

**THE FOLLOWING LEGISLATION
HAS BEEN REVOKED
BY**

S.I. NO. 37 OF 2016

CHAPTER 219**PETROLEUM****PETROLEUM REGULATIONS****ARRANGEMENT OF SECTIONS**

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FIRST SCHEDULE — Form of Application for a Permit, Licence or Lease
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PETROLEUM REGULATIONS

S.I. 56/1978
S.I. 31/1982
S.I. 46/1994

(SECTION 34)

[Commencement 7th September, 1978]

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| <p>1. These Regulations may be cited as the Petroleum Regulations.</p> | <p>Citation</p> |
| <p>2. In these Regulations, unless the context otherwise requires —</p> | <p>Interpretation</p> |
| <p>“Act” means the Petroleum Act;</p> | <p>Ch 219</p> |
| <p>“effective date” means the date on which a licence or lease comes into force;</p> | |
| <p>“crude oil” means oil in its natural state before the same has been refined or otherwise treated but excluding water and foreign substances;</p> | |
| <p>“development” means any work which actively looks toward bringing in production, such as preparing locations, erecting equipment, building tanks, drilling wells and constructing other appurtenances related to producing petroleum;</p> | |
| <p>“wells” means any opening in the ground made, or being made, by drilling, boring or in any other manner —</p> | |
| <p>(a) through which petroleum could be obtained;</p> | |
| <p>(b) for the purpose of searching for or obtaining petroleum;</p> | |
| <p>(c) for the purpose of obtaining water to inject into an underground formation;</p> | |
| <p>(d) for the purpose of injecting gas, air, water, steam or other substances into an underground formation; or</p> | |
| <p>(e) for any purpose through the strata and subsoil to a depth of at least five hundred feet.</p> | |

Applications for Permits, Licences and Leases

Applications for permits, licences and leases.
First Schedule.

3. (1) Every application for a permit, licence or lease shall be made in writing addressed to the Minister and shall be in the form set out in the First Schedule to these Regulations.

(2) Every application shall state —

- (a) in the case of an application by an individual, his name, address, nationality and occupation;
- (b) in the case of an application by a company, the name, the nature of the business and the principal place of business of the company, (and if the principal place of business is outside The Bahamas, the name, nationality and residence of a duly authorised agent in The Bahamas), the names and nationalities of the directors thereof and the names and shareholdings of all shareholders holding at least ten per cent centum of the voting shares in the company.

(3) There shall be sent with each application for a permit, licence or lease or the assignment or transfer of the same the fee specified below —

Permit.....	\$5,000
Licence.....	\$10,000 per block
Lease	\$10,000

31 of 1982. r. 2

If the application is refused, the Minister shall refund to the applicant one-half of the fee thus paid:

Provided that no fee shall be payable where an application for a permit is made solely for the purpose of research by a scientific research organization approved by the Minister.

(4) An application for a licence shall be accompanied by a plan showing the block and the boundaries of the land and submarine areas with respect to which the licence is applied for.

(5) An application for a lease shall be accompanied by a plan showing the units and the boundaries of the land and submarine areas in respect of which the lease is applied for, the location and status of all wells drilled within such location and a reference to the permanent survey markers established under the licence, together with such other relevant topographic detail as the Minister may require.

(6) The applicant shall furnish with his application a statement of the capital investment involved and evidence, in such detail as the Minister may require, as to the applicant's financial and technical competence for undertaking the operation applied for and as to his ability to comply with any terms and conditions set out in the Second Schedule relating to the permit, licence or lease for which application is made.

Second Schedule.

(7) All information comprised in or furnished to the Minister in pursuance of an application made in accordance with this regulation shall be treated as confidential by the Minister.

4. 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.

Notice of change of particulars in application.

5. Where an applicant requires a licence or lease for two or more separate areas, a separate application shall be made in respect of each such area.

Separate application to be made for each area.

6. Nothing in these Regulations shall prevent more than one licence or lease being granted to the same company.

Grant of more than one licence or lease.

7. (1) No permit shall be issued by the Minister and no licence or lease shall be issued by the Governor-General until the required fees, advanced rentals, bonds or banker's guarantees are received.

Time limit for taking out permit, licence or lease.

(2) If a permit, licence or lease is not taken out within ninety days after the approval of the application, the right of the applicant to such permit, licence or lease shall be deemed to have lapsed, unless the Minister or the Governor-General, as the case may be, considers that the delay is not due to the fault of the applicant.

8. The Minister shall as soon as possible after the grant, assignment, transfer, renewal, surrender, termination or revocation of any permit, licence or lease, cause to be published notice of the fact in the *Gazette* stating the name of the holder of the permit, licence or lease, or of the assignee or transferee and the location of the area concerned where applicable.

Notification of grant renewal etc. of permits, licences and leases.

Model clauses.

9. Every permit, licence or lease shall incorporate such of the clauses respectively set out in Parts I, II and III of the Second Schedule to these Regulations as shall be appropriate, subject to such modifications and exclusions as the Minister or the Governor-General, as the case may be, thinks fit and the insertion of such additional clauses covering such supplementary matters as the Minister or the Governor-General, as the case may be, thinks fit.

Second Schedule.

Certain terms of lease to be agreed at the time of the grant of licence.

10. Subject to the provisions of the Act and these Regulations, the Governor-General may at the time of the grant of the licence enter into an agreement with the licensee as to the terms of the lease which may evolve from the licence. In each such case the terms of the lease as agreed between the Governor-General and the licensee shall be attached to the licence.

Bonds.

11. Before the grant of any such permit, licence or lease, a bond shall be executed in the form appropriate to such permit, licence or lease as is set out in the Forms referred to in the Second Schedule to these Regulations.

Second Schedule.

Assignment

Method or making application for assignment.

12. (1) An application by the holder of a permit, licence or lease for consent to assign or transfer all or part of the interest in such permit, licence or lease shall be made in writing to the Minister and shall be accompanied by the fee specified in paragraph (3) of regulation 3 of these Regulations. If the application is refused, the Minister shall refund to the applicant one-half of the fees thus paid. The applicant shall furnish together with the application the same information in respect of the proposed assignee or transferee as is required to be furnished in the case of an application for a permit, licence or lease under regulation 3 of these Regulations.

(2) The Minister or the Governor-General, as the case may be may, in his discretion, approve the application for assignment or transfer of a permit, licence or lease.

(3) The assignment or transfer of a permit, licence or lease shall not in any way absolve the assignor or transferor from the obligations undertaken by him under the permit, licence or lease except to the extent to which such obligations are in fact performed by the assignee or transferee.

Competitive Bidding

13. (1) Where the Governor-General has under section 8 or 16 of the Act determined that any area shall be subject to competitive bidding for the purpose of the grant of a licence or lease, the Governor-General shall give notice to that effect and such notice shall be published in the *Gazette* and in at least one daily newspaper published and circulating in The Bahamas or in such other manner as the Governor-General thinks fit.

Notice as to competitive bidding.

(2) The notice shall, in respect of each area declared by the Governor-General to be open for competitive bidding, specify the geographical description, the period during which the bids may be presented and any other conditions and details which the Governor-General may consider proper for the purpose.

(3) The Governor-General may in his discretion make a charge for any relevant information supplied by him.

14. (1) Any person wishing to participate in bidding shall submit his proposals to the Minister in the form and within the period provided for in the notice.

Procedure on competitive bidding.

(2) The Governor-General, after examining the proposals received, shall select therefrom the proposals he considers to be in conformity with the interests of The Bahamas having due regard to all relevant factors, save that the Governor-General may where he thinks fit reject all proposals.

Land and Submarine Area Divisions

15. For the purpose of these Regulations The Bahamas shall be divided into blocks.

The Bahamas to be divided into blocks.

16. (1) A block, the whole of which lies south of latitude 2500” shall be bounded on the east and west sides by successive meridians of longitude of the series 7530”, 7540”, 7550”, 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 2440”, 2450”, 2500” which series may be extended as required.

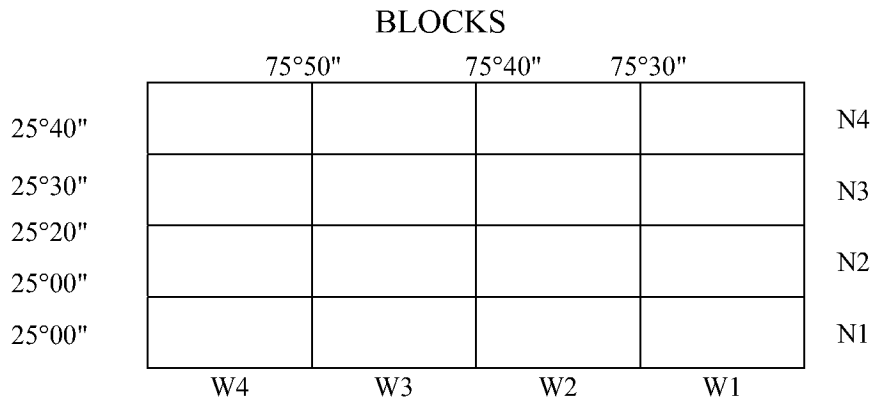
Description of blocks.

(2) A block, the whole of which lies north of latitude 2500” shall be bounded on the east and west sides by

successive meridians of longitude of the series 7530", 7540", 7550", 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 2510", 2520", 2530" which series may be extended as required.

(3) Every block shall be referred to by the latitude and longitude of the southwest corner of that block. All latitudes and longitudes used in these Regulations shall be referred to the North American Datum of 1972.

(4) Alternatively, every block is numbered consecutively with a prefix N in the latitude and W in the longitude. A block can be identified intersecting two different prefixed numbers to which it corresponds.



Blocks to be divided into units.
31/1982, r. 3..

17. (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 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. A unit shall be identified by the number to which it corresponds but in the case of a block described in paragraph (4) of regulation 16 as follows:

BLOCK N2, W2.

75°30"	25°20"	75°40"	75°38"	75°36"	75°34"	75°32"
	5		4		3	2
25°18"						1
	6		7		8	9
25°16"						10
	15		14		13	12
25°14"						11
	16		17		18	19
25°12"						20
	25		24		23	22
25°10"						21

25 Units.

(5) Alternatively, every unit shall be referred to by the latitude and longitude of the southwest corner of that unit.

18. A permit shall grant to the holder thereof the nonexclusive right to carry out surface geological studies, airborne geophysical surveys of a regional nature, seismic, gravity or other types of surface geophysical surveys, in accordance with the terms of the permit, the Act and these Regulations.

Rights granted by permits.

19. The grant of a permit shall not confer on the holder thereof any right to the grant of a licence or lease.

Grant of permit confers no right to licence or lease. Duration of permit.

20. The term for which a permit may be granted shall not exceed one year but such permit may, in the discretion of the Minister, be renewed, on payment of a fee of \$1,000.

Licences

21. Subject to the provisions of the Act and these Regulations, the Governor-General may, where he is satisfied that exploratory work will be carried out, upon application made in accordance with regulation 3 of these Regulations, grant a licence to enter upon land or submarine areas of The Bahamas to explore or geophysically examine the same for petroleum and to sink boreholes therein for the purpose of searching for and getting petroleum.

Grant of licence.

22. (1) Where a well drilled by a licensee within the licensed area discovers the presence of petroleum or petroleum bearing strata, the licensee shall —

Licensee entitled to obtain lease. *S.I. 31 of 1982, r. 4.*

- (a) forthwith or within seven days of such discovery, report the discovery to the Minister;
- (b) within 30 days of such discovery, report the particulars of the discovery to the Minister in writing.

(2) The licensee shall, within a period not exceeding two years from the date of the discovery of petroleum or petroleum bearing strata, determine whether such discovery is a commercial discovery and apply to the Governor-General in accordance with the Act and these Regulations for the grant of a lease.

(3) Where there is a commercial discovery and the licensee applies for a lease within the time specified in paragraph (2) he shall be entitled to the grant of a lease in accordance with the provisions of the Act and these Regulations.

(4) Where there is a commercial discovery and the licensee does not apply for a grant of a lease within the time specified in paragraph (2) the whole of the licensed area shall be relinquished by the licensee.

(5) Where a licensee has made a commercial discovery and has applied for a lease in respect of part of the original licensed area, he may apply for a new licence in respect of any other part of the area previously held by him and the Governor-General may, after a procedure of competitive bidding in accordance with the Regulations, grant a licence to the licensee.

Term of licence.

23. The initial term for which a licence may be granted shall not exceed three years.

Renewal of
licence.
S.I. 31/1928, r. 5.

24. (1) If the licensee has complied with the provisions of the Act, these Regulations and such terms and conditions as may be contained in the licence, the Governor-General shall renew the licence for a further period not exceeding three years as to the whole of the original licensed area, and thereafter may, in his discretion, renew for two successive periods each not exceeding three years as to fifty per centum of the original licensed area, on application made by the licensee not less than three months before the date of the expiry of the licence.

(2) All renewals of licences under paragraph (1) of this regulation shall be upon such terms and conditions as may be agreed on at the time of the renewal, in the light of circumstances then prevailing.

25. The licensee shall, upon application for the renewal of a licence, furnish the Minister with a map showing the block and the boundaries of the land or submarine areas in respect of which his application is submitted.

Licensee must specify blocks for which is applied for.

26. Where the Governor-General grants a renewal of a licence under regulation 24 of these regulations, the area in respect of which the licence is renewed shall consist as far as practicable of complete blocks.

Area subject to renewal must consist of complete blocks.

27. Rent shall be payable annually in advance and shall be such amount as may be agreed between the Governor-General and the licensee in the light of circumstances prevailing at the time of consideration of the application for the licence or the renewal thereof.

Annual rent payable.

28. The licensee shall, in respect of the area or areas licensed by each licence carry out his operations with due diligence, and act in accordance with sound petroleum industry practice in the conduct of all operations and further shall carry out a programme of investigations and drilling designed to verify the presence of petroleum under the licensed area.

General obligations of licensees.

29. The licensee shall be required to expend in exploring and prospecting for petroleum in and upon the licensed area, during the period of the licence and each renewal thereof, a minimum sum annually (hereinafter referred to as “the expenditure obligation”) to be determined in the case of each licence by agreement between the Governor-General and the licensee, and to be specified in the licence.

Expenditure obligation.

30. (1) The Governor-General may require the licensee to deliver to him on the effective date a guarantee, in the form of a bond or banker’s guarantee acceptable to him, for an amount to be negotiated between himself and the licensee, such amount shall not exceed the total amount of the minimum expenditure obligation for the first two years of the period of the licence.

Guarantee as to expenditure obligation.
S.I. 31/1982, r. 6.

