and Production contracts.

Tenth: Negotiate relevant international agreements with other countries and international and regional organizations in accordance with the law, and submit same to the Council in preparation of approval.

Eleventh: Represent the Republic of Iraq on matters related to Oil and Gas in regional and international forums in accordance with the law.

Twelfth: Perform the procedures for Licensing Rounds related to activities in the field of exploration, Development and Production of Fields and exploration areas, with the exception of those mentioned in article (13/ second/ a and b), and article (14/ Second), in accordance with the mechanisms set forth in articles (15), (16) and (17) of this law and adopting the contracting models, companies' qualification criteria and the instructions issued by the Council.

Article (12)

The Ministry may implement supply and service contracts for Petroleum Operations which fall outside the scope of exploration, Development and Production contracts, in accordance with the applicable laws.

Article (13)

First: The Iraq National Oil Company shall be deemed the Operator and shall be delegated to directly or indirectly enter into service contracts and management contracts with qualified companies for producing Fields and adjacent undeveloped Fields.

Second: The Iraq National Oil Company shall:

- a. Manage, operate and Develop through companies thereof currently producing Fields.
- b. Develop, Produce and operate discovered undeveloped Fields near producing Fields to be assigned thereto by the Council.
- c. Participate in the exploration, Development and Production operations within Iraq on behalf of the government; and on a competitive basis for Fields in paragraphs (a) and (b) of item (Second) of this article, and exploration areas.

- d. Carry out exploration, Development, Production, transport and storage operations in accordance with the provisions of this law.
- e. Manage and operate the Oil and Gas Main Pipelines network and the export ports.

Third: To achieve purposes thereof, the Iraq National Oil Company may:

- a. Contribute as a trading partner in international contracts related to the transport and sale of Oil and Gas and in exploration, Development and Production contracts outside of Iraq, upon obtaining the approval of the Council of Ministers.
- b. Establish fully-owned subsidiaries in areas selected on the basis of the existence of Oil Fields, the volume of Oil and Gas reserves, production capacities and feasibility; or upon the re-organization and distribution of tasks between existing companies as per the volume of work for the purpose of increasing efficiency and benefiting the Iraqi people.
- c. Establish operating companies with other companies, or own shares in companies within or outside Iraq, upon obtaining the approval of the Council of Ministers.
- d. Owning movable and immovable assets, and tangible and intangible rights belonging to natural or corporate persons, in accordance with the Law.
- e. Sell its Production of Crude Oil to the Oil Marketing Company at delivery price that covers costs plus a reasonable profit to enable the company to develop in the fields of exploration and Production.
- f. Enter into contracts with international oil companies to Develop the designated Fields by service contracts.

Article (14)

The Regional Body in the Regions shall:

First – Propose to the Federal Authorities activities and plans on behalf of the Region in preparation for inclusion in the Petroleum Operations federal plans; and assist the Federal Authorities in consultations for the completion of said plans.

Second – Participate with the Ministry in the procedures for Licensing Rounds related to activities in the Regions for exploration, Development and Production of discovered undeveloped Fields, with the exception of those mentioned in article 13 (a) and (b), in accordance with the mechanisms set forth in articles (15), (16) and (17) of this law and adopting the contracting models, companies' qualification criteria and the instructions issued by the Council.

Third: Cooperate with the Ministry in implementing the provisions of item (Third) of article (11) of this law.

Fourth: Attend negotiations conducted by the Council in accordance with the provisions of article (5) of this law.

Chapter II Licenses

Article (15)

First: Licenses for Oil Operations shall be granted based on an exploration and Production contract, or a Development and Production contract to be concluded between the Ministry or the Competent Body and an Iraqi or Foreign Company in which the technical eligibility and financial capacity are specified in accordance with the eligibility criteria for companies set by the Council, and the negotiation and contracting mechanisms stipulated in article (18) of this law.

