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Pursuant to international law, Timor-Leste has sovereign rights for the purpose of exploring, exploiting and managing its natural resources, including Petroleum resources. Timor-Leste has title to all Petroleum resources existing in the subsoil of its territory, both

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For the purposes of this Law:

“Affiliate” means, in respect of an Authorised Person (or, if more than one Person, in respect of each such Person), a Person that Controls, is Controlled by, or is under common Control with, the Authorised Person or any such Person, as the case may be;

“Calendar Year” means a period of 12 mont

- by virtue of any powers conferred by the articles of association of the first Person or any other Person or of any document that is likely to confer similar powers,

that the affairs of the first Person are conducted or managed in accordance with the directions or decisions of that other Person;

“Decommissioning” means, in respect of the Authorised Area or part thereof, as the case may be, to abandon, decommission, transfer, remove and/or dispose, as junk or waste, of any structures, facilities, installations, equipment and other property, and other works, used in Petroleum Operations in the Authorised Area, to clean up the Authorised Area and make it good and safe, and to protect the environment.;

“Public Officer” means a civil servant or an individual with a similar status, members of Parliament or of Government, judicial magistrates, and public prosecutors;

“Natural Gas” means all gaseous hydrocarbons and inerts , including wet mineral gas, dry mineral gas, casing head gas and residue gas remaining after the extraction of liquid hydrocarbons from wet gas, but not crude oil;

“Government” means the Government of the Democratic Republic of Timor-Leste;

“Inspector” has the same meaning as set out in subarticle 26.1;

“Reservoir” means a porous and permeable underground formation containing an individual and separate naturally occurring accumulation of producible hydrocarbons (in a liquid and/or gaseous state), that is confined by impermeable rock and/or water barriers, and is characterized by a single natural pressure system;

“Law” means the Law on Petroleum Activities of Timor-Leste, as amended, varied, modified or replaced from time to time, and regulations made and directives issued under the said Law;

“Good Oil Field Practice” has the same meaning as set out in subarticle 23.1;

“Ministry” means the ministry or other agency to whom responsibilities and competencies in respect of the application of the present Law are assigned;

“Petroleum Operations” means activities for the purposes of:

- prospecting for Petroleum;
- exploration for, development, exploitation, sale or export of Petroleum; or
- construction, installation or operation of any structures, facilities or installations for the development, exploitation and export of Petroleum, or decommission or removal of any such structures, facilities or installations;

“Operator” means the Authorised Person or other Person named in an Authorisation or unitisation agreement to organise and supervise Petroleum Activities;

“Parliament” means the National Parliament of Timor-Leste;

“Seep” means, in respect of Petroleum, Petroleum which is seeping to the surface, naturally, through natural conduits;

“Person” includes a corporation or any other legal entity, even if it has no legal personality;

“Authorised Person” means:

- in respect of a Petroleum Contract, the Contractor; and
- in respect of any other Authorisation, the Person to whom such other Authorisation has been granted;

“Petroleum” means:

- any naturally occurring hydrocarbon, whether in a gaseous, liquid or solid state;
- any naturally occurring mixture of hydrocarbons, whether in a gaseous, liquid or solid state; or
- any Petroleum, as defined above , which has been returned to a reservoir;

“Crude Oil” means crude mineral oil and all naturally occurring hydrocarbons in a liquid state or obtained from wet gas by condensation or extraction;

“Well” means a perforation in the earth’s surface dug or bored for the purpose of producing Petroleum; and

“Territory of Timor-Leste” consists of the territory of Timor-Leste, including its territorial sea, together with its exclusive economic zone and continental shelf where, under international law, Timor-Leste has sovereign rights for the purposes of exploring for and exploiting its natural resources;

“Timor-Leste” means the Democratic Republic of Timor-Leste; and

“Treaty” means the Timor Sea Treaty between the Government of Timor-Leste and the Government of Australia signed on the 20th of May, 2002.

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1. This Law applies to the Territory of Timor-Leste.

(b) If the holder has failed to meet any of the conditions or to fulfil any of its obligations under the Prospecting Authorisation, the Ministry may revoke or terminate such an Authorisation by written notice to the holder.

