

# PETROLEUM MINING CODE FOR THE JOINT PETROLEUM DEVELOPMENT AREA

## PART I DEFINITIONS

### Article 1 Definitions

1. For the purposes of this Petroleum Mining Code:
  - (a) "block" means a block constituted in accordance with Article 2 of this Petroleum Mining Code;
  - (b) "calendar year" means a period of twelve (12) months commencing on 1 January and ending on the following 31 December, according to the Gregorian Calendar;
  - (c) "contract operator" means the contractor appointed and authorized by the contractors to be responsible for petroleum operations and all dealings with the Designated Authority under the contract on behalf of the contractors;
  - (d) "contract year" has the meaning specified in each production sharing contract;
  - (e) "discovery area" means the blocks declared by the Designated Authority under Article 16 of this Petroleum Mining Code to contain petroleum;
  - (f) "operating costs" means those costs defined in a production sharing contract which are incurred and are recoverable by the contract operator in the course of undertaking petroleum operations;
  - (g) "petroleum pool" means a discrete accumulation of petroleum under a single pressure system;
  - (h) "pipeline" means a pipe or system of pipes and associated equipment necessary for conveying petroleum;
  - (i) "work program and budget of operating costs" means the details of petroleum operations to be carried out in or related to the contract area and the aggregate cost estimates for those operations;
  - (j) "Treaty" means the Timor Sea Treaty signed on 20 May 2002.
2. The terms used in this Petroleum Mining Code shall, unless otherwise specified, have the same meaning as those in the Treaty.

## PART II JOINT PETROLEUM DEVELOPMENT AREA

### Article 2 Graticulation of the Joint Petroleum Development Area

1. The surface of the Joint Petroleum Development Area shall be divided by the Designated Authority into graticular sections defined by meridians of five (5) minutes of longitude (reference the meridian of Greenwich) and by parallels of latitude of five (5) minutes (reference

the Equator). A block shall constitute a graticular section as described above and shall include part graticular sections. Each block in the Joint Petroleum Development Area shall be allocated a discrete identifying number.

2. The Designated Authority may subdivide each block into graticular sections. Where this is done, the graticular sections shall be defined by meridians of longitude and by parallels of latitude, and each section shall form a block. Each block so defined shall be allocated a discrete identifying number.

3. Contract areas within the Joint Petroleum Development Area shall be described in terms of the component blocks.

### Article 3 Geodetic datum

Whenever it is necessary to determine the position of a line in the Joint Petroleum Development Area that position shall be determined by reference to a spheroid having its centre at the centre of the earth and a major (equatorial) radius of 6378160 metres and a flattening of 100/29825 and by reference to the position of the Johnston Geodetic Station in the Northern Territory of Australia. That station shall be taken to be situated at 133 degrees, 12 minutes and 30.0771 seconds of East Longitude and at 25 degrees, 56 minutes and 54.5515 seconds of South Latitude and to have a ground level of 571.2 metres above the spheroid referred to above.

## PART III THE CONTRACT

### Article 4 Rights conferred by contract

1. A production sharing contract entered into by the Designated Authority, with the approval of the Joint Commission, shall give to the contractor the exclusive right and the responsibility to undertake petroleum operations in a contract area, subject to the provisions of the Treaty, relevant regulations and directions issued by the Designated Authority, and the terms and conditions of the contract.

2. During each calendar year, any petroleum production shall be shared between the Designated Authority and the contractor.

3. The contract shall not confer on the contractor ownership of petroleum in the ground but shall provide for the contractor to take a share of petroleum production as payment from the Designated Authority for the petroleum operations undertaken by the contract operator pursuant to the contract. Ownership of the Designated Authority's share of petroleum production shall remain with the Designated Authority. Except as provided in paragraph 5 of this Article, the Designated Authority shall authorize the marketing of its share of petroleum production by the contractor who shall market all petroleum produced from the contract area.

4. Title to the contractor's share of petroleum production:

- (a) In the case of petroleum exported by tanker: shall pass to the contractor at the point of tanker loading. Petroleum production shall be measured at the point of tanker loading. For the purposes of a production sharing contract, all such measured

production shall be deemed to have been produced on the day of the commencement of tanker loading.