Second: In granting licenses for the Operations specified in item (First) hereinabove, the following principles shall be observed:

- a. National interests in issues such as defense, the right of Iraq to sail its national waters, research, development, health and safety, and a high level of environment protection.
- b. Adoption of the weighing method for the selection of the qualified candidate through competitive Licensing Rounds based on clear terms.
- c. Inclusion of the main items of the model contract in the call for contracting.
- d. The model contract granting the license includes the characteristics and requirements for each proposed area, Field, or prospect, especially data

on Fields in terms of being discovered or undiscovered, the potential risks and benefits, and technological and operational challenges.

- e. The company is qualified in accordance with the provisions of this law.
- f. The selection and classification of accepted applicants on the basis of the quality and efficiency of the proposed plans and the economic benefit to Iraq.
- g. Announce the text of the exploration, Development and Production contracts, and the Development and Production contracts within not more than (60) sixty days from the date of endorsement by the Council.

Article (16)

Model contracts for Petroleum Operations shall specifically include the following criteria:

- a. National control.
- b. Iraq's ownership of Petroleum resources.
- c. Maximum national economic return.
- d. Waiver by the license holder of unused lands within the Contract Area.
- e. Appropriate return for the investor in accordance with the provisions of this law.
- f. Obligations of contract parties and the consequences of breach.
- g. Arrangements and conditions for the exercise of data related rights.
- h. Reasonable incentives granted to investors to ensure the provision of optimal solutions to Iraq regarding:
 - 1. Improved and enhanced extraction.
 - 2. Transfer of technology.
 - 3. Training and development of Iraqi staff working in the field of Oil.

4. Optimal use and development of the infrastructure.
5. Plans and solutions to ensure the protection of the environment.

Article (17)

In granting licenses, Competent Bodies shall abide by the provisions of this law and the relevant instructions issued by the Council.

Chapter III Mechanisms of Negotiation and Contracting

Article (18)

First: The Competent Bodies, each according to competence and responsibilities thereof, and upon the completion of the initial procedures for the Licensing Rounds, shall initially sign an exploration, Development and Production contract, or a Development and Production contract with the selected contractor.

Second: The initial contract concluded in accordance with the provisions of item (First) of this article shall be referred to the Council within thirty (30) days from the date of signing thereof for a decision, or said contract shall be deemed null and void.

Third: The exploration, Development and Production contract, and the Development and Production contract herein stated in item (First) of this article shall include the following condition:
(The contract shall be enforced only upon the approval of the Council as per the competence granted thereto by paragraph (d) of item (First) of article (9) of this law).

Fourth: In taking decisions regarding the contracts submitted thereto by the Competent Bodies, the Council shall apply the following steps:

- a. Refer the contract to the Bureau of Independent Advisers to study the contract; present an opinion on conformity thereof to the model exploration, Development and Production contracts and the Development and Production contracts approved by the Council, and the instructions issued thereby regulating Petroleum Operations; and make recommendations thereon.

- b. In the event of the initial contract having substantial violations to the model contracts and the instructions issued by the Council, the Council shall issue its final decision regarding the contract by a two-thirds majority of its present members, guided by the recommendations of the Bureau of Independent Advisers.
- c. The Council takes a decision on approving or otherwise the initial contract and inform the Body within (90) ninety days from the date of receipt.

Fifth: The Competent Bodies shall address the causes of objection of the Council by amending the initial contract and re-submitting same to the Council as per the steps set forth in item (Fourth) of this article.

Article (19)

First: Development and Production rights of the currently producing Oil and Gas Fields shall be granted to the Iraq National Oil Company, as well as the additional exploration, Development and Production rights for adjacent undeveloped fields referred to in article (13). The Council shall activate same.

Second: The Iraq National Oil Company shall act on behalf of the Government as a partner with a percentage to be specified by the Council in the Development and Production contracts for Fields not listed in article (13/ Second/ (a) and (b)) hereinabove, and in exploration, Development and Production contracts for exploration areas.

Third: The rights for the management and operation of the existing Main Pipelines shall be granted to the Iraq National Oil Company or any other specialized Iraqi company established for this purpose.

