



REPÚBLICA DEMOCRÁTICA DE SÃO TOMÉ E PRÍNCIPE
MINISTRY OF NATURAL RESOURCES, ENERGY AND ENVIRONMENT

**SÃO TOMÉ AND PRÍNCIPE
1ST (EEZ) LICENSING ROUND**

GUIDELINES FOR INVESTORS



**AGÊNCIA NACIONAL DO PETRÓLEO DE
SÃO TOMÉ E PRÍNCIPE**

Av. das Nações Unidas, 225
Caixa Postal Nº 1048
São Tomé
São Tomé e Príncipe

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1 INTRODUCTION

In accordance with the Decree Law n° 52/2009, published in the National Gazette, the Government of the Democratic Republic of São Tomé and Príncipe, through the Ministry of Natural Resources, Energy and Environment (the “Ministry”) and the National Petroleum Agency (“ANP-STP”) invites Oil and Gas companies for the first offshore competitive bidding round to explore hydrocarbons in the Exclusive Economic Zone (“EEZ”).

The licensing round will open on the 2nd March 2010 and the final date for submission of applications will be at 17:00 hours on 15th September 2010 being the close of business.

The licensing round will be based on open competitive tender. Applications will be assessed based on the evaluation criteria set out in this document.

This document is intended as guidance for investors in the São Tomé and Príncipe first licensing round and provides advice on how to complete and support an application.

Successful applicants will be granted a Production Sharing Contract (“PSC”).

If you have any further queries, clarification or require additional information please see contact information details under Article 10 of page 20 of these guidelines or visit:

www.stp-eez.com – this is the ANP-STP for the license round and carries pointers to other useful information, including general information about the licensing system and the availability of technical data.

www.anp-stp.gov.st – is the ANP-STP government website and contains information about ANP-STP strategy and policy.

Or via email to info@stp-eez.com

2 THE COMPETENT AUTHORITIES

2.1 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.

2.2 Ministry of Natural Resources, Energy and Environment

The Ministry establishes the policies for the petroleum sector.

2.3 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.

ANP-STP Mission Statement

The mission of 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 accordance with the country's objectives, positioning itself as a credible partner for the world's oil industry. The ANP-STP shall adopt a modern management style, upholding transparency and accountability that will contribute to the economic and social development of São Tomé and Príncipe.

ANP-STP Exploration Strategy

To maximize value creation from the petroleum resources in the country.

ANP-STP future licensing policy:

- Licensing through open bidding rounds.
- Access to data / prepared data packages.
- Sufficient time/resources for promotion.

ANP-STP expects companies applying for a PSC to include;

- Regional overview.
- Prospectivity analysis.
- Costed Technical work program.
- Duration of exploration phases.
- Relinquishment Plans.

3 LEGAL & FISCAL DOCUMENTS

3.1 Schedule 1 - Petroleum Law

The São Tomé and Príncipe petroleum sector is currently regulated principally by the Fundamental Law of the Petroleum Operations Law 16/2009 (“Petroleum Law”) and Petroleum Taxation Law 15/2009 both dated November 4th 2009. The Petroleum Law establishes the legal basis for the granting of petroleum rights to individuals and/or legal entities for the conduct of petroleum operations subject to the São Tomé and Príncipe jurisdiction. The Petroleum Law does not regulate refining of petroleum, its industrial utilization or the distribution and sale of petrol or other petroleum products.

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.

Key Provisions of the Petroleum Law

Some of the key provisions of the Petroleum Law are as follows:

- No petroleum activity may be undertaken in the EEZ except pursuant to and in accordance with the Petroleum Law;
- The ANP-STP on behalf of the State monitors and regulates all activities related to the oil industry in the EEZ.

Participation in Oil and Gas operations in the EEZ

Participation in petroleum exploration, development and production operations in the EEZ is open to:

- Local companies (incorporated in São Tomé and Príncipe);

- Any international company registered in São Tomé and Príncipe; or
- Any international company through its subsidiary incorporated in São Tomé and Príncipe

International companies commencing activities in the Democratic Republic of São Tomé and Príncipe for the first time are required to either register or create a subsidiary incorporated in São Tomé and Príncipe upon award of acreage and prior to the commencement of any operations.

Companies may present joint applications or bids subject to the following conditions:

- The execution and submission of Memorandum of Understanding (“MOU”) between the applicants together with the bid;
- If the bid is successful, the award will be made to the group, subject to the execution of a Joint Operating Agreement between the companies.

