

CHAPTER 219

S.I. 37/2016

PETROLEUM

PETROLEUM REGULATIONS

(SECTION 52)

[Commencement 15th July, 2016]

1. These Regulations may be cited as the Petroleum Regulations. Citation.

2. In these Regulations — Interpretation.

“Act” means the Petroleum Act; Ch.219.

“contractor” means an individual or company that is contracted by the holder of an instrument or operator thereunder to provide a specific service or carry out an identified task over a specified period of time.

PART I

LANDS AND SUBMARINE AREA DIVISION

3. (1) For the purpose of these Regulations, The Bahamas is divided into blocks as shown in Part A of the First Schedule. The Bahamas divided into blocks. First Schedule.

(2) Blocks relating to land areas and the number of units within such blocks shall be established by the Minister in his discretion.

(3) Regulations 4 and 5 relate to blocks in submarine areas.

4. A block, the whole of which lies south of latitude 25°00', shall be bounded on the east and west sides by successive meridians of longitude of the series 75°30' 75°40' 75°50', which series may be extended as required, and on the north and south sides by straight lines joining the points of intersection of the east and west boundaries with successive parallels of latitude of the series 24°40', 24°50', 25°00' which series may be extended as required. Description of blocks.

(2) A block, the whole of which lies north of latitude 25°00', shall be bounded on the east and west sides by successive meridians of longitude of the series 75°30', 75°40', 75°50', which series may be extended as required

and on the north and south sides by straight lines joining the points of intersection of the east and west boundaries with successive parallels of latitude of the series 25°10', 25°20', 25°30', which series may be extended as required.

(3) Every block shall be referred to by the latitude and longitude of the south-west corner of that block.

(4) All latitudes and longitudes used in these Regulations shall be referred to the North American Datum of 1927.

(5) A block can be identified intersecting two different prefixed numbers to which it corresponds.

(6) In the case of the block described in paragraph (3), every block is numbered consecutively with a prefix N in the latitude and W in the longitude.

Blocks divided
into units.

5. (1) Every block shall be divided into units.

(2) Every unit shall be bounded on the east and west sides by meridians spaced at intervals of one-fifth of the interval between the east and west boundaries of the block.

(3) Every unit shall be bounded on the north and south sides by parallels of latitude spaced at intervals of one-fifth of the interval between the north and south boundaries.

(4) Every block shall contain twenty-five units.

(5) Within any block, a unit shall be identified by the number to which it corresponds but in the case of a block described in regulation 4(6), as shown in Part B of the First Schedule.

First Schedule.

(6) Alternatively, every unit shall be referred to by the latitude and longitude of the south-west corner of that unit.

Irregular-shaped
or partial blocks
or units.

6. (1) The Minister has the authority to approve applications for partial or irregular-shaped blocks, units or parts thereof, consistent with bathymetry, international borders or other irregularities that do not facilitate straight lines or meridian boundaries and such blocks shall not exceed the area of other blocks described in this regulation.

(2) For partial or irregular-shaped blocks, units or parts thereof, the unit or block may be adequately described or referred to by at least six or more bounding points of latitude and longitude.

PART II
PROCEDURE FOR APPLICATION AND
COMPETITIVE BIDDING

7. (1) Every application for an instrument shall — Application for instrument.
Second Schedule.
- (a) be in the form set out in the Second Schedule,
 - (b) be accompanied with the requisite fee;
 - (c) state the name, nature of the business, the description of the company, the registered office and principal place of business thereof and where the principal place of business is outside The Bahamas –
 - (i) the name, nationality and residence of a duly authorised agent in The Bahamas;
 - (ii) the names and nationalities of the directors thereof; and
 - (iii) the names and shareholdings of all shareholders holding at least ten per cent of the voting shares in the company;
 - (d) be accompanied with —
 - (i) a statement of the capital investment involved;
 - (ii) evidence in such detail as the Minister may require as to the financial, technical competence and reputation of the applicant;
 - (iii) a plan showing the area, blocks and boundaries of the land or submarine area in respect of which an application is made;
 - (iv) where applicable, a map of the area that covers a common geological structure or series of geological structures with a common or linked oil water contact;
 - (v) where applicable, the details of the location and status of all wells drilled within such location;
 - (vi) a reference to the permanent survey markers where established; and
 - (vii) such other particulars as the Minister may require.

(2) Where an applicant requests an instrument for more than one non-contiguous block or area, a separate application shall be made in respect of such block or area.

(3) If before the application is granted or refused, a change occurs in respect of any of the particulars contained in the application or in any of the documents accompanying the application, such change shall forthwith be brought to the notice of the Minister by the applicant.

