

LAW n° 2019-06 dated 15
November 2019
On Oil Code in the Republic
of Benin

The National Assembly deliberated and adopted at its meeting of 21 January 2019 and 14 November 2019 and then following a second reading, the law set out as below:

The President of the Republic has promulgated the law the content of which is as follows:

TITLE I
DEFINITIONS, GENERAL PROVISIONS AND PERSONS AUTHORIZED
TO UNDERTAKE OIL OPERATIONS

CHAPTER ONE

DEFINITIONS

Article 1: under this Law, the words and expressions below shall have the following meaning:

- **Pre-unitization Agreement:** Agreement setting the terms and conditions of a joint conduct, by relevant license holders, of a feasibility study with a view to determining whether a deposit likely to fall under unitization agreement is a commercial deposit;

- **Unitization Agreement:**

i) An Agreement whereby several holders of exploitation licenses on contiguous blocs of the same commercial deposit, appoint a single operator for this commercial deposit and agree on the conditions of financing the expenses and sharing of revenue resulting from its development and operation;

ii) Any Agreement between the holder of an operating/exploitation license for a commercial deposit and a person or group of persons holding a hydrocarbons operating permit issued by the Government. Such an agreement shall be entered into in case of encroachment of the territory of the commercial deposit on the territory of these persons (hereinafter called 'foreign License holder'); In which case, the holder of the operating/exploitation license and the foreign holder shall agree on the conditions of financing the expenses and sharing of revenue resulting from the development and operation of this commercial deposit;

- **Calendar Year:** period of twelve (12) consecutive months beginning on January 1 and ending on the following December 31

- **License:**

* Prospecting license;

* Prospecting license;

* operation license;

* Transportation and storage permit;

- **Permits:** at least two similar or different permits;

- **Operating/exploitation license:** a license granted under the provisions of this Law and the implementing legislations thereto, which confers on its holder the exclusive right to undertake mining operations within the scope defined by the document granting such a right;

- **Prospecting License:** a license granted under the provisions of this Law and the implementing legislations thereto, which confers on its holder the exclusive right to undertake prospecting operations within the scope defined by the document granting such a right;

- **Research License:** a license granted under the provisions of this Law and the implementing legislations thereto, which confers on its holder the exclusive right to undertake research within the scope defined by the document granting such a right

- **Transportation and Storage Permit:** a permit granted in accordance with the provisions of this Law and the implementing legislations thereto, which confers on its holder the exclusive right to undertake transportation and storage operations;

- **Hydrocarbons License:** In singular, means research license or operation license. In Plural, it shall mean at least two hydrocarbon licenses, either similar or different;

- **Central Bank:** Central Bank of West African States (BCEAO);

- **Barrel:** volume of crude oil equivalent to 158.9 liters at normal temperature and pressure conditions;

- **Block:** Perimeter with coordinates specified by an order issued by the Minister in charge of hydrocarbons, within which oil operation is permitted;

- **Operation Bonus:** lump sum owed to the Government by the holder of a research license for the purpose of allocating an operating/exploitation license, and payable under the conditions and time limit stipulated in the Production Sharing Agreement;

- **Signature Bonus:** lump sum owed to the Government by an oil company or a consortium, following the signing of a Production Sharing Agreement, and payable under the conditions and time limit stipulated in the said production sharing Agreement;

- **Assignor:** A license holder who transfers to a third party or to a co-holder all or part of his /her share in a license;
- **Environmental Compliance Certificate:** certificate issued by the Minister in charge of Environment to confirm the environmental feasibility of a project or a program;
- **Permanent Discontinuation of operating a deposit:** final stages of a deposit management including at least, the phased closure, the plugging of wells, the depressurization & drainage of treatment systems and the isolation of the disposal systems;
- **Assignee:** a legal entity that has obtained a license or acquired a share in a license, as a result of any of the transactions referred to in articles 70, 91 and 104 of this Law;
- **Affiliate Assignee:**
 - (i) A legal entity that has a direct or indirect control of the assignor or which is under direct or indirect control of the assignor;
 - (ii) Or a legal entity directly or indirectly under the control of a company that is under direct or indirect the control of the assignor;
- **Mining Code:** laws and legislations in force governing, in the territory of the Republic of Benin, prospecting, research and mining activities as well as possession, holding, transportation, trading and processing of mineral substances other than hydrocarbons;
- **Oil Code:** this Law;
- **Consortium:** a group of companies or other legal entities without a legal personality but established to carry out oil operations. Members of the consortium are joint holders of a license;
- **Consortium Agreement:** Agreement regulating the functioning of a Consortium and the relationships among entities, members of the said Consortium;
- **Production Sharing Agreement:** a contract whereby the License holder commits himself/herself to undertake oil operations, at his/her own expense and risks, on behalf of the Government. In case of discovery of a commercial deposit (or several commercial deposits) and development of this commercial deposit (or several commercial deposits), a portion of the extracted hydrocarbons from this commercial deposit (or from these commercial deposits) shall go to the holder for oil cost recovery as well as a bonus allocation as remuneration.
- **Standard Production Sharing Agreement:** a Standard Production Sharing Agreement defined by decree and which shall serve as a basis for negotiations relating to any Production Sharing Agreement;
- **Service Contract:** a contract whereby a service provider shall provide the Government or the National Operator with a technical assistance, an

institutional support or a skill transfer with a view to building the Government capacity for the conduct or follow-up of oil operations. The service provider shall carry out, on behalf of the Government or the National Operator, prospecting operations intended to enable it to enhance its knowledge in oil field against either a lump sum remuneration payable under the conditions stipulated in the said contract, or, in the case of special service contracts for the purpose of carrying out prospecting operations, the right to derive income from the operation of petroleum data acquired from such operations or works.

- **Oil contract:**

- i) Production Sharing Agreement; or
- ii) Transportation and Storage contract; or
- iii) Service Contract;

- **Control:** control within the meaning of the provisions of the articles of OHADA Uniform Act related to the right of trading companies and the Economic Interest Grouping;

- **Transportation and Storage Contract:** contract relating to transportation and storage permit;

- **Cost-oil:** portion of the total production of hydrocarbons from an operating/exploitation license, net of the ad valorem charge allocated to the reimbursement of petroleum costs actually borne by the license holder and recoverable under the Production Sharing Agreement;

- **Cost-oil payment in kind:** cost-oil allocated to the reimbursement of petroleum costs which have been the subject of a payment in kind in the context of a transaction involving the transfer of ownership of a license or share, as specified in article 125 of this Law;

- **Cost-stop:** maximum percentage of the total hydrocarbons production resulting from an operation license, net of the ad valorem royalty, that may be applied to the reimbursement of petroleum costs for a calendar year;

- **Co-holder:** legal entity, holding a license together with several legal entities;

- **Oil-costs:** costs incurred by the license holder for the conduct of oil operations, according to the rules set out by this Law and in a Production Sharing Agreement;

- **Discovery:**

i) The fact that the holder of a research license discovers, in the course of his/her research operations, hydrocarbons, the existence of which was unknown so far and the surface flow of which can be measured in accordance with international oil production test methods;

ii) Hydrocarbons discovered by a third party in the contract area covered by a research license, prior to the granting of such license and which the holder of the said license decides to submit to the regime as provided for by this Law on hydrocarbons referred to in item i) of this definition;

- **Splitting:** Splitting of a research permit into several permits of the same type, the contract zones of which shall be defined within the boundaries of the contract zone covered by the initial research permit;

- **Dollar:** currency having legal tender in the United States of America;

- **Oil Data :** information and geological, geophysical, geochemical and production-related data obtained by the Government through the National Operator or any license holder during oil operations or within the framework of a service contract implementation, especially the logs, the maps, the studies, the study reports, the drill cuttings, the cores, the samples, the results of analysis, the test results, the measurements on proven wells, the changes in pressure and any technical reports defined in the oil contract ;

- **Social Rights:** shares, membership shares or any other equity, securities belonging to the holder of a license;

- **Environment:** A set of natural and artificial elements as well as economic, social and cultural factors that affect living beings and that the latter can modify;

- **Environmental Impact Study:** procedure that helps determine the effects that the execution of a project may have on the environment, throughout its operation cycle;

- **Extensive Impact Study:** environmental impact Study on a project, with activities either likely to modify the environment in a significant way or, expected to be completed in a risk area or in an ecologically sensitive zone;

- **Simplified Environmental Impact Study;** environmental impact Study on a project the activities of which are not likely to modify the environment in a significant way;

- **Feasibility Study:** appraisal and delineation of a deposit or several deposits within a contract area as well as any economic and technical studies which help determine the commercial nature or not of a deposit or deposits;

- **Feasibility Study on the pipelined hydrocarbons transportation system:** a feasibility study conducted by any oil company seeking for a transportation and storage licensing or such request appended to the development plan submitted as an attachment to an application for operating/exploitation license presented by an oil company or a consortium willing to carry out transportation and storage operations in accordance with paragraph 1 of article 96 of this Law, and which helps determine the technical, legal, economic and financial conditions relating to the development and to the

exploitation of hydrocarbons pipelined hydrocarbons transportation system for which the transportation and storage permit is sought for ;

- **Euro:** currency having legal tender in member countries of the economic and monetary Union of the European Union;

- **Supplier:** natural person or legal entity who delivers goods to the license holder without carrying out an oil operation and whose supplies do not relate to a business contract consisting mainly of reporting obligations. When the contract provides otherwise for service delivery responsibility, the proportion of the delivery obligations entailing the qualification of the contract as a supply contract shall be determined in accordance with OHADA Uniform Act on general commercial law relating to commercial sales;

- **Fatal Gas:** residual amount of natural gas in production lines, flared for safety reasons;

- **Liquefied Petroleum Gas:** hydrocarbons essentially made up of a mixture of butane and propane, which is not liquid under normal conditions;

- **Natural Gas:** dry gas or wet gas, produced alone or in combination with crude oil as well as any other gaseous components extracted from wells;

- **Associated Natural Gas:** dry gas or wet gas existing in a deposit in solution with crude oil, or in the form of "gas-cap" in contact with crude oil, and produced or capable of being produced in association with crude oil;

- **Liquefied Natural Gas:** condensed natural gas to the liquid form;

- **Deposit:** hydrocarbons-impregnated geological Structures;

- **Commercial Deposit:** deposit for which a feasibility study has shown that it can be developed and operated in economic conditions, in accordance with the standard rules in international oil industry;

- **Hydrocarbons:** crude oil and natural gas;

- **Operator:** oil company member of a consortium holder of a license entrusted with the charge of the conduct and completion of oil operations and, in general, any oil company involved in oil operations under license;