Article (20)

First: Iraqi Oil companies operating in Iraq shall commit to announcing public tenders on competitive basis when requesting offers for any goods or services in accordance with the instructions for the execution of government contracts. The Council may grant exceptions from said instructions to the offers it deems appropriate.

Second: The announcement of bids by license holders shall be on competitive basis and consistent with the Oil regulations and contract terms.

Third: Tenders shall include sufficient notice periods and the bases upon which the tender is to be awarded. The results of said tenders and the reasons for selecting same shall be published and other competitors given an opportunity to object to the referral.

Fourth: All offers, bids, requests and contracts in violation of the provisions of this article shall be deemed null and void.

Part III Petroleum Operations

Chapter I Exploration, Development and Production

Article (21)

First: The exploration, Development and Production contract shall grant the contracted entity exclusively the right to perform Petroleum exploration, Development and Production operations in the Contract Area, and transport of Petroleum.

Second: The period for exploration, Development and Production shall be set in the model contract in accordance with the following:

- a. An initial period of not more than four (4) years.
- b. The Competent Body may grant licenses of not more than (2) two years if obligations were carried out during the period specified in paragraph (a) of this article, provided a work program and plan to implement same during this period is submitted.
- c. A period of not more than two (2) years if the license holder continues work and implementation of work program thereof is good and objective.
- d. The durations set forth in paragraphs (a), (b) and (c) of this article shall be subject to the terms of retrieval of the Contract Area as per the model contract.
- e. The contracting body may grant the holder of the exploration, Development and Production license additional periods not exceeding:

1. Two (2) years in case of Discovery for the purpose of evaluating or determining the commercial value of the Discovery
2. Four (4) years in case of Discovery of Non-associated natural Gas
3. Two (2) years to complete the evaluation of the discovered undeveloped Fields in the Development and Production contracts.

Third:

- a. The National Oil Company and holders of exploration, Development and Production licenses may exclusively retain the right of Oil exploration, Development and Production within the Development and Production Area for a period to be specified by the Competent Body, provided that said period not exceeds twenty (20) years from the date of approval of the Development of the Field.
- b. In determining the appropriate period specified in paragraph (a) hereinabove, the Council shall base decision thereof on the data relevant to the best extraction of Oil and the best use of existing infrastructure.
- c. The Council of Ministers may for technical and economic considerations grant an additional operations period of not more than five (5) years as per terms to be re-negotiated. In all cases, the area outside the Development and operation area shall be retrieved upon the expiry of the exploration, Development and Production license.

Fourth: Approval of the appointment of the Operator by the Competent Body shall be in accordance with the appointment procedures set forth in the initial contract and based on the criteria and instructions issued by the Council. The Operator shall be named in the initial contract.

Chapter II Obligations of License Holders

Article (22)

The holder of the exploration, Development and Production license shall:

First – Perform Petroleum Operations in accordance with the provisions of this law, applicable legislations, Petroleum regulations, and the Best Practices of the Petroleum Industry.

Second: Inform the Competent Body of any Discovery within the Contract Area.

Third: Identify and assess the Discovery, evaluate the commercial value thereof, and inform the Ministry in writing of work stages and results.

Fourth: Prepare and amend a Field Development Plan in the case of Commercial Discovery, and submit the same to the Competent Body for approval.

Fifth: Implement the Field Development Plan or amended version thereof upon the approval of the Competent Body and endorsement by the Council.

Sixth: Submit a plan for the handover of the mandate to the Council at least (2) two years before the expiry of planned Production.

Seventh: Compensate affected parties for any loss or damage resulting from carrying out the Petroleum Operations in accordance with the law.

Eighth: The Ministry alone shall be entitled to receive and market the produced Oil and Gas, and transport the same through pipelines in accordance with the agreed arrangements and conditions.

Ninth: Provide support to Iraqi institutions in research and Development activities related to Petroleum Operations.

Tenth: Supply the Ministry free of charge with the data collected through the Petroleum Operations in accordance with the provisions of this law and Petroleum regulations.