Termination

Termination of the PSC can be triggered by:

- The contractor giving six months written notice to the ANP-STP.
- The ANP-STP giving written notice to contractor, if the contractor does not carry out petroleum operations as specified by the regulations and does not remedy or commence to remedy the breach of such regulation within the period specified in the written notice given by the ANP-STP notifying contractor of the breach.
- The ANP-STP may revoke or terminate the PSC if within 4 years the company fails to show verifiable evidence of efforts made to meet the required minimum work program, and/or is not conducting petroleum operations in a vigorous and businesslike manner in accordance with good practice applicable in the oil and gas industry, or has failed to comply with the terms of the PSC.

3.2 Schedule 2 - Petroleum Operation Regulations

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.

3.3 Schedule 3 - Model PSC

This is the current model PSC applicable in respect of petroleum operations in the Democratic Republic of São Tomé and Príncipe.

The PSC granted to the successful applicants will be in both Portuguese and English language. The award of a PSC is an administrative law decision made by the Council of Ministers, who will approve the standard terms as well as specific terms that have been agreed between the parties resulting from the negotiation prior to the final approval.

The model PSC is available in digital format for applicants to review and may be downloaded from the website: www.stp-eez.com.

KEY PSC PARAMETERS

Key parameters of the model PSC for the EEZ are as follows:

Exploration Period

The PSC is split in to three phases:

- Phase 1 – four (4) years
- Phase 2 – two (2) years
- Phase 3 – two (2) years

Signature Bonus

The Signature Bonus shall be payable in one tranche and shall be non-cost recoverable and non-tax deductible.

Production Bonus

The Production Bonus shall be paid within one month of reaching the stated production threshold.

Minimum Work Obligation

A minimum work program must be agreed between the contractor and the ANP-STP for each phase of the license prior to signing the PSC.

Cost Recovery Ceiling

The ceiling of cost recovery shall be to a maximum of 80%.

Profit Sharing

Profit Share will be in accordance to the method considered in the PSC

Operatorship

When granting a PSC, the ANP-STP shall appoint or approve a company, individual or entity who will be the operator under the PSC. Any change

of operator must be approved by the ANP-STP and may be subject to condition as the ANP-STP or the government deems necessary and required to ensure that the obligations under the PSC will be fulfilled.

3.4 Schedule 4 - Blocks on offer

Within the EEZ there are nineteen (19) blocks grouped in to three separate zones, A, B and C as shown on the following map. Four blocks, two from zone A and two from zone B have awards pending.

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.