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1. The Ministry may enter into a Petroleum Contract, in respect of a specific area, with a Person or group of Persons, provided that if a group, such group has entered into a joint operating agreement approved by the Ministry under subarticle 18.1

2. In order to be eligible to enter into a Petroleum Contract, a Person must:

(a) have, or have access to, financial capability, and the technical knowledge and technical ability to carry out the Petroleum Operations in the Contract Area;

(b) not have a record of non-compliance with principles of good corporate citizenship; and

(c) be a limited liability corporation or entity with limited liability.

3.(a) Without prejudice to Articles 11 and 12, a Petroleum Contract grants to the Contractor the exclusive right to carry out Petroleum Operations in the Contract Area.

(b) The subject of the Petroleum Contract may be limited to Crude Oil, Natural Gas or other constituents of Petroleum.

4. (a) An Authorised Person shall give written notice to the Ministry within twenty-four (24) hours of any discovery of Petroleum in the Authorised Area.

(b) The Contractor shall provide such information relating to the discovery as may be required by the Ministry.

5. A Petroleum Contract shall oblige the Contractor to carry on Petroleum Operations only in accordance with work programmes, plans and budgets approved by the Ministry.

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1. (a) The Ministry may grant an Access Authorisation, in respect of a specific area, to a Person or a group of Persons.

(b) The Ministry may not grant an Access Authorisation in respect of an area that is the subject of a Petroleum Contract, a Prospecting Authorisation or a Seepage Use Authorisation until it has taken into consideration any submissions made by the holders of such Authorisations in such a way that there is no encroachment upon the rights of that other Authorised Person.

2. (a) An Access Authorisation, while it remains in force, authorises the holder to carry out one or more of the following activities:

(i) construct, install and operate structures, facilities and installations, and

(ii) carry out other works,

As specified in the Authorisation, in respect of the Authorised Area.

(b) Nothing in an Access Authorisation authorises the holder to drill a Well.

3. (a) An Access Authorisation:

(i) may be surrendered by the holder by written notice to the Ministry, provided that the Authorised Person has fulfilled all its obligations thereunder; and

(ii) may be revoked by the Ministry at any time by written notice to the holder, if the holder has not fulfilled a condition or an obligation to which the Authorisation is subject.

(b) The Ministry shall give written notice of the surrender, revocation or termination to any Authorised Person in whose Authorised Area operations were authorised to be carried on by the Access Authorisation concerned.

4. The Ministry may issue a directive to the holders of Access Authorisations and to other Authorised Persons regarding the coordination of their respective Petroleum Operations.

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1. (a) The Ministry may grant a Seepage Use Authorisation in respect of a specific area.

(b) The Ministry may grant a Seepage Use Authorisation to a Person who is acting for this purpose on behalf of a class of Persons specified in the Authorisation.

2. (a) A Seepage Use Authorisation grants an exclusive right to exploit a Seep in a specified area.

(b) A Seepage Use Authorisation shall require the Authorised Person to report to the Ministry on the progress and results of such exploitation.

(c) A Seepage Use Authorisation shall specify the maximum depth to which the Authorised Person may drill a Well.

3. (a) Notwithstanding paragraph (a) of subarticle 10.3, a Seepage Use Authorisation may be granted in respect of an area that is already the subject of an Authorisation other than a

Seepage Use Authorisation, and the Seepage Use Authorisation shall prevail in case of dispute.

(b) Prior to granting a Seepage Use Authorisation in respect of a given area that is already the subject of an existing Authorisation, the Ministry shall give written notice to the holder of the existing Authorisation.

(c) Any Authorisation granted subsequent to a Seepage Use Authorisation shall be subject to the rights of holders of Seepage Use Authorisations.

4. (a) A Seepage Use Authorisation:

(i) may be surrendered by the holder by written notice to the Ministry, provided that the Authorised Person has fulfilled all its obligations thereunder; and

(ii) may be revoked or terminated by the Ministry at any time by written notice to the holder, if the holder has not fulfilled a condition or an obligation to which the Seepage Use Authorisation is subject.

