Democratic Republic of São Tomé and Príncipe

1st Licensing Round - Presentation

Houston – April 15th 2010
Introduction

This information is provided by ANP-STS to Oil Companies as an introduction to the Country Overview, Legal Framework in Place, National Petroleum Institution, Licence Terms, Bidding Process and Blocks available for awarding.

For further details regarding general licensing information and data packages and data rooms please contact:

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Business Development
PGS Marine
4 The Heights
Booklands, Weybridge
Surrey, KT13ONY
Tel: +44 1932 376584
<table>
<thead>
<tr>
<th>Time</th>
<th>Event</th>
<th>Speaker/Presenter</th>
</tr>
</thead>
<tbody>
<tr>
<td>09:30 - 09:45</td>
<td>Coffee</td>
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<tr>
<td>09:45 - 09:50</td>
<td>Welcome</td>
<td>PGS</td>
</tr>
<tr>
<td>10:00 - 10:10</td>
<td>Opening Address</td>
<td>Dr Rafael Branco, Prime Minister</td>
</tr>
<tr>
<td>10:15 - 10:30</td>
<td>Introduction</td>
<td>Luís Prazeres</td>
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<tr>
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<td>• ANP Mission</td>
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<td></td>
<td>• STP - Exploration History</td>
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<td></td>
<td>• JDZ - Update</td>
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<td></td>
<td>• EEZ – Zones &amp; Blocks</td>
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<tr>
<td>10:30 - 11:00</td>
<td>Technical Overview</td>
<td>PGS</td>
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<td>• Regional geology</td>
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<td>• Blocks on offer</td>
<td></td>
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<td></td>
<td>• Technical data / Data Rooms</td>
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<tr>
<td>---- Break for Coffee ----</td>
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<tr>
<td>11:00 – 11:55</td>
<td>Guidelines for Investors</td>
<td>ANP / PGS Team</td>
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<tr>
<td></td>
<td>• Legal &amp; Fiscal</td>
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<td>• PSC &amp; Terms Summary</td>
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<td>• Application Documents</td>
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<td>• Bid Evaluation &amp; Award</td>
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<td>• Web Site &amp; Data Rooms</td>
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<tr>
<td>11:55 – 12:00</td>
<td>Closing Remarks</td>
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<tr>
<td>12:00</td>
<td>Lunch Buffet</td>
<td>Meet with ANP Staff</td>
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</tbody>
</table>
The Prime Minister Address

The Democratic Republic of São Tomé and Príncipe

Dr Rafael Branco
Democratic Republic of São Tomé and Príncipe

- **Location**: In the Gulf of Guinea, off the west-central coast of Africa, 300 kms (160 mi.) from Gabon
- **Capital**: São Tomé
- **Land area**: approximately 1001 Km²
- **Maritime area**: approximately 166,000 Km²
- **Distance from Continent**: 300 Km
- **Population**: 160,000 (estimate 2007)
- **Climate**: Tropical. Average temperature 26 °C (78 °F) on the coast; lower in the highland. Dry season June to August. Short periods of tropical rains during the rest of the year.
- **Official Language**: Portuguese
- **Government**: Semi-presidential Representative Democracy
- **Natural Resources**: Cocoa, coconuts, bananas, coffee, palm oil, fishes, Petroleum (not yet exploited)
- **Export**: cocoa, coffee, coconut, pepper
- **Currency**: Dobras (STD)

**Prime Ministers Speech**
Introduction to ANP

ANP Executive Director - Luís Prazeres
Mission Statement

• The mission of National Petroleum Agency of São Tomé & Principe (ANP-STP) is to enhance the value of the hydrocarbon resources of the country, by promoting a sustainable exploration and production with due consideration for the environment.

• The ANP-STP shall carry out its duties in terms of the country's objectives, positioning itself as a credible partner for the world's oil industry. The Agency shall adopt a modern management style, upholding transparency and accountability that will contribute to the economic and social development of Sao Tome and Principe.
ANP-STP (National Petroleum Agency)

- Is the regulatory authority for the petroleum operations (exploration, production and transport of hydrocarbons)
- Participate in the proposal of legislation and its implementation
- Promote the exploration within exclusive economic zone
- Organize and conduct licensing including negotiations with applicants
- Assess and recommend the approval of field development plans and tail-end production and abandonment
- Co/ordinate all government supervisory functions related to petroleum operations
Overview of ANP organisation