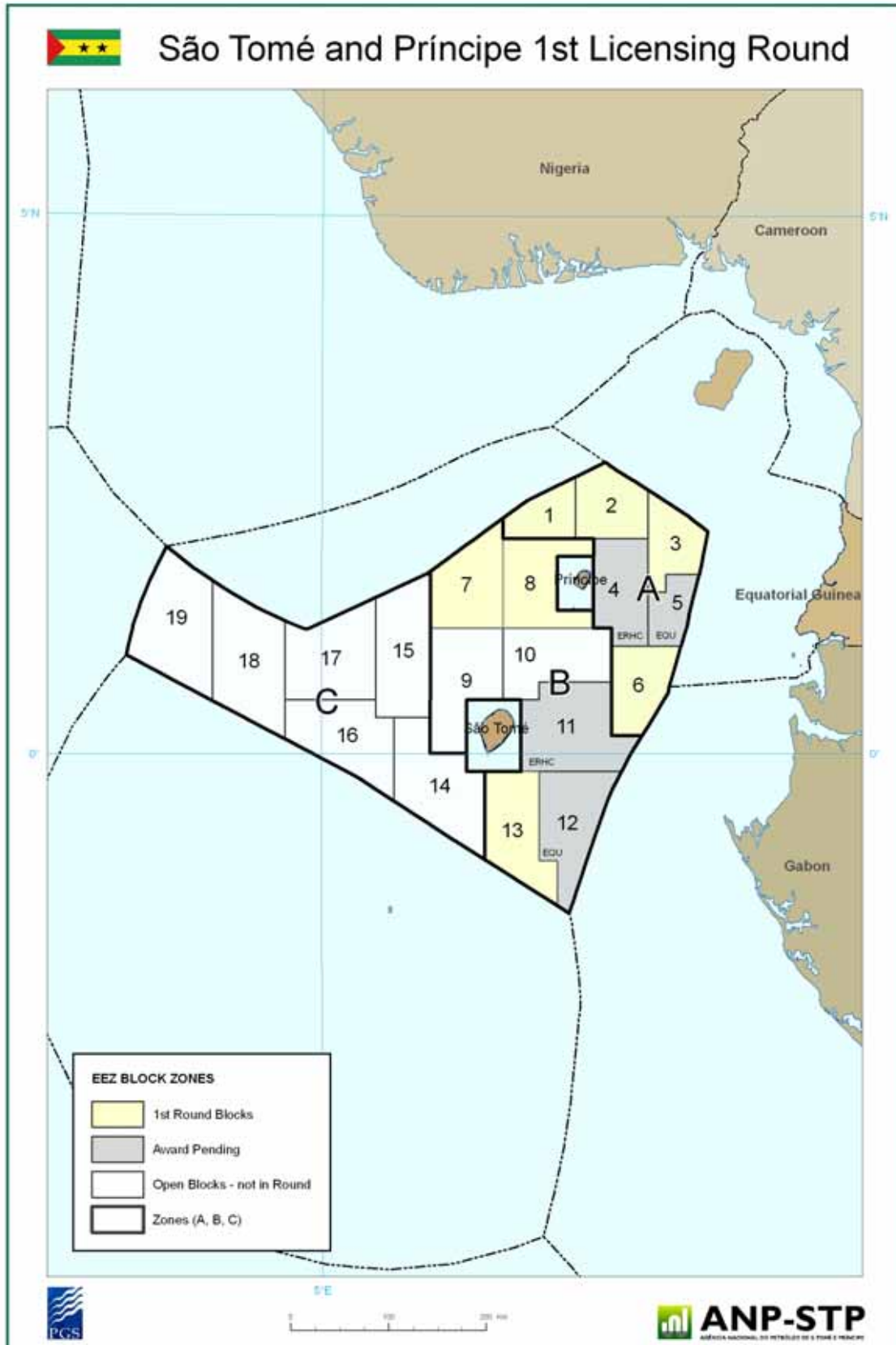
Applicants may submit applications for more than one block in one zone but one applicant may not be awarded the totality of two blocks in the same zone as per Article 7 of Decree Law 52/2009 of the 26 November 2009 which states:

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

Block	Zone	Area_sq_km	Status	1 st License Round
1	A	3,292	Open	Yes
2	A	4,969	Open	Yes
3	A	4,228	Open	Yes
6	A	5,024	Open	Yes
7	B	6,384	Open	Yes
8	B	6,497	Open	Yes
13	B	6,777	Open	Yes

Block Summary 1st Licensing Round

Schedule 4 provides more details of the blocks on offer in the 1st (EEZ) licensing round.



4 APPLICATION REQUIREMENTS AND FEES

Applicants may submit applications for more than one block in one zone but 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.”

4.1 Applicable Fees

The following fees shall apply:

Application Fee:

Any company wishing to participate in the first licensing round must pay an application fee as set out below upon submitting the application.

- Application fee: US \$ 25,000.00 (twenty five thousand US Dollars).

Fees must be paid by wire bank transfer into the ANP-STP bank account. Upon receipt of the funds in cleared funds into the ANP-STP bank account the ANP-STP will issue a receipt to confirm that payment has been received.

Miscellaneous fees and charges for application :

- | | |
|---|--------------|
| • to entering into production period | US \$500,000 |
| • to assign an interest during exploration period | US \$100,000 |
| • to assign an interest during production period | US \$300,000 |
| • to terminate the PSC | US \$100,000 |
| • for contractor/operator to commence drilling | US \$ 25,000 |

Area Rentals:

- | | |
|----------------------|--|
| • Exploration Phase | US \$ 0 per km ² |
| • Exploitation Phase | US \$100 per km ² increasing by US \$25 per km ² every 2 years |

5 APPLICATION DOCUMENTS

Applications must be made on the ANP-STP Application Forms provided as Appendices A, B, C and D and follow the instructions provided in these guidelines. All applicants must complete all sections of Appendices A, B, C and D.

Applicants may also provide additional material or information about the applicant that the applicant considers best to support its application, but it is requested to make such additional material or information as concise as possible. Companies are requested to provide such additional material or information in Appendix B.

ANP-STP requires all paper material to be submitted on A4 size format. All applicants are required to submit three paper copies of the application and one copy on a CD ROM for each bid. It is important that the resolution of figures and technical documentation on the CD-ROM are of sufficient quality to enable all details to be clearly seen. Applications not conforming with the requirements set out in these guidelines or faulty CD-ROM or ineligible applications may be rejected.