- **National Operator:** commercial enterprise operating under Benin Law in which the Government is the sole shareholder, established for the purpose of oil operations and, in general, for the purpose of activities referred to in article 16 of this Law;

- **Development Operations:** activities related to mining undertaken by the holder of an operation/exploitation license for the purpose of the start-up of a commercial deposit. These operations shall notably comprise the preparation of the development and operating plan, the development or production wells drilling, the construction of facilities and equipment, of wastewater collection lines, pipelines, factories and various deposits belonging to the same operating contract area (except for works falling under transportation and storage operations), as well as preliminary works

and production tests carried out before the commencement of the commercial production of hydrocarbons;

- **Mining Exploitation:** activities relating to extraction and processing of hydrocarbons for commercial purposes, especially development operations and production, storage and removal of hydrocarbons to the point of connection, i.e. to the system of pipelined transportation or, the transportation and storage operations carried out by the holder of an operating/exploitation license, in accordance with paragraph 1 of article 96 of this Law, and the abandonment operation. Shall not be considered mining operations/exploitation any activities relating to production, including in the course of processing of hydrocarbons, petroleum products or hydrocarbon derivatives, or the processing of natural gas into liquefied natural gas;

- **Prospecting:** preliminary works of general reconnaissance and detection of traces of hydrocarbons, particularly through the use of geological, geophysical, geochemical methods or any other surface method, excluding drilling exceeding a depth of 100 m;

- **Research operations:** the overall activities below:

- i) Prospection;
- ii) In-depth direct and indirect investigations, especially through exploration drilling and detailed studies to discover commercial deposits;
- iii) Activities relating to assessment and delineation of a deposit;
- iv) Abandonment operation, including activities on deposits that are not covered by an operating/exploitation license;

- **Transportation and Storage:** operations relating to a pipelined transportation of hydrocarbons, notably activities concerning the design, assembly, construction, operation, running, management, maintenance, repair and improvement of this pipelined hydrocarbons transportation system, including hydrocarbons storage operation, within the framework of the use of the said system;

- **Oil operations:**

- * Prospection activities;
- * Research;
- * Exploitation;

- **Payment in kind:** value of the Commitment made by the assignee to finance, within the scope of the transfer of a license or a share and in exchange of the said transfer, all or part of the oil operations, the cost of which is normally incumbent upon the assignor in respect of the residual interest of the latter regarding the license concerned, as referred to in article 123 of this Law;

- **Participation:** undivided interests held by the holder in a license or when the latter is a consortium, by each member of the consortium in the

said license, under consortium agreements concluded among themselves for the need of the constitution and functioning of the consortium;

- **Public Participation:** Participation of the Government or the National Operator;

- **Additional Public Participation:** Public Participation/ share acquired by the Government or by the National Operator in addition to the Government Share/participation;

- **Government Carried Participation:** fraction of the public share financed by the Government's co-holder(s) in a license, in accordance with the terms provided for in paragraph 3, article 84 of this Law;

- **Extension Period:** period of validity of a research license running from the date of its extension under the conditions provided for in article 62 of this Law;

- **Renewal Period:** period of validity of a license as from its renewal date;

- **Validity Period:** As the case may be, the initial period, any of the renewal or extension periods;

- **Initial Period:** first period of license validity;

- **Crude oil:** crude mineral oil, asphalt, ozokerite, oil shale and all other natural oil liquids or obtained from natural gas by condensation or extraction, including condensates and natural gas liquids;

- **Communal Development Plan:** a document drawn up by relevant authorities of any municipality on the territory of which all or part of the perimeter covered by an application for operating/exploitation license is located, the guidelines of which shall serve as a basis for drawing up the oil program for municipal development;

- **Added Value:** capital gain determined in accordance with the provisions of this Law and stipulations of the Production Sharing Agreement, made during the transfer to a third party of all or part of the rights and obligations resulting from a license;

- **Point of Delivery:** point of transfer, by the license holder, to his /her buyers, of the ownership of the hydrocarbons, either on the FOB at loading point on the sea coast, or at any other point specified by the Production Sharing Agreement and located within or outside the territory;

- **Measurement Point:** point used as a basis for the measurement of hydrocarbons extracted from a commercial deposit, either at the outlet flange of the storage tank or at the exit of the processing and separation plants.;

- **Petroleum Products: all products resulting from refining;**

- **Profit Oil:** the balance of the total hydrocarbon production from an operating/exploitation license, after deduction of the ad valorem royalty and the share taken as cost-oil;

- **Minimum Work Program:** minimum works agreed between the Government and the license holder in the Production Sharing Agreement, which the latter shall carry out as part of the research operations;
- **Communal Development Oil Program (CDOP):** a document prepared by the applicant for an operating/exploitation license in consultation with the relevant authorities of the municipalities in whose territory is located, all or part of the contract area of an operating/exploitation license requested, including, concerning operating contract areas referring to the conventional area, the municipalities whose territorial limits are located on the coast of the territorial sea, defining the projects with economic and social vocation to be realized for the benefit of the populations of the said communes , in accordance with the orientations of the Communal Development Plan;
- **Refining:** set of chemical or physico-chemical operations carried out on hydrocarbons in order to transform them especially into motor fuels, aviation fuels, kerosene, and liquefied oil gas;
- **Ad valorem Royalty:** Royalty referred to in Article 118 of this Law;
- **Upstream Oil Sector:** activities governed by this law, especially oil operations and Processing;
- **Downstream Oil Sector:** refining activities, production of liquefied natural gas or processing of liquefied natural gas, transportation, storage and distribution of petroleum products and liquefied natural gas, any other operations and commercial transactions relating to petroleum products and to liquefied natural gas, as well as, in a general way, any activities or operations related to hydrocarbons, carried out beyond the Delivery Point;
- **Oil Company:** It shall refer to either the National Operator or a Commercial Company having the technical and financial capacities required to successfully undertake all or part of oil operations, transportation or storage activities
- **Sub-contractor:** any person other than a Supplier, including, as the case may be, the holders of social rights and other companies affiliated to the license holder, who, bound by a contract signed with a contracting party, shall undertake works, supply goods or provide services relating to oil operations of the said contracting party;
- **Related substances:** substances extracted during research operations and mining operations, except hydrocarbons and substances covered by the mining code;

- **Pipelined Hydrocarbons Transportation system:** pipelines and facilities for the transportation of hydrocarbons from the Measuring Point to any point of delivery, including pumping stations, telecommunication systems, storage facilities, treatment facilities and the loading of hydrocarbons and any ancillary equipment, extensions, modifications and additions to come, built on or across the territory, including storage and loading facilities to the delivery point;
- **Tax Oil:** Government share of oil profit, except from the share it is entitled to as a co-holder of a license;
- **Territory or territory of the Republic of Benin:** Set of:
 - i) on the one hand, geographical base over which the Republic of Benin exercises sovereign rights, comprising especially land, sub-soil and areas covered by territorial waters, including the territorial sea and,
 - ii) on the other hand, the continental shelf and the exclusive economic zone, over which the Republic of Benin exercises sovereign rights, in particular for the purpose of exploring, operating, conserving and managing the biological or non-biological natural resources of waters adjacent to the seabed and their sub-soil, in accordance with the law and international conventions regularly ratified by the Republic of Benin;
- **License Holder:** oil company or, in the case of oil operations only, the consortium comprising at least one oil company, authorized to carry out Oil Operations or Transportation and Storage Operations in the Republic of Benin by virtue of a license. The term holder shall also refer, where appropriate, to co-holders;
- **Flaring:** the act of burning, by flares, discharges of natural gas;
- **Processing of Hydrocarbons:** processing, in separators, of the effluent that flows at the wellhead in the form of a mixture of sand, water, nitrogen and various hydrocarbons, resulting in particular in the separation of crude oil from natural gas and these hydrocarbons from water and any other sediments or impurities, excluding, in particular, operations tending to the production of liquefied petroleum gases and liquefaction operations of natural gas;
- **abandonment works:** rehabilitation activities or restoration of the site or any other operations required by the existing legislation and regulations in terms of protection of the environment with a view to eliminating, reducing or, if possible, compensating for harmful consequences of activities referred to at items (i), (ii) and (iii) on the definition of research operations, as well as the management, control and execution of the operations leading to the permanent discontinuation of the deposit operation, either, wholly or partially, and the safety of all or part of the

contract area concerned, as well as the reconditioning of the sites, especially through the dismantling of the facilities. The abandonment works include notably the preparation and updating of the abandonment plan, the permanent discontinuation of production operations, the shutting down of the processing units, their decommissioning, the transportation and storage of equipment as well as engineering activities required for the execution of these operations;

- **Contract Area:** in singular, it shall refer to a research contract area or an operating/exploitation contract area, as the case may be, and in plural, two at least of these contract areas taken jointly;
- **Licensed Operation Area:** surface and in-depth area within the limits of which mining operation shall be authorized under an operating/exploitation license and the limits of which shall be determined in accordance with the provisions of this Law and the implementing legislations thereto;
- **Research Contract Area:** surface and in-depth area, within the limits of which research operations shall be authorized by virtue of a research license and the limits of which shall be determined in accordance with the provisions of this Law and the implementing legislations thereto;
- **Conventional Zone:** perimeter open to oil operations and located on the land portion of the territory and / or on a maritime zone with water depth comprised between 0 and 1000 meters;
- **Deep offshore Zone:** maritime zone between 1,000 and 3,000 meters of water depth and any maritime zone straddling the conventional zone and a sea zone between 1,000 and 3,000 meters of water depth;
- **Very deep off-shore Zone:** maritime zone located in an area with more than 3,000 meters of water depth and any maritime zone straddling the conventional zone and / or the deep offshore zone and an included maritime zone beyond 3,000 meters of water depth

CHAPTER II GENERAL PROVISIONS

Article 2: This law shall establish the legal status, tax system, customs procedure and currencies exchange matters for oil operations as well as transportation and storage operations undertaken in the territory of the Republic of Benin.

The provisions of this law shall not apply to:

- Activities related to imported hydrocarbons except for transportation and storage of the said hydrocarbons;
- Downstream Oil Activities
- Activities governed by the mining code.

Article 3: The hydrocarbon deposits in the soil and sub-soil of the territory, discovered or not, shall be and shall remain the exclusive property of the Government.

The oil data shall also be the property of the Government and shall be transmitted to the National Operator as soon as they are obtained, acquired, processed, unless otherwise provided for by this law and the implementing legislations thereto. They cannot be published, reproduced or be the subject of a transaction without prior approval by the Minister in charge of hydrocarbons.

A Cabinet Decree shall set the list of oil data, a copy of which shall be sent to the National Operator.