Staff attending in Houston
- Executive Director - Luis dos Prazeres
- Technical Director - Luis Paquete
- Legal Director - Fernando Freitas
- Economist - Josina Pereira
- Legal Advisor - Afonso Varela
Other Assistance

- **PGS**
  - Technical Advisors
  - Multi-Client Seismic Data
  - License Round Assistance
  - Training

- **World Bank**
  - Legal
  - PSC

- **NORAD (NPD)**
  - HSE
  - PSC

- **USAID**
  - General Advisory
Legal Framework in Place

- Fundamental Law on Petroleum Operations (Law n.16/2009)
- Petroleum Taxation Law (Law n. 15/2009)
- Model PSC
- Petroleum Regulations
- Bidding Guidelines and Appendices for the First Licensing Round
- Law that creates National Petroleum Agency (Law n.5/2004)
- Petroleum Revenue Management Law (Law n.8/2004)
- General law on Environment (Law n. 10/1999)
- Law that approves the Environmental Impact Survey (Law n.3/1999)
Exploration History

ANP Executive Director - Luís Prazeres
<table>
<thead>
<tr>
<th>Year</th>
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<tbody>
<tr>
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</tr>
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<td>1970</td>
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<td>Island Oil drilled two deep onshore wells near seeps, including Ubabudo-1 drilled to 1501m</td>
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<td>1998</td>
<td>Mobil held 18 month Technical Assistance Agreement for whole STP offshore</td>
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<td>2001-2005</td>
<td>PGS acquired 10,000 km of 2D seismic in EEZ and 3000 sq km of 3D in JDZ</td>
</tr>
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</table>
**February 2010** (pre-emption awards – subject to agreed work program)

- Equator
  - Blocks 5, 12

- EHRC
  - Blocks 4, 11

**March 2010** - Launch of EEZ 1st License round
• **JDZ** is a Zone established on 21 February 2001 by the Abuja Treaty, jointly controlled by the Federal Republic of Nigeria and Democratic Republic of São Tome and Principe for the purposes of the exploration for and exploitation of resources, aimed at achieving optimum commercial utilization for two countries.

• 2003 and 2004 JDZ Licensing Round produced 4 active production sharing contracts, for Blocks 1-4. The Blocks 5-6 are yet to be concluded.

• The recent drilling operations for the JDZ Blocks 1-4 have encountered some very good reservoir sands, many of them charged with oil and natural gas.
INTRODUCTION

THE COMPETENT AUTHORITIES

LEGAL & FISCAL DOCUMENTS

APPLICATION REQUIREMENTS & FEES

APPLICATION DOCUMENT

SUBMITTING AN APPLICATION

BID EVALUATION CRITERIA

PROCEDURE FOR ASSESSMENT

TECHNICAL DATA AVAILABILITY & ACCESS

FURTHER INFORMATION

All information is available from www.stp-eez.com
• License Round opened on the 2nd March 2010
• The License Round will close on the 15th September 2010
• The Licensing Round is based on open tender.
• Applicants will be assessed based on evaluation criteria
• The State reserves the right to participate in petroleum operations. The participation may be directly or through an entity wholly or partly owned and controlled by the State
• No petroleum activity may be undertaken in the EEZ, except pursuant to and in accordance with the Petroleum Law n° 16/2009
• 3 Phase of exploration: 4+2+2
• The cost recovery ceiling shall be a maximum of 80%
• International Oil companies commencing activities in the country for the first time are required to either be registered or incorporated upon award of acreage and prior to the commencing of any operations
Bidding Process – Summary

• Application fee is USD 25,000
• Applications must be made in ANP-STP Applications forms (Appendices A,B,C and D)
  1. Verifications of applications requirements
  2. Bid Evaluation
  3. Recommendations by ANP-STP to the Government for approval
  4. Granting and Approval
  5. Announcement of results
  6. PSC negotiations
  7. Signature of the PSC

Applicants are recommended to licence the data prior to submitting their application for a PSC as the database is part of bid evaluation process.
Technical Overview
Executive Summary

• 7 offshore blocks available in round

• Located in deep water of hydrocarbon rich Gulf of Guinea

• Traps identified in region are both structural and stratigraphic

• Ubabudo-1 well onshore, offshore region undrilled

• Potential reservoirs proven onshore, seeps on and offshore

• Prospective acreage, currently unlicensed
West African Sedimentary Basins and Reserves
• Water depth ranging from 90m around islands to >3500m

• Shallowest regions to the east

• STP EEZ region exhibits an anomalously thick sedimentary section for oceanic region
Structural Elements