Article (23)

The Iraq National Oil Company and holders of exploration, Development and Production licenses shall observe the following:

First: Giving preference to the purchase and use of Iraqi products and services on competitive bases in terms of price, quality, required quantities and timeframes.

Second: Employing and training experienced Iraqis with the necessary qualifications.

Third: Working on increasing the opportunities for training of, development of, and technology transfer to, Iraqis and Iraqi institutions with regard to all phases of Petroleum Operations, including management.

Article (24)

First: The Iraq National Oil Company and the license holders shall in managing Petroleum Operations comply with the following:

- a. Observe international standards relevant to the protection of environment and prevention of pollution thereof.
- b. Observe legislations relevant to the protection of the environment and prevention of pollution thereof.
- c. Nonoccurrence of damage or destruction as a result of the Petroleum Operations.
- d. Submit to the relevant bodies for approval a report on the size of environmental impact for each petroleum process and the measures that can mitigate this effect.
- e. Notify the Ministry or the other relevant bodies immediately of any emergency or accident affecting the environment.
- f. Control the flow and prevent the leakage or loss of Petroleum discovered or produced within the Contract Area, and submit reports to the Competent Body on the size of incidental and operational flow and leakage resulting from Petroleum Operations.
- g. Nonoccurrence of damage to Petroleum Reservoirs.
- h. Nonoccurrence of damage to lands, tress, agricultural crops, buildings or any other infrastructure.
- i. Clean the site upon the completion of the mandate, shut-down Petroleum Operations, and comply with the environmental rehabilitation requirements.
- j. Take the necessary preventive measures to ensure the safety of workers.

- k. Compensate those affected by the Petroleum Operations activities in accordance with the law.
- l. Dispose of polluted water and Petroleum waste as per applicable methods; and safe shutting-in of all testing and other wells before abandoning same.

Second – Without prejudice to any penalty provided by Law, violators of the provisions stipulated in item (First) of this article shall pay compensations in accordance with applicable legislations and international standards.

Chapter III

Unitization of Development and Production in Joint Fields

Article (25)

First:

- a. Development and operation shall be jointly conducted in the case of discovering a Petroleum Field located in more than one Contract Area in Iraq, according to a unitization agreement which the license holders shall submit to the Council for approval.
- b. If license holders fail to reach an agreement on the unitization terms within (180) one hundred and eighty days from the date of notification to submit the agreement, the Council shall settle the conflict within (90) ninety days from the end of the aforementioned period.

Second: Development shall be implemented upon the Council's approval of the necessary measures to protect the interests of the Iraqi People in case of a Petroleum Discovery that extends from licensed Production areas to non-licensed Production areas.

Third: The Council of Ministers shall take the necessary measures to protect the interests of the whole Iraqi People in Petroleum Discoveries extending beyond Iraqi borders.

Chapter IV Gas Utilization

Article (26)

First: Gas shall be handled as an important Petroleum resource to be used in generating additional returns, and used specifically for the following purposes:

- a. Gas Injection in appropriate Reservoirs.
- b. Generation of energy.
- c. Petrochemical and chemical industries.
- d. Household uses.
- e. Industrial operations.
- f. Export.

Second: The Iraq National Oil Company and holders of exploration, Development and Production licenses shall commit to optimum utilization of excess produced quantities of Gas in accordance with the purposes set forth in item (First) of this article, or delivery at no cost of the excess quantities of Gas after processing to the Federal Government at the borders of the Field according to the contract. The costs incurred by the holders of the exploration, Development and Production licenses shall be recoverable.

Article (27)

First: The Iraq National Oil Company and the holders of the exploration, Development and Production license may at no cost use the necessary quantities of associated Gas in Petroleum Operations.

Second: The Iraq National Oil Company and the holders of the exploration, Development and Production license shall propose within the Field Development Plan optimal plans for the use or disposal of Gas.

Third: Associated Gas produced from the Reservoir and not used in the Petroleum Operations or re-injected in the Field shall be delivered at no cost to the Ministry in accordance with the provisions of Article (26/Second).