(2) At the commencement of the third year of the licence the Governor-General may require the licensee to deliver to him, a guarantee in the form of a bond or banker’s guarantee acceptable to him for an amount to be negotiated between himself and the licensee, such amount

S.I. 31/1982, r. 6.

shall not exceed the amount of the licensee's expenditure obligation for the third year of the licence.

S.I. 31/1982, r. 6.

(3) The amount of such bonds or guarantees specified in paragraph (1) and (2) shall be reduced at the end of each twelve-month period by the actual exploration expenditure of the period upon presentation of all technical data including computer proceeds seismic records obtained from the surveys made and the interpretation thereof as well as data and results from any other work required to be performed under the licence.

Report of expenditure to be made to the Minister.

31. (1) Within sixty days after the end of such twelve month period, the licensee shall report to the Minister his actual expenditure during the said period, in such detail and together with such supporting evidence as the Minister may require.

(2) Sums overspent in any annual period may be carried forward for the purpose of set-off against what would otherwise have been the annual expense obligation for succeeding years.

Shortfall in expenditure obligation.

32. At the end of the first three-year period and of any other subsequent three-year period there shall be determined the sums which the licensee has spent up to that date and one-half of any amount by which the said sum may fall short of the relevant expenditure obligation for the said three-year period shall be forfeited to the Government and shall be recoverable summarily as a civil debt.

Time limit for commencement of exploration.

33. Exploration and prospecting operations on a scale that has been agreed between the Governor-General and licensee and specified in the licence shall be commenced by the licensee not later than one year from the effective date.

Pooling of expenditure.

34. Where work is carried out jointly by two or more licensees, the cost of such work may be applied *pro rata* against the expenditure obligations of the respective licensees involved.

Work obligation.
S.I. 31/1982, r. 7.

35. (1) The Minister and licensee shall, by mutual agreement, determine —

- (a) the work obligation to be performed by the licensee;
- (b) the manner in which such work obligation shall be performed by the licensee; and

(c) the time within which such work obligation shall be performed by the licensee.

(2) Notwithstanding paragraph (1), the licensee shall commence the drilling of at least one well or commit himself in writing to the drilling of at least one well before the end of the third year from the date of the grant of the licence.

(3) Such well shall be drilled to a depth of not less than 18,000 feet below mean sea level, provided, however, that this requirement shall be deemed to be satisfied if the licensee encounters at a shallower depth a crystalline basement or impenetrable substance or other conditions which make further cost of penetration, in the opinion of the licensee, economically not warranted.

(4) Subject to paragraph (5), where the licensee has not complied with the provisions of paragraph (2) by the end of the third year, he shall relinquish the whole of the licensed area.

(5) Notwithstanding paragraphs (2) and (4), where a licensee holds more than one licence and has drilled at least one well or committed himself to drilling at least one well on any one of the licensed areas, the Minister may waive the requirement of paragraphs (2) and (4) in relation to the remaining licensed areas.

36. (1) A Lease shall be granted in accordance with the provisions of the Act and these Regulations.

Grant of lease
S.I. 31/1982, r. 8.

(2) Upon the grant of a lease the balance of the original licensed area (if any) shall be relinquished by the licensee.

(3) The area to be relinquished shall include not less than fifty per centum of the area held under the licence and shall be in contiguous units as selected by the licensee.

37. The term for which a lease may be granted shall not exceed thirty years from the effective date, but may, in the discretion of the Governor-General, be renewed for a period not exceeding thirty years years on the application of the lessee made not less than one year before the expiry of such period, upon terms to be agreed between the Governor-General and the lessee, in the light of circumstances then prevailing.

Term of lease
and renewal
thereof
S.I. 31/1982.
S.I. 46/1994.

Annual rental of lease.

38. Rent shall be payable annually in advance and shall be such amount as may be agreed between the Governor-General and the lessee in the light of circumstances prevailing at the time of consideration of application for a lease or the renewal thereof.

Time limit for commencement of commercial production.

39. A lessee shall commence regular commercial production of petroleum without unreasonable delay and such production shall continue without interruption, unless the Governor-General is satisfied that the interruption is justified for technical or other reasons.

Drilling and Development

Abandonment, completion and suspension of wells.

40. For the purpose of these Regulations, a well is deemed —

- (a) to be abandoned, on the day that all cement plugs, as required by these Regulations, are set to the satisfaction of the Minister;
- (b) to be completed, on the day that the well is first placed on steady or intermittent production of petroleum and appears, in the opinion of the Minister, capable of maintaining steady or intermittent production; and
- (c) to be suspended, on the day that drilling or production operations are suspended in a manner approved by the Minister but the well is not abandoned or completed.

Casing strings.

41. Sufficient casing strings shall be run and cemented in all wells so as to protect adequately against the contamination of water, to provide a secure base for blow-out prevention equipment and to prevent interchange of formation fluids.

Blow-out equipment.

42. (1) A licensee or lessee shall take all proper and necessary precautions to combat any possible pressures and for keeping them well under control, including the use of blow-out prevention equipment and high pressure fittings attached to casing strings properly anchored and cemented.

(2) A licensee or lessee shall take all reasonable precautions to prevent any well from blowing out and shall take immediate steps and exercise due diligence to bring under control any well.

(3) A licensee or lessee shall install sub-surface well control valves in all wells drilled in submarine areas capable of flowing petroleum.

43. (1) The Minister shall, after considering any plans or other relevant information submitted by the licensee or lessee, approve all well locations and well spacing necessary for the proper development of a lease.

Well locations and well spacing.

(2) No borehole or well shall be drilled within a distance of 1,000 feet from the boundaries of the leased area and any such borehole or well shall not enter the productive horizon at a lesser distance than 1,000 feet from the vertical projections of the boundaries of the leased area, without the prior written consent of the Minister.

44. No well shall be allowed to deviate unreasonably from the vertical during the drilling unless permission in writing is first obtained by the licensee or lessee from the Minister to intentionally directionally drill the well. 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.

Directional drilling.

45. All flowing petroleum wells shall be completed with tubing.

Flowing wells.

46. No borehole or well shall be commenced and no borehole or well shall be recommenced after work has been discontinued thereat for more than six months, unless the licensee or lessee gives seven days' notice in writing to the Minister.

Notice of commencement of boreholes or wells.

47. No borehole or well shall be abandoned and no cemented string or other permanent form of casing shall be withdrawn from any borehole or well which it is proposed to abandon without the prior consent in writing of the Minister, and such consent shall not be unreasonably withheld, in the case of boreholes or wells which have become unproductive and shall not be withheld or delayed for more than forty-eight hours in the case of unproductive boreholes or wells.

Abandonment of boreholes.

48. (1) No casing shall be withdrawn from any borehole or well which a licensee intends to abandon unless such borehole or well is securely plugged by the licensee to the satisfaction of the Minister so as to prevent

Plugging of boreholes.
S.I. 31/1982, r. 10.

the egress of petroleum therefrom or the ingress and egress of water to and from any portion of the strata bored through or from the sea.

(2) Every borehole or well which a licensee or lessee intends to abandon shall, unless the Minister otherwise determines, be so securely plugged by the licensee or lessee to the satisfaction of the Minister as to prevent the egress of petroleum therefrom or ingress and egress of water to and from any portion of the strata bored through or from the sea.

(3) The Minister may in any case require that no borehole or well shall be plugged or any works executed for that purpose except in the presence of a public officer authorised by him, in which case the Minister shall undertake to have such officer present upon twenty four hours notice from the licensee or lessee.

Licensee or lessee
to keep records
of boreholes.

49. (1) A licensee or lessee shall keep accurate records in a form from time to time approved by the Minister, of the drilling, deepening, plugging or abandonment of all boreholes and wells and of any alterations to the casing thereof.

(2) A licensee or lessee shall keep a log of all boreholes and wells in a form from time to time approved by the Minister containing particulars of the following matters —

- (a) the strata and subsoil through which the borehole or well was drilled;
- (b) the casing inserted in any borehole or well and any alteration to such casing;
- (c) any petroleum workable minerals or mine workings encountered; and
- (d) such other matters as the Minister may from time to time require.

(3) A licensee or lessee shall deliver copies of the said records and log to the Minister as and when required but not later than sixty days after completion or abandonment of any borehole or well. Such records and log shall be kept confidential by the Minister until —

- (a) the release thereof is granted by the licensee or lessee;
- (b) the unit in which the borehole or well was drilled is released from the licence or lease; or

- (c) two years from the date of the completion or abandonment of the barehole or well; whichever is the earliest date.

50. (1) A licensee or lessee shall, as far as reasonably practicable, correctly label and preserve for reference, for a period of twelve months, representative samples of the seabed, strata, petroleum, water or other minerals encountered in any borehole or well. The Minister or a public officer authorised by him for that purpose shall have access to such samples at all reasonable times and shall be entitled to require that representative specimens not exceeding one-half of any such samples be delivered to him and to retain any specimen so delivered.

Well samples.

(2) A licensee or lessee shall, not later than sixty days after the completion or abandonment of any borehole or well, submit to the Minister a report on the interpretation and results of findings of the drilling work and of any analyses made on any samples referred to in paragraph (1) of this regulation.

Miscellaneous Provisions

51. The licensee or lessee shall have the right to surrender all or any part of the licensed or leased area at any time during the term of the licence or lease, on giving to the Minister not less than ninety days notice in writing. Such surrender shall not affect any obligation or liabilities imposed or incurred by the licensee or lessee, as the case may be, that have not been performed or discharged prior to the date of the surrender.

Surrender of all or part of licensed or leased area.

52. (1) The Governor-General may, after consultation with the lessee, require the lessee to sell to refineries in The Bahamas f.o.b. at a value consistent with that of the United States of America Gulf Coasts ports posted prices, up to twenty-five percent of the petroleum liquids produced by it for processing in The Bahamas.

Power to require processing of petroleum locally.

(2) The Governor-General may, after consultation with the lessee, require the disposal for use or processing in The Bahamas of any or all gas not required to sustain production of the petroleum liquids and may give priority to the lessee for such processing.

Effect of *force
majeure*

53. (1) Where a licensee or lessee fails to fulfill an obligation undertaken by him under a licence or lease because of force majeure, such failure shall not be treated as a failure to comply with the provisions of the licence or lease, if it is proved to the satisfaction of the Governor-General to be the necessary consequence of such force majeure.

(2) For the purposes of this regulation, force majeure means any event beyond the licensee's or lessee's reasonable control and includes war, insurrection, civil commotion, strikes, storm, tidal wave, flood, epidemic, explosion, fire, lightning, or earthquake or any enactment but does not include fluctuation in general business conditions.

(3) Subject to paragraph (4) of this regulation, where failure to fulfill an obligation under a licence or lease is proved to have been the necessary consequence of force majeure, the period during which the fulfilment of such obligation is rendered impossible shall be added to the period fixed by the licence or lease for the fulfilment of such obligation.

(4) Nothing in paragraph (3) of this regulation shall apply if the period during which the fulfilment of the obligation is rendered impossible exceeds the period, if any, stipulated in the licence or lease as the period that is to be agreed as reasonable in all the circumstances.

Right of lessee to
petroleum won

54. Subject to any limitation provided for in these Regulations, a lessee shall have the right to export all petroleum won and saved from the leased area and to sell the same, whether in The Bahamas or abroad.

(9) State amount of capital for operations under the permit, licence or lease applied for —

(a) At present available

(b) Which applicant can make available and the source
.....
.....

Application shall be accompanied by the fee specified below:

Fee payable: Permit — \$5,000
Licence — \$10,000
Lease — \$10,000 per block.

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

Date

Signature(s) of applicant(s).....

(If the applicant is a Company state capacity in which farm is signed).

SECOND SCHEDULE (Regulation 9)

PART I

FORM A

FORM OF PERMIT

THE COMMONWEALTH OF
THE BAHAMAS

THIS INDENTURE made the day of
..... 19 BETWEEN ,
the Minister responsible for Petroleum (hereinafter referred to as “the
Minister”) for and on behalf of the Government of The Bahamas of
the one part AND
(hereinafter referred to as the “Grantee”) of the other part.

WHEREAS the Grantee acting in accordance with the terms and
conditions laid down in the Petroleum Act and the Petroleum
Regulations made thereunder in force at the date hereof has applied to
the Minister for the grant of a permit and has entered into a Bond in
the form set out in the Annexure marked “B” hereunder written with
the Treasurer in the sum of
..... conditioned for the due and faithful
carrying out of the provisions contained in this Indenture.

NOW THIS INDENTURE WITNESSETH AS FOLLOWS —

1. In consideration of the sum of which fee has before the execution hereof been paid by the Grantee to the Treasurer, this permit is hereby granted by the Minister to the Grantee for a period of one year from the date hereof to carry out anywhere within the land, territorial waters and the continental shelf of The Bahamas (continental shelf here having the same meaning as in the Continental Shelf Act) surface and geological studies and airborne geophysical surveys specified in this permit and subject to such conditions as are herein specified.

Period of grant of permit.
2. The grant of this permit shall not confer on the Grantee any right to the grant of a licence or lease.

Grant of permit confers no right to licence or lease.
3. The Grantee shall, with all reasonable despatch commence to examine geologically and/or by permitted geophysical methods, The Bahamas and shall during the subsistence of his permit continue with due diligence to carry out such geological and/or geophysical work as may be necessary and permitted in order to determine the structure of The Bahamas.

Working obligations.
4. The Grantee shall maintain, at his place of business in The Bahamas, representative specimens of all rocks or other samples obtained or collected during the course of his surveys and complete and accurate records of all geophysical surveys carried out. The Grantee shall not remove such samples or records from The Bahamas without the written permission of the Minister.

Disposition of samples.
5. (1) Six months after the grant of the permit and within thirty days after the expiration of the permit, the Grantee shall submit to the Minister an operational report specifying the names and qualifications of all persons employed by the Grantee; together with a description of the equipment and instruments utilized in the course of operations under the permit and a preliminary report on findings, interpretations and conclusions of the work performed and such other information as the Minister may require.

Reporting.

(2) Within three months from the date of the expiration of the permit, the Grantee shall submit to the Minister a technical report containing the results of all geological determinations and analyses made on the samples obtained, specifying the location from which each such sample was collected. In the case of geophysical surveys the Grantee shall submit copies of original data or recordings obtained, together with such maps or interpretational data as may be necessary to form an independent estimate of the results of the survey. Such reports and records shall become and remain the property of the Minister.
6. If the Grantee has complied with the provisions and conditions herein contained, the Minister may, if he thinks fit, on an application made in that behalf by the Grantee not less than one month before the date of the expiry of the permit grant a renewal of this permit for a period not exceeding one year.

Renewal.

Grantee to keep
Minister
indemnified.