- (b) In the case of petroleum exported by pipeline: shall pass to the contractor at the input flange of the export pipeline. Petroleum production shall be measured at the input flange of the export pipeline. For the purposes of a production sharing contract, all such measured production shall be deemed to have been produced on the day on which the petroleum enters the input flange of the export pipeline.
- (c) In the case of any means other than those specified in sub-paragraphs (a) and (b) of this paragraph: shall pass at the point as heretofore or hereafter agreed between Australia and Timor-Leste. Such agreement shall include a provision on the point at which petroleum is measured and the day on which production is deemed to have been produced.

Subject to paragraph 5 of this Article the contractor shall have the right to lift, dispose of and export its share of petroleum, and retain abroad the proceeds obtained therefrom. Except where the Designated Authority markets petroleum as provided in paragraph 5 of this Article, the contract shall require the contractor to pay to the Designated Authority, at regular periods during each calendar year, an amount of money estimated to be equal to the value of the Designated Authority's share of petroleum production lifted for those periods. The contract shall specify the length of each period, monthly if workable, the means by which the value of the Designated Authority's share of petroleum production is estimated for each period, and when each payment shall be made. The estimated value of the Designated Authority's share of petroleum production for each period shall be based on the work program and budget of operating costs and revisions to it, and the expected value of quantities of petroleum to be produced. The estimated value shall be revised during the calendar year having regard to the actual operating costs and value of sales of petroleum.

5. The Designated Authority, with the approval of the Joint Commission, may market any or all petroleum production subject to such conditions as may be specified in the production sharing contract. Where it is the Designated Authority's share of petroleum production which is to be marketed by the Designated Authority, the method of determining the estimated value of the Designated Authority's share shall be based on that method described in paragraph 4 of this Article. Where petroleum production marketed by the Designated Authority includes the contractor's share, the contract shall require the Designated Authority to pay to the contractor, at regular periods during each calendar year, an amount of money estimated to be equal to the value of the contractor's share of petroleum production so lifted for those periods. The method of determining the estimated value of the Designated Authority's and the contractor's shares shall be based on that method described in paragraph 4 of this Article. The contract operator shall be obliged to coordinate the efficient lifting of the petroleum production, including tanker nomination and scheduling.

6. The contract shall also specify that within thirty (30) days after the end of each calendar year, adjustments and cash settlements between the contractor and the Designated Authority shall be made on the basis of the actual quantities, amounts and prices involved, in order to ensure that the Designated Authority receives the correct share of petroleum production for each calendar year.

7. In the case of a contract entered into with a group of corporations, each corporation shall be jointly and severally liable for meeting the conditions of the contract, and for complying with the requirements of this Petroleum Mining Code and the regulations and directions issued by the Designated Authority. Each corporation shall be a signatory to the contract with the Designated Authority.

Article 5  
The contract

1. Without limiting the matters to be dealt with, the contract shall be concluded on the basis of the Model Production Sharing Contract and shall include:
  - (a) the definition of the responsibilities and rights of the contractor, the contract operator and the Designated Authority;
  - (b) the term of the contract and block relinquishment provisions;
  - (c) the work program and expenditure commitments;
  - (d) the definition of operating costs and the method of recovery of those costs by the contract operator;
  - (e) the petroleum production share to be allocated to the contractor;
  - (f) provisions for the termination of the contract;
  - (g) provisions for exemption from and variation of contract conditions;
  - (h) provisions for the resolution of disputes between the contractor and the Designated Authority; and
  - (i) any other provisions that are consistent with the Treaty.

Article 6  
Contract operator

1. Where a number of corporations enters into a contract with the Designated Authority, the corporations shall appoint and authorize one of their number to be the contract operator responsible, on behalf of the group of corporations, for petroleum operations and all dealings with the Designated Authority under the contract.
2. The contract operator shall undertake petroleum operations in an efficient manner which minimizes costs and in a manner in accordance with the provisions of the production sharing contract. Costs incurred by the contract operator in undertaking petroleum operations shall not include any component of profit which accrues to the contract operator solely by virtue of its role as contract operator.
3. All communications on matters related to the contract shall be effected between the contract operator and the Designated Authority. The contract operator shall establish an office in either Timor-Leste or Australia.