Article (28)

Gas may not be flared except in cases of commissioning, testing of facilities, safety precautions, or during the waiting period for the completion of Gas transmission facilities within the first year of Production, provided that the flared quantities be kept to the minimum specified in the contract, and the Ministry is informed accordingly.

Article (29)

First: The Development and Production of Gas or liquid components thereof resulting from the Discovery of Non-associated Gas shall be subject to the approval of the Ministry of the Field Development Plan supported with a signed agreement(s) for the sale of the Gas from the Discovery, and to the approval of the Council of Ministers. In the case of Production of liquid Petroleum only, a plan for the re-injection of Gas or any other acceptable plan for disposal thereof shall be submitted within the Field Development Plan.

Second: The provisions of article (28) of this law shall be applicable to Non-associated Gas.

Chapter V Transportation

Article (30)

First: The ownership of the current Main Pipelines shall be to the Federal Government.

Second: The Iraq National Oil Company, in its capacity as Transporter and holder of the exploration, Development and Production license, shall be required to transport the Petroleum of the party contracted with the Company or the Ministry in accordance with reasonable commercial standards, provided that:

- a. The capacity of the pipeline allows.
- b. No irreconcilable technical problems exist that prevent the use of the pipeline.
- c. The Ministry, in cooperation with the Regional Bodies and Producing Governorates, establishes systems to provide details on alternatives for

the use of pipelines by the party contracted therewith or with the Company.

Third:

- a. Disputes on commercial standards for Petroleum transport in the Main Pipeline, or Oil and Gas Field pipeline; or the availability of unused capacity in the relevant pipeline or the pipeline whose capacity is proposed to be increased, shall be referred to the Ministry for resolution in cooperation with the Regional Bodies and Producing Governorates.
- b. Failing to reach a solution, the dispute shall be settled as per the procedures set forth in article (45) of this law.

Article (31)

First:

- a. The ownership of the Main Pipelines shall be to the Iraq National Oil Company or any other public sector specialized Iraqi company established for this purpose.
- b.
 1. Pipelines shall be constructed by a subsidiary of the owning company or the license holder.
 2. The pipelines shall be operated by the subsidiary of the owning company.
- c. The company acting as Transporter shall transport the Oil or Gas to specific Delivery Points, and the Ministry, Iraq National Oil Company, and the Operator shall design, operate and provide maintenance for the Main Pipelines as per the requirements for Petroleum transport within and outside Iraq.

Second:

- a. The construction and operation of the Main Pipeline, and any significant amendments thereon, shall be subject to the approval of the Ministry on the basis of a development plan formulated for this purpose.

- b. If the competent transportation company implements the plan in cooperation with Iraqi or Foreign Companies, the contract concluded between same shall include funding and implementation terms, uses alternatives and operation of the new or modified Main Pipeline; and shall be attached with the Development Plan.

Third: The Iraq National Oil Company and holders of exploration, Development and Production licenses shall deliver the Oil and Gas to the Main Pipeline at the appropriate Transfer Point or Points; and the competent company shall transport the Crude Oil or Gas beyond the Transfer Point as per the contract.

Fourth: The Ministry shall be responsible for managing operations relating to the transport of Crude Oil through pipelines outside Iraqi territories. The Iraq National Oil Company shall be responsible for the subsequent follow-up operations as per the contract and the instructions of the Ministry.

Fifth: The performance of all the activities provided for in this article shall be in accordance with the Best Practices for Pipelines Management.

Article (32)

First: The exploration, Development and Production contract shall grant the right of access to the Main Pipelines under reasonable commercial terms, and the right of constructing and operating Field Pipelines for the delivery of Oil or Gas from the Contract Area to the Transfer Point in preparation of further transport through the Main Pipeline to the Delivery Point.

Second: The Iraq National Oil Company and holders of exploration, Development and Production licenses shall:

- a. Prepare and implement a Field Development Plan, and construct Field Pipelines connected to the Main Pipeline and any amendments thereto, with the approval of the Ministry.
- b. Prepare an amended Main Pipeline Development Plan to include any significant additions and modifications to the existing network in case of a lack in capacity therein under the applicable contract; and submit same to the Council for approval.