7. The Grantee shall keep the Minister indemnified at all times against any action, claim or demand of whatever nature which may be brought against the Minister by any third party in relation to any matter arising out of the exercise of the rights granted by this permit.

IN WITNESS WHEREOF etc.

ANNEXURE B

BOND IN RESPECT OF PERMIT (Clause 1)

KNOW ALL MEN BY THESE PRESENTS THAT WE

of.....
and.....
of.....

are held and firmly bound to the Treasurer of The Bahamas and his Successors in Office in the sum of good and lawful money of The Bahamas to be paid to the said Treasurer and his Successors in Office for which payment to be well and truly made we bind ourselves and each of us and our assigns jointly and severally by these presets.

Dated this day of 19

WHEREAS by Indenture of even date herewith and made between the Minister of the one part and the said of the other part the non-exclusive right and licence was granted to the said to carry out surface and geological studies and airborne, geophysical surveys of a regional nature, seismic, gravity or other types of surface geophysical surveys in The Bahamas subject to the terms, conditions and covenants therein contained and to the provisions of the Petroleum Act and the Petroleum Regulations.

AND WHEREAS the said has agreed to become surety for the due performance by the said of all and several the covenants, matters and things under the said deed to be by him performed and done.

NOW the condition of the above written bond or obligation is such that if the said shall well and truly observe and perform all and every the covenants and agreements by it to be observed and performed as hereinbefore mentioned and shall comply with the provisions of the Petroleum Act and the Petroleum Regulations to the satisfaction of the Minister then the above written bond shall be void otherwise the same shall remain in full force and effect.

PART II
FORM OF LICENCE

THE COMMONWEALTH OF THE BAHAMAS.

THIS INDENTURE made the day of
19 under the Petroleum Act BETWEEN,
..... the Governor-General of The Bahamas
(hereinafter referred to as “the Governor-General”) for and on
behalf of the Government of The Bahamas of the one part
AND..... (hereinafter referred to as
the “Licensee”) of the other part.

WHEREAS the Licensee acting in accordance with the
provisions of the Petroleum Act and the Petroleum Regulations
has applied to the Minister for the grant of a licence in respect of
the lands and/or submarine areas specified in the Annexure
marked “A” hereunder written (hereinafter referred to as “the
licensed area”) and has entered into a Bond in the form set out in
the Annexure marked “B” hereunder written with the Treasurer
in the sum of conditioned for the due and faithful
carrying out of the provisions contained in this deed.

NOW THIS INDENTURE WITNESSETH AS FOLLOWS —

in consideration of the sum of which fee
has before the execution hereof been paid by the Licensee to the
Treasurer and in further consideration of the rents, royalties,
covenants and agreements hereinafter reserved and contained on
the part of the Licensee to be paid and observed the Governor-
General in exercise of the powers conferred upon him by the
Petroleum Act and Petroleum Regulations hereby grants unto
the Licensee the sole right and licence (subject to rights and
reservations existing at the time on any lands included in the
licensed area and subject to the restrictions and provisions
hereinafter contained) —

- (1) to enter upon the licensed area and to search for, bore for
and test to ascertain all or any petroleum lying or being
within, under or throughout the licensed area without any
interruption, claim or disturbance from the Governor-General
or any person or persons whomsoever save as may be
provided by the said Act or by the Regulations;
- (2) for the purposes aforesaid to clear undergrowth and brush-
wood and with the sanction of the Minister responsible for
Petroleum (hereafter referred to as the Minister) previously
obtained in writing which shall not be unreasonably withheld,
to make upon any lands included in this licence any roads
necessary for effectually carrying on the prospecting
operations hereby licensed;

-
- (3) subject to the approval of the Minister, to appropriate and use for the purposes aforesaid the water upon or within any of the licensed area and to collect and impound the same for such purposes but so that in the exercise of this privilege the Licensee shall not deprive any lands, villages, houses or watering places for cattle of a reasonable supply of water as heretofore accustomed and shall exercise all reasonable precautions in order to avoid causing damage or contamination or the invasion of salt water to occur in any existing water supply;
 - (4) to erect, set up and make, bring in, upon, through or over the licensed area all such temporary huts, sheds and structures, piers, derricks, engines, machinery and conveniences, chattels and effects as in the opinion of the Licensee shall be proper and necessary for effectually carrying on the operations hereby licensed and subject to the approval of the Minister to enclose with a fence any lands occupied by the aforesaid construction provided that such fence does not interfere with existing or projected rights of way or roads;
 - (5) the Licensee or any contractor employed by the Licensee may import into The Bahamas and take out of bond within The Bahamas without payment of customs duties, excise taxes or levies or other taxes or charges of whatever nature any plant, machinery, tools or equipment (hereafter in this Clause referred to as “exempted materials”) which are peculiar to and necessary for the purposes of the Licence, provided that it shall be a condition precedent to such exemption that —
 - (a) any exempted materials so imported or taken out of bond shall be used for the purposes aforesaid and for no other purpose; and
 - (b) the Licensee or contractor concerned shall at all times have and retain the beneficial ownership of such exempted materials; and
 - (c) the Licensee or the contractor shall enter into a bond binding himself, in the event of any such exempted materials being used otherwise than for the aforesaid purposes, to pay to the Treasurer the amount of the customs duties, taxes, levies, and charges payable on the value of such materials at the time such materials ceased to be used for the said purposes.
 - (6) to do all such other acts and things and to carry out all such other works and conveniences as may reasonably be regarded as necessary or ancillary to the search for petroleum:

Provided that the Licensee shall not utilize the surface of the foreshore lying between the high water mark line and the low water mark at ordinary spring tides for any purpose other than for passage over and across and for the construction, maintenance and use of roads, piers, docks, pipelines and other

facilities required for its operations, unless and until the approval of the Minister (which shall not be unreasonably withheld) is first obtained.

Reserving nevertheless to the Governor-General, the Minister or any other person authorized by him in that behalf full liberty and power at all times —

- (a) to enter into and upon the licensed area for all or every purpose other than those for which this licence is issued but subject to the rights hereby conferred and particularly (and without hereby in any way qualifying such general power and liberty) to make on, over or through the licensed area such roads, tramways, railways, telegraph and telephone lines and pipelines as the case may be as shall be considered necessary or expedient for any purpose and to obtain from and out of the licensed area such stone, earth, timber or other material as may be necessary or requisite for making, repairing or maintaining such roads, tramways, railways and pipelines for all purposes as occasion requires; and
- (b) to search for, dig, work and get any minerals or substances other than petroleum upon or under the licensed area:

Provided always that the said reserved liberties and powers shall be exercised and enjoyed in such a manner as not to hinder or interfere with the rights and privileges of the Licensee under these presents, and provided also that fair and proper compensation shall be paid by the Governor-General for all expense, loss, damage or injury which the Licensee may sustain or be put to by reason or in consequence of the exercise of the said reserved liberties and powers, the amount of such compensation to be settled in case of difference by reference to arbitration as provided in clause 49 (Arbitration) hereof.

Notwithstanding the liberties and powers hereby conferred and the rights and obligations arising hereunder the Licensee shall not exercise any of the said liberties and powers over any particular parcel of land included in the licensed area and the title to which is vested in private ownership unless and until permission in writing so to do shall first have been obtained by the Licensee from the Minister who shall grant such permission upon proof to his satisfaction by the Licensee that —

- (a) the Licensee has entered into an agreement with the owner or owners of such parcel of land for payment of compensation to such owner or owners for and in respect of any damage which may be caused or done to the surface of such parcel or to any cultivation or building thereon by reason of the exercise by the Licensee of all or any of the liberties, powers and privileges hereby granted; or
- (b) the Licensee has been granted ancillary rights by the Supreme Court under the provisions of the Act.

TO HOLD AND ENJOY the said rights, licence and other premises hereby granted unto the Licensee for the term of three years from the date hereof, with the right of renewal as hereinafter provided, rendering and paying free and clear from all rates, taxes, charges and deductions the several rents and royalties hereinafter specified.

Certain yearly rent

1. (1) The Licensee shall pay to the Treasurer during the term hereby granted or any renewal thereof a certain yearly rent as hereunder specified —

(2) Payment of the certain yearly rent reserved by this licence shall be made annually in advance and the first payment of the sum of in respect of the first year of the term hereby granted (the receipt whereof is hereby acknowledged) has been made on or before the execution of this licence.

Royalty

2. (1) The Licensee shall pay to the Treasurer within twenty-one days after the end of each calendar quarter year period of the term hereby granted or any renewal thereof royalty at the rate of per centum of the net petroleum won and saved from the licensed area, unless arrangements are made between the Minister and the Licensee for payments of royalty in kind wholly or in part.

(2) All petroleum that is proved to the satisfaction of the Minister to have been used by the Licensee within the licensed area for the purpose of carrying on drilling or production operations or of pumping or transporting to field storage or refineries shall be free of royalty.

Measurement of petroleum

3. (1) The Licensee shall measure or weigh by a method or methods customarily used in good oilfield practice and from time to time approved by the Minister all petroleum won, saved and removed from the licensed area.

(2) The Minister or any officer authorised by the Minister shall at all times during the said term or any renewal thereof be entitled to be present whenever such measurement or weighing takes place.

(3) The Licensee shall not make any alteration in the method or methods of measurement or weighing used by it or to any appliance used for that purpose without the previous consent in writing of the Minister and the Minister may in any case require that no alteration shall be made save in the presence of a person authorised by the Minister.

(4) The Minister may from time to time direct that any weighing or measuring appliance shall be tested or examined in such manner, upon such occasions or at such intervals and by such persons as may be specified by the Minister's direction and the Licensee shall pay to any such person or to the Minister such fees and expenses for the test or examination as the Minister may specify.

(5) Where any measuring or weighing appliance is upon any such test or examination as in mentioned in the last foregoing paragraph found to be false or unjust, the same shall, if the Minister so determines after considering any representations in writing made by the Licensee, be deemed to have existed in that condition during the period since the last occasion upon which the same was tested or examined pursuant to the last foregoing paragraph.

4. The Licensee shall keep full and correct accounts in a farm from time to time approved by the Minister of —

Keeping of accounts.

- (a) all petroleum won, saved and removed from the licensed area; and
- (b) the quantity of petroleum or petroleum products used for drilling or production operations or pumping to field storage, and shall at such time during the term hereby granted or any renewal thereof as the Governor-General may determine deliver to the Minister an abstract in a form from time to time approved by the Minister of the accounts for each such year together with a statement in the like form of all royalties payable in respect of each such period.

5. The Licensee shall spend in exploring and prospecting for petroleum in and upon the licensed area during the period of this Licence a minimum sum annually (hereinafter referred to as “the expenditure obligation”) as follows —

Expenditure obligation.

- First year:
- Second year:
- Third year:

6. (1) The Licensee shall deliver to the Minister on the effective date guarantees in the form of bonds or bankers’ guarantees acceptable to the Governor-General for the total sum of dollars.

Guarantee as to expenditure obligation. S.I. 31/1982, r. 12.

(2) The Licensee shall deliver to the Minister at the commencement of the third year of the period of the licence, a guarantee in the form of a bond or banker’s guarantee acceptable to the Governor-General for the total sum of dollars.

7. The amount of the bond referred to in clause 6 above or guarantee shall be reduced at the end of each twelve-month period by the actual exploration expenditure of the period upon presentation of all technical data obtained from the surveys made and the interpretation thereof as well as data and results from any other work required to be performed under the licence.

Amount of bond to be reduced at end of twelve-month period.

8. Within sixty days after the end of each twelve-month period, the Licensee shall report to the Minister his actual expenditure during the said period, in such detail and together with such supporting evidence as the Minister may require.

Report of annual expenditure.

Carry over of
sums overspent.

9. Sums overspent in any annual period may be carried forward for the purpose of set-off against what would otherwise have been the annual expenditure obligation for succeeding years.

Shortfall in
expenditure
obligation.

10. At the end of the first three year period and of any other subsequent three year period there shall be determined the sums which the Licensee has spent up to that date and one-half of any amount by which the said sum may fall short of the relevant expenditure obligation shall be forfeited to the Government and shall be recoverable summarily as a civil debt.

Working
obligation.

11. (1) During the subsistence of this licence the Licensee shall with due diligence carry out such geological and/or geophysical surveys and examinations of the licensed area and do such testing of the said lands and areas by means of test borings and or drilling as required in paragraph (2) of this Clause for the purpose of arriving at the petroleum producing prospects of the same and shall in this respect give due regard to the reasonable wishes of the Minister.

(2) The Licensee shall before the end of the third year from the date of the grant of this licence commence drilling operations with a modern oil well drilling equipment capable of reaching a depth of at least 18,000 feet, or such lesser depth as may be agreed upon by the Minister and the Licensee, upon a site selected by the Licensee within the licensed area.

(3) In the event the Licensee shall drill a well as provided in paragraph (2) of this Clause and shall abandon such well as unproductive of petroleum, the Licensee within one year from the date of abandonment of the said well shall commence drilling operations for a second well with a modern oil well drilling equipment capable of reaching a depth of at least 18,000 feet, or such lesser depth as may be agreed upon by the Minister and the Licensee, upon a site selected by the Licensee in the licensed area and the Licensee shall continue during the remainder of the term of this licence or any renewal thereof to conduct drilling operations with one drilling equipment of the kind aforementioned at locations in the licensed area selected by the Licensee and with an interval of not more than two years between the abandonment of one well and the commencement of drilling operations for the next well and drill such wells subject to the same provisions as govern the drilling of the first well until petroleum is discovered in the licensed area.

(4) Drilling operations as referred to in this Clause shall mean the moving of the drilling equipment to the drilling location, the erection of such drilling equipment and the construction or erection of necessary drilling facilities followed by the actual operation of boring in the ground, provided however, that if any drilling location selected by the Licensee shall be in a swamp, overflowed or submarine area drilling operations as referred to in this Clause shall mean the commencement of erection or construction of a pier, piles, caissons, artificial island or other structure to serve as a platform or

base for the drilling equipment followed by the other operations hereinabove set forth. All operations herein provided for shall be conducted with reasonable diligence and in accordance with generally accepted oilfield and engineering practices.

(5) Determination of this licence as provided in Clauses 22, 43, or 45 shall extinguish any and all obligations imposed on the Licensee by paragraphs (2) and (3) of this Clause.

12. The Licensee shall before commencing any operations in the licensed area furnish to the Minister the name and address in The Bahamas of its Resident Manager under whose supervision such operations are to be carried on. Any notice which the Minister or any person authorised by him is in accordance with the terms of this licence required or entitled to serve upon the Licensee, shall be sufficiently served if the same shall be delivered or sent by post to such Resident Manager at such address.

Resident
Manager.