(4) No fee shall be payable where an application for a permit is made solely for the purpose of research by a scientific research organization subject to prior approval by the Minister in writing.

(5) All applications received by the Minister shall be treated as confidential.

Publication of
grant, etc.

8. (1) The Minister shall cause the grant, assignment, transfer, renewal, surrender, or termination of any instrument to be published by notice in the *Gazette* stating —

- (a) the name of the holder thereof, or of the assignee or transferee;
- (b) the location of the area concerned where applicable; and
- (c) such other particulars that the Minister shall determine.

(2) The Minister shall cause a register to be instituted and maintained for recording every application of grant, assignment, transfer, renewal, surrender or termination of any instrument and such register shall contain a record of any court decision, arbitration award, deed or other instrument of any kind relating to petroleum rights.

Form of
instrument.

9. The model form of every instrument shall be in such form as may be determined by the Minister and in accordance with the provisions of the Act.

Competitive
bidding.

10. (1) Where the Minister has determined that any area shall be subject to competitive bidding, the Minister shall give notice to that effect in —

- (a) the *Gazette* and in at least one daily newspaper published and circulating in The Bahamas; or
- (b) such other manner as the Minister thinks fit.

(2) A notice shall, in respect of each area declared by the Minister to be open for competitive bidding, specify —

- (a) the geographical description;
- (b) the types of bid required to be submitted;

- (c) the period during which a bid may be submitted;
 - (d) the criteria under which a bid is to be evaluated; and
 - (e) any other conditions and particulars which the Minister may consider appropriate.
- (3) The Minister may in his discretion charge a fee for competitive bidding.

11. (1) Subject to regulation 10, a bid shall be submitted to the Minister in the form and within the period provided for in the notice and comply with all other procedures and requirements set out thereunder.

Procedure on competitive bidding.

(2) Bids received by the Minister under a competitive bidding process shall be evaluated by the Minister taking into consideration —

- (a) compliance with all procedures and requirements as set out under a notice of competitive bidding;
- (b) the public and national interest; and
- (c) any other particulars as the Minister may determine.

(3) Subject to subsection (2), the Minister, where deemed necessary may —

- (a) approve a bid;
- (b) reject a bid; or
- (c) cancel a notice of competitive bidding at any time.

**PART III
GENERAL OBLIGATIONS**

- 12.** (1) The holder of every instrument shall —
- (a) act with due diligence and in a prudent and safe manner;
 - (b) act in accordance with sound petroleum industry practice;
 - (c) take due account of the environment and the operational availability of facilities and vessels;
 - (d) protect the health, safety and welfare of persons employed for the purpose of operations;
 - (e) ensure that any operator, contractor or other person engaged in activity thereunder has access to sufficient physical, human and financial

Obligations of holders of instruments.

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- resources to be capable of discharging his functions under the Act to the satisfaction of the Minister;
- (f) to the like extent restore, so far as may be possible, to their natural and original condition, any area that may have been damaged in the course of exploration and production;
 - (g) seek prior approval from the Minister in writing with respect to the construction, route, and any related activity of a pipeline for the purpose of conveying petroleum or petroleum products;
 - (h) prepare, in consultation with the Minister, programmes or industrial and technical education and training, including the grant of scholarships;
 - (i) undertake reasonable precautions to prevent —
 - (i) damage to animal life and vegetation in the sea, artefacts and relics on the sea-bed;
 - (ii) environmental damage and littering of the marine or coastal environment, including the sea-bed, its subsoil, the sea, the atmosphere or onshore;
 - (j) refrain from conducting activities —
 - (i) which unnecessarily or unreasonably impede or obstruct shipping, fishing, aviation or other related activities;
 - (ii) which are prohibited by the Government for the purpose of national interest or security;
 - (k) refrain from causing any damage or threat of damage to pipelines, cables or other subsea facilities; and
 - (l) have regard at all times in the conduct of operations to the national interest and to the rights and interests of The Bahamas.
- (2) The holder of every licence or lease shall —
- (a) appoint a resident manager who shall be approved by the Minister and at all times resident in The Bahamas;
 - (b) have a physical presence and structure in The Bahamas with the necessary capabilities and size that enables the licensee or lessee at all times, to make informed decisions about its activities.

(3) Every lessee shall establish an operating committee to supervise the management of the lease and the Minister shall have the right to appoint a public officer as a non-voting member of the operating committee.

13. (1) Where the holder of an instrument in the course of activities and operations thereunder discovers artefacts, relics and such other related matter on the seabed in The Bahamas the holder thereof—

Artefacts and relics.

- (a) shall be strictly prohibited from retaining or disposing of such; and
- (b) shall notify the Minister in writing within twenty-four hours thereof.