(b) The Ministry shall provide written notice of the surrender, revocation or termination of a Seepage Use Authorisation to any Authorised Person in whose Authorised Area operations were authorised to be carried on under the Seepage Use Authorisation concerned.

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1. (a) The Ministry shall invite, by public notice, applications for Authorisations.

(b) Notwithstanding paragraph 13.1(a) above, the Ministry may choose to award Authorisations through direct negotiation without issuing such invitations:

(i) in the case of Access Authorisations; or

(ii) in the case of all other types of Authorisation, where it is in the public interest to do so.

(c) If the Ministry awards an Authorisation without inviting applications as set forth in paragraph 13.1(b) above, it shall provide substantiated reasons for its so doing.

(d) Applications shall be submitted in one of the official languages of Timor-Leste or, in the event that they are written in any other language, be accompanied by an official translation into one of the official languages of Timor-Leste, and shall be delivered in a closed envelope.

2. (a) An invitation shall specify the area concer

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1. (a) The Ministry may inquire into and decide all disputes involving Persons engaged in Petroleum Activities, either:

- (i) among themselves, where agreements between them do not specify a dispute resolution mechanism, or
- (ii) in relation to third parties (other than the Government) not engaged in such Petroleum Activities, as long as these third parties accept the jurisdiction of the Ministry for the resolution of the dispute.

(b) The Ministry may refuse to decide any dispute referred to it and, if it does so, it shall notify the parties to the dispute in writing.

(c) The Ministry may, taking into consideration all relevant circumstances, issue any directive that may be necessary for the purpose of giving effect to its decision in proceedings pursuant to this Article 20, including ordering the payment, by any party to a dispute, to any other party to the dispute, of such compensation as may be fair and reasonable.

2. (a) If a dispute arises relating to the interpretation and/or application of the terms of an Authorisation, or the execution thereof, between an Authorised Person and the Ministry, the parties shall attempt to resolve that dispute by means of negotiation.

(b) If the dispute cannot be resolved by negotiation, either party may refer the dispute to arbitration or to the competent judicial authority.

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The Ministry may exempt an Authorised Person from complying with the conditions and obligations of its Authorisation, and may also agree to amend or suspend such conditions and obligations, either with or without conditions and either temporarily or permanently.

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1. The decision by Timor-Leste to participate in Petroleum Operations shall be made by the Council of Ministers, which may delegate such competence to the Prime Minister.

2. This Law shall apply to the State-Owned Contractor in the same terms as is applicable to any other Contractor, with the required adaptations.

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An Authorised Person shall decommission on the earlier of:

- (a) termination of the Authorisation; or
- (b) when no longer required for Petroleum Activities; and, in either case:
- (c) except with the written consent of the Ministry and in accordance with the conditions of that consent; or
- (d) unless otherwise provided for in the Authorisation.

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1. Timor-Leste shall have title to all data and information, be they raw, derived, processed, interpreted or analysed, obtained under any Authorisation.
2. Data and information obtained during the course of Petroleum Operations may be freely exported by Authorised Persons, and the Ministry may require that an original or, in the case of a core, rock, fluid or a

reasonably necessary for the full enforcement of such rights and obligations shall remain applicable for such a period of time as deemed necessary.

(b) The Ministry has the competence to cancel a Authorisation in conformity with the terms established in the Authorisation.

2. (a) Should there exist more than one Authorised Person, in respect of a particular Authorisation, and circumstances arise in which the Ministry may cancel that Authorisation, the Ministry may elect to cancel it in part, in respect of those Authorised Persons whose acts or omissions (or in relation to whom such acts, omissions or events have occurred) have led to such circumstances, and shall so notify the remaining Authorised Persons.

(b) Should the Ministry decide to cancel an Authorisation under paragraph 27.2(a) above, it shall give the remaining Authorised Persons right of preference in the acquisition of the cancelled Authorisation, in proportion to their respective shares. Any share not acquired by the remaining Authorised Persons shall revert to Timor-Leste.

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An Authorised Person shall:

(a) defend, hold harmless and exonerate the Government and Ministry from any claims by third parties arising, whether directly or indirectly, Any ctly or indirFe9G/7005C00()Tj0.0016

(c) notices of cancellation of Authorisations.