13. The Licensee shall furnish the Minister with copies of all conveyances, leases, assignments, agreements and deeds with surface owners relating to surface rights in and over the licensed area or any estate or interest therein and to which the Licensee is a party.

Copies of
agreements with
surface owners.

14. The Licensee shall pay fair and reasonable compensation for all damage or injury to the property and rights of other parties which may be done by it, its agents and servants in the exercise of the liberties and powers conferred by this licence.

Compensation.

15. The Licensee shall keep the Governor-General and the Minister indemnified at all times against all actions, costs, charges, claims and demands whatsoever which may be awarded by a court of competent jurisdiction to any third party in relation to or in connection with this licence or any matter or thing done or purported to be done by the Licensee in pursuance of this licence:

Indemnity
against third
party claims.

Provided that the provisions of this Clause shall not be applicable to any act, matter or thing performed by the Licensee or any officer authorised by the Minister which in the opinion of the Licensee is inappropriate, undesirable or hazardous.

16. In the event of the inclusion by inadvertence in the said Annexure marked “A” of any lands or submarine areas in respect of which the petroleum rights have already been granted to other companies, the Licensee shall immediately release any such lands or areas when required to do so by the Governor-General.

Release of areas
included by
inadvertence in
the licensed area.

17. (1) Notwithstanding the rights conferred on the Licensee under this licence, the Governor-General upon giving three months’ written notice to the Licensee shall have power at any time to reserve from operations under this licence the surface area of any lands or any submarine areas which may from time to time be required for villages, new villages, village extensions, water reserves, navigation, ports, wharves or for any public purpose whatsoever:

Reservation of
areas for public
purposes, etc.

Provided that during the subsistence of this licence or any renewal or renewals thereof the area so reserved shall not exceed in the aggregate one-tenth of the surface area of any lands or any submarine areas upon which any active operations such as welldrilling, road construction, water works and/or other work relating to the searching for petroleum have previously been commenced or are in progress which shall not be required but in lieu thereof an equal area or areas upon which active operations aforementioned have not already been commenced or are not at the time being in progress may be reserved:

Provided further that if the Licensee shall satisfy the Governor-General that the reservation of any such selected lands or areas will interfere with or impede its operations or proposed operations, the Licensee shall have the right to indicate and offer proof as the availability of other lands or submarine areas from which the aforesaid percentage may be selected.

(2) Where any lands or submarine areas have been reserved from this licence pursuant to paragraph (1) of this Clause, the Licensee shall carry out all operations necessary to search and bore for any petroleum lying or being within, under, or throughout the said lands and submarine areas so reserved in such manner as to cause the least disturbance necessary having regard to the purposes for which such lands or submarine areas were reserved, and upon completion of such operations shall remove from such reserved lands or submarine areas all unnecessary works.

(3) Where any lands or submarine areas have been reserved under this Clause the Licensee shall have unrestricted right to use such lands or areas if they shall subsequently become no longer required for the purpose for which they were reserved.

Advertisements,
prospectuses, etc.

18. (1) No statement shall be made either in any notice, advertisement, prospectus or other document issued by or to the knowledge of the Licensee, or in any other manner claiming or suggesting whether expressly or by implication that the Governor-General, the Minister or any Government Department or any person or body acting on behalf of any of them have formed or expressed any opinion that the licensed area is from its geological formation or otherwise likely to contain petroleum.

(2) The foregoing provisions of this Clause or a statement to the effect thereof shall be included in or endorsed or any prospectus, statement in lieu of prospectus, notice, circular, advertisement or other invitation issued by or to the knowledge of the Licensee offering to the public for subscription or purchase any shares or debentures of a company or intended company.

Notices of fresh
issues of capital.

19. The Licensee shall report to the Minister particulars of any fresh issues of capital which may from time to time be made by it and any alteration which may be made in the Memorandum or Articles of Association of the Licensee.

20. (1) The Licensee shall not assign or transfer in whole or in part any of the rights acquired or obligations undertaken herein, without the previous consent in writing of the Governor-General and any such assignment or transfer made without such previous consent shall be null and void and may result in the forfeiture of the licence.

Assignment.

(2) An application for consent to assign or transfer shall be made in accordance with the Regulations.

(3) The Governor-General may in his discretion approve or refuse the application for assignment or transfer.

(4) Any assignment or transfer of this licence shall not in any way absolve the assignor, or transferor, from the obligations undertaken by him under this licence except to the extent to which such obligations are in fact performed by the assignee or transferee.

21. Subject to the provisions of Clause 20 hereof, the Licensee shall not assign this licence to any person other than a company incorporated in The Bahamas or a company incorporated outside The Bahamas which has been duly registered in The Bahamas under the provisions of the International Business Companies Act.

Assignment of licence.

Ch. 309.

22. If the Licensee shall cease to be a company incorporated in The Bahamas or a company incorporated outside The Bahamas and registered in The Bahamas under the provisions of the International Business Companies Act, the Licensee shall inform the Minister accordingly and apply to the Governor-General for his consent to assignment of the rights granted by this licence, in accordance with the provisions of Clause 20 hereof in the event of the Licensee failing to satisfy the conditions imposed for such consent within such time as the Governor-General may appoint, the Governor-General may revoke this licence. The revocation of this licence in pursuance of the foregoing provisions of this Clause shall be subject and without prejudice to any obligation imposed by or any liability theretofore incurred under the terms and conditions hereof.

Licensee ceasing to be company incorporated in The Bahamas or registered in the said Islands under the International Business Companies Act.
Ch. 309.

23. (1) The Licensee shall have a manager who is resident in The Bahamas.

Manager resident in The Bahamas and work to be carried out under qualified persons.

(2) The Licensee shall carry out its operations under the continuous supervision of a qualified petroleum geologist or petroleum engineer.

24. The Licensee shall report to the Minister the discovery of petroleum or petroleum bearing strata or any other mineral not specified herein forthwith or within seven days of such discovery.

Report of petroleum discovery.
S.I. 31/1982, r. 12.

25. No borehole or well shall be commenced and no borehole or well shall be recommenced after work has been discontinued thereat for more than six months unless seven clear days notice in writing shall first have been given to the Minister.

Notice of commencement of boreholes or wells.

Abandonment of boreholes.

26. No borehole or well shall be abandoned and no cemented string or other permanent form of casing shall be withdrawn from any borehole or well which it is proposed to abandon without the prior consent in writing of the Minister, such consent not to be unreasonably withheld in the case of boreholes or wells which have become unproductive and shall not be withheld or delayed for more than forty-eight hours in the case of unproductive boreholes or wells.

Plugging of boreholes.

27. (1) No casing shall be withdrawn from any borehole or well which the Licensee intends to abandon unless such borehole or well shall be securely plugged by the Licensee to the satisfaction of the Minister so as to prevent the egress of oil or gas therefrom or the ingress and egress of water to and from any portion of the strata bored through or from the sea.

(2) The Minister may in any case require that no borehole or well shall be plugged or any works be executed for that purpose save in the presence of a public officer authorised by him and the Minister undertakes to have such officer present upon twenty-four hours' notice from the Licensee.

Distance from boundary of boreholes and wells.

28. No borehole or well shall, except with the consent in writing of the Minister, be drilled or made within a distance of 1,000 feet from the boundaries of the licensed area.

Delivering up of productive boreholes, and wells, etc., in good order.

29. Within two months after the expiration or sooner determination of this licence or any renewal or renewals thereof or the date of the abandonment of the undertaking hereby licensed, whichever shall first occur, and without payment of any compensation in respect thereof, the Licensee shall deliver up to the Governor-General in good order, repair and condition and fit for further working all productive boreholes or wells (unless ordered by the Minister to plug them as provided in the next succeeding Clause and except such boreholes and wells as shall have been previously abandoned with the consent of the Minister) which shall have been made by the Licensee under the liberty or power in that behalf hereinbefore contained together with all casings, fixtures and other appurtenances to such boreholes and wells below surface level, and which cannot be moved without causing injury to the said boreholes and wells and all piers, piles and caissons constructed and installed in connection with the drilling and completion of such boreholes and wells and the Licensee shall also fill up or fence all holes and excavations that it may have made in any lands; and shall to the like extent restore so far as possible, to their natural and original condition, the surface of any such lands and all buildings and structures thereon which the Licensee may have damaged in the course of prospecting and shall have power during that period to enter on the licensed area for the purposes aforesaid, subject to the rights of surface owners or others:

Provided that this Clause shall not apply to any of the licensed areas included in any lease which the Licensee may take up under the provisions hereinafter contained.

30. Within two months after the expiration or sooner termination of this licence or any renewal or renewals thereof or the date of the abandonment of the said undertaking, whichever shall first occur, the Licensee shall, unless the Minister otherwise determines, securely plug all boreholes or wells drilled by him. Such plugging shall be done in accordance with specifications from time to time approved by the Minister:

Plugging of boreholes on termination of licence.

Provided that this Clause shall not apply to any of the licensed areas included in any lease which the Licensee may take up under the provisions hereinafter contained.

31. Subject to the rights, if any, of surface owners or others, the Licensee shall have the right to and shall upon the expiration or sooner termination of this licence, any renewal or renewals thereof or the abandonment of the said undertaking whichever shall first occur, with all convenient speed having regard to its obligations under the provisions of Clause 30 (Plugging of boreholes on termination of licence) remove all buildings, structures, engines, machinery and other property and effects erected or brought by the Licensee upon lands included in the licensed area and remove in a manner satisfactory to the Minister all piers, piles, derricks, engines, machinery and all other installation and other property and effects brought by the Licensee upon the licensed areas under the provisions hereof save and except all such wells, tubes, casings, or linings and works or any portion thereof both above or below ground as the Governor-General may require to take at a price which, failing agreement, shall be fixed by arbitration in the manner provided by Clause 49 (Arbitration) hereof, or as may be required to be delivered up to the Minister under the provisions of Clause 29 (Delivery up of productive boreholes and wells, in good order) hereof:

Removal of plant, etc.

Provided that this Clause shall not apply to any of the works or things aforesaid on any part or parts of the licensed area for which the Licensee shall under the provisions hereinafter contained take up a lease which may be required by the Licensee for its operations under the lease:

Provided further that if the Licensee fails to plug any such boreholes or wells in accordance with the provisions of Clause 30 (plugging of boreholes, etc.) or to remove any piers, piles, derricks, engines, machinery and other installations and other property and effects as aforesaid within six calendar months after the expiration of the term of this licence or upon its sooner determination in respect of the whole of the licensed area or any part thereof when so ordered, it shall be lawful for the Minister to have this work carried out and all reasonable and necessary cost and expenses incidental thereto shall be defrayed by the Licensee.

Health and safety
of workers.

32. (1) The Licensee shall take all reasonable precautions (which shall include the provision of modern equipment) and shall comply with any reasonable instructions from time to time issued by the Minister in writing for securing the health, safety and welfare of persons employed in or about the licensed area.

(2) The Licensee shall forthwith notify the Minister in writing of any accident occurring in or about the licensed area; and the Minister may, if he thinks fit, on the receipt of such notification, conduct an enquiry into any such accident.

Avoidance of
harmful methods
of working.

33. (1) The Licensee shall maintain all apparatus and appliances and all boreholes and wells in good repair and condition and shall execute all operations in or in connection with the licensed area in a proper and workmanlike manner in accordance with methods and practice customarily used in good oilfield practice and without prejudice to the generality of the foregoing provision the Licensee shall take steps practicable in order —

- (a) to control the flow and to prevent the escape or waste of petroleum discovered in or from the licensed area;
- (b) to conserve the licensed area for productive operations;
- (c) to prevent damage to adjoining petroleum bearing strata;
- (d) to prevent the entrance of water through boreholes and wells to petroleum bearing strata;
- (e) to prevent the escape of petroleum into any water-well, spring, stream, lake, reservoir, estuary or harbour;
- (f) to prevent the pollution of the waters by oil, mud, or other fluid or substance which might contaminate the sea water or shore line or which might cause harm or destruction to marine life; and
- (g) to cause as little damage as possible to the surface of any lands included in this licence and to the trees, crops, buildings, structures and other property thereon.

(2) The Licensee shall comply with any reasonable instructions from time to time given by the Minister in writing relating to any of the matters set out in paragraph (1) of this Clause. If the Licensee objects to any such instruction on the ground that it is unreasonable, it may, within fourteen days from the date upon which the same was given, refer the matter to arbitration in the manner provided by Clause 49 (Arbitration) hereof.

Provision of
storage tanks,
etc.

34. The Licensee shall use methods and practices customarily used in good oilfield practice for confining the petroleum obtained from the licensed area in tanks, gasholders, pipes, pipe-lines or other receptacles constructed for that purpose. No petroleum shall, save as a temporary measure during an emergency, be placed or kept in an earthen reservoir.

35. The Licensee shall drain all waste oil, salt water or refuse from tanks, gasholders, boreholes and wells into proper receptacles constructed and maintained by it for that purpose at a safe distance from such tanks, gasholders, boreholes and wells and from any buildings or structures whether situate within the licensed area or not and shall dispose of such waste oil, salt water and refuse in a manner from time to time approved by the Minister after consultation with the Minister responsible for Health.

Disposal of waste oil, salt water and refuse.

36. The Licensee shall keep accurate records in a form from time to time approved by the Minister of the drilling, deepening, plugging or abandonment of all boreholes and wells and of any alteration to the casing thereof. A log of all boreholes and wells shall be kept in a form from time to time approved by the Minister containing particulars of the following matters —

Licensee to keep records of boreholes.

- (a) the strata and subsoil through which the boreholes or wells were drilled;
- (b) the casing inserted in any boreholes or well and any alteration to such casing;
- (c) any petroleum, workable minerals or mine workings encountered; and
- (d) such other matters as the Minister may from time to time require.

The Licensee shall deliver copies of the said records and log and a report on the interpretation and results of findings of the drilling work to the Minister not later than sixty days after the completion and abandonment of any borehole or well.

37. The Licensee shall correctly label and preserve for reference for a period of twelve months representative samples of any petroleum discovered in the licensed area. The Minister or his representative shall have access to such samples at all reasonable times and shall be entitled to require that representative specimens not exceeding one-half of any such sample be delivered to the Minister and to retain any specimen so delivered.

Licensee to keep samples of strata, etc.

38. (1) The Licensee shall furnish to the Minister, at such times as the Minister may appoint during the term hereby granted or any renewal thereof, a record in a form from time to time approved by the Minister of the progress of its operations in the licensed area. Such record shall contain —

Plans and records.

- (a) a statement of the depth drilled in each borehole or well;
- (b) a statement of any petroleum or minerals of economic interest encountered in the course of the said operations;
- (c) a statement of the results of formation tests; and
- (d) a statement of the areas in which any geological or geophysical work has been carried out.