(2) Subject to subsection (1), the Minister in consultation with such entity responsible for artefacts and relics shall determine the manner in which it shall be dealt with and direct the holder of the instrument accordingly.

**PART IV
EXPLORATION WORK PROGRAMME AND
EXPENDITURE**

14. A licensee shall commence exploration under a licence, no later than one year following the date on which the licence comes into force and where a licensee fails to commence exploration, the Minister may terminate the licence.

Commencement of exploration.

15. (1) The Minister and a licensee shall mutually agree upon an exploration work programme to be carried out in the area under a licence.

Exploration work programme and minimum expenditure.

(2) Subject to prior approval by the Minister in writing, an exploration work programme and the minimum expenditure related thereto shall set out —

- (a) the work obligation to be performed by the licensee;
- (b) the time and manner in which such work obligation shall be performed by the licensee;
- (c) the quantum of the minimum expenditure related to the exploration work programme; and
- (d) any other particulars which the Minister may consider appropriate.

16. (1) Within sixty days after the end of each twelve month period under a licence, a licensee shall report to the Minister his actual expenditure in respect of the

Report of actual expenditure.

exploration work programme during the said period in satisfaction of the minimum expenditure, in such detail and together with —

- (a) financial records, accounts and audited financial statements related to the exploration work programme;
- (b) all technical data including seismic records obtained from surveys and the interpretation thereof;
- (c) data, results and any other particulars from other work required to be performed under the licence; and
- (d) such other supporting evidence as the Minister may otherwise require.

(2) Any sum spent in a twelve month period in respect of the exploration work programme that is in excess of the annual expenditure may be carried forward and set off against the minimum expenditure of the licensee for the next succeeding twelve month period.

DISCOVERY

Discovery of petroleum.

17. Where the holder of a licence discovers petroleum or petroleum bearing strata, the licensee shall forthwith and not later than seven days of such discovery, report the discovery to the Minister in writing.

Determination of commercial discovery.

18. (1) Subject to regulation 17, the Minister and a licensee shall agree on the period within which the licensee shall appraise whether such discovery is commercial.

(2) Within seven days of the expiration of the agreed period referred to in paragraph (1), a licensee shall submit to the Minister in writing a report which shall provide —

- (a) information regarding the size of the petroleum deposit;
- (b) results from any further exploration of the area;
- (c) the plans for further exploration; and
- (d) any other particulars which the Minister may deem appropriate.

(3) Where the Minister has approved that a discovery is commercial, the licensee shall apply to the Minister for the grant of a lease in accordance with the Act

and within such time period as the Minister shall determine.

(4) Failure by a licensee to apply for the grant of a lease within the time period determined pursuant to paragraph (3), the Minister may terminate the licence.

(5) Where under paragraph (4), the Minister has made a decision to terminate the licence, the Minister may cause the grant of a new licence to be subject to competitive bidding.

PART V PRODUCTION AND DRILLING

19. (1) Production of petroleum shall be conducted — Production of petroleum.

- (a) in accordance with prudent technical and sound economic principles;
- (b) without unreasonable delay, unless the Minister is satisfied that the interruption is justified for technical or other reasons;
- (c) to ensure a reasonable level of petroleum is produced; and
- (d) in such a manner that waste of petroleum or reservoir energy is avoided.

(2) Every operator shall, where applicable —

- (a) undertake continuous evaluation of production strategy and technical solutions, and the necessary measures in order to achieve same; and
- (b) prepare a production schedule and submit a copy thereof to the Minister in such form as determined by the Minister.

(3) No petroleum in excess of the quantity required for the conduct of standard production operations shall be burned without prior notification to the Minister in writing.

20. (1) The location and spacing of a well shall together with any plans and relevant information in support thereof be submitted to the Minister for prior approval in writing. Well location and spacing.

(2) No well shall be drilled within a distance of one thousand feet from the boundaries of the area of the licence or lease and any such well shall not enter the productive horizon at a lesser distance than one thousand feet from the

vertical projections of the boundaries of the area of the licence or lease, without the prior approval of the Minister in writing.

Directional drilling.

21. (1) In the course of drilling operations under an instrument, no well shall be allowed to deviate unreasonably from the vertical directional path, without prior approval in writing by the Minister.

(2) Deviation surveys shall be taken at five hundred foot intervals or at bit changes, whichever is the lesser distance, during the drilling of any well.

Abandonment and decommissioning.

22. The holder of an instrument shall not —

- (a) abandon a well;
- (b) withdraw a cemented string or other permanent form of casing;
- (c) decommission a facility,

without the prior approval of the Minister in writing.

PART VI MISCELLANEOUS

Force Majeure.