Article 7  
Term of contract

1. Subject to the provisions of this Article, and Articles 22 and 48 of this Petroleum Mining Code,:

- (a) Production Sharing Contract 03-12 shall expire on 6 February 2022;
  - (b) Production Sharing Contract 03-13 shall expire on 17 December 2021;
  - (c) Production Sharing Contract 03-19 shall expire on 3 October 2026; and
  - (d) Production Sharing Contract 03-20 shall expire on 15 November 2026.
2. In addition, the provisions of the production sharing contract shall include
- (a) an obligation on the Designated Authority to give sympathetic consideration to an extension of the term of the contract beyond the expiration date if petroleum production has not ceased by that year; and
  - (b) automatic extension of the term of the contract to allow continuation of petroleum production to meet natural gas sales contracts the terms of which extend beyond the expiration date of the production sharing contract.
3. The production sharing contract may also include a specified term after which the contract may be terminated if a discovery is not made.
4. Production sharing contracts 03-01, 03-16 and 03-21 shall expire six months from the later of:
- (a) the date on which the Joint Commission approves the Petroleum Mining Code provided for in Article 7(a) of the Treaty; and
  - (b) the date on which the Joint Commission approves the model production sharing contract.

#### PART IV PETROLEUM EXPLORATION AND EXPLOITATION

##### Article 8 Advertisement of blocks

1. The Designated Authority shall invite applications to enter into a contract over specific blocks. The invitation for applications shall specify:
- (a) the blocks over which the rights shall be granted;
  - (b) the bidding system to apply;
  - (c) the basis on which bids shall be assessed;
  - (d) details of the contract to be entered into including the rights and responsibilities of the parties to the contract; and
  - (e) the period within which applications may be made.
2. Details of the invitation for applications shall be published in official Australian and Timor-Leste Government Gazettes and in such other ways as the Designated Authority decides.

##### Article 9 Bidding system

1. The Designated Authority shall invite applications to enter into a contract over parts of the Joint Petroleum Development Area using a work program bidding system which identifies annual exploration work program and expenditure commitments to be undertaken in the contract area.
2. The Designated Authority shall make available full details of the bidding system to be used at the time applications are invited.

#### Article 10 Application for contracts

1. The Designated Authority shall set out in formal guidelines the form in which applications shall be prepared and lodged. As a minimum requirement a draft contract based on the Model Production Sharing Contract shall be completed and lodged, and applications shall set out details of the work program and expenditure commitments, and the financial capability and technical knowledge and ability available to the applicant.
2. Where an application is lodged by a group comprising several corporations, the application shall be accompanied by evidence that an agreement can be reached between those corporations for cooperation in petroleum operations in the contract area.
3. The application shall be accompanied by the fee specified in Article 44 of this Petroleum Mining Code.

#### Article 11 Consideration of application

1. The Designated Authority shall set out in formal guidelines the basis on which applications will be considered and the relevant criteria which applicants will be expected to meet. Contracts shall be offered in accordance with the published criteria for that bidding round. The principal criteria shall be the amount and quality of the exploration work bid.
2. The Designated Authority shall be satisfied that an applicant has the necessary financial capability and technical knowledge and ability to carry out petroleum operations in a manner consistent with the terms and conditions of the contract and this Petroleum Mining Code, including the necessary environmental and safety requirements.

#### Article 12 Grant or refusal of contracts

1. The Designated Authority shall seek prior approval from the Joint Commission to enter into a contract with the preferred applicant or group of applicants.
2. Subject to that approval, the Designated Authority shall notify in writing the successful applicant that it has Joint Commission approval to enter into a contract with the applicant covering petroleum operations in a specified contract area on terms and conditions set out in the contract. The applicant shall have thirty (30) days within which to accept or refuse the offer in writing. On the applicant accepting the offer, paying the contract service fee, and providing evidence that it has fulfilled any prerequisite conditions such as insurance cover, the Designated Authority shall enter into the contract with the applicant.
3. Unsuccessful applicants shall be advised accordingly.