The Government may confer on any holder of service contract the right to market oil data acquired, obtained or processed by him /her under this service contract, in accordance with conditions, limits and term of the said contract. In any case, the government shall retain ownership of oil data exploited by the holder of the service contract.

Article 4: No one can undertake oil operations in the territory without being previously authorized by the Government, in accordance with the provisions of this law and the enforcement legislations

The provisions of the preceding paragraph shall also apply to landowners.

Article 5: A license shall be granted by call for tender or by direct contracting.

Except for special circumstances left to the discretion of the Minister in charge of hydrocarbons, blocks containing a deposit or attracting the interest of several oil companies or consortia shall be awarded by call for tender. Tendering methods, leading to the issuance of licenses shall be specified by Cabinet decree.

The information that must be included in the license application files and the oil contract offers, as well as the conditions for applying for license shall be set out in the Decree.

The rejection of license applications or petroleum contract offers, whether reasoned or not, shall not give rise to any appeal for compensation to the applicants.

Except as otherwise provided in this Law and subject to acquired rights, no priority or preferential right shall be granted to any applicant in the case of competing offers and applications.

Article 6: The granting of a license for the purpose of oil operation/exploitation shall not preclude the grant of licenses or permits to third parties, where appropriate, for the purpose of research or operation of

mineral substances other than hydrocarbons, in the contract area covered by the said license.

The granting of licenses or permits for the purpose of research or operation/exploitation of mineral substances other than hydrocarbons shall not hinder, where appropriate, the grant of license for oil operations/exploitation, over all or part of the perimeters covered by the said mining permits.

In case of overlapping of rights relating to various mineral substances, the activity of the most recent license holder shall be conducted in such a way that it shall not preclude the activity of the previous rights holder.

Article 7: Activities related to oil operations shall be subject to laws and regulations governing commercial activity in the Republic of Benin subject to the provisions of this law, and the implementing legislations thereto.

CHAPTER III PERSONS AUTHORIZED TO UNDERTAKE OIL OPERATIONS

Article 8: For the purpose of acquiring oil data, the Government may undertake prospecting activities, through the National Operator or any legal entity under Benin or foreign law, subject to, in the latter case, the conclusion with the said legal entity of a service contract.

The Government may, through the National Operator acting alone or in consortium, undertake any other oil operations as well as any financial or investment operations related to oil operations.

The National Operator shall carry out oil operations and related activities, either its own behalf but for the benefit of the Government, or on its own behalf and for its own account. In any case, the National Operator shall comply with the provisions of this law and the implementing legislations thereto.

Any Government carried Participation/share shall be deemed to be held by the National Operator on behalf and for the account of the Government. The National Operator shall keep a separate account for oil operations covered by the management mandate referred to in paragraph 4 of this article.

When the Government undertakes or asks to undertake activities on its own behalf under the provisions of this law, it shall remain subject thereto, to the extent of the applicability of the law, except for activities undertaken under the authority of the Minister in charge of hydrocarbons with a view to improving geological knowledge of the territory or for scientific purposes. In any case, the Government shall not carry out oil operations, unless the

National Operator fails to perform and subject to the justification of a public interest in this regard.

Article 9: Subject to the provisions of Article 8 above, oil operations may be undertaken in the territory of the Republic of Benin only by oil companies or consortia comprising at least one oil company.

Members of a consortium, not yet established as Oil Company, shall not hold, individually or jointly, a majority share under a license. The oil company or one of the oil companies forming a consortium shall take the lead, in its capacity as operator, for the conduct of oil operations.

The operator shall demonstrate sufficient technical capabilities for the performance of oil operations, especially in areas and conditions similar to the contract area. Companies under Benin law affiliated with oil companies incorporated under foreign law, shall provide, in support of applications for approval by the Government as an operator, any documents and information likely to establish the technical capacities and the technical experience of foreign companies under the control of which they are placed.

Consortium Agreements and other conventions on any consortium established after the granting of a license, shall be subject to the prior approval by the Minister in charge of hydrocarbons. Any modification of the agreements and conventions relating to a consortium, including those providing for the appointment of the operator, requires the prior approval by the Minister in charge of hydrocarbons.

Notwithstanding any contractual stipulation to the contrary, the obligations of the members of a consortium in accordance with the provisions of this law, and implementing legislations thereto and any Production Sharing Agreement concluded by this consortium shall be joint and several.

Article 10: Any holder of a research license or an operating/exploitation license shall be incorporated under Benin law.

A research license can only be awarded to:

- i) an oil company incorporated under Benin law with the share capital held at least by five percent (05%) by Benin nationals or by Beninese companies as defined in this law;
- ii) A consortium, the agreement of which provides for the holding by one or several Beninese companies, as stipulated in article 47 below, of at least five per cent (5%) share in the research license requested.
- iii) Prospecting licenses may be granted to oil companies incorporated under Benin or foreign law.

TITLE II
INSTITUTIONAL FRAMEWORK
CHAPTER ONE
MINISTRY IN CHARGE OF HYDROCARBONS

Article 11: The management of the upstream oil sector shall be ensured by the departments of the Ministry in charge of hydrocarbons, under the conditions provided by this Law.

The Ministry in charge of hydrocarbons shall design, develop and implement the policy of the Government of the Republic of Benin in the hydrocarbons sector. The Ministry shall be responsible for monitoring the enforcement of the legislations governing the upstream oil sector and execution of oil contracts.

The responsibilities, structure and functioning of the Ministry in charge of hydrocarbons shall be adopted by Cabinet Decree, without prejudice to the provisions of this Law.

Article 12: The officers of the Ministry in charge of hydrocarbons shall be responsible for administrative supervision, inspection and technical control as provided for in articles 153 and 154 of this Law and they shall be under the obligation to take an oath. The list of officers concerned, the oath taking formula and the terms thereof, shall be set out by a joint Order of both the Minister in charge of hydrocarbons and the Minister of Justice.

Article 13: The officers of the Ministry in charge of hydrocarbons responsible for the administrative supervision as stipulated in this Law shall be bound by professional secrecy.

Article 14: The Ministry in charge of hydrocarbons shall exercise the prerogatives assigned to it by this law, in close coordination with:

- The administration in charge of environment, on issues relating to the protection of the environment;
- The administration in charge of public property and land affairs, on issues relating to the conditions of land occupation in connection to lands required for oil operations, transportation and storage;
- The administration in charge of forests and the management of protected areas and related issues;
- The administration in charge of hydraulics and water management, for the control of the conditions and methods of sampling and use of water in the context of the implementation of oil storage and transportation operations;

- The administration in charge of energy and the administration in charge of telecommunication and transport infrastructure, on issues relating to the necessary infrastructure allocated to oil storage and transportation operations;
- The administration in charge of labor and social protection, on issues relating to labor legislation.
- The administration in charge of national defense and related issues;
- The administration in charge of administrative police for issues concerning the territorial sea, the continental shelf and the exclusive zone and on issues under its control;
- The administration in charge of finance.

Article 15: Oil Contracts Negotiation Commission is established by Cabinet Decree. It shall comprise officials of the Ministry in charge of hydrocarbons and Ministry of finance.

The Oil Contracts Negotiation Commission shall be a technical body, under the supervision of the Minister in charge of hydrocarbons; its core mission is to assist the Minister in charge of hydrocarbons in evaluating bids and the draft Production Sharing Agreement or transportation and storage contract, in the framework of oil contracts negotiations.

The composition and functioning modalities of the commission in charge of oil contracts negotiations shall be set by Cabinet Decree referred to in paragraph 1 of this article, without prejudice to the provisions above.

The setting up of oil contracts negotiation commission shall not prevent the Minister in charge of hydrocarbons from calling on Experts, having the experience and technical skills for assistance.

CHAPTER II THE NATIONAL OPERATOR

Article 16: The National Operator shall act on its behalf and for its account or on behalf of the Government in commercial activities related to the upstream oil sector, without prejudice to mission's other than those of the oil upstream sector, which it shall perform, as provided by its by-laws or special legal documents. It shall be particularly responsible for:

- carrying out any oil operations or transportation and storage of hydrocarbon, either alone or in association with oil companies, including the management of terminals and storage infrastructure owned by the Government;
- conducting any technical studies in the area of hydrocarbons;
- Collecting, storing and marketing oil data;

- Acquiring or being assigned, holding and managing any public share in Licenses including government carried share in the licenses, in accordance with the provisions of article 8 above and article 84 of this Law;
- Taking possession of and marketing the share of hydrocarbons allocated to the Government, in accordance with the provisions of the Production Sharing Agreements related to the tax-oil, the ad valorem royalty or Government share;
- undertaking, directly or through any subsidiary incorporated under Benin law, any investment in the upstream oil sector or in any other related sector of Benin's economy, including in the downstream oil sector and in electric power sector, using revenues acquired from oil operations or from transportation and storage operations;
- Supplying, if needs be, hydrocarbons to companies licensed as Independent Power Producers in the country, from the share of hydrocarbons allocated to the Government, according to the provisions of the Production Sharing Agreement, in order to back up electric power distribution, aiming at satisfying the domestic market needs;
- In general, carrying out, directly or through subsidiaries incorporated under Benin and foreign law, any financial operations relating to its business objective.

The Ministry in charge of hydrocarbons may seek the assistance of the National Operator in the performance of its missions of administrative supervision, inspection and technical control of the upstream oil sector.

The missions fulfilled by the National Operator on behalf of the Government shall lead to the conclusion of a management mandate between the Government and the National Operator. The terms of remuneration of the National Operator under the aforementioned missions shall be specified in the mandate.

Any payment due to the National Operator by the Government as a result of the missions carried out on behalf of the latter, as set out by the management mandate regarding the public share of the Government and the marketing of quantities of hydrocarbons belonging to the Government by virtue of oil contracts, shall be deducted at source by the National Operator.

Article 17: Subject to deduction at source referred to in article 16 above, the incomes and revenues collected by the National Operator in respect of public share and oil operations or from transportation and storage operations, carried out on behalf of the Government, shall be transferred by the National Operator into the single account of the Internal Revenue Service

open in the books of the Central Bank. Such revenues and incomes shall be subject to control and publicity under the conditions provided by the laws and regulations governing public finance.

Article 18: No security may be provided on all or part of the interest held in a license for Government carried share or the income or quantities of hydrocarbons accruing to the Government in respect of the profit involved in the Government carried share, tax- oil and the ad valorem fees. Any security granted in violation of this article shall be null and of no effect.

CHAPTER III THE OIL DEVELOPMENT FUND

Article 19: A Public financial institution with legal status and financial autonomy, known as Oil Development Fund (ODF) shall be set up. The Oil Development Fund shall be subject to the rules governing public industrial and commercial institutions.