- Toe Thrust Belt of Niger Delta
- Low Relief Structures
- Cameroon Volcanic Line (Uplifts and Volcanics)
- Edge of Continental Crust and Salt Development (Fracture Zones)
Structural Elements

[Map and diagrams showing geological structures and features such as JDZ, EEZ, OPL 256, Principe, OOT, and other areas within the Niger Delta and Gabon Salt Basin.]
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São Tomé and Príncipe Seeps

- Cretaceous oil is currently seeping into this concrete emplacement of an artesian well on São Tomé.
- Natural oil seeps from both islands belong to separate oil families, although similar in appearance and viscosity.
  - São Tomé similar to Azile and Anguille Fm sourced oils in Gabon.
  - Seeps in Príncipe more mature.
  - Slicks observed offshore Príncipe

Gas escaping at Ubabudo-1
Oil seep at Ubabudo-1
Akata Formation Kitchen - in oil window due to low heat flow and diminished overburden

Mid-Late Cretaceous Kitchen - areas with >3km of overburden

Zone of potentially locally raised heat flow
São Tomé and Príncipe - Reservoirs

Miocene-Recent Volcanics

Seeps

Sandstones

Wells

Ubabudo 1
Reservoir

- Good quality sands have even been deposited as far south as Sao Tome. This slide shows some outcropping quartzose sands on the island together with a well drilled through several hundred metres of sands alternated with shales and volcanics, tentatively equivalent to the Agbada Formation.
**Turbidite Sand Input**

- Associated with RSL lowstand unconformities
- Sediment supply shifted from east to north from Mesozoic to Cenozoic

Quartzose sands in outcrop below volcanics
Structure and Plays
Basement structure

- Sediment deposition effected by major fracture zones
Structure

Príncipe Island

Fernando Po fracture zone

Cameroon Fracture zone
• **Toe Thrusts of Niger Delta**
  – Extend over JDZ to north of the area

• **Tertiary plays in the north**
  – Low relief structures
  – Drape over fracture zones

• **Cretaceous plays in the east**
  – Half grabens
  – Tilted blocks
  – Drape

• **Cameroon Volcanic Line - Trend of Islands**
  – Uplifts pre and syn-volcanism, Miocene age
  – Thick sedimentary pre-volcanic succession

• **Stratigraphic Plays – Channels and Basin Floor Fans**
  – Niger Pro-Delta (Tertiary)
  – Ogooué and Benito Pro-Deltas (major lowstands)
Regional line (W-E Line)
Drape over tilted fault block

Brightening on structure

5 km
Distal toe thrusts of the Niger Delta

Low relief structures, fracture zone drape and stratigraphic traps to south of toe thrust zone

Major Tertiary fan systems

Dominantly Cretaceous fan systems derived from Eq. Guinea margin

Cretaceous structural traps and drapes over fracture zones with sediment derived from the Gabon and EG margin
**EEZ Blocks on offer**

<table>
<thead>
<tr>
<th>Block</th>
<th>Zone</th>
<th>Area_sq_km</th>
<th>Status</th>
<th>1st License Round</th>
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<tbody>
<tr>
<td>1</td>
<td>A</td>
<td>3,292</td>
<td>Open</td>
<td>Yes</td>
</tr>
<tr>
<td>2</td>
<td>A</td>
<td>4,969</td>
<td>Open</td>
<td>Yes</td>
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<tr>
<td>3</td>
<td>A</td>
<td>4,228</td>
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<tr>
<td>6</td>
<td>A</td>
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<tr>
<td>8</td>
<td>B</td>
<td>6,497</td>
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<tr>
<td>7</td>
<td>B</td>
<td>6,384</td>
<td>Open</td>
<td>Yes</td>
</tr>
<tr>
<td>13</td>
<td>B</td>
<td>6,777</td>
<td>Open</td>
<td>Yes</td>
</tr>
</tbody>
</table>
Seismic Coverage (Multi-Client)

STP99
- 5,925km
- Acquired 1999 for Mobil

STP01
- 3,600km
- Acquired 2001 - PGS

STP02
- 1,500km
- Acquired 2002 - PGS

STP05
- 5,800km
- Acquired 2005 - PGS
Geo-Technical Data

The Geo-Technical Data package has been prepared from all the data available from within the ANP-STP archives and includes:

- Technical Reports
- Technical Presentations
- Well Data
- Petrographic Data
- Seismic Data
- Gravity & Magnetic Data
- Field Work Data
- Geochemical Data (seep analysis)
- GIS Project (copy supplied to data room visitors)
- Workstation Project (SMT Kingdom)
Gravity & Magnetic Data

Charcot FZ
Fernando Po FZ
Cameroon Volcanic Line
Kribi FZ
Ascension FZ
Ogooue Delta
All reports are in digital format and together they form the definitive technical reference for hydrocarbon exploration in São Tomé and Príncipe.