Article 13  
Publication of contracts

The Designated Authority shall publish in official Australian and Timor-Leste Government Gazettes summary details of:

- (a) contracts entered into; and
- (b) termination of contracts.

Article 14  
Commencement of work

The contract operator shall commence petroleum operations within six (6) months from the date the contract is entered into, except for reasons of force majeure.

Article 15  
Discovery of petroleum

1. The contract operator shall notify the Designated Authority in writing within twenty four (24) hours whenever any petroleum is discovered and on request by the Designated Authority shall provide details in writing of the:

- (a) chemical composition and physical properties of the petroleum; and
- (b) the nature of the sub-soil in which the petroleum occurs.

2. The contract operator shall provide the Designated Authority with any other information concerning the discovery on request by the Designated Authority.

3. The contract operator shall also do such things as the Designated Authority requests to determine the chemical composition and physical properties of any petroleum discovered, and to determine the geographical extent of any petroleum pool and the quantity of petroleum in that pool.

Article 16  
Declaration of discovery area

1. The Designated Authority shall declare the blocks within the contract area covering a petroleum pool as a discovery area, provided that the Designated Authority and contract operator agree that the petroleum pool can be produced commercially. These blocks shall form a single contiguous area.

2. At any time after a discovery area has been declared, the Designated Authority may, of its own volition or on request from the contract operator, agree that certain blocks be included in or excluded from the discovery area. Blocks included in the discovery area in this way shall be from within the contractor's contract area.

Article 17  
Approval to produce petroleum

The contract operator shall not construct any production structures without the approval of the Designated Authority. The Designated Authority shall not unreasonably withhold approvals.

## Article 18 Approval to construct pipeline

1. The contract operator shall not construct a pipeline for the purpose of conveying petroleum within or from the Joint Petroleum Development Area without the approval of the Joint Commission, nor shall the contract operator operate or remove that pipeline without the approval of the Joint Commission.
2. The Joint Commission may direct a contract operator owning a pipeline to enter into a commercial agreement with another contract operator to enable the second mentioned operator to transport petroleum.

## Article 19 Petroleum production work

Unless otherwise agreed between the contract operator and the Designated Authority, work on a permanent structure to produce petroleum shall commence within six (6) months of approval to construct the structure.

## Article 20 Rates of production

The Designated Authority may direct and make regulations about the commencement of petroleum production and the specific rates of petroleum production. In giving such directions and making such regulations the Designated Authority shall take account of good oilfield practice.

## Article 21 Unitization

Where a petroleum pool is partly within a contract area and partly within another contract area, but wholly within the Joint Petroleum Development Area, the Designated Authority shall require the contractors to enter into a unitization agreement with each other within a reasonable time, as determined by the Designated Authority, for the purpose of securing the more effective and optimized production of petroleum from the pool. If no agreement has been reached within such reasonable time, the Designated Authority shall decide on the unitization agreement. Without limiting the matters to be dealt with, the unitization agreement shall define or contain the approach to define the amount of petroleum in each contract area, the method of producing the petroleum, and shall appoint the contract operator responsible for production of the petroleum covered by the unitization agreement. The Designated Authority shall approve the unitization agreement before approvals under Article 17 of this Petroleum Mining Code are given. Any changes to the unitization agreement shall be subject to approval by the Designated Authority.

## Article 22 Block relinquishment

1. The contract shall contain provisions for the progressive relinquishment of blocks from the contract area.
2. In calculating the relinquishment requirements, the blocks in a discovery area shall not be counted as part of the original number of blocks in the contract area.



3. In the event that no discovery area has been declared in the contract area before the end of an initial period specified in the contract, the contract operator shall either relinquish all remaining blocks in the contract area and the contract shall be terminated, or the contract operator shall exercise the option provided in the contract to extend the term of the contract.