- c. Negotiate with the company specified as Transporter on the use of the Main Pipeline, and report to the Ministry on the details of the negotiations.
- d. Submit a plan for the handover of the mandate to the Ministry at least two (2) years before the date of expiry of planned Production.

Chapter VI Protection of Petroleum Sources

Article (33)

When extracting the Petroleum resource, The Iraq National Oil Company and holders of exploration, Development and Production licenses shall:

First: Avoid wasting, prevent leaks from pipelines, and provide optimal maintenance of the energy in the Oil Reservoir using the Best Oil and Gas Industry Practices and Best Practices in Pipelines Management.

Second: Apply new technology and Petroleum Fields operations that lead to optimal recovery from the Reservoirs targeted as part of the Field Development Plans.

Third: Continue to improve knowledge of the Reservoir through optimal collection of information, Reservoir monitoring and identifying and implementing means to improve petroleum extraction.

Article (34)

Field Development Plans shall be based on full investigation of alternative extraction strategies to select the solution that combines the highest level of petroleum extraction, high acceptable levels of production and lowest cost.

Chapter VII Ownership of Data

Article (35)

First: The ownership of all data obtained pursuant to any contract under this law shall be to the Federal Government; and may not be published or republished without the prior approval of the Ministry.

Second: Bylaws issued by the Minister shall specify the arrangements and conditions for exercising rights pertaining to the data on Oil and Gas, including geological and geophysical reports, engineering data, samples, models, simulations and wells' surveys, whether derived, primary, processed, interpreted or analyzed.

Third: The Ministry shall provide the Iraq National Oil Company with copies of information on Oil available therewith, while the Company and the Regional Bodies shall continuously provide the Ministry with updated information resulting from the Petroleum Operations carried thereby.

Fourth: The Competent Body shall collate, organize and keep in good condition the usable data for each phase and for aspects related to the Petroleum Operations as per the provisions of this law and Petroleum regulations.

Article (36)

First: The possession, sale, purchase, transfer, delivery, or handling of the information and data herein specified in item (Third) of article (35) of this law shall be prohibited, unless the contract stipulates otherwise.

Second: Without prejudice to any penalty provided by Law, violators of the provisions of item (First) of this article shall be punished by the confiscation of the data, and the Ministry may also seek compensation.

Article (37)

First: The Competent Body may grant the license holders a permit for the possession, transfer or delivery of old data on Oil and Gas, whether derived, primary, processed, interpreted or analyzed, provided that the Competent Body be given said data or a copy thereof.

Second: The Competent Body may refuse to grant the permit herein referred to in item (First) for a justifiable cause.

Chapter VIII Inspection

Article (38)

First: The Competent Bodies or any person delegated thereby may inspect the sites in which Petroleum Operations are conducted, including buildings,

facilities, property, records, and data maintained by the Iraq National Oil Company or holders of exploration, Development and Production licenses.

Second: During inspection, the Competent Bodies may not interfere in the Petroleum Operations without reasonable justification, unless the matters relate to protecting the environment, occupational health, industrial safety, or preserving the petroleum resource in accordance with applicable laws and regulations.

Third: The terms for inspection shall be set through bylaws issued by the Council.

Chapter IX Completion of Mandate

Article (39)

First: The ownership of all works and facilities shall be transferred to the Competent Body, provided the same be transferred to the relevant Federal Authority or the Ministry, in a state of actual operation at the expiry of the exploration, Development and Production contract or the Main Pipeline contract.

Second: All costs for retrieval of the site and the costs listed in the completion of mandate plan shall be payable upon the assigning of ownership.

Third: The Field Development Plan and Main Pipeline Development Plan submitted to the Council shall include a detailed statement of the mandate expiry plan.

Part IV Financial Provisions

Chapter I Petroleum Returns

Article (40)

First: Petroleum revenues shall include amounts resulting from the sale of Oil and Gas, and all other bonuses or amounts received from Oil contracts with Iraqi or Foreign Companies; and shall be distributed fairly among the People as regulated by a law.