(2) Within two months after the end of each year comprised in the term hereby granted or any renewal thereof, the Licensee shall furnish to the Minister a record in a form from time to time approved by the Minister of the type and extent of the operations conducted in the licensed area during each such year together with a plan upon a scale approved by the Minister showing the situation of all boreholes or wells.

(3) The Licensee shall also keep accurate geological records relating to the said lands and areas.

(4) The Licensee shall furnish to the Minister within four months of the end of each year of the term hereof the results of all geological, geophysical, seismic and other related investigations made and the interpretations thereof with respect to the licensed area and such other plans and information as to the progress of operations in the said licensed area as the Minister may from time to time reasonable require.

Reports to be treated as confidential.

39. All logs, samples, records, plans, maps, accounts, and information which the Licensee is or may be from time to time required to furnish under the provisions of this licence, shall be supplied at the expense of the Licensee and shall (except with the consent in writing of the Licensee which shall not be unreasonably withheld and except as provided in regulation 49(3) (b) and (c) of the Petroleum Regulations) be treated by the Minister as confidential. The Minister shall nevertheless be entitled at any time to make use of any information received from the Licensee for the purpose of preparing and publishing aggregated returns and general reports on the extent and the results of petroleum prospecting or development operations in The Bahamas and for the purposes of any arbitration or litigation between the Minister and the Licensee.

Power to inspect, plant, records, etc.

40. (1) Any person or persons authorised by the Governor-General or the Minister shall be entitled at all reasonable times to enter into and upon any of the licensed area for the time being possessed or occupied by the Licensee for the purposes hereinafter mentioned —

- (a) to examine the boreholes, wells, plans, appliances, buildings and works made or executed by the Licensee in pursuance of this licence and the state of repair and condition thereof;
- (b) to inspect and check the accuracy of the weighing or measuring appliances, weights, measurements, logs, records, plans and maps which the Licensee is required to keep or make in accordance with the provisions of this licence;
- (c) to inspect the samples of strata and petroleum which the Licensee is required to keep in accordance with the provisions of this licence; and
- (d) to execute any work which the Minister may be entitled to execute in accordance with the provisions of this licence.

(2) The Minister shall furnish the Licensee in writing with the names of all persons authorised to act as provided in paragraph (1) of this Clause.

41. If the Licensee at any time fails to execute any works required to be carried out under the terms of any of the undermentioned Clauses of this licence —

Power to execute works.

- (a) Clause 3 (Measurement of petroleum obtained from the licensed area);
- (b) Clause 39 (Delivering up of productive boreholes and wells, etc. in good order);
- (c) Clause 30 (Plugging of boreholes on termination of licence);
- (d) Clause 31 (Removal of plant, etc.);
- (e) Clause 32 (Health and safety of workers);
- (f) Clause 33 (Avoidance of harmful methods of working);
- (g) Clause 34 (Provision of storage tanks, etc.);
- (h) Clause 35 (Disposal of waste oil, salt water and refuse),

then and in any such case the Minister may, if he so deems it expedient, cause such works to be executed and the Minister shall in such case recover from the Licensee all reasonable and necessary costs and expenses incurred in so doing:

Provided always that the aforesaid power shall not be exercisable unless and until written notice has been given to the Licensee specifying the particular breach complained of and, if the breach is capable of remedy, requiring the Licensee to remedy the breach, and if the Licensee fails, within a reasonable time, to commence and thereafter to proceed diligently to remedy the breach if it is capable of remedy.

42. If any of the certain yearly rent or royalties reserved by this licence or any part thereof respectively shall be in arrear or unpaid for the period of two calendar months next after any of the days whereon the same ought to be paid (whether the same shall have been legally demanded or not), the Governor-General may (as an additional remedy and without prejudice to the power of distress and other rights and remedies to which he would be entitled), following written notice to the Licensee, enter into and upon any of the licensed areas which shall for the time being be possessed or occupied by the Licensee for the purposes of this licence or the exercise of any of the rights thereby granted and may seize and distrain and sell as landlords may do for rent in arrears all or any of the stocks of petroleum and petroleum products, piers, piles, derricks, engines, machinery, tools, implements, chattels and effects belonging to the Licensee which shall be found in or upon any of the licensed areas so entered upon and out of the moneys arising from the sale of such distress may retain and pay all the arrears of the said certain yearly rent and royalties and also the necessary costs and expenses incident to any such distress and sale and paying the surplus, if any, to the Licensee.

Distrain.

Power of
cancellation of
licence.
S.I. 31/1982
r. 12.

43. The Governor-General may in writing at any time, subject to the provisions of section 11 of the Act, cancel this licence in any case where —

- (i) he is satisfied that the licence was obtained as a result of wilful misrepresentation by the Licensee in any material particular in the process of applying for the licence; or
- (ii) there is a failure on the part of the Licensee to keep accurate and complete records, books and accounts in accordance with section 15 of the Act; or
- (iii) there is a breach of any of the terms and conditions contained in the licence.

Renewal.
S.I. 31/1982,
r. 12.

44. If the Licensee has complied with the provisions of the Act, the Regulations and the terms and conditions contained in this licence, the Governor-General shall, not less than three months before the date of expiry of this licence renew this licence for a further period not exceeding three years as to the whole of the original licensed area and thereafter may, in his discretion, renew for two successive periods, each not exceeding three years, as to fifty per centum of the original licensed area.

Right of licensee
to terminate
licence.

45. The Licensee shall be at liberty to determine its licence in whole or in part on giving the Governor-General not less than three months' notice in writing. Such determination shall not affect any obligation or liabilities imposed on or incurred by the Licensee under this licence that have not been performed or discharged prior to the date of determination.

Right of licensee
to abandon
portions of the
said lands.

46. Without prejudice to any obligation imposed by or any liability theretofore incurred under the terms and conditions hereof, the Licensee shall be entitled at any time during the term hereby granted, or any renewal thereof, by giving three months' notice in writing to the Governor-General to surrender the rights granted by this licence in respect of any part or parts of the licensed area, provided that the part of licensed area in respect of which the said rights are retained shall so far as practicable consist of complete blocks.

Rights of
Licensee to lease.
S.I. 31/1982,
r. 12.

47. (1) Where, on or before the expiration of this licence or any renewals thereof, the Licensee has made a commercial discovery; paid the rent, observed and performed the terms and conditions herein contained and has complied with the provisions of the Act and the Regulations, he shall, subject to section 17(2) of the Act, be entitled to obtain a lease.

(2) Subject to Regulation 9 of the Petroleum Regulations, a lease shall be in the form contained in Part III of the Second Schedule to the Petroleum Regulations.

48. (1) When the Licensee fails to fulfill an obligation undertaken by him under this licence because of ‘*force majeure*’ as defined in regulation 53 of the Petroleum Regulations, such failure shall not be treated as a failure to comply with the provisions of this licence, if it is proved to the satisfaction of the Governor-General to be the necessary consequence of such ‘*force majeure*’.

Force majeure.

(2) The period during which the fulfilment of such obligation is rendered impossible shall be added to the term of this licence provided that such period does not exceed one year.

49. If at any time during the continuance of this licence or after the termination thereof, any difference or dispute shall arise regarding this licence or any matter or thing connected herewith or the powers, duties, obligations or liabilities of the Licensee hereunder or the amount of or payment of any rent or royalty (not being a difference or dispute concerning any matter the settlement of which is provided for in section 11(3) of the Act) then and in all such cases the matter in difference or dispute shall be referred to arbitration in accordance with the provisions of the Arbitration Act or any Act passed in amendment thereof or in substitution therefore.

Arbitration

*S.I. 31/1982,
r. 12.
Ch 180*

50. The marginal notes are for convenience only and do not form part of this licence.

Marginal notes

IN WITNESS WHEREOF, ETC.

ANNEXURE A (Clause 1)

LIMITS OF THE LICENSED AREA

All those lands and/or submarine areas indicated on the attached plan marked.....
situate in
and having a total area of.....
or thereabouts.....

ANNEXURE B (Clause 1)

BOND IN RESPECT OF LICENCE

THE COMMONWEALTH OF
THE BAHAMAS.

KNOW ALL MEN BY THESE PRESENTS THAT WE

.....
.....
and.....
.....

are held and firmly bound to the Treasurer of The Bahamas and his Successors in Office in the sum of dollars of good and lawful money of The Bahamas to be paid to the said Treasurer and his Successors in Office for which payment to be well and truly made we bind ourselves and each of us and our assigns jointly and severally by these presents.

Dated this day of, 19

WHEREAS by Indenture of even date herewith and made between, the Governor-General of The Bahamas of the one part and the said

..... to search for, bore for and test for all or any petroleum lying or being within, under or throughout those lands and submarine areas described in Annexure A to the said Indenture and delineated in the plans attached to the said Indenture and marked subject to the terms, conditions and covenants therein contained and to the provisions of the Petroleum Act and the Petroleum Regulations:

AND WHEREAS the said has agreed to become surety for the due performance by the said of all and several covenants, matters and things under the said Indenture to be by it performed and done:

NOW the condition of the above-written bond or obligation is such that if the said shall well and truly observe and perform all and every the covenants and agreements by it to be observed and performed as hereinbefore mentioned and shall comply with the provisions of the Petroleum Act and the Petroleum Regulations and shall in a proper and workmanlike manner do all and every the acts, matters and things by it to be done under the said Indenture to the satisfaction of the Governor-General THEN the above written bond or obligation shall be void otherwise the same shall remain in full force and effect.

**PART III
FORM OF LEASE**

THIS INDENTURE made the day of, 19 under the Petroleum Act and the Petroleum Regulations BETWEEN the Governor-General of The Bahamas on behalf of the Government of The Bahamas (hereinafter referred to as “the Governor-General”) of the one part AND (hereinafter referred to as “the Lessee”) of the other part:

WHEREAS the Lessee, subject to the provisions of the Petroleum Act and the Petroleum Regulations, is entitled to obtain a lease pursuant to a licence granted to the Lessee by the Governor-General under the said Act on the day of 19 and has applied to the Governor-General for a lease in respect of the lands and/or submarine areas specified in

Part I of the Annexure marked “A” hereunder written (hereinafter referred to as “the leased area”) and has entered into a Bond in the form set out in the Annexure marked “B” hereunder written with the Treasurer in the amount specified therein for the duration of the lease, conditioned for the due and faithful carrying out of the provisions contained in the Indenture and the provisions of the Petroleum Act and the Petroleum Regulations; has observed and performed the terms and conditions contained in the said licence;
 NOW THIS INDENTURE WTTNESSETH AS FOLLOWS —

In consideration of the rents, royalties, covenants and agreements hereinafter reserved and contained on the part of the Lessee to be paid and observed the Governor-General, in exercise of the powers conferred upon him by the Petroleum Act and the Petroleum Regulations, hereby demises unto the Lessee the right to extract any petroleum lying or being within or beneath the surface of the said leased area and hereby grants the liberties, powers and privileges to be exercised in connection with the said petroleum mentioned in Part II of the said Annexure marked “A”;

TO HOLD, EXERCISE AND ENJOY all and singular the premises, liberties, powers and privileges hereby granted and demised unto the Lessee from the day of 19 for the term of twenty years then next ensuing yielding and paying free and clear from all rates, taxes, charges and deductions the several rents, royalties and sums of money hereinafter mentioned and specified in Part V of the said Annexure marked “A” subject to the provisions relating to rents and royalties contained in Part VI of the said Annexure marked “A”. And the Lessee doth hereby covenant with the Governor-General as in Part VII of the said Annexure marked “A” is expressed and the Governor-General hereby covenants with the Lessee as in Part VIII of the said Annexure marked “A” is expressed and it is hereby mutually agreed and declared by and between the parties hereto as in Parts IX and X of the said Annexure marked “A” is expressed and it is hereby declared that the Annexure marked “A” hereunder written shall be deemed part of these presents and be read and construed accordingly.

*S.I. 31/1982,
r. 12.*

IN WITNESS WHEREOF, ETC.

**THE ANNEXURE MARKED “A” ABOVE REFERRED TO
 PART I
 THE LANDS AND/OR SUBMARINE AREAS REFERRED TO
 IN THIS LEASE**

All those lands and/or submarine areas lying and being delineated and on the plan thereunto annexed and thereon designated and containing an area of of thereabout.

Description of
 the leased area.

PART II
LIBERTIES, POWERS AND PRIVILEGES TO BE EXERCISED OR ENJOYED BY THE LESSEE, BUT SUBJECT TO THE RESTRICTIONS AND CONDITIONS SPECIFIED IN PART III

To bore, etc

1. To enter upon the leased area and to search for, bore for, win and work all any petroleum lying or being within or beneath the surface of the leased area subject always to the observance of good industry practice as may be detailed hereunder or from time to time specified by the Minister.

To appropriate waters, etc

2. Subject to the approval of the Minister, to appropriate and use for any purpose aforesaid the water upon or within any of the leased area, and to collect and impound the same for such purposes but so that in the exercise of this privilege the Lessee shall not deprive any lands, villages, houses or watering places for cattle of a reasonable supply of water as heretofore accustomed and shall exercise all reasonable precautions in order to avoid causing damage or contamination or invasion of salt water to occur in any existing water supply.

To appropriate surface of land for work, etc

3. To enter upon, use and occupy a sufficient part of the leased area adjoining any borings for depositing thereon the products of the said borings and all the earth, soil and other substances brought to the surface and for otherwise carrying on the works of the said borings and operations hereunder subject to requirements regarding pollution.

To treat or process

4. To treat or process the aforesaid petroleum in and upon the leased area whether for purposes of sale or otherwise, save as hereinafter provided.

To store, lead, carry away oil, etc

5. To store, take, lead, pipe and carry away, on, under and over the leased area the aforesaid petroleum and petroleum products and to dispose of the same whether in The Bahamas or abroad and subject to such operations being carried out in a clean, tidy and workmanlike manner so as to avoid spills, contamination or pollution of the land or water.

To erect houses, etc

6. To erect, construct, set up, make, operate, maintain use and administer upon and over the leased area workmen's houses, sheds, piers, piles, derricks, engines, telecommunications systems, rail-roads, tramroads and other roads and works, terminal facilities, vessels, aircraft and all ancillary services required for the purposes of or in connection with the said borings, works or treating operations, with the previous consent in writing of the authorities concerned.

To dig gravel, etc

7. To search for, dig and get free of charge gravel, sand, clay and stone within the leased area, for the purposes mentioned in this Part of this Annexure, but not for sale, provided that at the expiration of this lease any excavations shall be fenced or filled in or levelled and left otherwise fit for cultivation and occupation as far

as may be reasonably practicable, if so required by the Minister and provided further that no such excavation or extraction shall be made upon any beach or foreshore without the prior permission in writing of the Minister.