The reports include:
- INTRODUCTION TO THE HYDROCARBON PROSPECTIVITY OF SÃO TOMÉ AND PRÍNCIPE – ANP-STP 2010
- EXXON Mobil Technical Evaluation Agreement Report
- Imperial College Report for Island Oil
- Geochemistry
- Gravity
- Well Reports
- Seismic Reports
Data Rooms

Sao Tome Data Room
Open now

UK Data Room
Open now

- Key Technical Reports (Paper & pdf)
- Technical Reports (pdf)
- SMT Kingdom Project
- Limited seismic displays

Data Room Rules Apply

Details available on:
www.stp-eez.com
Questions

break for coffee
Guidelines for Investors
1. INTRODUCTION
2. THE COMPETENT AUTHORITIES
3. LEGAL & FISCAL DOCUMENTS
4. APPLICATION REQUIREMENTS & FEES
5. APPLICATION DOCUMENT
6. SUBMITTING AN APPLICATION
7. BID EVALUATION CRITERIA
8. PROCEDURE FOR ASSESSMENT
9. TECHNICAL DATA AVAILABILITY & ACCESS
10. FURTHER INFORMATION
Bidding Process

All award of Petroleum Contracts shall be by international open bidding process. Notwithstanding, the Petroleum Contracts may be awarded through direct negotiation, only in case of public interest and in two others situations:

a) Following an open tender which has not resulted in the awarding of a Petroleum Contract due to the lack of bids;

b) following a tender which has not resulted in the awarding of a Petroleum Contract due to the government's consideration that the submitted bids were unsatisfactory in view of the adopted criteria for the award.
2. THE COMPETENT AUTHORITIES

The Government
The Government of the Democratic Republic of São Tomé and Príncipe, at any time and from time to time, in accordance with Article 109 of the Constitution of Democratic Republic of São Tomé and Príncipe.

Ministry of Natural Resources, Energy and Environment
The Ministry establishes the policies for the petroleum sector.

National Petroleum Agency
The Agência Nacional do Petróleo de São Tomé e Príncipe (“ANP-STP”) was established by Decree-Law No. 5/2004, of the 14th of June. It is the national regulatory body, reporting to the Ministry, with responsibility for enforcing the regulations, contracting with third parties and supervision of petroleum operations.
Organisational structure

Petroleum law provides the legal foundation for the governance structure of petroleum activities clarifying roles and interests:

- **Regulator**
- **Resource owner**
- **Commercial Interest**
- **Oil Companies**
3. Legal & Fiscal Documents

Schedule 1 - Petroleum Law

Schedule 2 - Petroleum Operation Regulations

Schedule 3 - Model PSC

Schedule 4 – Blocks on offer (1st EEZ Licensing Round)
Framework conditions

Core Elements of the regulatory structure:

- PSC
- Petroleum Regulations
- Petroleum Law

Ownership of Petroleum Resources

All petroleum resources in situ as natural resources in the soil and the subsoil onshore and in the offshore waters on the continental shelf comprising the EEZ are the property of the Democratic Republic of São Tomé and Príncipe (the “State”).

Participation of the State

The State reserves the right to participate in petroleum operations. The participation of the State may be either directly or through an entity wholly or partly owned and controlled by the State. The State’s participation may take place during any phase of petroleum operation. The State’s participation shall be in accordance with applicable law in force and the terms and conditions to be established in the relevant PSC.
All the data and information acquired during the course of Petroleum Operations covered by an Authorization shall be the sole property of the National Petroleum Agency, notwithstanding the rights of the relevant Authorized Person to use such data and information for the duration of their Authorization.
The government shall adopt measures to guarantee, promote and encourage investment in the Petroleum sector by citizens of STP.

- local companies shall have the right of preference regarding the award of participating interest as well as contracts for provision of goods and services.
- authorized persons and their associates shall train and employ citizen of STP at all levels of their organizations
- preferentially contract with local services and equipment providers which are no more than 10% higher cost than imported items.
Petroleum Taxation Law – no.15/2009

- Petroleum Taxation Law prevails against the General Taxation Law and is due on all profits from petroleum operations within the territory of STP.