Second: A fund by the name Future Fund shall be established in which a percentage of the surplus of Petroleum revenues shall be deposited to ensure the rights of future generations. The formations, tasks and management of the Fund shall be specified by a law.

Chapter II Financial Obligations

Article (41)

First: License holders and contracting companies shall pay the taxes, fees and any other amounts specified legally or contractually.

Second: The accounts of Oil companies operating in Iraq shall be under the control and audit of the Supreme Audit Board with respect to activities thereof inside Iraq.

Third: Foreigners shall be entitled to invest the returns of interests thereof in accordance with Iraqi Law, and may transfer their shares of interests as per paragraph (e) of item (First) of article (9) of this law.

Article (42)

First: License holders may transfer net profits resulting from Petroleum Operations outside Iraq after the payment of due taxes as per the law.

Second: The Iraq National Oil Company and holders of exploration, Development and Production licenses shall keep and maintain accounting records in Arabic as per the terms of the contract and the requirements of laws on taxes, and shall prepare and submit financial statements to the Ministry and the Supreme Audit Board.

Part V
General Provisions

Chapter I
Publishing Information

Article (43)

First: The Competent Bodies shall publish the significant activities related to Oil and Gas, while being performed, on the Ministry's website and any other media venue, including:

- a. Revenues, in-kind payments and receipts in the excess of (1) billion Iraqi dinars delivered to any entity representing the State or the public sector that resulted from any activity related to Oil and Gas. Revenues shall include revenue from the sale of Crude Oil, Gas and derivatives thereof; signature and production bonuses; property rights; revenues from the sale of assets; taxes and fees; shares in consortia in the field of Oil and Gas; commercial activities resulting from contracts on Oil, Gas and derivatives thereof; the return on investments of Oil and Gas inputs; and any payments resulting or arising from the commercial production of hydrocarbons.
- b. Returns from the use and distribution of Oil and Gas, including distribution among government agencies.
- c. Financially significant contracts related to exploration, Development, Production, processing and marketing of Petroleum resources in Iraq.
- d. Financially significant contracts related to the invitation for bids to supply services and goods for the Oil and Gas industry from any entity representing the State or the public sector.
- e. The annual report of the Council.
- f. Annual and periodic reports of the Iraq National Oil Company and holders of exploration, Development and Production licenses, including budgets audited as per international accounting standards.
- g. Any other information specified by this law or regulations issued thereunder to be published.

Second: The provisions of item (First) of this Article are not applicable to non-financial information.

Third: Any condition or agreement to block access or aim to block access to documents or information mandated to be published as per the provisions of item (First) of this article shall be null and void.

Fourth: The Council shall issue bylaws to facilitate the implementation of the provisions of this article, including listing the bases upon which a contract is to be considered financially significant, and the scope of the exceptions contained in item (Second) of this article.

Article (44)

- a. The licensing contract shall be deemed null and void if the license holder violates the laws of the Republic of Iraq and in particular the laws on combating corruption.
- b. The representative of the company holding the license or any other person delegated on behalf of said company shall be prosecuted according to the applicable Criminal Law of Iraq in case of violation of the laws of the Republic of Iraq on combating corruption.

Chapter II Conflict Resolution

Article (45)

First: Conflicts resulting from the interpretation and application of this law or the regulations issued thereunder shall be resolved by negotiations between the relevant parties and as per the principle of good faith.

Second: In case of failure to resolve the conflict by agreement, the matter shall be referred to the Minister to be resolved in consultation with the relevant license holders.

Third: In case of failure to reach a solution in good faith, the conflict shall be referred to arbitration or to the competent judicial authorities as per the contract.

Fourth:

- a. In the arbitration between the Competent Bodies and foreign license holders, the Iraqi Law shall be applicable in merit, and in form, the

arbitration procedures of the International Chamber of Commerce shall be observed, as per the arbitration clause of the contract.