Article 20: The Oil Development Fund shall provide funding for:

- investment activities of the National Operator in the form of loans

- Studies of all kinds in connection to activities in the upstream oil sector, including but not limited to activities related to the definition of public policies in the upstream oil sector, to the review and assessment of feasibility studies and related documents submitted to the Ministry in charge of hydrocarbons by holders or applicants for licenses;

- any expenses required for capacity building of relevant officers in the management in the upstream oil sector, including expenses for the training of staff working in the Ministry in charge of hydrocarbons;

- prospecting activities undertaken by virtue of the provision of article 8 of this law and any activities or operations aiming at promoting the upstream oil sector;

- Operations related to administrative supervision and technical control of oil operations and transportation & storage operations, carried out in accordance with the provisions of this law and the implementing legislations thereto;

- Any social and community actions in respect of oil operations/exploitation;

- Any activities related to oil operations/exploitation and transportation & storage undertaken by the Government.

Article 21: The Government may grant to Oil Fund Development, a loan from the shares it holds in the share capital of the National Operator, for the

purpose of financing the activities of the Oil Development Fund and within the limit of minority share.

Article 22: The resources of the Oil Development Fund shall consist of:

- An allocation corresponding to twenty percent (20%) of the amounts received by the Government in respect of the ad valorem royalty. When the ad valorem royalty is collected in kind, the proceeds from the marketing of this royalty shall be intended to finance the Oil Development Fund by twenty per cent (20%) of its amount;
- Interests from loans granted, if any, to the National Operator;
- Incomes from shares of the National Operator held, as the case may be, generated by the loan granted to the Oil Development Fund, referred to in article 21 of this law;
- Gifts and bequests ;
- Part of the signature bonus intended for the functioning of the commission set up for oil contracts negotiations;
- The amount of the rebates provided for in article 152 of this law;
- loans taken by Oil Development Fund;
- Any sums contributed by holder of Production Sharing Agreement.

Production Sharing Agreement shall compulsorily comprise a stipulation of a delegation for payment to the benefit of the Oil Development Fund by virtue of which twenty percent (20%) of the sums paid to the Government in respect of the ad valorem royalty as well as the sums referred to in bullets 5, 6 and 7 above shall be directly paid in the books of Public Treasury except a special waiver of the finance Minister;

Any Contracts for the sale of the quantities of hydrocarbons allocated to the Government in respect of the ad valorem royalty, when such royalty is paid in kind, shall also include, to be valid, a provision for the transfer of the proceeds or income from the sale to the Oil Development Fund, by virtue of which twenty percent (20%) of the proceeds of the sale shall be paid directly to that Fund in the account referred to in the preceding paragraph. The details of this account shall be provided to the buyer.

The sums in the account referred to in the paragraphs above, shall solely be used to finance the expenditures and obligations of the Oil Development Fund. They cannot be used to meet the cash requirements of the Government or other legal entities of public law.

Article 23: The methods of organization and functioning of the Oil Development Fund shall be set by Cabinet decree

TITLE III
COMMON PROVISIONS TO OIL OPERATIONS/EXPLOITATION
CHAPTER ONE
OCCUPATION OF LANDS REQUIRED FOR OIL OPERATIONS AND
TRANSPORTATION & STORAGE

Article 24: Any license holder authorized to undertake oil operations or transportation and storage operations in the Republic of Benin can occupy the land necessary for the achievement of the said operations or related operations, within or outside the contract area covered by his license, in accordance with the current environmental and public property legislations and subject to special provisions of this Law;

Article 25: For the application of the provisions related to land occupation and without prejudice to other provisions of this law or stipulations of the Production Sharing Agreement regarding notably the determination of oil costs. the following activities and works shall be assimilated to oil operations or to transportation & storage operations, for the need of the said operations:

- i) Establishment and operation of power stations, substations and power lines;
- ii) Constructing or setting up a telecommunication system;
- iii) Construction of remedial facilities
- iv) Storage and disposal of materials, equipment, products and waste as well as facilities meant for ballasting and pollution elimination;
- v) Facilities meant for housing, recreation, hygiene, healthcare and training of staff and their families;
- vi) Establishment or improvement of all communication routes, including roads and bridges, railways, ditches, canals, ports, landing fields
- vii) Establishment of landmarks and boundary markers

The telecommunication facilities, power lines, water supply and medical, school, sport and recreational facilities as well as communication channels created by the license holder may be open for use by the public or by third parties under the conditions provided by the oil contracts.

Article 26: the occupation of Government private dependencies, local authorities or public establishment areas other than public establishments with industrial and commercial features, shall be authorized under:

- i) A lease agreement, free of charge, concluded for the duration of the license, for rights of occupancy granted for the purposes of prospecting or research;
- ii) An administrative long lease, concluded in the presence of a public notary for the duration of the license, regarding land occupancy granted for the purposes of the operating/exploitation license.

The leases referred to in paragraph 1 of this article shall not be subject to the provisions of common law governing commercial or professional leases. They are governed by State-owned lands legislation and regulations, subject to the special provisions of this law. They shall compulsorily include the stipulation of a clause on one-sided termination of the lease, without notice, compensation, nor possible appeal by the holder, in case of withdrawal of the license.

Article 27: The leases of State-owned land referred to in article 26 of this Law shall be signed, with the approval of the Minister in charge of hydrocarbons and a copy of the document granting the license for the purposes of which the lease is concluded:

- i) by the Minister in charge of State-owned land, as regards the leases relating to the dependencies of the Government Private State-owned land;
- ii) By the Mayor or the Managing Director of the public institution concerned,

The leases referred to in this article shall be sent to the National Agency for State-owned and Land Management, or to any other agency or body in-lieu thereof, for information and archiving.

Article 28: the occupation of Government private dependencies, public establishments with industrial and commercial features, shall be concluded under:

- i) a lease for professional use concluded between the public establishment concerned and the holder of the license under the conditions of common law, with regard to land occupancy for prospecting operations or research operations;
- ii) An administrative long lease concluded in accordance with the provisions of legislation in force on public property, not contrary to those of this law, with regards to land occupation for mining operations.

When the land occupation is requested for research operations or mining operations, the Government may, in the absence of an amicable agreement between the industrial and commercial public establishment and the holder of the license, pursue the expropriation of the public property concerned in accordance with the provisions of the current legislation and regulation, with a view to incorporating such property in the State-owned property and giving the right of ownership to the holder under the conditions provided for in articles 27 and 28 above.

The compensation for expropriation, calculated in accordance with the provisions of the public property legislation on expropriation for reasons of public use, shall be borne by the holder.

Article 29: The occupation of public property dependencies for oil operation/exploitation shall be authorized by virtue of a contract for concession privative occupation of the public property, concluded between the holder of the license concerned and the administrative authority owning the property or responsible for its management, upon assent of the Minister of Hydrocarbons and signatory of the document granting the license.

The concession contract for privative occupation of the public property shall be concluded for the duration of the license. It shall compulsorily include the stipulation of a full rights termination clause in case of withdrawal of the license for any reason whatsoever, without notice, the license holder shall not be entitled with compensation nor any possible appeal.

Any early termination of a privative occupation concession of public property for prospecting operations, or of general interest, may also be decided by the relevant administrative authority, including during the period of validity of the prospecting license, subject to consent of the Minister in charge of hydrocarbons and in compliance with the notice prescribed by the current regulations and provided, moreover that, such a decision shall not hinder or hamper the prospecting operations.

Privative occupation contracts of the public property for oil operation/exploitation purposes shall be governed by the common rights legislations related to the public property management, subject to special provisions of this law.

Article 30: The occupation of land covered by real rights, customary rights or titles of use conferring real rights other than those under private domain of legal entities under public law, for the purposes of prospecting or research, shall be subject to agreements between the holder of the license concerned and the holders of these real rights, customary rights or titles of use conferring real rights. Under such occupation rights the latter shall be entitled to compensation in accordance with the conditions agreed upon between themselves and the holder of the license concerned. This compensation shall be borne by the license holder.

In the absence of an amicable agreement between the holder and holders of real rights, customary rights or rights of use conferring real rights referred to in paragraph 1 of this article, a Ministerial decree issued by the Minister in charge of Public Land affairs, shall authorize the holder to temporarily occupy the property concerned upon the assent of the Minister in charge of Hydrocarbons and on justification of the payment to holders of real rights, customary rights or rights of use conferring an annual compensation rights, the amount of which shall be fixed by the expert committed by the National Agency for Public property.

In the absence of agreement of the holders of the real rights, customary rights or rights of use conferring real rights on the amount of the compensation, such amount shall be fixed by the relevant ruling court in emergency procedure. The ruling of the Court shall be binding notwithstanding any appeal

In case the holders of real rights, customary rights or rights of use conferring real rights, presumed rights, do not produce titles or if the titles produced do not seem to be genuine, the occupation can take place even before the dispute is settled by the Court as soon as the beneficiary would deposit in the registry of the relevant court, on behalf of the alleged owners designated in the Ministerial decree referred to in paragraph 2 of this article. The amount of the first annual compensation shall be fixed by expert committed by the National Agency for Public property.

In the event the occupation deprives the holders of real rights, customary rights or titles of use conferring real rights for the use of the land for more than three (03) years or, when for reasons of prospecting operations or research operations, the land is no longer fit for the use for which it was originally assigned, the landowner may require the holder to acquire the land at a price which, in the absence of amicable agreement among parties, shall be fixed by the relevant court ruling in emergency procedures. At the expiry of the license, the land concerned shall be incorporated, without compensation, into the Government private property.

The compensation action of the holders of real rights, customary rights or titles of use conferring real rights referred to in this article or their legal successors shall be prescribed within a period of two (02) years from the end of the occupation.

Article 31: When the occupation of land covered by real rights, customary rights or titles of use conferring real rights referred to above is solicited for the purposes of mining operations, the Government shall proceed to the expropriation of the land concerned, at the expense and charges of the holder, under the conditions provided by the legislation in force on public property, with a view to incorporating such land to the private State-owned land and conferring their granting to the license holder under the conditions provided for in articles 26 and 27 of this law.

The declaration of public utility shall be pronounced on presentation of the decree granting the operating/exploitation license.

Article 32: The Government shall levy on the public property or on its private property, lands intended for land holdings for the purposes of construction, operation and maintenance of any hydrocarbons pipelined transportation system being the subject of a transportation and storage permit license.

Where the lands concerned are subject to rights in rem with real rights, customary rights or titles of use conferring real rights, or located on the private property of other legal entities under public law, the Government shall proceed to their expropriation, at the expense and charges of the holder of the transportation and storage permit, under the conditions provided for by the legislation in force on public property, and their incorporation into private State-owned land for their assignment to land holding.