- The Law applies to any individual or legal entity, consortium, joint venture, partnership, trust, heir, unincorporated or incorporated organization, or government or any agency or local entity, whether national or foreign, Resident or Non-resident of Sao Tome and Principe.

- **Rate of tax**
  The income tax rate is 30%.

  **Taxable income**
  The taxable income are computed in accordance with generally accepted and internationally recognized accounting standards, consistent with modern petroleum industry practices and procedures.
Petroleum Taxation Law

• **Deductible Expenditure**
  - Authorized Capital Expenditures – CAPEX
  - Authorized Operating Expenditures – OPEX
  - Decommissioning Expenditure

• **Non-Deductible Expenditure**
  - Cost of Acquisition of Interest in Petroleum Operations
  - Interest (on loans)
  - Allocation of Head Office Expenditures during a Fiscal Year shall be capped at 2% of the total Deductible Expenditures of the permanent establishment in STP.
  - Bonus payments
  - Cost of Social projects
  - Costs incurred in excess of 5% above the approved work program budget unless such costs are approved in advance by the National Petroleum Agency.
Withholding tax:
Withholding tax is 6%.

Tax exemption:
Dividends paid by a Resident Authorized Person out of profits arising from Petroleum Operations are exempt from income tax.

Tax installment:
All Authorized Persons and Associates are liable for monthly installments of income tax for each Fiscal Year.
The Petroleum Operations Regulations (the “Regulations”) are meant only as guidance for the parties interested in the petroleum exploration, development and production in the territory of the Democratic Republic of São Tomé and Príncipe.

The Regulations set out the fees, terms and conditions of operations, technical and health and safety standards, as well as the broad specifications to be used and the requirements in respect of environmental protection and taxation issues.
• All Petroleum Operations shall be described in an annual work program, drawn up in due detail and with the respective budget, to be prepared by the contractor, which shall be submitted to the National Petroleum Agency for review and written approval.

• The Contractor may submit amendments to an annual work program and/or budget to the National Petroleum Agency for written approval, provided that they are justified on technical or other grounds.

• No later than ninety (90) days prior to the commencement of Commercial Production from a reservoir, the Contractor shall apply to the National Petroleum Agency for the commencement of commercial production.
Authorization of Petroleum Operations

- The conduct of all Petroleum operations should be authorised by the National Petroleum Agency which may only grant the Prospecting Authorisation to persons of recognized capacity, technical knowledge and financial capability.

- A Prospecting Authorization grants a right to perform geological, geophysical and geotechnical surveys in the authorized area, and may or may not include a right to drill well.

- Nothing in a Prospecting Authorization authorizes the holder to have a preference or right to enter into a Petroleum Contract.

- A Prospecting Authorization shall be granted for an initial period of three (3) years and can be successively renewed annually for a period of up to six (6) years.
Overlapping and Conflict of Rights

• The granting of rights for the exercise of Petroleum Operations is not, in principle, incompatible with the prior or subsequent granting of rights for the exercise of other activities relating to other natural resources or uses for the same area.

• Without prejudice to any civil or criminal liability, a person who engages in Petroleum Operations other than pursuant to an Authorization shall make restitution to the State of an amount equal to the market value of Petroleum developed, exploited or exported, together with late payment interest.
PRODUCTION SHARING CONTRACT

Applicants should take due notice that the PSC is based on an administrative law in which a specific number of fiscal elements are non-negotiable.

Exploration Period
The Exploration and Appraisal period is 8 years, split into three phases:
• Phase 1 – four (4) years
• Phase 2 – two (2) years
• Phase 3 – two (2) years

Production Period:
• 20 years with possible 5 year extensions for economic depletion
Commercial Discovery

- 45 days after drilling an Exploration Well, declare whether it is a Discovery or not
- Within 2 years of Discovery, or later if allowed, declare Commercial Discovery
- Within 2 years of Commercial Discovery, submit a Field Development Program
- If Discovery is not determined to be Commercial Discovery, the area including the Discovery, and all rights to the Discovery may have to be relinquished
Relinquishment

• 25% relinquishment of the Contract Area at the end of each of the first two Phases of the Exploration Period

• Remainder relinquished at the end of Phase Three of the Exploration Period, less:
  – any Development Area
  – areas which approval of Field Development is pending
  – areas reserved for possible unassociated natural gas

• Retained and relinquished areas shall be single continuous areas

• Voluntary relinquishment allowed with no work reduction
Arbitration and Renegotiation

- Differences and disputes between the Parties shall be referred to an independent expert.