If the applicant submits proposals for more than one block, the applicant must clearly indicate in Appendix A the priority given to each block.

5.1 Appendix A - Applicant Details and Financial Information

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.

5.2 Appendix B - Technical Application Summary

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.

5.3 Appendix C - Commercial Proposal

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.

5.4 Appendix D - Health, Safety and Environment

This section applies across the entire scope of application of the regulations.

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.

Harm or danger of harm to people, the environment or to installations, pipelines and equipment must be prevented or limited. A high standard of operational regularity and safety is in the interest of all petroleum industry stakeholders. To reach the level of acceptable conduct systematic procedures and assessments must be made and documented in all phases of the petroleum operations.

The applicant thus must demonstrate its HSE systems and their implementation with regard to risk reduction through the applicant’s choice and implementation of technical, operational or organisational solutions. Solutions must demonstrate that individual as well as an overall evaluation attain appropriate HSE standards practiced in the oil and gas industry and also reduce future potential harm and that future use offers the best results.

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 and the Regulations.
- Only applicants (including any relevant parent company or controlling entity) incorporated and controlled under a jurisdiction recognized by the Government of the Democratic Republic of São Tomé and Príncipe are eligible. Applicants are advised that checks will be made on its parent company or controlling entities prior to any award being made.
- The MOU or other legally binding instrument creating or governing an intergroup interest, as applicable, must be submitted if two or more entities apply as a group. Such legal instrument shall be submitted together with the application.
- The non-refundable fee set out in Section 4 above must be submitted per 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:

AGÊNCIA NACIONAL DO PETRÓLEO DE SÃO TOMÉ E PRÍNCIPE
Av. das Nações Unidas, 225
Caixa Postal Nº 1048
São Tomé
São Tomé e Príncipe

Applications sent in by e-mail and or telefax or in open envelopes will be rejected. A receipt will be issued by the ANP-STP upon receipt of each application.

- Applications must be received by 17:00 hours on 15th September 2010 being the close of business.
- ANP-STP will post on the websites (www.anp-stp.gov.st and www.stp-eez.com) the list of companies applying and the blocks applied for one week after the first licensing round application deadline.
- ANP-STP may at any time invite applicants to present their applications to ANP-STP in São Tomé.
- All applications must remain valid for a minimum period of nine (9) months from the date of closure of the first licensing round application deadline.

7 BID EVALUATION CRITERIA

The Ministry and the ANP-STP will evaluate the bids in accordance with the following criteria:

7.1 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. Company should show evidence of compliance with ISO 14001 in its previous operations.
- 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.

7.2 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 evaluation of the commercial offer will be based on a direct computation of all the commercial components of the offer.

8 PROCEDURE FOR ASSESSMENT

Applications will be processed as follows:

- Step 1: Verification of application requirements
- Step 2: Assessment based on the technical evaluation criteria
- Step 3: Assessment based on the commercial evaluation criteria
- Step 4: Recommendation by ANP-STP to Government for approval
- Step 5: Granting and approval
- Step 6: Announcement of results
- Step 7: PSC negotiation
- Step 8: Signature

Payment of Signature Bonus

- Applicant that accepts an offer for the award has 30 days from the date of signing of the PSC within which to pay the signature bonus.
- If the company fails to pay the required Signature Bonus at the expiration of the said period, the PSC shall automatically terminate.

Important Note:

ANP-STP encourages companies to present a technical proposal that will maximize the knowledge of the petroleum potential of the EEZ acreage on offer for the 1st Licensing Round.

9 TECHNICAL DATA AVAILABILITY AND ACCESS

ANP-STP has prepared a comprehensive technical database, using all the available data. It is recommended that all applicants will license the data prior to submitting their application for a PSC in the São Tomé and Príncipe 1st license round. The data available is described in detail in a document titled “GEO-TECHNICAL DATA” and can be downloaded from the ANP-STP website: www.stp-eez.com.

The Government of Democratic Republic of São Tomé and Príncipe has an exclusive agreement with PGS, to promote, license and distribute all technical data (Geological, Geophysical, Technical Reports etc) on its behalf.

The data compiled by ANP-STP demonstrate the Exploration History, Petroleum Potential and Prospectivity of the São Tomé and Príncipe EEZ

The technical database has been consolidated in World Geodetic System of 1984 (WGS84), Zone 32 North. Applicants are advised to use these same geodetic parameters.