The declaration of public utility shall be pronounced upon presentation of the decree granting the transportation and storage license.

Article 33: The land area is conferred by decree granting the transportation and storage permit, including for the establishment of hydrocarbons pipelined transportation system to the seabed under the territorial sea. This decree assigns, for the duration of the transportation permit, this land area to the construction, operation and maintenance of pipelined hydrocarbons transportation system and confers on the holder of the transportation and storage permit the right to occupy and use the areas concerned in accordance with the purpose and final destination of the pipelined hydrocarbons transportation system.

The application for land area shall be appended to the request for transportation and storage permit as set by Cabinet decree.

Article 34: The decree granting land area, where appropriate, shall restrict the rights of the holder of the transportation and storage permit; it shall impose duties on the public authority, pursuant to the legislation on public property.

At the end of the construction of hydrocarbons pipelined transportation system, the land located within the land area may be used for other purposes, subject to the protection perimeter provided for by law and on condition that these uses do not hinder the smooth functioning and maintenance of hydrocarbons pipelined transportation system.

Article 35: When a perimeter being part of public or private Government property is no longer licensed for any reason whatsoever, the rights of use conferred on the holder of the said perimeter shall be full rights terminated, without compensation and any possible appeal.

Notwithstanding the provisions of paragraph 1 of this article, the license holder shall keep his /her rights of use and, where appropriate, his /her right of ownership of the infrastructure established on the areas freed from all rights, when such infrastructure remains necessary for the execution of his / her oil operations on the retained part of the contracted area or any other licensed area of which he /she shall remain the holder.

CHAPTER II CONDUCT OF OIL OPERATIONS

Article 36: The license holder shall diligently conduct the oil operations for which he / she shall be responsible for and according to state of the art in use in the international oil industry, especially with the view to ensuring the optimal economic recovery of hydrocarbons contained in the commercial deposits and the conservation of natural resources.

Article 37: Without prejudice to other conditions required by the existing laws, only physical or moral persons technically qualified in hydrocarbons trade and holding a license issued by the Minister in charge of hydrocarbons shall conclude a subcontracting agreement with a license holder or with a subcontractor.

The period of validity of the license, the terms and conditions of its issuance, its renewal and its withdrawal shall be set out by Cabinet decree and shall stipulate notably that applicants and approved subcontractors should comply with the employment quotas of Beninese workers as provided for in Article 50.

The Ministry in charge of hydrocarbons shall make available to the operators, a directory of approved subcontractors, to be updated regularly.

Article 38: Any license holder may, under his /her responsibility assign to approved sub-contractors oil operations he or she is in charge of, in accordance with the provisions of Article 37 of this law. He / she shall be bound to proceed to a call for bids for placing orders to acquire equipment, supplies and services, the amounts of which exceed the thresholds set in the oil contract. In the context of this call for tenders, consortium of sub-contractors comprising at least one Beninese company as stipulated in Article 47, shall benefit from a subsidy of fifteen per cent (15%).

Notwithstanding the provisions of the paragraph above, the Minister in charge of hydrocarbons may exempt the holder, under the terms and conditions specified by him, from proceeding to a call for bid, provided that the goods, supplies and services being the subject of the orders placed are:

- Not available to purchase in the country, and
- Supplied, in a context of full competition by companies affiliated to the holder or the operator, when the holder is a consortium.

The holder is bound to communicate, for information to the Minister in charge of hydrocarbons, each subcontracting agreement signed in the framework of oil operations before the starting date of service delivery as stipulated in the said agreement.

Article 39: The license holder and the subcontractors shall subscribe to one or several insurance policies covering the overall risks related to their activities. The said insurance policies shall be subscribed to with approved

insurance companies under Benin law, in accordance with the existing legislation, to the tune of at least twenty-five percent (25%) of the risks covered.

Article 40: A Cabinet decree and the Production Sharing Agreement shall set the special rights and obligations of the license holder in the conduct of oil operations.

CHAPTER III

PROTECTION OF THE ENVIRONMENT AND CULTURAL HERITAGE, HYGIENE, SAFETY AND HEALTH

Article 41: Any license holder shall carry out oil operations in compliance with the legislation in force relating to the protection of the environment and cultural heritage, subject to the special provisions of this law and the stipulations of any cabinet decree for its enforcement He / she shall make necessary arrangements to preserve the safety of people, animals and goods and protect the environment.

The provisions related to stabilization referred to in article 165 of this law shall not be applicable in case of modification of the legislation in force relating to the protection of the environment and cultural heritage. These amendments shall apply to the all on-going oil contracts from the date of their coming into force, notwithstanding any stipulation contrary to the said contracts.

However, any license holder party to a Production Sharing Agreement or to a transportation and storage contract may request for, under the conditions and following the terms provided in the said contract, the renegotiation of his /her contract or the granting of compensation, in case of amendment of laws and regulations in force relating to the protection of the environment and the cultural heritage on the signing date of his /her oil contract, making the said laws and regulations obviously more binding than those generally in use in the international oil industry, subject to, for the license holder, the justification of prejudice incurred as a result of amendment of these laws and regulations.

Article 42: Without prejudice to the provisions of article 43 of this law, it may be instituted, by joint order of the Minister in charge of hydrocarbons, on the one hand and, on the other hand the Minister in charge of Public property, the Minister in charge of Environment, the Minister in charge of Town Planning, the Minister of Agriculture, the Minister in charge of Religious Affairs, the Minister in charge of Hydraulics or the Minister of Culture, as the case may be, perimeters of protection around agglomerations, agricultural areas, water spots, cultural sites, burial places and worship sites.

Oil operations carried out within the protection perimeters referred to in paragraph 1 of this article shall be subject to prior authorization by a joint Order of the aforementioned Ministers.

The procedures for granting this authorization shall be set in the legislations establishing the protection perimeters.

The authorization referred to in paragraph 2 of this article shall not constitute a title conferring to its beneficiary the right of use or occupation of land concerned. It is without prejudice to the compliance by the license holder to the provisions of this law and the implementing legislations thereto, related to terms and conditions of occupation of lands required for oil operations.

Article 43: The carrying out of oil operations and transportation and storage operations within the protected perimeters in accordance with the legislation in force or international conventions regularly ratified by the Republic of Benin shall be subject to conditions, restrictions and prohibitions provided, where appropriate, by the relevant legislations.

Article 44: The holder of a research license shall not be authorized to undertake any oil operation/exploitation until he /she has completed a simplified environmental impact study leading to the issuance of an environmental compliance certificate by the Minister in charge of Environment.

However, any drilling shall be preceded by an in-depth Environmental Impact Study, leading to the issuance of an Environmental Compliance Certificate by the relevant authority.

Any application for an operating/exploitation license or a transportation and storage permit shall be accompanied by an environmental compliance certificate issued after an in-depth environmental screening.

The terms and conditions for the conduct and approval of the simplified environmental assessment and the in-depth environmental impact provided for in paragraphs 1 and 2 of this article shall be set by the regulations in force on the environment protection, subject to special provisions of the implementing decree.

Article 45: Any license holder shall comply with the legislation and regulations in force in the Republic of Benin, on dangerous, unhealthy or inconvenient facilities.

As such, workshops, factories, stores, sites and establishments of the license holder, assigned to oil operations shall be classified, where appropriate, in accordance with the said legislation and regulation and subject to the supervision by the relevant administrative authorities.

Article 46: In case of occurrence of a serious accident during the oil operations or transportation and storage, the license holder or his / her subcontractors shall inform the relevant administrative authorities and the Minister in charge of hydrocarbons, by all means and in the shortest possible time.

CHAPTER IV
LOCAL CONTENT AND CORPORATE SOCIAL RESPONSIBILITY

Article 47: Under this chapter, a legal entity shall be deemed to be a Beninese enterprise when its head office is established in the country and when it moreover meets two of the following criteria:

- i) It is owned in majority, directly or indirectly, by natural Benin nationals or persons who are citizens of another Member State of the West African Economic and Monetary Union (UEMOA);
- ii) It has achieved, in the territory fifty per cent (50%) at least of the added value of marketed products;
- iii) Fifty percent (50%) of its labor force is made up of Benin nationals

Article 48: Subject to compliance with international conventions duly ratified by the Government, the license holder and his /her subcontractors shall give preference to Beninese enterprises with respect to their construction contracts, supplies and service contracts, on equivalent terms of quality, quantity, delivery deadline, prices, terms of payment and after-sale services.

Article 49: Any application for operating/exploitation license submitted for approval by the Minister in charge of Hydrocarbons shall include a support plan to Beninese companies.

The holder of an operating/exploitation license shall submit an annual progress report to the Minister in charge of Hydrocarbons on the support plan referred to in paragraph 1 of this article to the Minister in charge of hydrocarbons.

Article 50: Any license holder as well as his /her subcontractors shall employ in priority Beninese personnel and shall abide by the minimum quotas of employees of Benin nationals per category of jobs defined by Order of the Minister in charge of hydrocarbons.

To this end, right from the beginning of oil operations or transportation and storage, the license holder and his /her subcontractors shall establish and finance a training program designed for all categories of Beninese personnel, under conditions set out by this law with further precision by a Ministerial Order.

For the application of the provisions of this article, people from the West African Economic Monetary Union (UEMOA) member states, who are officially established in the country, shall be assimilated to Benin nationals.

Article 51: The hiring of foreign manpower shall be authorized on an exceptional basis and under the exclusive and express need to meet the requirements of the license holders and their subcontractors after a proven lack of domestic manpower. The work permit of each foreign employee at the service of the holder or a subcontractor shall be issued after prior approval from the Minister in charge of hydrocarbons.

Article 52: Any applicant for an operating/exploitation license covering a perimeter located in a conventional zone, shall provide the Minister in charge of Hydrocarbons, with an OPMD together with his application and feasibility study.

Where the perimeter for which the application for an operating/exploitation license is made covers the territory of several municipalities, the license holder shall work out an OPMD for each municipality concerned.

Article 53: The OPMD shall be worked out by the holder in consultation with communal municipal authorities in charge of the implementation of the communal development plan and in accordance with the orientations set by such authorities.

In any case, the financing of the OPMD shall be raised by ten percent (10%) of the ad valorem royalties paid to the Government.

Article 54: The local authorities shall ensure the setting up of an OPMD management committee, comprising a representative of the municipality concerned, a representative of the Ministry in charge of hydrocarbons and a representative of the license holder. The composition and the functioning modalities of this management committee shall be set by Cabinet Decree, without prejudice to the provisions of this article.

The OPMD Management Committee shall be responsible for the OPMD implementation and follow up. It shall submit to the Minister in charge of hydrocarbons and to the license holder a quarterly report on the implementation of the OPMD, within the time limit set by Cabinet decree.