#### Article 23 Surrender of blocks

1. The contractor may surrender some or all of the blocks in a contract area provided the conditions of the contract have been met to the satisfaction of the Designated Authority. Blocks surrendered in this way shall be credited towards the block relinquishment requirement in Article 22 of this Petroleum Mining Code.

2. Before agreeing to an application to surrender some or all of the blocks in a contract area, the Designated Authority may direct the contract operator to clean up the contract area or remove structures, equipment and other property from the contract area and the contract operator shall comply with that direction.

### PART V GENERAL ARRANGEMENTS

#### Article 24 Work practices

It shall be the responsibility of the contract operator to ensure that petroleum operations are carried out in a proper and workmanlike manner and in accordance with good oilfield practice. The contract operator shall take the necessary action to:

- (a) protect the environment in and about the contract area; and
- (b) secure the safety, health and welfare of persons engaged in petroleum operations in or about the contract area.

#### Article 25 Insurance

1. The Designated Authority shall require the contractor to maintain to the satisfaction of the Designated Authority, insurance on a strict liability basis and for an amount determined by the Designated Authority in consultation with applicants for contracts. It shall also agree with the contractor on a mechanism whereby compensation claims can be determined. The insurance shall cover expenses or liabilities or any other specified things arising in connection with the carrying out of petroleum operations and other activities associated with those operations in the contract area, including expenses associated with the prevention and clean-up of the escape of petroleum.

2. The contract operator shall ensure that transportation of petroleum in bulk as cargo from the Joint Petroleum Development Area only takes place in tankers with appropriate insurance commensurate with relevant international agreements.

#### Article 26 Maintenance of property

The contract operator shall be responsible for maintaining in safe and good condition and repair all structures, equipment and other property in the contract area.

Article 27  
Removal of property

1. As directed by the Designated Authority, the contract operator shall remove all property brought into the contract area and comply with regulations and directions concerning the containment and clean-up of pollution.
2. In the event that the contract operator does not remove property or pollution to the satisfaction of the Designated Authority or take such other action as is necessary for the conservation and protection of the marine environment in that contract area, the Designated Authority may direct the contract operator to take such remedial action as the Designated Authority deems necessary. If the contract operator does not comply with that direction, the contractor shall be liable for any costs incurred by the Designated Authority in rectifying the matter.

Article 28  
Exemption from or variation of conditions

1. Subject to paragraph 2 of Article 28, the Designated Authority may agree to exempt the contractor from complying with the conditions of the contract. The Designated Authority may also agree to vary those conditions.
2. The Designated Authority shall not exempt the contractor from or vary the following conditions of a contract without prior approval of the Joint Commission:
  - (a) the Designated Authority's or the contractor's production shares;
  - (b) the operating cost recovery provisions;
  - (c) the term of the contract;
  - (d) the block relinquishment provisions;
  - (e) the annual contract service fee;
  - (f) obligations aimed at protecting the environment and preventing and cleaning up pollution as provided under the Treaty including the Petroleum Mining Code and the contract; and
  - (g) the exploration work program required to be performed by a contractor in the first three (3) years of a contract.

Article 29  
Provision of information

1. The Designated Authority may direct the contractor to provide the Designated Authority with data, documents or information relating to petroleum operations including but not limited to routine production and financial reports, technical reports and studies relating to petroleum operations.

2. The Designated Authority may require the contractor to provide that information in writing within a specified period. The Designated Authority shall have title to all data obtained from the petroleum operations.

3. A contractor shall not be excused from furnishing information on the grounds that the information might tend to incriminate the contractor but the information shall not be admissible in evidence against the contractor in criminal proceedings.

### Article 30 Safety zones

1. The Designated Authority may declare a safety zone around any specified structure in the Joint Petroleum Development Area, and may require the contract operator to install, maintain or provide thereon, navigation, fog and illumination lighting, acoustic and other devices and equipment necessary for the safety of the petroleum operations. A safety zone may extend up to five hundred (500) metres from the extremities of the structure. Unauthorized vessels shall be prohibited from entering the safety zone.