8. To cut down the brushwood and undergrowth and with the consent of the Minister to sell any timber now standing or growing, or which at any time hereafter may grow, on the leased area, for the purpose of facilitating ingress and egress to and from the leased area, and also for the purposes of clearing lands for the erection of machinery and plant in connection with the purpose mentioned in this Part of this Annexure:

To cut timber, etc.

Provided that the Lessee shall pay a reasonable price for all timbers and undergrowth cut down or felled by it or taken or used by it, such price to be assessed in default of agreement by arbitration as provided in Clause 67 (Arbitration) of this Annexure.

9. (1) The Lessee or any contractor employed by the Lessee may import into The Bahamas and take out of bond within The Bahamas without payment of customs duties, excise taxes or levies or other taxes or charges of whatever nature any plant, machinery, tools, or equipment (hereafter in this Clause referred to as “exempted materials”) which are peculiar to and necessary for the purposes of the lease; provided that it shall be a condition precedent to such exemption that —

Exemption from duty.

- (a) any exempted materials so imported or taken out of bond shall be used for the purposes aforesaid and for no other purpose; and
- (b) the Lessee or contractor concerned shall at all times have and retain the beneficial ownership of such exempted materials; and
- (c) the Lessee or the contractor shall enter into a bond binding himself, in the event of any such exempted materials being used otherwise than for the aforesaid purposes, to pay to the Treasurer the amount of the customs duties, taxes, levies and charges payable on the value of such materials at the time such materials ceased to be used for the said purposes.

(2) To do all such other acts and things and to carry out all such other works and conveniences as may in the opinion of the Lessee be necessary or convenient to effectively obtain, develop, produce and market the aforesaid petroleum and the products thereof and to carry out the operations authorized and envisaged by this lease.

**PART III
RESTRICTIONS AND CONDITIONS AS TO THE EXERCISE
OF THE ABOVE LIBERTIES, POWERS AND PRIVILEGES**

10. (1) Notwithstanding the present demise and the rights and obligations arising hereunder, the Lessee shall not exercise any of the liberties, powers and privileges hereby granted over any particular parcel of land described in Part I of this Annexure title

Minister’s permission to be obtained.

to which land is vested in private ownership unless and until permission in writing so to do is first obtained by the Lessee from the Minister who shall grant such permission upon proof to his satisfaction by the Lessee that —

- (a) the Lessee has entered into an agreement with the owner or owners of the surface of such parcel of land for payment of compensation to such owner or owners for and in respect of any damage which may be caused or done to the surface of such parcel of land or to any cultivation or buildings thereon by reason of the exercise by the Lessee of all or any of the liberties, powers and privileges hereby granted; or
- (b) the Licensee has been granted ancillary rights by the Supreme Court under the provisions of the Act.

(2) The provisions of sub-paragraphs (a) and (b) of paragraph (1) of this Clause shall apply *mutatis mutandis* in any case where the Lessee wishes to occupy any submarine area which is at such time being lawfully occupied and in use by any person for the purposes of cultivating sponge or for commercial fishing Purposes.

Right of the Crown.

11. Nothing herein contained shall be deemed to restrict the right of the Crown to grant or lease any portion of the surface of the Crown lands or submarine area subject to this lease but any such grant or lease by the Crown shall be subordinate and subject to and shall not in any way affect the rights granted by this lease to the Lessee.

Position of boreholes or wells.

12. No borehole or well shall except with the consent in writing of the Minister be drilled or made within a distance of 1,000 feet from the boundaries of the leased area.

No boring operations near railways.

13. No boring operations or working shall be carried on or allowed by the Lessee in the leased area at any point within 100 yards of any beach or foreshore area or any railway, reservoir, canal or other public works or any building or inhabited site on or near the leased area except with the previous permission in writing of the Minister (which shall not be unreasonably withheld) or of any officer authorized by him in that behalf and subject to any instructions, restrictions, and conditions which may be attached to such permission by the Minister or the officer granting the same.

Cutting of timber.

14. Save as provided in Clause 8 (to cut timber, etc.) of this Annexure, the Lessee shall not without the express sanction of the Minister cut down or injure any trees or timber in the leased area.

PART IV LIBERTIES AND POWERS OF THE GOVERNOR-GENERAL AND OTHERS

Governor-General may work with other minerals, etc.

15. These presents or anything herein contained shall not prejudice or affect the exercise from time to time of all or any of the following liberties and powers that is to say —

-
- (a) Liberty and power for the Governor-General or any other person authorized by him in that behalf to enter into and upon the leased area and to search for, dig, work and get any minerals or substances other than petroleum upon or under the leased area and for the purposes aforesaid to sink, make, erect and use such pits, shafts, levels, drains, water-courses, tunnels, buildings, engines or machinery, railways, roads, ships, dredges and other ways, works and conveniences upon, through or under the leased area as he shall deem necessary or expedient:

Provided always that the said reserved liberties and powers to work for minerals or substances other than petroleum shall be exercised and enjoyed in such a manner as not to hinder or interfere with the rights and privileges of the Lessee under these presents:

Provided also that fair and proper compensation shall be paid by the Governor-General for all expenses, loss, damage or injury which the Lessee may sustain or be put to by reason or in consequences of the exercise of the said reserved liberties and powers to work for minerals or substances other than petroleum, the amount of such compensation to be settled in case of difference by reference to arbitration as provided in Clause 67 (Arbitration) of this Annexure;

- (b) Liberty and power for the Governor-General or any other person authorized by him in that behalf to enter into and upon the leased area and to make and maintain upon, over and through the leased area such reservoirs, pumping stations, waterways, roads, tramways, railways, telegraph and telephone lines and pipelines or other works as he shall deem necessary or expedient for any purpose, and to obtain from and out of the leased area such stone, earth and other materials as may be necessary or requisite for making, repairing or maintaining the same or any of them and at all times to draw water from the leased area and to have free access thereto, and to pass and repass at all times over and along the leased area for all such purposes as occasion shall require:

Provided always that the said reserved liberties and powers shall be exercised and enjoyed in such a manner as not to hinder or interfere with the rights and privileges of the Lessee under these presents:

Provided also that fair and proper compensation shall be paid by the Governor-General for all expense, loss, damage or injury (not however including the value of any water, stone, earth or other materials taken) which the Lessee may sustain or be put to by reason or in consequence of the exercise of the said reserved liberties and powers, the amount of such compensation to be settled in case of difference by reference to arbitration as provided in Clause 67 (Arbitration) of this Annexure.

(3) The Governor-General may require the Lessee to hold such petroleum as he elects to take in kind in storage at the field or at the terminal, free of any storage charge but not for a period exceeding thirty days.

(4) Any petroleum of which the Governor-General does not dispose within the period mentioned in paragraph (3) of this Clause shall be deemed to have been sold to the Lessee and the sums payable in respect thereof shall be a debt due and payable to the Treasurer.

19. (1) Subject to the provisions of this Clause, on or before the 21st day after the end of each quarterly period of the year, the Lessee shall estimate the royalty to be paid on this lease in respect of that period and shall pay the amount thereof to the Treasurer after deducting the value of any petroleum taken in kind.

Estimation of royalties payable.

(2) The Minister may estimate the amount of royalty payable where —

- (a) the Lessee fails to make the estimate required by paragraph (1) of this Clause; or
- (b) the Minister considers that the estimate made by the Lessee is less than a proper estimate, and upon making demand thereof in writing of the Lessee, paragraph (1) of this Clause shall apply accordingly, as if the Minister's estimate was the estimate of the Lessee.

20. (1) Within ninety days following the end of each year, the Lessee shall calculate for this lease, the total amount of royalty in respect of that year after deducting the value of any petroleum taken by the Minister in kind, and submit to the Minister a statement thereof, together with any balance of royalties shown thereby to be due, or a claim for refund of any royalties shown thereby to have been overpaid.

Annual statement of royalties calculated and assessed at the end of each year.

(2) The Minister shall assess the royalties payable and any adjustment found necessary in respect of the aggregate royalty payments already made for the year in question on the basis of quarterly estimates, shall be made forthwith.

(3) For the purposes of this Clause and Clause 19 “year” means the period of twelve months commencing on the first day of January in each year.

**PART VI
PROVISIONS RELATING TO RENTS AND ROYALTIES**

21. (1) Upon the termination by the Lessee of the term hereby granted or any renewal thereof or upon the surrender by it of the rights granted by this lease in respect of any part or parts in the leased area, any certain yearly rent paid by the Lessee in advance shall be forfeited.

Certain yearly rent not refundable on termination on surrender.

(2) Upon the release by the Lessee of any of the leased area under the provisions of Clause 30 (Release of areas included by inadvertence in the leased area), the Treasurer will refund to the Lessee all of the certain yearly rent paid by the Lessee during the term hereby granted in respect of the said area or areas.

PART VII THE LESSEE'S COVENANTS

Payment of rents
and royalties

22. The Lessee shall pay the several rents and royalties hereby reserved at the times and in the manner above appointed in that behalf.

Measurement of
petroleum

23. (1) The Lessee shall measure or weigh by a method or methods customarily used in good oilfield practice and from time to time approved by the Minister, all petroleum won, saved and removed from the leased area.

(2) The Minister or any officer authorised by the Minister shall at all times during the said term or any renewal thereof be entitled to be present whenever such measurement or weighing takes place.

(3) The Lessee shall not make any alteration in the method or methods of measurement of weighing used by it or to any appliance used for that purpose without the previous consent in writing of the Minister, and the Minister may in any case require that no alteration shall be made save in the presence of a person authorized by the Minister.

(4) The Minister may from time to time direct that any weighing or measuring appliance shall be tested or examined in such manner, upon such occasions or at such intervals and by such persons as may be specified by the Minister's direction and the Lessee shall pay to any such person or to the Minister such fees and expenses for the test or examination as the Minister may specify.

(5) Where any measuring or weighing appliance is upon any such test or examination as is mentioned in the last foregoing paragraph found to be false or unjust, the same shall, if the Minister so determines after considering any representations in writing made by the Lessee, be deemed to have existed in that condition during the period since the last occasion upon which the same was tested or examined pursuant to the last foregoing paragraph.

Keeping of
accounts

24. The Lessee shall keep at its registered office in The Bahamas accurate and complete accounts, in a form from time to time approved by the Minister, which shall contain entries of —

- (i) the quantity of petroleum won and saved from the leased area;
- (ii) the method and results of tests made on petroleum and petroleum products;
- (iii) the disposal of petroleum including —

- (a) petroleum used for the purposes of carrying on drilling and production operations and pumping to field storage within the leased area;
 - (b) petroleum exported, with the name and address of the buyer, the quantity supplied to each buyer, the price or other consideration and the destination thereof;
 - (c) petroleum delivered to each local refinery and the price paid therefore;
 - (d) petroleum delivered to natural gasoline plants and the products recovered therefrom;
 - (e) petroleum otherwise disposed of and the manner of its disposal;
- (iv) such further particulars and statistics as the Minister may from time to time require.

25. (1) The Lessee shall, unless the Minister otherwise determines, at its own expense forthwith erect and at all times maintain and keep in repair substantial boundary marks of brick, stone or concrete not less than one foot high at every angle or corner of the boundary line of any lands included in the leased areas. Such boundary marks shall be referenced by survey to at least two readily identifiable points in such a manner that the boundaries of the said lands can be accurately traced on the ground. The Lessee shall ensure that the are demarcated on the ground shall conform as closely as possible to the area delineated on the plan hereto annexed.

Boundary marks.

(2) The Lessee shall, unless the Minister otherwise determines, at its own expense forthwith erect and at all times maintain and keep in repair such survey marks or monuments as may be necessary for the delimitation of any submarine area included in the leased area. Such survey marks and monuments shall be of a form and type approved by the Minister responsible for Maritime Shipping and Navigation.

(3) The Lessee shall, if called upon so to do by the Minister, illuminate between the hours of sunset and sunrise in a manner satisfactory to the Minister responsible for Maritime Shipping and Navigation all derricks, piers, survey marks, monuments and other installation erected by the Lessee in any submarine areas included in the leased area.

26. The Lessee shall at any time comply with the provisions of regulation 52 of the Petroleum Regulations, pertaining to the requirement on the part of the Lessee to sell to refineries in The Bahamas up to twenty-five per cent of the petroleum liquid: produced by the Lessee for processing in The Bahamas, and to any requirements as to the disposal for use or processing in The Bahamas of any gas or all gas not required to sustain production of petroleum liquids.

Obligation to sell petroleum locally for processing. *S.I. 56/1978.*

Local Resident Manager.	<p>27. The Lessee shall before commencing any operations in the leased area furnish to the Minister the name and address in The Bahamas of its Resident Manager under whose supervision such operations are to be carried on. Any notice which the Minister or any person authorized by him is in accordance with the terms of this lease required or entitled to serve upon the Lessee shall be sufficiently served if the same shall be delivered or sent by registered post addressed to such Resident Manager at such address.</p>
Compensation.	<p>28. (1) The Lessee shall make and pay fair and reasonable compensation for all damage or injury to the property and rights of other parties which may be done by it, its agents and servants in the exercise of the liberties and powers conferred by this lease.</p> <p>(2) The Lessee shall furnish to the Minister copies of all conveyances, leases, assignment, agreements and indentures with surface owners relating to surface rights in and over any lands included in the leased area or any estate or interest therein and to which the Lessee is a party.</p>
Indemnity against third party claims.	<p>29. The Lessee shall at all times indemnify the Governor-General and the Minister against any action, claim, and demand of whatever nature which may be brought against the Governor-General or the Minister by any third party in relation to or in connection with any matter or thing done or purported to be done by the Lessee in pursuance of this lease:</p> <p>Provided that the provisions of this Clause shall not apply to acts, matters or things performed or done by the Lessee at the request or upon the demand of the Governor-General, the Minister or any officer authorized in that behalf by the Minister which in the opinion of the Lessee is inappropriate, undesirable or hazardous.</p>
Release of areas included by inadvertence in the leased area.	<p>30. In the event of the inclusion by inadvertence in Part I of this Annexure of any lands or submarine areas in respect of which the petroleum rights have already been granted to other companies the Lessee shall immediately release any such lands or submarine areas when required to do so by the Governor-General.</p>
Lessee not to cultivate, etc.	<p>31. The Lessee shall not, except with the consent of the Minister, cultivate or use the leased area in any manner save far the purpose of this demise and the rights hereby granted.</p>
Reservation of areas for public purposes, etc.	<p>32. (1) Notwithstanding the rights conferred on the Lessee under this lease, the Governor-General, upon giving three months' written notice to the Lessee, shall have power at any time to reserve from operations under this lease or any renewal thereof any lands or submarine areas which may from time to time be required for villages, new villages, village extensions, water reserves, navigation, ports, wharves, public fisheries or any public purposes whatsoever:</p> <p>Provided that during the subsistence of this lease or any renewal thereof the area so reserved shall not exceed in the aggregate one-tenth of the Leased area:</p>

Provided further that the reservation of any lands or submarine areas upon which any active operations such as well drilling, road constructions, water works and/or other works relating to the winning of petroleum have previously been commenced or are in progress shall not be reserved but in lieu thereof an equal area or areas upon which active operations as aforementioned have not already been commenced or are not at the time being in progress may be reserved:

Provided further that if the Lessee shall satisfy the Governor-General that the reservation of any such selected lands or submarine areas will interfere with or impede its operations or proposed operations, the Lessee shall have the right to indicate and offer proof as to the availability of other areas from which the said percentage may be selected: and

Provided further that the reservation of any lands or submarine areas shall not prevent or prejudice the right of the Lessee to search for, win and work all or any petroleum lying or being within, or beneath any of the lands and submarine areas so reserved and to carry away and dispose of the produce thereof, to and for the use and benefit of the Lessee.