Article 55: Any holder of an operating/exploitation license or a transportation and storage permit shall pay to the Oil Development Fund, an annual contribution for diversified investments, the amount and terms of payment of which shall be set in the Production Sharing Agreement or in the transportation and storage contract.

The fund from the contribution for diversified investments shall be allocated by the Oil Development Fund to the financing of projects included in the communal development plans established by municipalities that do not benefit from the OPMD financing planning referred to in Articles 52 to 54 of the this law, in accordance with the terms and conditions specified by joint Order of the Minister in charge of Hydrocarbons, the Minister in charge of Finance and the Minister of Decentralization and Local Governance. The draft decree shall be drawn up by the Minister in charge of decentralization and local governance.

TITLE IV
PROSPECTION, RESEARCH, OPERATIONS, TRANSPORTATION AND
STORAGE OF HYDROCARBONS
CHAPTER ONE
PROSPECTION

Article 56: Prospecting operations may only be undertaken under a prospecting license. It shall be granted to any oil company, for a maximum period of two (02) years, by Order of the Minister in charge of hydrocarbons according to terms and conditions set by Cabinet decree.

The prospecting license shall be awarded for all or part of a contract area. It shall neither be transferable nor leasable. It shall not be subject to guarantee.

Non with standing the provisions of Paragraph 1 of this Article, the Minister in charge of Hydrocarbons shall grant as of full right and within the time limit set by Cabinet decree, a prospecting license to any legal entity that has concluded a Service Contract with the Government for the purposes of prospecting operations. This prospecting license shall be renewable as of full right, for a period of 1 year at least and at the request of its holder and subject to the compliance by the latter with his /her obligations under the service contract.

Notwithstanding the provisions of paragraph 2 of this article, the holder of a prospecting license granted under paragraph 3 of this article may carry out prospecting operations on a perimeter covered by a research license. In this case, the holder of the research license shall benefit from a pre-emption right for the acquisition of oil data resulting from the prospecting operations concerned. The procedures for exercising this pre-emption right shall be set by Cabinet decree.

Article 57: The prospecting license shall confer on its holder the non-exclusive right to undertake prospecting operations within a defined scope.

However, in case of submission by an Oil company or a consortium of an application for research license concerning all or part of the scope covered by one or several prospecting permits, the holder of any of these prospecting licenses who, shall be the the first applicant to submit a competing application, shall benefit, on at least equivalent conditions, from a preferential right for the granting of the research license requested.

The holder of a prospecting license who shall be first to submit an application for the granting of a research permit for a perimeter totally or partially covered by his / her license, shall also benefit, on at least equivalent conditions, from a preferential right on any other holder of a prospecting license requesting a research permit on the same perimeter.

Article 58: Except where it has been granted to a person party to a service contract, the prospecting license may be restricted perimeter wise or withdrawn at any time, even in the absence of fault of its holder, without compensation nor right of recourse of any kind whatsoever, on reasoned decision of the Minister in charge of hydrocarbons.

A prospecting license granted to a person party to a service contract may be withdrawn or restricted perimeter wise only as a result of non-compliance by the license holder with commitments entered into regarding his /her performance or obligations as provided by this law and the implementing legislations thereto or any other law or regulations in force in the Republic of Benin. Such a withdrawal may be subject to a legal action for abuse of power or of a suit in full legal proceedings under the common law conditions.

Prospecting licenses that have become obsolete may be the subject to withdrawal Orders issued by the Minister in charge of hydrocarbons. However, such Orders are made just for reference.

CHAPTER II RESEARCH

Article 59: Research operations shall only be undertaken pursuant to a research license granted by Order of the Minister in charge of hydrocarbons to an oil company or a consortium fulfilling the conditions set out notably in Article 8 of this law, taking into account the proposals made by the applicant in terms of minimum work program and signature bonus, and the guarantees offered by the latter with respect to compliance with his /her commitments.

The terms and conditions for applying for research license shall be set in the implementing decree. The Production Sharing Agreement proposed by the applicant, designed on the basis of the draft standard Production Sharing Agreement, shall be appended to the application.

Applications for research licenses shall be for blocks cut in accordance with the provisions of the implementing decree.

Article 60: Subject to the rights conferred by this Law on any holder of a prospecting license attached to service contract, the research license shall confere on its holder the exclusive right to carry out, in the licensed area concerned, research operations under the conditions and in accordance with the procedures set in this Law, as well as any implementing Cabinet decree of this law and the provisions of the Production Sharing Agreement.

Article 61: The research license shall be granted for an initial period which shall not exceed:

i) four (04) years for any contract research area located entirely in the conventional zone;

ii) six (06) years for any research area located wholly or partly in the Deep Offshore Zone or in the Very Deep Offshore Zone.

The research license may, at the request of the holder, and in the manner determined by Cabinet decree, be renewed twice. The duration of the first renewal period may not exceed three (03) years and that of the second period may not exceed two (02) years.

Renewal shall be granted by Order of the Minister in charge of hydrocarbons. It shall be of full right if, during the period elapsed, the works set by the oil contract have been fully executed and if the legal, regulatory and contractual obligations concerning this license have been fulfilled.

Article 62: Notwithstanding the provisions of article 61 of this law, the period of validity of a research license may be extended, at the request of the holder and, in case of discovery, once for an additional period which cannot exceed two (02) years, for the purpose of finalizing:

- (i) the feasibility study for that discovery and, in particular, the associated natural gas development plan contained in the said discovery; or
- (ii) the feasibility study of the pipelined hydrocarbons transportation system, the construction of which shall be envisaged for the transportation and storage of hydrocarbons from the relevant discovery.

The provisions of this article shall also apply when the feasibility study of the pipelined hydrocarbons transportation system is carried out by a third party who intends to request for the granting of a transportation and storage license for the evacuation of the hydrocarbons extracted from the deposit or for deposits for which the extension request is made.

The extension of the period of validity of a research license may be requested at the expiry of either the initial period or a renewal period, provided that it is based on the grounds referred to in this Article.

Article 63: At each renewal of a research license, the surface area of the license shall be reduced by twenty five percent (25%).

Subject to the provisions of paragraph 1 of this article, the license holder requesting for the renewal of his /her research license may include, in the perimeter he /she is intending to keep, the surface areas that are the subject of an application for an operating permit deemed acceptable under the conditions set by Cabinet decree.

Without prejudice to the provisions of paragraph 1 of this article, the surface areas proposed for retrocession shall be of regular shape and in one piece. The license shall lapse on the surface areas that have been retroceded and the said surface areas shall become free of all rights.

Article 64: The license holder shall be required to carry out the work relating to the minimum work program within the time limit stipulated in the

Production Sharing Agreement. These deadlines shall take effect from the date of entry into force of the said Agreement.

For the application of the provisions of paragraph 1 of this Article, the Production Sharing Agreement shall divide the work to be carried out under the minimum work program for the initial period into two sub-periods. The duration of the first of these sub-periods may not exceed two (02) years in the conventional zone and three (03) years in the deep offshore zone or in the very deep offshore zone.

Failure to meet the deadlines stipulated in the Production Sharing Agreement for the implementation of the minimum work program may result in the withdrawal of the research license including, at the end of the first of the sub-periods of the initial period referred to in paragraph 2 of this article, without possibility for the license holder to claim for compensation.

Article 65: Without prejudice to the provisions of article 64 of this law, the non-fulfillment by the license holder of all or part of the minimum work program agreed upon in the Production Sharing Agreement, shall give rise to the payment of penalties the amounts of which shall be set by Cabinet decree.

In any case, the renewal of a research license shall be granted only when the license holder has fulfilled his/her obligations under the minimum work program for the previous validity period. The renewal shall be subject to payment by the license holder of the penalties referred to in paragraph 1 of this article and the commitment of the license holder to perform, during the renewal period requested, the work that was not performed during the previous validity period.

The penalties referred to in paragraph 1 of this article shall be due as from the end of the period of validity concerned, for the non-fulfilled obligations of the minimum work program stipulated for the said period of validity. They are payable according to the terms set in the Production Sharing Agreement.

Article 66: The terms and conditions for the application for renewal or extension of the research license and the procedure for the processing of applications, shall be set by Cabinet decree.

Article 67: At the end of the last period of validity of the research license, extended if necessary, the license shall lapse and the contract research area shall be free of all rights except for the zones that are the subject of an application for an operating permit deemed acceptable in accordance with the provisions of a Cabinet decree.

Article 68: Prior to a renewal, a withdrawal or a total or partial waiver of a research license, the license holder shall carry out at his expense, on the perimeter of the contractual area of research which returns to the Government, the abandonment work, as well as the environmental

protection and site restoration operations provided for by the legislation and regulations in force and by the Production Sharing Agreement.

Article 69: The research license is a movable right distinct from the land ownership right; it is not leasable and shall not be subject to a guarantee. It may be subject of any form of transfer of ownership, including by the way of assignment, exchange or contributed share.

Article 70: Any transfer of ownership concerning all or part of a share in a research license and any change of control by the holder of a research license, shall be subject to the prior approval of the Minister in charge of hydrocarbons, under the conditions set by Cabinet decree.

Any contract or agreement involving the transfer of ownership of all or part of a share in a research license or change of control by a license holder shall be transmitted by the assignor or by the license holder concerned to the Minister in charge of hydrocarbons. The aforementioned contracts stipulate, under the conditions precedent to the completion of the transaction, the approval of the latter by the Minister in charge of hydrocarbons.

The assignee shall meet the requirements set at article 9 of this law concerning oil operations. He shall take over from assignor in the Production Sharing Agreement relating to the research license concerned.

Any transfer or change of control carried out in violation of the provisions of this article shall be null and void and may entail for the license holder, the withdrawal of the license concerned.

Notwithstanding the provisions of paragraph 1 of this article, the change of control of a license holder, following a call for public offering or the transfer of the license holder's social rights or of a company in which the holder has a majority share, in a regulated equity market, shall not be subject to prior approval

Article 71: The holder of a research license may apply for a splitting in accordance to the terms and conditions specified by Cabinet decree. All the stipulations of the Production Sharing Agreement, with the exception of the minimum work program, shall apply in the context of oil operations carried out under each of the license resulting from the splitting. The expiry date for each license shall be the expiry date of the initial research license.

The holder of the licenses resulting from the splitting shall necessarily be the holder of the license which has been split.

The splitting shall be deemed to be granted and shall take effect from the date of coming into force of the Orders of the Minister in charge of hydrocarbons relating to the granting of new research licenses resulting from the splitting. These Orders shall automatically repeal the Order granting the research license that has been split.

Article 72: The holder of a research license may renounce to all or part of the licensed perimeter.