2. The Ministry shall publish, in the media, calls for the invitation to apply for Authorisations under paragraph (a) of subarticle 13.1 as may be established by specific regulation.

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1. (a) The Ministry shall make available to the public:

- (i) copies of all Authorisations and amendments thereto, whether terminated or not;
- (ii) details of exemptions from, or variations or suspensions of, the conditions or obligations made under article 21;
- (iii) copies of all unitisation agreements.

(b) The Ministry shall make available to the public, within a reasonable period of time of a request having been made therefor, the summary details pertaining to:

- (i) all Authorisations, and amendments thereto, whether or not terminated, and unitisation agreements contemplated in paragraph 30.1(a);
- (ii) development plans approved under a Petroleum Contract;
- (iii) all assignments and other dealings consented to in respect of Authorisations, subject to commercial confidence as to the commercial terms; and
- (iv) all Authorisations, and amendments thereto, whether or not terminated, and unitisation agreements in compliance with the Code.

(c) The Ministry shall make available to the public, within a reasonable period of time of a request having been made therefor, the summary details pertaining to Petroleum Operations in the area covered by the Treaty, provided in compliance with the Code.

2. Within ten (10) business days of a request having been made, the Ministry shall publish brief reasons for:

- (a) granting an Authorisation subsequent to an invitation under paragraph 13.1(a)
- (b) granting an Authorisation without inviting applications under paragraph 13.1(b);

- (c) approving a development plan under a Petroleum Contract;
 - (d) granting an exception from, or agreeing to a variation or suspension of, the conditions and obligations under article 21; and
 - (e) making any decision or granting any approval that, under an Authorisation, requires publication.
3. (a) Companies shall report on their compliance with their obligations and requirements under the Law and Authorisations in such a manner and detail as required by their Authorisation and as provided by specific regulation.

(b) The Ministry shall make such reports available to the public.

4. The Ministry shall make available to the public such reports by Authorised Persons on payments pertaining to Petroleum Operations made to the Government of Timor-Leste as required by law.

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- (j) abandonment and decommissioning;
- (k) the control of movement into, within and out of Timor-Leste of persons, vessels, aircraft, vehicles and any other structures and platforms;
- (l) work programmes and budgets;
- (m) the control of tariffs charged for third-party access
- (n) the auditing of an Authorised Person and of its accounts and records;
- (o) reporting by Authorised Persons on compliance with obligations set out in the Law and Authorisations, including those relating to:
 - (i) the training and employment of Timorese nationals;
 - (ii) procurement of Timor-Leste goods and services;
 - (iii) occupational health and safety; and
 - (iv) environmental protection;
- (p) fees to be paid, including by applicants for Authorisations, Authorised Persons and Persons wishing to consult the public register; and
- (q) any other matters relating to this Law.

2. The Ministry shall publish the regulations in the Official Gazette.

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In addition to its power to issue directives under subarticle 11.4 and paragraph (c) of subarticle 20.1, the Ministry may issue directives to Authorised Persons:

- (a) relating to any matter referred to in subarticle 31.1; or
- (b) otherwise requiring compliance with this Law or their Authorisations.

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1. The provisions of articles 34, 35, 37, 39, 40, 41 and 43 are, with the required adaptations, applicable to the areas that are subject to the Treaty.
2. The provisions of this Chapter are without prejudice to criminal and civil liability under the general law.

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1. Whoever engages in Petroleum Operations other than pursuant to an Authorisation shall be punished with imprisonment of no less than three (3) months but not exceeding five (5) years or a fine of no less than one hundred (100) days.
2. Where the estimated damage caused to the state is in excess of fifty thousand American Dollars (US\$ 50,000.00), the penalty shall be one (1) to eight (8) years' imprisonment or a fine of no less than one hundred and fifty (150) days.

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1. Whoever,

- (a) in, or in connection with, any application under this Law or the Code, knowingly or recklessly provides information that is materially false or misleading; or,
- (b) in any report, return or affidavit submitted under any provision of this Law or an Authorisation thereunder, knowingly or recklessly includes or permits to be included any information that is false or misleading;

shall be punished with up to three (3) years' imprisonment or a fine of no less than seventy-five (75) days.