2. Additionally, a restricted zone of one thousand two hundred and fifty (1250) metres may be declared around the extremities safety zones and pipelines in which area unauthorized vessels employed in exploration for and exploitation of petroleum resources are prohibited from laying anchor or manoeuvring.

### Article 31 Records to be kept

The Designated Authority shall require the contractor to keep accounts, records or other documents, including financial records, in connection with petroleum operations and to furnish to the Designated Authority in a specified manner data, reports, returns or other documents in connection with those activities. These arrangements shall also apply to cores, cuttings and samples taken in connection with petroleum operations in the contract area.

### Article 32 Prospecting approval

The Designated Authority may issue a prospecting approval to any person to carry out petroleum exploration activities in blocks not in contract areas. The prospecting approval shall specify those conditions to which the person shall be subject. The conditions of a prospecting approval shall not include any preference for or rights to enter into a contract over those blocks. All data reports resulting from such activities shall be submitted to the Designated Authority for its own free use.

### Article 33 Access approval

1. In order to promote the optimum exploration for and exploitation of petroleum resources in the Joint Petroleum Development Area, the Designated Authority may give approval to a contract operator, and persons holding prospecting approvals or undertaking marine scientific research, to enter a contract area, not being its contract area, to carry out activities in accordance with that approval. The Designated Authority shall consult with the contract operator of the contract area into which access is sought before giving approval. The terms and conditions of approval shall include an obligation to furnish to the Designated Authority in a specified manner

data, reports, returns or other documents in connection with activities carried out under the access approval and a prohibition on the drilling of exploration wells.

2. The Designated Authority may also give approval to a contract operator to lay and fix petroleum production facilities on the seabed in a contract area not being its contract area, provided that such activities do not interfere with the petroleum operations in the first contract area.

#### Article 34 Inspectors

1. The Designated Authority may appoint a person to be an inspector for the purposes of this Petroleum Mining Code, the regulations and directions issued under Article 37 of this Petroleum Mining Code, and contract terms and conditions applying to petroleum operations in the Joint Petroleum Development Area. A person so appointed shall, at all reasonable times and on production of a certificate of appointment:

- (a) have the right to enter any structure, vessel or aircraft in the Joint Petroleum Development Area being used for petroleum operations;
- (b) have the right to inspect and test any equipment being used or proposed to be used for petroleum operations; and
- (c) have the right to enter any structure, vessel, aircraft or building in which it is thought there are any documents relating to petroleum operations in the Joint Petroleum Development Area and may inspect, take extracts from and make copies of any of those documents.

2. The contractor shall provide an inspector with all reasonable facilities and assistance that the inspector requests for the effective exercise of the inspector's powers.

#### Article 35 Service of notices

1. A document to be served on a person other than the Designated Authority or a corporation shall be served:

- (a) by delivering the document to that person;
- (b) by posting the document as a letter addressed to that person;
- (c) by delivering the document to that address and leaving the document with a person apparently in the service of that person;
- (d) by sending the document in the form of a telex or facsimile to that person's telex or facsimile number, as appropriate; or
- (e) by sending the document as a telegram addressed to that person.

2. A document to be served on a corporation shall be served by complying with subparagraphs (b), (c), (d) or (e) of paragraph 1 of this Article.

3. A document to be served on the Designated Authority shall be served by leaving it with a person apparently employed in connection with the Designated Authority, at a place of business of the Designated Authority specified in the contract or by posting the document as a letter or telegram addressed to the Designated Authority at that place of business or by sending the document as a telex or facsimile to the Designated Authority's telex or facsimile number.
4. Where a document is posted as a letter, service shall be deemed to have been effected within seven (7) days of the letter having been posted, unless the contrary is proved.