(2) Where any lands or submarine areas have been reserved from this lease pursuant to paragraph (1) of this Clause, the Lessee shall carry out all operations necessary to search for, bore for, win and work any petroleum lying or being within, or beneath the said lands and/or submarine areas so reserved in such manner as to cause the least disturbance necessary without having regard to the purposes for which such lands and submarine areas were reserved, and upon completion of such operations shall remove from such reserved lands and/or submarine areas all unnecessary works, and shall maintain all works necessary to produce, take, lead, pipe and carry away the aforesaid petroleum and the products thereof in a clean, tidy and workmanlike manner without waste or spillage on land or sea.

(3) Where any lands or submarine areas have been reserved under this Clause the Lessee shall have unrestricted right to use such lands or submarine areas if they shall subsequently become no longer required for the purpose for which they were reserved.

33. (1) No statement shall be made either in any notice, advertisement, prospectus or other documents issued by or to the knowledge of the Lessee or in any other manner, claiming or suggesting, whether expressly or by implication, that the Governor-General, the Minister or any Government Department or any person or body acting on behalf of any of them has or have formed or expressed any opinion that the leased area is from its geological formation or otherwise likely to contain petroleum.

Advertisements,
prospectuses, etc.

(2) The foregoing provisions of this Clause or a statement to the effect thereof shall be included or endorsed on any prospectus, statement in lieu of prospectus, notice, circular, advertisement or other invitation issued by or to the knowledge of the Lessee offering to the public for subscription or purchase any shares or debentures of a company or intended company.

Notice of fresh issue of capital.

34. The Lessee shall report to the Minister particulars of any fresh issues of capital which may from time to time be made by it and any alteration which may be made in the Memorandum or Articles or in the constitution of the Lessee.

Assignment.

35. (1) The Lessee shall not assign or transfer in whole or in part any of the rights or obligations undertaken herein, without the previous consent in writing of the Governor-General and any such assignment, or transfer made without such previous consent shall be null and void and may result in forfeiture of the lease.

(2) An application for consent to assign, or transfer shall be made in accordance with the Regulations.

(3) The Governor-General may in his discretion approve or refuse the application for assignment or transfer.

(4) Any assignment or transfer of this lease shall not in any way absolve the assignor or transferor from the obligations undertaken by him under this Lease except to the extent to which such obligations are in fact performed by the assignee or transferee.

Assignment of lease.

36. Subject to the provisions of Clause 35 (Assignment) and 37 (Lessee ceasing to be a company) hereof, the Lessee shall not assign this lease to any person other than a company incorporated in The Bahamas or a company incorporated outside The Bahamas which has been duly registered in The Bahamas under the provisions of the International Business Companies Act.

Ch. 309.

Lessee ceasing to be a company.

37. If the Lessee shall cease to be a company incorporated in The Bahamas or a company incorporated outside The Bahamas and registered in The Bahamas under the provisions of the International Business Companies Act, the Lessee shall forthwith inform the Minister accordingly and apply to the Governor-General for his consent to an assignment of the rights granted by this lease in accordance with Clause 35 (Assignment) of this Annexure and in the event of the Lessee failing to satisfy the conditions imposed for such consent within such time as the Governor-General may see fit to appoint, the Governor-General may revoke this lease. The revocation of this lease in pursuance of the foregoing provisions of this Clause shall be subject and without prejudice to any obligation imposed by or any liability theretofore incurred under the terms and conditions thereof.

Ch. 309.

Minister's right to appoint a director.

38. (1) Where the Lessee is a company and mines petroleum in commercial quantities from the leased area, the Minister shall have the right to appoint a public officer as a member of the Board of

Directors of such company for so long as petroleum continues to be mined by the Lessee in commercial quantities from the leased area.

(2) The Lessee shall have a manager residing in The Bahamas.

39. (1) The Lessee shall carry out its operations under the continuous supervision of a qualified petroleum geologist or petroleum engineer.

Operations to be carried out under qualified petroleum geologist or engineer.

(2) The Lessee shall have regard at all times in the conduct of his operations to the public interest and to the rights and interests of The Bahamas.

40. The Lessee shall exercise the liberties and powers hereby granted in such a manner as to offer no unnecessary or reasonably avoidable obstruction or interruption to the development and working within the leased area or lands or areas adjacent thereto of any minerals not included in this lease and shall at all times afford to the Governor General, the Minister or his representatives and to the holders of licences or leases in respect of any such minerals or any minerals within any lands or areas adjacent to the leased area reasonable means of access and convenient passage upon and across the leased area to such minerals for the purpose of getting, working, developing and carrying away the same.

Lessee not to obstruct working of other minerals.

41. As soon as the site of any borehole or well has been decided the Lessee shall notify the Minister in writing of the situation thereof and the same shall be described by a certain number in the plans and records which the Lessee is required to keep under the provisions of this lease. The Lessee shall notify the Minister of any change of the number of any such borehole or well which may be made.

Notice of the site of boreholes or wells.

42. No borehole or well shall be commenced and no borehole or well shall be recommenced after work has been discontinued thereat for more than six months unless seven clear days' notice in writing is first given to the Minister, save that the provisions of this Clause shall not apply to cleaning out operations in a producing well.

Notice of commencement of boreholes or wells.

43. (1) No borehole or well shall be abandoned and no cemented string or other permanent form of casing shall be withdrawn from any borehole or well which it is proposed to abandon without the prior consent in writing of the Minister, such consent not to be unreasonably withheld or delayed in the case of boreholes or wells which have become unproductive and shall not be withheld or delayed for more than forty-eight hours in the case of unproductive boreholes or wells.

Abandonment and plugging of boreholes.

(2) Every borehole or well which the Lessee intends to abandon shall, unless the Minister otherwise determine be so securely plugged by the Lessee to the satisfaction of the Minister as to prevent the egress of oil or gas therefrom or ingress and egress of water in and from any portion of the strata bored through.

(3) The Minister may in any case require that no borehole or well shall be plugged or any works be executed for that purpose save in the presence of an officer authorised by him and he agrees to have such authorized officer present upon twenty-four hours' notice from the Lessee.

Delivering up of productive boreholes and wells.

44. Within two months after the expiration or sooner termination of this lease or any renewal thereof pursuant to Clause 55 (Renewal) hereof or the date of the abandonment of the undertaking hereby leased pursuant to Clause 56 (Right of Lessee to terminate lease) hereof, whichever shall first occur, and without payment of any compensation in respect thereof, the Lessee shall deliver up to the Governor-General in good order, repair and condition and fit for further working all productive boreholes or wells (unless ordered by the Minister to plug them as provided in the next succeeding Clause hereof and except such boreholes and wells shall have been previously abandoned with the consent of the Minister) which shall have been made by the Lessee under the liberty or power in that behalf hereinbefore contained, together with all casings and other appurtenances to such boreholes or wells below surface level and all piers, piles and caissons constructed and installed in connection with such boreholes or wells which are necessary for the operation of and which cannot be removed without causing injury to the said boreholes and wells.

Plugging of boreholes on termination of lease, etc.

45. Within two months after the expiration or sooner termination of this lease or any renewal thereof pursuant to Clause 55 (Renewal) hereof or the date of the abandonment of the undertaking hereby leased pursuant to Clause 56 (Right of Lessee to terminate lease) hereof, whichever shall first occur, the Lessee shall if required so to do by the Minister —

- (a) securely plug to the satisfaction of the Minister all boreholes and wells as provided in Clause 43 (Abandonment and plugging of boreholes); and
- (b) remove in a manner satisfactory to the Minister responsible for Maritime Shipping and Navigation all piers, piles, derricks and other installations erected by it within the submarine areas included in this lease.

Health and safety of workers.

46. (1) The Lessee shall take all practicable precautions (which shall include the provisions of modern equipment) and comply with any reasonable instructions from time to time issued by the Minister for securing the health, safety and welfare of persons employed in or about the leased area.

(2) The Lessee shall forthwith notify the Minister in writing of any accident occurring in or about the leased area; and the Minister may, if he thinks fit, on receipt of such notification conduct an enquiry into any such accident.

47. (1) The Lessee shall maintain all apparatus and appliances and all boreholes and wells capable of producing petroleum in commercial quantities in good repair and condition and shall execute all operations in or in connection with the leased area in a proper and workmanlike manner in accordance with methods and practice customarily used in good oilfield practice and, without prejudice to the generality of the foregoing provision, the Lessee shall take all steps practicable in order —

Avoidance of harmful methods of working.

- (a) to control the flow and to prevent the escape or waste of petroleum discovered in or obtained from the leased area;
- (b) to conserve the leased area for productive operations;
- (c) to prevent damage to adjoining petroleum bearing strata;
- (d) to prevent the entrance of water through boreholes and wells to petroleum bearing strata;
- (e) to prevent the escape of petroleum into any water-well, spring, stream, river, lake, reservoir, estuary or harbour;
- (f) to prevent the pollution of the waters by oil, mud or any fluid or substance which might contaminate the sea water or shore line or which might cause harm or destruction to marine life; and
- (g) to cause as little damage as possible to the surface of any lands included in the leased area and to the trees, crops, buildings, structures and other property thereon.

(2) The Lessee shall comply with any reasonable instructions from time to time given by the Minister in writing relating to any of the matters set out in paragraph (1) of this Clause. If the Lessee objects to any such instruction on the ground that it is unreasonable it may be within fourteen days from the date upon which the same was given refer the matter to arbitration in the manner provided by Clause 67 (Arbitration) of this Annexure.

48. The Lessee shall use methods and practice customarily used in good oilfield practice for confining the petroleum obtained from the leased area in tanks, gasholders, pipes, pipelines or other receptacles constructed for that purpose. No petroleum shall, save as a temporary measure during an emergency, be placed or kept in an earthen reservoir.

Provisions of storage tanks, etc.

49. The Lessee shall drain all waste oil, salt water and refuse from tanks, gasholders, boreholes and wells into proper receptacles constructed and maintained by it for that purpose at a safe distance from such tanks, gasholders, boreholes and wells and from any buildings or structures, whether situate within the leased area or not, and shall dispose of such waste oil, salt water and refuse in a manner from time to time approved by the Minister after consultation with the Minister responsible for Environmental Matters.

Disposal of waste oil, salt water and refuse.

Lessee to keep
records of
boreholes

50. The Lessee shall keep accurate records in a form from time to time approved by the Minister of the drilling, deepening, plugging or abandonment of all boreholes and wells and of any alteration to the casing thereof. A log of all boreholes and wells shall be kept in a form from time to time approved by the Minister containing particulars of the following matters —

- (a) the strata and subsoil through which the borehole or well was drilled;
- (b) the casing inserted in any borehole or well and any alteration to such casing;
- (c) any petroleum workable minerals or mine workings encountered; and
- (d) such other matters as the Minister may from time to time require.

the Lessee shall deliver copies of the said records and log to the Minister as and when required.

Lessee to keep
samples of strata,
etc

51. The Lessee shall as far as reasonably practicable correctly label and preserve for reference for a period of twelve months characteristic samples of the strata recovered from any boreholes or well and samples of any petroleum discovered in the leased area. And the Minister or his representative shall have access to such samples at all reasonable times and shall be entitled to require that representative specimens not exceeding one-half of any such sample be delivered to him and to retain any specimen delivered.

Plans and
records

52. (1) The Lessee shall furnish to the Minister at such times as the Minister may appoint during the term hereby granted or any renewal thereof, a record in a form from time to time approved by the Minister of the progress of its operations in the leased area. Such record shall contain —

- (a) a statement of the depth drilled in each borehole or well;
- (b) a statement of any petroleum or workable minerals of economic importance encountered in the course of the said operations;
- (c) a statement of all petroleum won and saved; and
- (d) a statement of the areas in which any geological or geophysical work has been carried out.

(2) Within two months after the end of each calendar year comprised in the term hereby granted or any renewal thereof, the Lessee shall furnish to the Minister a record in a form from time to time approved by the Minister of the operations conducted in the leased area during the preceding calendar year, together with a plan upon a scale approved by the Minister showing the situation of all boreholes or wells and indicating all development and other works executed by it in connection with searching, boring for and getting petroleum.

(3) The Lessee shall also keep accurate geological plans, maps and records relating to the leased area.

(4) The Lessee shall furnish to the Minister within four months of the end of each year of the term hereof the results of all geological, geophysical, seismic and other related investigations made and the interpretations thereof with respect to the leased area and such plans and information as to the progress of operations in the leased area as he may from time to time reasonably require.

53. All logs, records, plans, maps, accounts and information which the Lessee is or may be from time to time required to furnish under the provisions of this lease shall be supplied at the expense of the Lessee and shall (except with the consent in writing of the Lessee which shall not be unreasonably withheld and except as provided in regulation 49 (3) (b) and (c) of the Petroleum Regulations be treated by the Minister as confidential. The Minister shall nevertheless be entitled at any time to make use of any information received from the Lessee for the purpose of preparing and publishing aggregate returns and general reports or the extent of oil prospecting or oil producing operations in The Bahamas and for the purposes of any arbitration or litigation between the Governor-General or the Minister and the Lessee.

Reports to be treated as confidential.

S.I. 56/1978.

**PART VIII
THE GOVERNOR-GENERAL’S COVENANTS**

54. The Lessee paying the rents and royalties hereby reserved and observing and performing the covenants and provisions herein contained and on its part to be observed and performed, shall and may peaceably and quietly hold and enjoy the rights and privileges hereby demised for and during the term hereby granted without any lawful interruption from or by the Governor-General or any person rightfully claiming from or under him.

For quiet enjoyment.