2. An attempt is punishable.

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1. Where a Person fails or neglects to comply with any of the regulations referred to in Article 31, and/or any of the directives referred to in Article 32, the Ministry may cause to be immediately fulfilled all the obligations arising from any of such regulations or directives or proceed with the execution of any appropriate material acts required to fulfil such obligations, at the cost and expense of that Person.

2. The State enjoys the right of redress in connection with any costs and expenses incurred under the terms of the previous subarticle, plus late payment charges at a rate to be determined by the Ministry. The amount in question shall be a debt due to the State.

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1. The following accessory penalties shall be applied in connection with the offences provided for in this Law:

- (a) temporary deprivation of the right to participate in public tenders in respect of Petroleum Operations, in particular those relating to Authorisations and the procurement of goods and services;
- (b) embargo of any construction works, in such cases as they may result in irreversible damage to relevant public interests;
- (c) disability, up to a maximum of two (2) years, of the exercise of activities, if the Person has, within the period of one (1) year starting from the date of the first

contravention, committed three (3) contraventions of any of the provisions of this Law;

- (d) termination of Authorisations;
- (e) good conduct bond;
- (f) deprivation of the right to subsidies or grants awarded by public entities or services;
- (g) publication of the sentence; and/or
- (h) other writs of prevention deemed appropriate taking into account the circumstances of the case in question.

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1. Legal persons, corporations, mere de-facto partnerships or any other legal entities, including those without legal personality, are liable for contraventions provided for in this Chapter when committed by its organs or representatives in its name and in the collective interest.
2. Liability is excluded when the agent has acted against express orders or instructions properly issued.
3. The liability of the entities mentioned to in subarticle 40.1 above does not exclude the individual liability of the respective agents.
4. The entities mentioned in subarticle 40.1 above are jointly liable, as provided for in civil law, for the payment of any fines or compensations, or for the fulfilment of any obligations, arising from facts or with incidence on matters covered by the scope of application of this Law.

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1. In the case of legal persons, corporations, mere de-facto partnerships or any other legal entities, including those without legal personality, the daily rate for fines corresponds to an amount ranging between five American Dollars (US\$ 5.00) and ten thousand American Dollars (US\$ 10,000.00), as determined by the court on the basis of the economic and financial situation and burdens of the legal person, corporation, mere de-facto partnership or any other legal entity.
2. If the fine is applied to an entity without legal personality, its payment shall be guaranteed by the entity's assets and, in the event of non-existence of such assets or under-capitalisation, jointly, the assets of each of the associates.

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1. It is the competence of the Ministry and the Inspector, as well as any other organs of the Public Administration to whom such competence is delegated, in accordance with the law and regulations, to ensure the inspection of compliance with the provisions of this Law, without prejudice to the competencies that the law confers upon other public entities.

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For the purposes of coercive collection under general law, a certification issued by the Ministry in relation to a debt constituted, or amount due, as a result of the application of the provisions of this Law, which is not paid within a reasonable period to be determined by the Ministry, and which shall be notified in writing to the debtor, constitutes an extrajudicial writ of execution.

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Criminal law, as well as relevant administrative and civil legislation, is applicable, in a subsidiary manner, with the required adaptations, to give effect to the provisions of this Chapter.

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1. Article 16 is applicable, with the required adaptations, to all Petroleum Operations engaged in other than pursuant to an Authorisation from 28 November 1975.

2. At its discretion, the Ministry may issue regulations setting out the administrative procedure to be followed, as well as the obligations to be undertaken, by Persons who have engaged in or are engaging in Petroleum Operations other than pursuant to an Authorisation as of the date of entry into force of this Law in order for past and/or ongoing Petroleum Operations to be deemed, for the purposes of this Law, to be engaged in pursuant to an Authorisation.

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Unless expressly permitted by the Ministry, an Authorisation granted to an individual cannot be transferred by inheritance, without prejudice to the ability of the value of that Authorisation to be transferred by inheritance.

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This Law shall come into force on the day following the date of its publication in the