#### Article 36 Release of information and data

1. The Designated Authority may make such use as it wishes of information and data contained in a report, return or other document furnished to the Designated Authority, provided that information and data is not made publicly known before the periods of confidentiality identified below have expired.
2. Basic information and data about petroleum operations in a contract area may be released two (2) years after it was lodged with the Designated Authority or when the blocks to which that information and data relates cease to be part of the contract area, if earlier. However, conclusions drawn or opinions based in whole or in part on that information and data shall not be released until five (5) years after that information and data was lodged with the Designated Authority.
3. Information and data relating to a seismic or other geochemical or geophysical survey shall be deemed to have been lodged no later than six (6) months after the survey was essentially completed. Information and data on wells shall be deemed to have been lodged no later than three (3) months after the well was essentially completed.
4. Notwithstanding paragraph 2 of this Article, the contract operator shall have the right to have access to and use all information held by the Designated Authority relating to the blocks in the Joint Petroleum Development Area adjacent to its contract area. Where information and data has been released by the person or some party acting on the person's behalf, the Designated Authority shall not be obliged to maintain the confidentiality of that information and data.
5. The Designated Authority shall be free to use any information and data relating to relinquished, surrendered and other blocks outside the contract area, including releasing it to any party.
6. Contractors shall not use such information and data outside Australia or Timor-Leste without the approval of the Designated Authority.
7. Officials of the Australian and Timor-Leste Governments may have access to information and data provided to the Designated Authority under this Petroleum Mining Code, provided such officials comply with the provisions of this Article.

#### Article 37 Regulations and directions

1. The Designated Authority shall issue regulations and directions to apply to persons, consistent with the Treaty including this Petroleum Mining Code, in order to carry out its functions. In particular, the regulations and directions shall deal with, but are not limited to, the following matters:

- (a) the exploration for petroleum and the carrying on of operations, and the execution of works, for that purpose;
- (b) the production of petroleum and the carrying on of operations, and the execution of works, for that purpose;
- (c) the measurement and the sale or disposal of the Designated Authority's and the contractor's petroleum production, and the carrying on of operations for that purpose, including procedures for transfer of title to petroleum and measurement and verification of petroleum so transferred;
- (d) the conservation, and prevention of the waste of, the natural resources, whether petroleum or otherwise;
- (e) the construction, erection, maintenance, operation, use, inspection and certification and re-certification of structures, pipelines or equipment;
- (f) the control of the flow or discharge, and the prevention of the escape, of petroleum, water or drilling fluid, or a mixture of water or drilling fluid with petroleum or any other matter;
- (g) the clean-up or other remedying of the effects of the escape of petroleum;
- (h) the prevention of damage to petroleum-bearing strata;
- (i) the prevention of the waste or escape of petroleum;
- (j) the removal from a contract area of structures, equipment and other property brought into the contract area for or in connection with petroleum operations;
- (k) the carrying on of petroleum operations in a safe and environmentally sound manner;
- (l) the preparation of assessments of the impact of petroleum operations on the environment;
- (m) the authorization by the Designated Authority of entry into the Joint Petroleum Development Area by the employees of contractors and the employees of their sub-contractors; and
- (n) the control of movement into, within and out of the Joint Petroleum Development Area of vessels, aircraft, structures and equipment employed in petroleum operations.

2. The Designated Authority may, by instrument in writing served on a person or class of persons, make a regulation or direction on a matter consistent with the above to apply specifically to that person or class of persons.

#### Article 38 Register of contractors

The Designated Authority shall maintain a register setting out summary details of:

- (a) areas over which contracts are in force;

- (b) the contract operator and the contractor for each contract area;
- (c) work and expenditure commitments relating to the contract area;
- (d) changes to contract conditions, the contract operator and the undivided participating interest of the contractor in a contract area;
- (e) blocks relinquished or surrendered from contract areas;
- (f) changes in names and addresses of the contract operator and the contractor; and
- (g) unitization agreements.

#### Article 39 Approval of contractors

Corporations wishing to hold an undivided participating interest which would result in changes to the contractor or the contract operator in a contract area shall be required to obtain the Designated Authority's approval of those changes. The Designated Authority shall note such approval in the register. Until such approval is given by the Designated Authority, with the prior consent of the Joint Commission, the new participating interest holders' agreement shall not be recognized by the Designated Authority, and the contractor's and contract operator's liabilities under a contract shall remain unchanged.