- b. The contract shall include the terms for appointing arbitrators, the deciding arbitrator, seat of arbitration, expenses of arbitration and the timeframe for issuing the award.
- c. The Competent Body may halt the work subject to the conflict once arbitration is sought until the arbitration award is made.

Article (46)

First: The license contract shall be deemed null and void in case of violation of this law and applicable legislation.

Second: The Iraqi Law shall apply to the interpretation and execution of contracts concluded in accordance with the provisions of this law.

PART VI Final provisions

Article (47)

First: With the exception of the provisions of item (Second) of this article, the Ministry shall revise all exploration, Development and Production contracts concluded with all entities prior to the enforcement of this law within (90) ninety days from the date of enforcement thereof to conform said contracts with the provisions of this law; and shall submit same to the Bureau of Independent Advisors for evaluation. The Bureau shall submit recommendations to the Council, and the decision of the Council shall be final and binding.

Second: The Competent Body in the Kurdistan Region shall within not more than three months from the enactment of this law review all exploration and Production contracts concluded with all entities prior to the enforcement of this law to conform said contracts to the objectives and the general provisions of this law to achieve the highest economic benefit for the Iraqi People, taking into consideration the objective circumstances in which said contracts were concluded. The Bureau of Independent Advisors shall assess the contracts herein referred to in this article and its opinion as to the handling of said contracts shall be binding.

Article (48)

First: The use of land shall be for the purpose of Petroleum Operations. Utilization thereof shall be in accordance with the law, and shall take the following into consideration:

- a. The term for the right of use and usufruct of the land shall be equivalent to the term of the contract.
- b. Lands with Petroleum establishments thereon shall have restricted areas to be specified in accordance with the instructions issued by the Minister.
- c. Owners of lands within the Contract Area shall be compensated for damages caused by the Petroleum Operations.

Second: In case the land owner or the holder of the right of disposal or usufruct thereto is Iraqi, the land shall be leased therefrom in accordance with the law.

Article (49)

In case of administrative amendments to the borders of Regions or Producing Governorates, or the establishment of new Regions, the areas affected by the change shall be treated in accordance with this law regarding the granting of licenses and the management of Oil Operations.

Article (50)

The provisions of this law are not applicable to Petroleum refining operations and Gas manufacturing and the industrial uses of same; and the storage, transport and distribution of Oil products.

Article (51)

The Minister of Oil shall issue bylaws and instructions to facilitate the implementation of the provisions of this law.

Article (52)

Any provision that contradicts with this law will not be applied.

Article (53)

This law shall be enforced as of date of publication in the Official Gazette.

Grounds

Whereas the Republic of Iraq entered a new phase upon the coming into force of the Constitution in 2006, which established the principle that Oil and Gas belong to all Iraqi people in all Regions and Governorates, and defined the responsibilities and powers of the Federal Authorities, and the authorities of Regions and Governorates, including those relevant to the Oil and Gas sector; Whereas the Republic of Iraq is rich in discovered and undiscovered sources of petroleum, and whereas the production capacity of Iraq during the past decades has been low compared to those sources; whereas the revenues of Oil and Gas are the main pillars for the re-development of the country in general, and the Iraqi economy in particular, on sustainable and sound bases and in a coordinated and planned manner that takes into account the objectives of the Constitution including the unity of the Republic of Iraq and the depletable nature of natural Petroleum resources; for the purpose of enabling the Ministry of Oil to focus on its main role in setting federal policies, planning, monitoring, following-up and improving operational efficiency, which requires the involvement of the main commercial and technical bodies including a commercial independent Iraqi national Oil company, and granting Regions and Producing Governorates a role in Petroleum Operations; for the purpose of ensuring the effectiveness of coordination among these entities; for the purpose of additional modernizing and development of the Oil industry through the participation of international and local investors with practical, managerial and technical skills to reflect positively on Petroleum revenues and help in modernizing and increasing the efficiency of national expertise; and for the purpose of encouraging and supporting the national private sector associated directly or indirectly with the Oil and Gas sector,

This Law is hereby enacted