9.1 TECHNICAL DATA PACKAGE

The technical database available for companies to license includes:

- Technical Reports - Digital pdf
- Well Data - Well Report pdf
- Seismic Data - Digital SEG Y,
- Gravity & Magnetic - Digital
- GIS & Satellite Data - Digital ArcView project
- Workstation Projects - SMT

Technical Reports

The Technical Reports comprised in the Technical Data Package mentioned above is a comprehensive digital data (in “pdf” format) package covering São Tomé and Príncipe both Onshore and Offshore. The package includes a number of key technical reference documents, including some oil company studies some of which have never been previously available.

Well Data

There are only two (2) wells drilled in São Tomé and Príncipe, both onshore. Uba Budo 1 and Esperança 1 which were drilled by Island Oil in 1990 and 1991 respectively.

Seismic Data

There are approximately 16,000 line km of seismic data offshore available for licensing. The data is provided in SEG Y format. The seismic data is described in detail in the “GEO-TECHNICAL DATA” document.

9.2 ACCESS TO SEISMIC DATA

Data License Agreement

All seismic data is licensed by PGS pursuant to the PGS' standard data license agreement. The cost of licensing the technical data can be offset against the exploration expenditure obligations under the PSC. The technical database (an applicant company has) forms a key part of the technical evaluation criteria.

9.3 DATA ROOMS

From Monday 8th March, data rooms will be available in the UK at PGS offices and in São Tomé and Príncipe at the ANP-STP offices. The data available in each location are identical and contain:

- São Tomé SMT Kingdom Project
 - EEZ seismic data examples
 - STP well data
- ANP-STP Digital Library
 - Scanned Technical Reports
 - Scanned Well Folders
- Hardcopy Technical of Key Technical Reports (supplied as pdf in data packages)
- Hardcopy of Key Well Composites

Visits to the data room are by prior appointment only. Upon making the appointment, companies are required to give the full name of the company, address, contact details and the names of the company representatives to visit the data room. Any changes must be notified to the ANP-STP in advance. Only a maximum of two (2) persons per applicant may enter the data room per visit at any one time.

Prior to entering the data room companies through their representatives will be required to sign a declaration of acceptance to abide by the "Data Room Rules" and a confidentiality agreement provide by the ANP-STP on arrival. Copies of the Data Room Rules and the confidentiality agreement may be provided on request at the time of making the appointment.

Each company visiting the data room may have up to a maximum of two consecutive working days of a maximum of 8 hours each in the data room at a cost of US \$3,000 (three thousand US Dollars). This is to give companies the opportunity to review the quality of example seismic lines and other technical data before committing to license the data.

If companies request to take away any images of the data then such images are subject to prior approval by the ANP-STP and only limited number of images may be selected for PowerPoint Presentation. The use of such images is restricted to internal use only to assist the management of such company in their review of the opportunity at their office and in making its decision. Such images shall be kept strictly confidential and shall not be disclosed to any third party in any manner whatsoever.

Once the data package has been licensed then the terms of the data license agreement will govern the use and copying of the data.

UK DATA ROOM.

PGS offices in UK (9.30 a.m.to 5.00 p.m) Monday to Friday.

Coordinator – Kelly Boucher (Kelly.Boucher@pgs.com & info@stp-eez.com)

SÃO TOMÉ DATA ROOM

ANP-STP São Tomé (9.30 a.m. to 5.00 p.m.) Monday to Friday.

Coordinator – Luis Paquete (anp_geral@cstome.net & info@stp-eez.com)

Appointments may be made via email to; info@stp-eez.com

10 FURTHER INFORMATION

For further information about the São Tomé and Príncipe 1st license round please;

email info@stp-eez.com or contact;



Luís Prazeres

Executive Director
National Petroleum Agency
Av. das Nações Unidas, 225
Caixa Postal N° 1048
São Tomé, STP
Tel: +239 2226 940
Fax: +239 2226937
Mob: +239 9904868



lprazeres@iol.pt

www.anp-stp.gov.st

www.stp-eez.com

For data enquires please contact;



Kelly Boucher

MultiClient Sales Manager
PGS Exploration (UK) Ltd.
4, The Heights
Brooklands, Weybridge
Surrey, KT13 0NY
England
Tel +44 1932 376000
Fax : +44 1932 376 116
Mob +44 778 700 2287

Kelly.Boucher@pgs.com



Oswaldo Abreu

Business Development
PGS Exploration (UK) Ltd.
São Tomé and Príncipe
STP Tel + 239 2225122
INT Mob + 351927136563
UK Mob + 44 782 725 4703

Oswaldo.Abreu@pgs.com



www.pgs.com