#### Article 40 Inspection of register

The Designated Authority shall ensure the register is available for inspection by any person at all convenient times.

#### Article 41 Auditing of contractor's books and accounts

The contractor's books and accounts shall be subject to audit by the Designated Authority, which shall be conducted annually. The Designated Authority may issue regulations and directions with respect to the auditing of books and accounts.

#### Article 42 Security of structures

1. Operators of vessels, drilling rigs and structures in the Joint Petroleum Development Area shall be responsible for controlling access to their facilities; providing adequate surveillance of safety zones and their approaches; and establishing communications with, and arranging action by, the appropriate authorities in the event of an accident or incident involving threat to life or security.
2. To assist operators in meeting these responsibilities, the Designated Authority shall appoint persons, to be stationed at the office of the Technical Directorate of the Designated Authority, responsible for liaising with appropriate Australian and Timor-Leste authorities.

#### Article 43 Amendment of Petroleum Mining Code

Except in the case of amendments to Part VI of this Petroleum Mining Code, where the provisions of this Petroleum Mining Code are amended, to the extent that the amendments are not consistent with the provisions of contracts in force prior to the amendments, those amendments may only apply to such contracts by agreement between the contract operator and the Designated Authority.

## PART VI FEES

### Article 44 Application fees

1. The fee to be lodged with applications for production sharing contracts is US\$ ten thousand (10,000).
2. The fee to be lodged with applications for a prospecting approval is US\$ six thousand (6000).
3. Application fees shall not be refunded to unsuccessful applicants.

### Article 45 Contract service fee

1. At the beginning of each contract year, the contract operator shall pay to the Designated Authority a contract service fee of US\$ one hundred and sixty thousand (160,000). Upon termination of a contract during the first six (6) contract years of the term of the contract, the contractor must immediately pay the Designated Authority the sum of US\$ nine hundred and sixty thousand (960,000) less any contract service fee previously paid by the contractor, to compensate the Designated Authority for any expense or loss incurred or suffered by the Designated Authority as a result of the termination of the contract.
2. In addition, if one or more discovery areas have been declared in the contract area, the contract operator shall pay to the Designated Authority at the beginning of the contract year a service fee of:
  - (a) US\$ fifty thousand (50,000) for the first discovery area; and
  - (c) US\$ twenty-five thousand (25,000) for each additional discovery area within the contract area.
  - (c) US\$ ten thousand (10,000) for each full or partial 5' by 5' block in a discovery area to commence when a development plan is lodged with the Designated Authority and to cease when production ceases.

### Article 46 Registration fees

For the approval and registration of agreements between corporations which result in changes to the undivided participating interests of the contractor in a contract area, a fee of US\$ two thousand five hundred (2,500) shall be payable.

### Article 47



## Amendment of fees

With the approval of the Joint Commission, the Designated Authority may change the fees specified in this Part to reflect any changes in the costs of administration. Those changes in fees shall not be made more frequently than once a year and shall not be applied retrospectively.

PART VII  
PENAL PROVISIONS

Article 48  
Termination of contracts

1. Where the contractor has not complied with the provisions of this Petroleum Mining Code, the regulations and directions issued by the Designated Authority, or the terms of the contract the Designated Authority may recommend to the Joint Commission that the contract be terminated. The Designated Authority shall give thirty (30) days written notice to the contractor of the Designated Authority's intention to recommend termination of the contract.
2. The Joint Commission shall not agree to the termination of the contract until the contractor has had an opportunity to provide the Designated Authority with reasons why the contract should not be terminated, and the Designated Authority has given full consideration to those reasons. The contractor must provide reasons for non-termination within thirty (30) days of receipt of notice of the Designated Authority's intention to terminate.
3. Notwithstanding the termination of a contract, the contractor shall remain liable to take such action as is necessary to clean-up the contract area and remove all property brought into that area. The contractor shall remain liable to the Designated Authority to pay any outstanding debts due to the Authority