The renunciation shall take effect only after having been accepted by order of the Minister in charge of hydrocarbons.

The total or partial renunciation can only be accepted if the license holder has fulfilled all the obligations prescribed by the Production Sharing Agreement and by the regulations in force for the on-going period of validity, in particular with regard to the minimum work program, environmental protection and abandonment work. The applicant shall be deemed to have fulfilled his obligations under the Minimum Work Program in case of payment of all penalties due, if any, as a result of non-performance of all or part of the work under this minimum work program in accordance with the provisions of Article 66 of this Law.

Article 73: When the research license jointly belongs to several co-holders, members of a consortium, the renunciation by one or several members of the consortium under the conditions set in article 72 of this law, shall entail neither the cancellation of the license, nor the termination of the contract as long as the remaining holder takes over on his own behalf, the commitments subscribed by one or those who withdraw. The protocols, agreements or contracts entered into on the occasion of the renunciation, shall be sent by the holder (s) concerned to the Minister in charge of hydrocarbons for approval and same shall not be rejected without reasoned argument

Article 74: The provisions of articles 72 and 73 of this law shall also apply in case of withdrawal of the research license, under the conditions set in Title VIII of this law.

Article 75: Any discovery must be notified to the Minister in charge for hydrocarbons by the license holder at the risk of financial penalty, the amount of which shall be specified by Cabinet decree.

When this discovery makes it possible to presume the existence of a commercial deposit, the license holder shall undertake, with the maximum diligence and within the limit of the period of validity of his / her research license, extended if necessary, a conduct of a feasibility study that shall confirm the existence or not of a commercial deposit.

Any dispute between the license holder and the Minister in charge of hydrocarbons concerning the existence of a commercial deposit shall be settled according to the terms and conditions stipulated in the production sharing Agreement.

Article 76: Where the limits of a deposit discovered and announced, in accordance with the provisions of this law and the implementing legislations thereto, extend beyond the limits of a contractual research area and within a

perimeter covered by one or more other research licenses, the Government may, in accordance with the terms specified by Cabinet decree, ask all the holders of the relevant research licenses to conclude among themselves a pre-unitization agreement aiming particularly at setting a joint conduct, by the relevant holders, of a feasibility study with the view to determining whether the deposit concerned is a commercial deposit.

The holders of the research licenses concerned shall be required to accede to the request of the Government and to seek, in good faith, the conclusion of the pre-unitization agreement referred to in paragraph 1 of this article.

The pre-unitization agreement must include the stipulation of an arbitration clause and / or recourse to a technical expertise for the settlement of any dispute relating to this agreement that may arise among the holders.

Article 77: The research license shall confer on its holder the free ownership of hydrocarbons and related substances extracted from the soil during research and production test, subject to announcement to the Minister in charge of hydrocarbons.

The profits made from the operations referred to in paragraph 1 of this article shall be charged to recoverable oil costs.

Article 78: Where an operating permit is granted, the research license within the contracted operating area shall be cancelled but shall remain valid outside the said zone until expiry or termination or renunciation or withdrawal. However, the minimum work program subscribed by the license holder shall not change.

CHAPTER III OPERATION

Article 79: The mining may only be undertaken under a license to operate.

The operating/exploitation license shall confer on its holder the exclusive right to carry out, in the relevant operating zone, all oil operations and to own its share of hydrocarbons. It shall create for its benefit a real right, distinct from land ownership right, which shall be indivisible non-leasable and not mortgaged.

Article 80: The operating/exploitation license shall be granted, by Cabinet decree, to the holder of research license whose research operations made it possible to establish the existence of a commercial deposit in the licensed research zone.

The granting of the operating/exploitation license to the holder of a research license fulfilling the conditions referred to in paragraph 1 of this article is of right, subject to the submission by the latter of an application according to the terms specified by Cabinet decree.

Notwithstanding the provisions of paragraphs 1 and 2 of this article, the operating/exploitation license may be granted to an oil company or to a consortium, with relevant technical and financial capabilities for carrying out mining operations on the block concerned, on a geographical area not covered by a valid research license, subject to the prior conclusion of a Production Sharing Agreement with the Government.

Article 81: The Government may make the granting of an operating/exploitation license conditional upon the acquisition by the applicant of the transportation and storage permit for evacuation and storage of hydrocarbons extracted from the commercial deposit or commercial deposits that are the subject of this application for an operating/exploitation license, or the production by the applicant of any act of such a nature as to justify rights of access for hydrocarbons coming from the contracted operating zone requested to an existing pipelined hydrocarbons transportation system.

In this case, the application for the granting of the operating/exploitation license shall be accompanied by an application for a transportation and storage permit or the contract documents relating to the transportation of the hydrocarbons extracted from the relevant commercial deposits on an existing pipelined hydrocarbon transportation system.

Article 82: The operating/exploitation license shall be granted for an initial period, the duration of which cannot exceed twenty five (25) years, when it relates to the operation of one or more deposits of crude oil and thirty (30)) when it relates to the operation of one or more natural gas deposits.

An operating/exploitation license may be granted for the operation of crude oil deposits and natural gas deposits. In this case the duration of this license shall not exceed twenty-five (25) years.

Article 83: The operating/exploitation license may be renewed only once, at the request of the holder, for a maximum period of ten (10) years, provided that the holder has complied with his contractual obligations and that he /she has demonstrated, in accordance with the conditions set by Cabinet decree and the Production Sharing Agreement, that the deposit is commercially exploitable beyond the initial period. Renewal shall be conditional upon the conclusion of an addendum to the Production Sharing Agreement.

Article 84: When granting operating/exploitation license, the Government has the right to require that the holder should transfer a share in this license to the tune of fifteen per cent (15%).

The license holder is therefore obliged to accede to the request of the Government. In this case, each holder shall notice a reduction of the size of his / her share due to the percentage of the share transferred to the

Government. The Government shall become co-holder of the license. The public share resulting from this transfer shall be held, on behalf of the Government, by the National Operator, who shall exercise all the rights and shall bear all the obligations of the Government in respect of this share.

When the Government decides to exercise its right conferred pursuant to paragraph 1 of this article, the sums necessary to finance the oil costs related to the public share transferred to the Government shall be pre-financed by its co-holders for a corresponding amount of at least ten percent (10%).

The terms of financing the Government carried share and reimbursement of the pre-financing by its co-holders, shall be specified in the Production Sharing Agreement, subject to the following provisions:

(i) The pre-financing made with respect to the Government carried share shall not bear interest;

(ii) The pre-financing with respect to the Government carried share shall be reimbursed in kind only by allocation to the co-holders of the Government, the quantities of hydrocarbons accruing to the Government under cost-oil.

In case the cost oil relating to the Government carried share does not enable the Government to reimburse its co-holders in accordance with the stipulations of the production sharing agreement, the Government's reimbursement commitments in respect of this borne share shall become obsolete.

The provisions of paragraph 1 of this Article shall not prevent the Government or the National Operator from requesting from its co-holders, at any time during the period of validity of the license concerned, an additional public share beyond fifteen per cent (15%) referred to in paragraph 1 of this Article. It is understood that the co-holders are not bound to accede to the request of the Government or the National Operator with regards to the acquisition of such an additional public share. The terms and conditions of acquisition of an additional public share beyond ten percent (10%) shall be agreed upon among parties

Article 85: The boundaries of a contract zone covered by any operating/exploitation license shall be set by the document establishing the said zone. It is limited by the perpendiculars indefinitely prolonged in- depth of the perimeter defined on the surface, so as to include only the deposit subject of the operating/exploitation license, as well as, where appropriate, a perimeter corresponding to the area required by the license holder for transporting, storing and operating, in accordance with the operating/exploitation license.

Notwithstanding the provisions of paragraph 1 of this article, the decree granting the operating/exploitation license may provide that the operating contract area concerned shall be limited, in-depth, to a geological horizon

comprising only the commercial deposit subject of the feasibility study submitted in support of the application for an operating/exploitation license and, on the surface, to a perimeter determined, according to the terms and conditions specified by Cabinet decree.

Article 86: Where the limits of a commercial deposit straddling several contract research areas, the holders of the research licenses concerned shall, at the same time, each apply for the granting of an operating permit of this commercial deposit, according to the terms and conditions specified by Cabinet decree.

After each of the concerned has been granted an operating/exploitation license on the said commercial deposits, the license holders shall conclude a unitization agreement. In the event they fail to agree on the terms of a unitization agreement, the Government shall prepare one for all on the basis of the usual practices in the international oil industry. In case they do not agree to the terms of this Agreement prepared by the Government, the said agreement shall still be binding on them by virtue of a Cabinet Decree.

Where a commercial deposit extends beyond a contractual research area and on a perimeter not yet covered by a license, the Government shall incorporate, at the request of the license holder, the said perimeter in the operating contract zone covered by the operating/exploitation license for this commercial deposit, according to the terms specified by Cabinet decree.

Article 87: The Government may ask the holder of an operating/exploitation license for a commercial deposit, the limit of which extend beyond the territory on a perimeter covered by a license or a permit for hydrocarbons operations issued to a foreign holder, to conclude with the latter a unitization agreement on this commercial deposit, provided that this is permitted by the legislation of the neighboring State. The signing of this unitization agreement shall be subject to the conclusion of an international agreement between the Republic of Benin and the neighboring State concerned with regard to the terms and conditions for the operation of this commercial deposit.

Article 88: In the event the Government is unable to satisfy the needs of the domestic market in hydrocarbons from its share in the production of the total volume of hydrocarbons produced in the Republic of Benin, any holder of an operating/exploitation license shall be requested, to sell in priority to the Government the portion required to meet the needs of the domestic consumption.

The detailed rules for the application of this article shall be specified by Cabinet decree and the Production Sharing Agreement.

Article 89: Where an operating/exploitation license is granted, the production of the deposit concerned shall commence in a timeframe which may not exceed the following times from the latest of the two dates between the granting of the said license and the making available for the license holder, lands necessary for carrying out the mining operations:

i) In the conventional zone: 03 years;

ii) In deep offshore zone or in very deep offshore zone: 05 years.

Failure to comply with these deadlines shall result in the withdrawal of the operating/exploitation license without the holder being able to claim compensation.

Article 90: The flaring of natural gas shall be prohibited during the operations. However, the Minister in charge of hydrocarbons shall fix, for each contract operating area, a threshold of fatal gas, after examination of the duly justified proposals of the license holder. This threshold shall be reviewed periodically. Any quantity of natural gas flared above the threshold of the fatal gas shall be liable to penalties set by Cabinet decree.

Information on the quantities of natural gas flared for each operating zone must be sent to the Minister in charge of hydrocarbons in accordance with the terms and conditions set by Cabinet decree. Failing to report any quantity of flared natural gas shall be liable to penalties set by Cabinet decree.