- If a difference or dispute cannot be settled by amicable agreement or through an independent expert, either Party may seek arbitration either at ICSID or UNCITRAL.

- Where there are detrimental fiscal changes to the Contractor, the parties agree to review and align terms to the same as in the contract.

- In the event of changes of legislation and/or regulations affecting the commercial benefit to the contractor, the parties shall consult each other and agree to amendments to restore the commercial benefits under the contract.
Application Fee:
• Application fee: US $ 25,000 (twenty five thousand US Dollars).

Miscellaneous fees and charges for application:
• to assign an interest during exploration period US $ 100,000
• for contractor/operator to commence drilling US $ 25,000
• to assign an interest during production period US $ 300,000
• to entering into production period US $ 500,000
• to terminate the PSC US $ 100,000

Area Rentals:
• Exploration Phase US $ 0 per km²
• Exploitation Phase US $ 100 per km² (increases by $25 every 2 years)
Other Financial Matters

- Accounts to be kept in US dollars and be available to ANP
- ANP has right to inspect and audit accounting records
- Books of account are to be maintained at the business address of the Contractor in DRSTP
- All goods, materials and equipment imported and exported, by the Contractor, destined exclusively and directly for petroleum operations are exempt from duties
- Insurance is required on normal industry operational risks, but premiums are a valid operating cost
- Insurance is required to be taken out in DRSTP except where coverage cannot be obtained
Contract Payments

• All contract payments shall be made in US Dollars, or other currency agreed

• Payments to be made into the National Oil Account in accordance with the Oil Revenue Law

• Payments shall be made within ten days from the end of the month in which they are due

• Overdue payment are liable to interest at LIBOR plus 2%
Bonuses & Other Payments

- Signature Bonus single payment, not cost recoverable and non-tax deductible
- Production Bonuses set by cumulative production thresholds, not cost recoverable and non-tax deductible
- Social Projects expenditure not cost recoverable and non-tax deductible
- Scholarships for citizen training at selected institutions funded as recoverable costs at:
  - 0.25% of operating cost for the exploration period
  - Fixed amount for the production period
• Phased with Three Exploration Phases with *Minimum Work Obligations* (MWOs)
• Accompanying *Minimum Financial Commitments* (MFCs)
• MWO and MFC are approved by the ANP
• Fulfillment of MWO is deemed as fulfillment of the MFC
• Excess work and expenditure credited to next phase
• Work & expenditure deficiencies may be carried forward
• Wells have to be drilled to a minimum total depth, *unless* there is a discovery, basement is found, ANP is satisfied or technical problems occur
• Sinking Performance Bond for work and expenditure
• Parent Company Guarantees are required
State Participation

- Minimum carried 10% interest (competitive bid)
- During the carry period, there is an agreed sharing of Contractor’s entitlement to Profit Oil
- Conversion of carried interest to full working interests with agreed crude allocation
• Available Crude Oil calculated on Contract Area basis for Royalty, Cost and Profit Oil
• Royalty Oil based on Available Crude Oil at a rate of 2%
• Cost Oil allocated to the Contractor in amounts sufficient for recovery of costs, subject to a ceiling of 80%
• Company Profit Oil allocation based on pre-tax, nominal rate of return calculated on a quarterly basis:

<table>
<thead>
<tr>
<th>Contractor’s Rate of Return for Contract Area (% per annum)</th>
<th>Government Share of Profit Oil</th>
<th>Contractor Share of Profit Oil</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;16%</td>
<td>0%</td>
<td>100%</td>
</tr>
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<td>&gt;=16 %&lt; 19%</td>
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• Contractor may not sell, assign, transfer, encumber, convey or otherwise dispose of part or all of its rights, interest and/or obligations without the prior written consent of the ANP

• Changes of controlling interest to be approved by the ANP

• ANP has pre-emptive rights, additional to any such rights under a JOA

• Requests for approval shall include a Deed of Assignment and other relevant information
• A Contractor who discovers a commercially viable quantity of Natural Gas, shall have the right to develop, commercialize, recover the costs and share in the profits of a development.

• Contractor may utilize, at no cost, natural gas required as fuel for operations, gas recycling, gas injection, gas lift or other Crude Oil enhancing recovery schemes

• Prior to the commencement of Production of Crude Oil, the Contractor shall submit to the ANP a program for utilization of any Associated Natural Gas discovered in the Contract Area.
Schedule 4 – Areas in the 1st License Round

For the first licensing round, ANP-STP has made available 7 blocks, 4 blocks located in zone A and 3 blocks located in zone B.