55. The Lessee having paid the several rents and royalties due and having observed and performed the terms and conditions herein contained, may, subject to the provisions of the Petroleum Act and the Petroleum Regulations be granted a renewal of this lease by the Governor-General for a period not exceeding ten years on application made to the Minister not less than one year before the expiry of the period of the lease, upon terms to be agreed between the Governor-General and the Lessee in the light of circumstances then prevailing.

Renewal.

S.I. 31/1982, r. 13.

56. The Lessee shall be at liberty to determine this lease in whole or in part on giving to the Governor-General not less than twelve months’ previous notice in writing. Such determinations shall not affect any obligations or liability imposed on or incurred by the Lessee under this lease that have not been performed or discharged prior to the date of determination.

Right of Lessee to terminate lease.

Rights of Lessee to abandon portions of the said lands.

57. Without prejudice to any obligation imposed by or any liability therefore incurred under the terms and conditions hereof, the Lessee shall be entitled at any time during the term hereby granted or any renewal thereof by giving ninety days notice in writing to the Governor-General to surrender the rights granted by this lease in respect of any part or parts of the leased area; provided that the part of the leased area in respect of which the said rights are retained shall consist as far as practicable of complete units, in accordance with the provisions of the Petroleum Act and the Petroleum Regulations.

PART IX GENERAL PROVISIONS

Power to inspect plant, records, etc.

58. Any person or persons authorized by the Minister shall be entitled at all reasonable times to enter into and upon any land or submarine area for the time being possessed or occupied by the Lessee in the leased area for the purposes hereinafter mentioned —

- (a) to examine the boreholes, wells, plans, appliances, buildings and works made or executed by the Lessee in pursuance of this lease and the state of repair and construction thereof;
- (b) to inspect and check the accuracy of the weighing or measuring appliance, weights, measurements, logs, records, plans and maps which the Lessee is required to keep or make in accordance with the provisions of this lease;
- (c) to inspect and make abstracts or copies of any Logs, records, plans, maps or accounts which the Lessee is required to keep or make in accordance with the provisions of this lease;
- (d) to inspect the samples of strata and petroleum which the Lessee is required to keep in accordance with the provisions of this lease; and
- (e) to execute any works which the Governor-General may be entitled to execute in accordance with the provisions of this lease.

Unit of development.

59. Where at any time during the term hereby granted or any renewal thereof, the Governor-General is satisfied that the strata of the leased area or any part thereof form part of a single, geological petroleum structure or petroleum field (hereinafter referred to as “an oil field”) in respect of which other leases are in force and the Governor-General considers that it is in the public interest in order to secure the maximum ultimate recovery of petroleum and to avoid unnecessary competitive drilling, that the oil field should be worked and developed as a unit with the co-operation by all concerned, the following provisions shall apply —

- (a) (i) the Lessee shall, upon being so required by notice in writing by the Governor-General, co-operate with such other companies, being companies holding leases in respect of any part or parts of the oil field (hereinafter referred to as “the other Lessees”), as may be specified in the said notice in the preparation of a scheme (hereinafter referred to as “a development scheme”) for the working and development of the oil field as a unit by the Lessee and the other Lessees in co-operation, and shall, jointly with the other Lessees, submit such scheme for the approval of the Governor-General;
- (ii) the said notice shall also contain a description by reference to a map of the area or areas in respect of which the Governor-General requires a development scheme to be submitted and shall state the period within which such scheme is required to be submitted for approval by the Governor-General;
- (b) if a development scheme is not submitted to the Governor-General within the period limited in that behalf by the said notice, or if a development scheme submitted in pursuance of the foregoing provisions of this Clause shall not be approved by the Governor-General, the Minister shall himself prepare a development scheme which shall be fair and equitable to the Lessee and the other Lessees and the Lessee shall perform and observe all the terms and conditions thereof;
- (c) if the Lessee shall object to any such development scheme prepared by the Minister, it may within twenty-eight days from the date on which notice in writing of the said scheme shall have been given to it by the Governor-General refer the matter to arbitration as provided in Clause 67 (Arbitration) of this Annexure. Notwithstanding any such reference to arbitration the Lessee shall, unless the arbitrator otherwise determines, perform and observe the terms and conditions of the development scheme pending the decision of the arbitrator.

60. In the event of emergency or war (of the existence of which the Governor-General shall be the sole judge) —

- (a) the Governor-General shall have the right of pre-emption of all petroleum produced under this lease and of all the products thereof and shall have the right to require the Lessee to the extent of any refinery capacity it then may have in The Bahamas to produce therein domestic fuels provided that the said petroleum is of a suitable kind and quality for this purpose;
- (b) the Lessee shall use its utmost endeavour to increase the supply of petroleum and/or products thereof to the extent required by the Governor-General;

In the event or state of emergency or war Governor-General to have right of pre-emption.

-
- (c) the Lessee shall with every reasonable expedition and so as to avoid demurrage on the vessel or vessels engaged to convey the same, do its utmost to deliver with then existing facilities all petroleum or products thereof purchased by the Governor-General under his said right of pre-emption in the quantities at the time and in the manner required by the Governor-General at a convenient place of shipment or storage in The Bahamas served by then existing facilities, to be determined by the Governor-General, whether belonging to the Government or otherwise. In the event of a vessel employed to carry any such petroleum or products thereof on behalf of the Governor-General being detained on demurrage at the port of loading, the Lessee shall pay the amount due for demurrage according to the terms of the charter party and/or the rates of loading previously agreed with the Lessee unless the delay is due to lack or insufficient quantity or inadequacy of existing facilities or to other causes beyond the control of the Lessee. Any dispute which may arise as to whether the delay is due to the causes aforementioned or the other causes beyond the control of the Lessee shall be settled by agreement between the Governor-General and the Lessee and in default of such agreement the question shall be referred to arbitration as provided in Clause 67 (Arbitration) of this Annexure;
- (d) the price to be paid for all petroleum or products of the refining or treatment of petroleum taken in pre-emption by the Governor-General shall be either —
- (i) as specified in a separate agreement; or
 - (ii) if no such agreement shall have been entered into prior to the exercise of the right of pre-emption a fair market price for the time being at the point of delivery as the same shall be settled by agreement between the Governor-General and the Lessee or in default of such agreement, the Governor-General shall determine such price.

To assist in arriving at a fair market price at the point of delivery the Lessee shall furnish for the confidential information of the Governor-General if so required, or voluntarily if it so elects, particulars of the quantities, description and prices of petroleum or products thereof sold to other customers and of charters or contracts entered into for carriage and exhibit to the Governor-General original or authenticated copies of contracts or charter parties entered into for the sale or carriage of such petroleum or products thereof and the published market prices for petroleum and products thereof of similar kind and quality at United States of America Gulf Coast ports;

- (e) the Governor-General shall be at liberty to take control of the works, plant and premises of the Lessee in The Bahamas and in such event the Lessee shall conform to and obey all directions issued by the Governor-General or on his behalf. Compensation shall be paid to the Lessee for any expense, loss or damage, including loss of prospective profits, that may be proved to have been sustained by the Lessee by reason of the exercise by the Governor-General of the power conferred by this paragraph. Any such compensation shall be settled by agreement between the Governor-General and the Lessee or, in default of agreement, by arbitration as provided in Clause 67 (Arbitration) of this Annexure.

61. Where the Lessee fails to perform the obligation arising under the terms and conditions of any of the undermentioned clauses of this Annexure —

Power to execute works.

- (a) Clause 23 (Measurement of petroleum obtained from the said lands);
- (b) Clause 42 (Delivering up of productive boreholes and wells);
- (c) Clause 43 (Plugging of boreholes on termination of lease, etc.);
- (d) Clause 46 (Health and safety of workers);
- (e) Clause 47 (Avoidance of harmful methods of working);
- (f) Clause 48 (Provision of storage tanks, etc.);
- (g) Clause 49 (Disposal of waste oil, salt water and refuse),

then and in any such case the Minister may, if he so deems expedient, cause such works to be executed and the Minister shall, in such case, recover from the Lessee the costs and expenses incurred by so doing;

Provided always that the aforesaid power shall not be exercisable unless and until written notice has been given to the Lessee specifying the particular breach complained of and if the breach is capable of remedy, requiring the Lessee to remedy the breach or, if it be incapable of remedy, requiring the Lessee to make fair and reasonable compensation in money for the breach and if the Lessee fails within a reasonable time to commence and thereafter to proceed diligently to remedy the breach, if it is capable of remedy, or to make fair and reasonable compensation to the satisfaction of the Minister if the breach is incapable of remedy.

62. Where any of the rents or royalties reserved by this lease or any past thereof respectively shall be in arrear or unpaid for the space of two calendar months after any of the days whereon the same ought to be paid (whether the same shall have been legally demanded or not) then, and so often as the same may happen, the Governor-General may (as an additional remedy and without prejudice to the power of distress and other rights and remedies to which he would be entitled) following written notices to the Lessee

Rights of distress.

enter into and upon any of the leased area which shall for the time being be possessed or occupied by the Lessee for the purposes of this lease or the exercise of any of the rights thereby granted, and may seize and distrain and sell as landlords may do for rent in arrear all or any of the stocks of petroleum and products thereof, engines, machinery, tools, implements, chattels and effects belonging to the Lessee which shall be found in or upon the leased area so entered upon and out of the moneys arising from the sale of such distress may retain and pay all the arrears of the said rents and royalties and also the costs and expenses incident to any such distress and sale and paying the surplus (if any) to the Lessee.

Power of
revocation

63. Where the rents and royalties reserved by this lease or any part thereof shall be in arrear for the space of six calendar months next after any of the days whereon the same ought to have been paid or if there shall be any breach by the lessee of any of the terms and conditions of this lease or if the Governor-General is satisfied the lease was obtained as a result of wilful misrepresentation by the lessee in any material particular in the price of applying for the lease or there is failure on the part of the lessee to keep accurate and complete records, books and accounts in accordance with section 14 of the Act or if the lessee shall become bankrupt or make or enter into any arrangement or composition with its creditors or if a receiver or trustee shall be appointed or the lessee shall enter into liquidation whether compulsory or voluntary (except a voluntary liquidation of a solvent company for the purpose of reconstruction) or if the lessee shall fail to perform and observe the terms and conditions of any development scheme prepared in accordance with the provisions of Clause 59 (Unit of development) of this Annexure, then, and in any case, the Governor-General may, acting in accordance with the provisions of section 10) of the Petroleum Act, revoke this lease and thereupon the same and all the rights hereby granted shall cease and terminate but subject nevertheless and without prejudice to any obligation imposed by or any liability theretofore incurred under the terms and conditions of this lease.

*S.I. 31/1982,
r. 13.*

Power of Lessee
to remove plant,
etc

64. Subject to the provisions of Clause 44 (Delivering up of productive boreholes and wells) of this Annexure the lessee may, provided that all rents, royalties and other impositions payable by it by virtue of these presents have been paid and that all the covenants and conditions herein contained have been observed and performed, at any time or times within six calendar months after the termination of this lease or any renewal thereof whether by passage of time or otherwise, enter into and upon the leased area or any part thereof for the purposes of taking down, removing and disposing of, for its own use and benefit of all or any of the buildings, works, railways, pipelines, machinery, utensils, implements, articles and things set up and used or employed by it in or about the leased area which the Governor-General shall not have elected to purchase under the provisions of Clause 65 (Power to purchase plant, etc.) of this Annexure (except buildings and erections of brick, stone or

concrete), making reasonable compensation for all damage done to the leased area by such removal.

65. If at the expiration or sooner termination of this lease or any renewal thereof the Governor-General shall be desirous of purchasing all or any of the buildings works, railways, pipelines, machinery, utensils, implements, articles or things constructed, set up or used or employed by the lessee in or about the leased area and shall signify such desire by notice in writing to the lessee six calendar months at least before the expiration of this lease (or if this lease shall be terminated under the power of revocation hereinbefore contained at any time within throe calendar months after the termination of the lease) the lessee shall sell to the Governor-General the articles and things specified in such notice at a price representating their first market value which price, failing agreement, shall be fixed by arbitration as provided in Clause 67 (Arbitration) of this Annexure.

Power to purchase plant, etc

66. (1) Where the Lessee fails to fulfill an obligation, undertaken by him under this lease because of “*force majeure*” as defined in regulation 53 of the Petroleum Regulations, such failure shall not be treated as a failure to comply with the provisions of this lease if it is proved to be the necessary consequence of “*force majeure*”.

Force majeure.

(2) The period during which the fulfilment of such obligation is rendered impossible shall be added to the term of this lease provided such period does not exceed one year.

67. If at any time during the continuance of this lease or after the termination thereof any difference or dispute regarding this lease or any matter or thing connected therewith or the powers, duties, obligations or liabilities of the Lessee hereunder or the amount or payment of any rent or royalty (not being a difference or dispute concerning any matter the settlement of which is provided for in section 11(3) of the Petroleum Act then and in all such cases the matter in difference or dispute shall be referred to arbitration in accordance with the Arbitration Act or any Act passed in amendment thereof or substitution therefore.

Arbitration

S.I. 31/1982, r. 13.

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68. The marginal notes are for convenience only and do not form part of this Lease.

Marginal notes

**THE ANNEXURE MARKED “A” ABOVE REFERRED TO
BOND IN RESPECT OF LEASE**

KNOW ALL MEN BY THESE PRESENTS THAT WE

.....
of
and.....
of.....

are held and firmly bound to the Treasurer of The Bahamas and his Successors in Office in the sum of to be paid to the said Treasurer and his Successors in Office for which payment to be well and truly made we bind ourselves and each of us our heirs, executors and administrators jointly and severally by these presents.

Dated this day of, 19.....

WHEREAS by Indenture of even date herewith and made between

.....
the Governor-General of The Bahamas for and on behalf of the Government of The Bahamas (hereinafter referred to as “the Governor-General”) of the one part and the said

.....
of the other part all or any petroleum lying or being within or beneath the surface of these lands and/or submarine areas lying and being and containing an area of or thereabouts and delineated in Annexure “A” of this deed to the said Indenture was demised unto the said subject to the terms, conditions and covenants therein contained:

AND WHEREAS the said
has agreed to become surety for the due performance by the said for all and several the covenants, matters and things under the said Indenture at the time of this Indenture to be by it performed and done:

NOW the condition of the above-written bond or obligation is such that if the said well and truly observe and perform all and every the covenants and agreements by it to be observed and performed as hereinbefore mentioned and shall comply with the provisions of the Petroleum Act and the Petroleum Regulations, and shall in a proper and workmanlike manner do all and every the acts, matters and things by it to be done under the said Indenture to the satisfaction of the Governor-General THEN the above-written band or obligations shall be void otherwise the same shall remain in full force and effect.