23. (1) For the purposes of this regulation, “*force majeure*” means an event beyond the control of an operator and includes war, insurrection, riot or act of God.

(2) Where an operator is prevented from fulfilling obligations under a licence or lease due to the occurrence of *force majeure*, the Minister shall be notified in writing within twenty-four hours thereof.

(3) Upon receipt of notice referred to in paragraph (2), the Minister and the operator shall agree upon the period in which the licensee or lessee shall take steps to remedy the effects of *force majeure*.

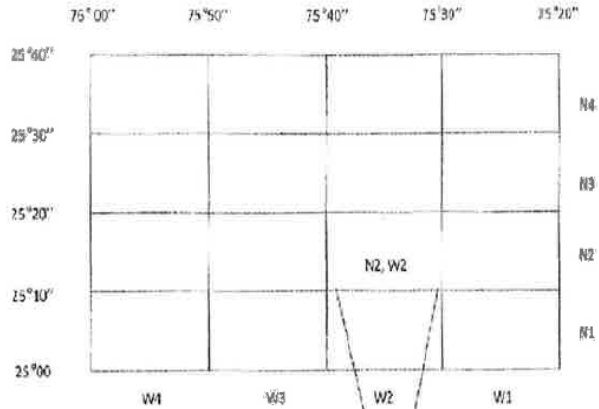
(4) Paragraph (3) shall not apply if the period during which the operator was prevented from performing obligations under a licence or lease exceeds the term under the licence or lease.

Repeal.

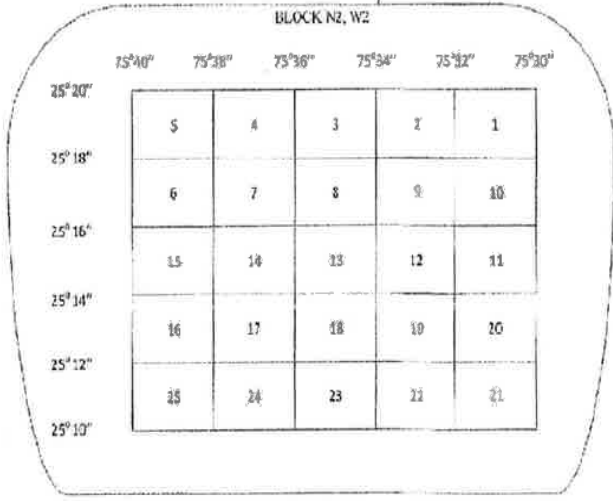
24. Repeal.

FIRST SCHEDULE (Regulation 3)

PART A



PART B
(regulation 5)



SECOND SCHEDULE (Regulation 7(l)(a))

FORM FOR APPLICATION FOR AN INSTRUMENT

To: The Permanent Secretary,
Ministry Responsible for Petroleum

INITIAL APPLICATION [] RENEWAL [] *(Please tick applicable box)*

Applicant applying for: *(Please tick appropriate box)*

PERMIT [] LICENCE [] LEASE [] OTHER []

Please specify: _____

- (1) Name of company.....
- (2) Nature of business.....
- (3) Description of the company:.....
- (4) Principal place of business.....
- (5) If principal place of business is outside The Bahamas, the name, nationality and address of duly authorised agent in The Bahamas ...

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.....

- (6) Names and nationality of directors:
-
.....

- (7) Names of all shareholders holding at least ten per cent of the voting shares of the company:

Name	Amount of shareholding
.....
.....

- (8) State whether the application is in respect of land or submarine areas.....
 - (9) Description of lands or submarine areas etc., applied for (plan to be attached) (where applicable):.....
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.....

- (10) Names, qualifications and experience of technical experts or advisers:
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.....

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(11) Full particulars of competencies and previous experience to
conduct such operations in respect of which application is made:
.....
.....

(12) The source and sum of capital for operations under the permit,
licence or lease applied for:

- (a) Available at present
- (b) To be available in due course

.....
(13) Full particulars of any permits, licences or leases previously held.
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(14) In support of an application, the following documents shall be
attached as follows –

- 1. Certified copies of applicant’s company incorporation
documentation;
- 2. Map of the land or submarine area in respect of which an
application is made, with clearly defined demarcations and
boundaries reflected thereon, as are appropriate;
- 3. Detailed description and scope of operations to be conducted;
- 4. Financial Statements and Reports and such other related
accounting information to verify financial competence;
- 5. Curriculum Vitae for technical experts;
- 6. Exploration Work Programme;
- 7. Minimum Expenditure;
- 8. Any other relevant information, reports and documentation.

I/We hereby declare that all the foregoing particulars are true and
correct.

Date

Signature(s) of applicants
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