Applicants may submit applications for more than one block in one zone but one applicant may not be awarded the totality of two blocks in the same zone as per Article 7 of Decree Law 52/2009 of the 26 November 2009 which states:

“No single company shall, in any event, be awarded the totality of two blocks in the same exploration and production zone.”

Within a given zone a company may only have one block at 100%, additional blocks can be held but must be at less than 100% interest.
5. APPLICATION DOCUMENTS

5.1 Appendix A - Applicant Details and Financial Information

5.2 Appendix B - Technical Application Summary

5.3 Appendix C - Financial Proposal

5.4 Appendix D - Health Safety Environment
APPENDIX A

Appendix A must be completed by the applicant giving full details of the applicant and adequate financial information about the applicant to support its application for a PSC. Appendix A must be completed and submitted for each legal entity per application. If two or more entities apply as a group this must be specified in the application. Depending on applicant’s corporate structure the applicant must demonstrate sufficient financial strength to undertake petroleum operations in the blocks applied for.
APPENDIX B

Appendix B must be completed to demonstrate the applicant’s technical skills and abilities to implement the work program and evaluation of the acreage. As specified in Appendix B, the applicant is requested to attach further technical documentation to Appendix B to substantiate the information stated.

Please note that this Appendix B forms a crucial part of the application and the evaluation criteria.
- a brief and focused petroleum geological analysis, describing the prospectivity in the area applied for, critical factors, etc
- a brief description of the seismic interpretation, well ties, etc, including attached interpreted seismic sections
- time and depth structure maps for prospective horizons, showing all identified prospects and leads
- brief description of the prospect evaluation
- description of the work programme and exploration strategy

The technical submission should also be provided on a separate CD-ROM which should have adequate resolution of all the figures in order to show relevant details.
APPENDIX C

Appendix C must contain the proposal of the applicant for the exploration work commitment and minimum expenditure in respect of each block(s) applied for as specified in the application.

Definite proposal with respect to all those items that are negotiable items as contained in the PSC must be stated, including, training and local content. Only those items indicated as blanks in the PSC are negotiable. Tax and Royalty are as stipulated by applicable law and therefore non-negotiable.
APPENDIX D

An applicant should submit details of the Health, Safety and Environmental (“HSE”) protection systems, including applicant’s own HSE policy and corporation wide records of the same for the last 3 years.

Note:
ANP-STP objectives are to ensure the implementation of HSE processes and procedures and the success of the systematic effort needed to prevent faults and dangerous situations or undesired conditions arising or developing, and to limit pollution and injury to persons and damage to equipment, danger to health, environment and safety culture must pervade at all levels of the activities or establishment.
6. SUBMITTING AN APPLICATION

• Applications must be consistent with the provisions of the Petroleum Law.

• Applications on behalf of more than one company are to be accompanied by a fully executed agreement between those companies.

• A non-refundable fee of USD 25,000 must accompany the application.

• Applications must be submitted in triplicate paper copies plus one CD ROM in sealed envelopes clearly marked on the top “APPLICATION FOR HYDROCARBON EXPLORATION IN THE DEMOCRATIC REPUBLIC OF SÃO TOMÉ AND PRÍNCIPE 1st LICENSE ROUND” and must be sent by courier service or hand delivery to the ANP Office Sao Tome.

• A receipt will be issued on receipt of each application.

• ANP will post to the website (www.stp-eez.com) the list of companies applying and the blocks applied for one week after the closure of the license round deadline.

• All bids will remain valid for at least 9 months from the date of closure of the licensing round.
Applications must be received in ANP Office Sao Tome by

17:00 – close of business on

Wednesday 15th September 2010
Technical Evaluation Criteria

- The technical competence and financial strength of the applicant to be able to carry out exploration and production of hydrocarbons within the legal requirements and industry standards.

- The technical database used in making the application.

- The technical evaluation and obligatory work program. Preference will be given to bids which demonstrate an active and cost-effective exploration approach, with satisfying progress.

- HSE. Detailed environmental policies of the company should be stated with particular reference to environmental impact analysis and HSE Management. Co

- Level of local support and training. Local content in terms of commitment to training and growth of indigenous capability, indigenous manpower, and the use of services of the local industry should be indicated.

- Only bids that meet the minimum work program criteria and achieve a pass in HSE will be taken to the final stage where the commercial evaluation will take place.
6. BID EVALUATION CRITERIA

Commercial Evaluation Criteria
The commercial evaluation criteria will be based on the following:

• Signature bonus;
• Economic terms offered by the Applicant;
• Production Bonus for specific production thresholds;
• Projects to be undertaken in São Tomé and Príncipe.

• All bonuses offered shall be non-tax deductible and non-cost recoverable.

• Signature bonuses shall be payable in one tranche no later than 30 days after the date of signing the PSC.

• The final evaluation of the commercial offer will be based on a direct computation of all the commercial components of the offer.
Agência Nacional do Petróleo de São Tomé e Príncipe

São Tomé e Príncipe Exclusive Economic Zone (EEZ)

1st Licensing Round

The Agência Nacional do Petróleo de São Tomé e Príncipe announce plans on the 5th of November, at the Africa Upstream conference in Cape Town, for a competitive bidding round to explore for hydrocarbons for up to 17 separate defined offshore areas. Applications will be assessed based on stated evaluation criteria. Successful applicants will be granted a Production Sharing Contract (PSC).

The License Round is expected to open in the first quarter 2010 and companies will be allowed approximately 6 months to formulate their applications.

This website will be updated regularly to contain key information about the licensing system and the availability of technical data.

Luis Prazeres
Executive Director

Agência Nacional do Petróleo

Mail to: info@stp-eez.com

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We welcome you in São Tomé and Principe
License Round closes on the 15th September 2010

Location: In the Gulf of Guinea, off the west-central coast of Africa, 580 km (360 mi) from Gabon on
Cape: São Tomé
Land area: approximately 1001 km²
Maritime area: approximately 18,203 km²
Distance from Equator: 390 km
Population: 150,000 (estimated 2007)
Climate: Tropical. Average temperature 26°C (79°F) on the coast, cooler in the highlands. Dry season: April to
August. Short periods of tropical rain during the rest of the year.
Official Language: Portuguese
Government: Semi-presidential representative democracy
Natural Resources: Coco, avocados, bananas, coffee, palm oil, fish, tin, platinum (not yet exploited)
Exports: cocoa, coffee, coconut, pepper
Currency: Cruzeiro (STD)

São Tomé and Príncipe
100 Kms
0°
10°
20°
0°
10°
20°

Nampula
Beira
Maputo
Moçambique
Maputo
Beira
Nampula
São Tomé and Príncipe

ANP-STP

Cabo Verde
Senegal
Guinea
Gambia
Sierra Leone
Guinea
Niger
Congo
Zaire
Cameroon
Cameroon
Gabon
Equatorial Guinea
Cameroon

São Tomé and Príncipe 1st Licensing Round

Nascimento
The beaches in São Tomé and Príncipe are full of rocks and reefs. The coastline is littered with lots of beaches, with almost no people. You might see a fishermen going out to sea, but that is about it. If you like to have a break of yourself, this is the right place for you.

Cristo Redentor
São Tomé Vila
The island is day to explore the beautiful coastline by boat. Both sailing boats and speed boats are available. During the way you may see dolphins playing around the land and even whale.

Praia Juk and sea turtles
On the south side of São Tomé, there is a beach where giant sea turtles come ashore in the morning hours to lay their eggs. It is possible to stay on the beach, watch the turtles lay their eggs and feed the newly hatched turtles. Today no one is allowed to come in to the laying site as there are several nesting sites.

Praia do Rosário
This beautiful island is only accessible south of São Tomé Island. On the beaches this beach is the most beautiful and is located in the middle of the Atlantic Ocean. On the beach there are rocks, cliffs, caves and sand dunes. The sea is very calm and the beach is surrounded by the rocks. This makes it a very secluded place where you can enjoy your breaks.

Rasing
The waters around São Tomé and Príncipe are filled with fish of different kinds. Here you can get your share of roasted fish or grilled fish on a sandy beach.

Plantador House
You have a chance of staying in this house that was used during the colonial past. Many of them are now run as small hotels and cafés where you can spend the nights and relax in the big verandas. Here are some plantations to see and to explore. Some of them are: Monte Carlo, Monte Morango, Monte São José, Monte João, Monte de São Tomé, Monte da Fonte.

For more information please visit www.anpstp.com

São Tomé and Príncipe 1st Licensing Round

ANP-STP

Cabo Verde
Senegal
Guinea
Gambia
Sierra Leone
Guinea
Niger
Congo
Zaire
Cameroon
Cameroon
Gabon
Equatorial Guinea
Cameroon

For more information please visit www.anpstp.com
• QUESTIONS

• LUNCH