Article 91: Any transfer of ownership concerning all or part of a share in an operating/exploitation license or any change in the control of a holder of an operating/exploitation license shall be subject to the prior approval of the Minister in charge of hydrocarbons under the conditions set by cabinet decree.

Any contract or agreement involving the transfer of ownership of all or part of a share in an operating/exploitation license or any change in the control of any license holder shall be transmitted by the assignor or by the license holder concerned to the Minister in charge of hydrocarbons. The contracts referred to in paragraph 1 of this article shall stipulate, as conditions precedent to the performance of the transaction, the approval of the latter by the Minister in charge of hydrocarbons.

The assignee shall meet the conditions set out in articles 9 and 10 of this law for carrying out oil operations. He / she shall take over responsibilities from the assignor in the Production Sharing Agreement with respect to the operating/exploitation license concerned.

Any transfer or change of control made in violation of the provisions of this article shall be null and void and may result in the withdrawal of the license concerned.

Notwithstanding the provisions of paragraph 1 of this article, the change of control by a license holder following a call for public offering or transfer of the

rights of the license holder or of a company which controls the holder on a regulated stock market, shall not be subject to prior approval.

Article 92: The holder of an operating/exploitation license may, at any time, renounce the licensed operating zone. The renunciation shall take effect only after being accepted by Cabinet decree. It shall entail the cancellation of the license.

The renunciation shall be accepted only where the license holder has fulfilled all the obligations pursuant to the Production Sharing Agreement and the regulations in force, particularly those relating to the carrying out of abandonment works.

Article 93: Where an operating/exploitation license belongs jointly to several co-holders in the case of a consortium, the renunciation by one or several members of the consortium to the share in this license or the withdrawal of one or more of them shall entail neither the cancellation of the license nor the obsolescence of the contract if the remaining license holder decides to take over for his /her own account the commitments subscribed to by the one or those who withdraw.

The protocols, agreements or contracts concluded on the occasion of the renunciation, shall be sent by the holder (s) concerned to the Minister in charge of hydrocarbons for approval.

Article 94: Before the expiry of the validity of the operating/exploitation license for any reason whatsoever, including by reason of a withdrawal or a renunciation, the license holder shall carry out the work of abandonment, as well as the environmental protection operations provided for by the legislation and regulations in force and by the oil contract.

The abandonment plan established for the performance of abandonment works shall compulsorily include the constitution by the license holder, from the first of two deadlines between:

(i) the calendar year in which fifty percent (50%) of the initial recoverable proved reserves of an exclusive operating/exploitation license shall be produced and;

(ii) the calendar year in which the 16th anniversary of the exclusive operating/exploitation license concerned shall occur, of a provision for abandonment work, to be placed in an account opened in dollars or euros with the BCEAO, under an escrow agreement.

The methods for calculating the financial provision for abandonment works and for crediting the escrow account referred to above, shall be specified in the Production Sharing Agreement.

CHAPTER IV TRANSPORTATION AND STORAGE OF HYDROCARBONS

Article 95: Subject to the provisions of paragraph 1 of Article 97 below, transportation and storage operations may be undertaken in the territory only by virtue of a transportation and storage license granted by Cabinet Decree, for a period which may not exceed the term of the operating/exploitation license granted for the purpose of exploiting a commercial deposit for which the construction of the pipelined hydrocarbons transportation system concerned shall be envisaged.

The period of validity of a transportation and storage license may be extended, under the conditions set by Cabinet decree, to permit the transportation on the pipelined hydrocarbons being the subject of this license, and carrying the quantities of hydrocarbons from commercial deposits discovered after the granting of the said transportation and storage license, provided that such an extension shall not exceed the period of validity of the exclusive operating/exploitation license (s) granted for the commercial deposits concerned.

The transportation and storage license shall confer on its holder a right of real estate nature, different from land ownership right; it shall be indivisible, non-leasable but can be mortgaged.

Article 96: The transportation and storage license can be granted to any oil company, registered in the Republic of Benin, wishing to carry out transportation and storage operations and capable of justifying that it has the technical and financial capacities necessary for the fulfillment of these operations, including oil companies holding no operating/exploitation license.

However, in the latter case, the granting of the transportation and storage license shall be subject to the provision by the applicant of any legal documents likely to justify the conclusion of agreements with one or more operating/exploitation license holders or of equivalent legal titles issued by some other State, for the transportation of hydrocarbons from contractual operating zones or perimeters covered by these licenses or equivalent legal titles issued by some other State, on the pipelined hydrocarbon transportation system being the subject matter of the application.

Any group of companies wishing to undertake transportation and storage operations shall be required to establish a company under Benin law for this purpose.

The content of the application file and the procedures for granting the transportation and storage license shall be defined by Cabinet decree.

Article 97 : The operating/exploitation license shall confer on its holder, during its period of validity, the right to undertake the necessary transportation and storage operations for the evacuation towards loading

point or consumption point for the hydrocarbons extracted from the operating contract zone concerned, under the conditions set out in the development and operating plan presented in support of the application submitted in order to obtain this license and without the holder having to apply for a transportation and storage license to this effect.

The operating/exploitation license shall also confer on its holder the right to have hydrocarbons extracted from the commercial deposit (s) transported through a pipelined hydrocarbons transportation system operated by a third party, subject to the obtaining by the latter of a transportation and storage license. In this case, the holder of the operating/exploitation license shall submit to the Minister of Hydrocarbons for approval all the agreements and contracts concluded with that third party for performing the transportation and storage operations.

Companies that are particularly established for transportation and storage operations may submit, in support of their transportation and storage license applications, all supporting documents justifying the technical and financial capacities of their partners or shareholders to carry out such operations and commitments made by the latter to provide them with the technical and financial assistance necessary for carrying out the transportation and storage operations.

Article 98: The holder of a transportation and storage license shall guarantee to any holder of an operating/exploitation license, free access and compliance of tariff transparency principles, equal and non-discrimination treatment, within the limit of the available capacities of its networks, and subject to the priority of access granted to hydrocarbons coming from the deposits which motivated the construction of his pipelined hydrocarbons transportation system and the technical feasibility of the operations of transportation and storage of other hydrocarbons on this pipelined hydrocarbons transportation system.

This obligation shall also be binding on the holder of an operating/exploitation license who shall operate a pipelined hydrocarbons transportation system in accordance with the provisions of paragraph 1 of Article 97 above.

Article 99: The terms and conditions for establishing transportation and storage tariffs shall be set by Cabinet Decree.

Article 100: Hydrocarbons extracted from the subsoil of Developing countries may, in accordance with national and international regulations and, be subject to a duly ratified convention binding the Republic of Benin and the Developing country or countries concerned, be evacuated in transit through a pipelined hydrocarbon system built on the territory. Except otherwise provided for in the Convention between the Republic of Benin and the other country (ies) concerned, the transportation and storage contract concluded

for the purpose of transporting these hydrocarbons shall require the payment of a transit fee, the amount and terms of which shall be calculated by the said contract.

However, the Government may, limit or suspend the transit of these hydrocarbons in accordance with the treaties and the principles of international law

Article 101: In the advent of pipelined hydrocarbons transportation crossing other States, the Republic of Benin shall conclude conventions with such States for permission and facilitation of this crossing and all holders of operating/exploitation licenses or transportation and storage permit could be granted all or part of the benefits, from the advantages resulting from the application of the conventions as stipulated by Cabinet decree or by virtue of the provisions of a finance law, as far as the fiscal and customs incentives are concerned

Article 102: In case of discovery of one or more commercial deposits, in a geographical region of the Republic of Benin not covered by pipelined hydrocarbons transportation system, a Cabinet decree may, in the absence of an amicable agreement, require the holders of the operating/exploitation license concerned to cooperate.

The purpose of this cooperation is the joint construction of pipelined hydrocarbons transportation system for the evacuation of all or part of the production of these commercial deposits. This cooperation shall give rise to the establishment of a company under Benin law, by the holders concerned, which shall be in charge of transportation and storage operations.

Article 103: The provisions of this chapter shall not apply to facilities and pipelines established within an operating contract area for the purposes of operation in that area.

Article 104: The transportation and storage permit may be subject to transfer of ownership especially by way of transfer, exchange or equity investment.

The transfer of ownership of transportation and storage license, in particular by way of transfer, exchange, equity investment or otherwise, without transferring the ownership of the hydrocarbons transportation system to its new owner, especially by way of transfer, exchange, capital invested or otherwise, and vice versa, shall be prohibited.

Any transfer of ownership of transportation and storage permit or any change of control by the holder of a transportation and storage permit shall be subject to the prior approval by the Minister in charge of hydrocarbons, under the conditions set by Cabinet Decree.

Any contract or agreement related to transfer of ownership of a transportation and storage permit or any change of control by the holder

shall be transmitted by the assignor or the holder concerned to the Minister in charge of hydrocarbons. The contracts referred to in paragraph 1 of this article shall require, regarding suspensive conditions to the performance of the transaction, the approval of the latter by the Minister in charge of hydrocarbons.

The assignee shall meet the requirements set in article 96 of this law for the transportation and storage operations. It shall take over from the assignor in the transportation and storage Agreement to which the transportation and storage permit concerned is attached.

Any transfer or change of control carried out in violation of the provisions of this article shall be null and void, and may cost the holder the withdrawal of that permit.

Article 105: Except in case of force majeure, if the holder of the transportation and storage permit does not perform the works planned six (06) months after the granting of this permit, he/she shall be liable to financial sanctions, the amount of which shall be fixed in the transportation and storage contract, without prejudice to the possible withdrawal of his/her transportation and storage permit by Cabinet Decree.

If the executed works or the ones in progress are not consistent with the project initially approved, the Minister in charge of hydrocarbons shall instruct the holder in default to stick to time prescribed thereby, which cannot be lower than forty-five (45) days.

If at the expiry of time limit set by the formal notice, the holder does obey the instructions given, the Minister in charge of hydrocarbons shall stop the work in progress and ask for the demolition of the improper facilities and restore the sites, at the expense of the license holder.

The transportation and storage contract shall provide for the provision by the license holder to cover the fees, costs and charges relating to the dismantling of the pipelined hydrocarbons transportation system, the rehabilitation and the reconditioning of the sites allocated for transportation and storage operations.

TITLE V
OIL CONTRACTS
CHAPTER ONE

COMMON PROVISIONS TO OIL CONTRACTS

Article 106: Prior to the award of a research or transportation and storage permit, the license holder shall conclude an oil contract with the government, to be submitted for approval by the Cabinet meeting.

In the case referred to in paragraph 3, article 80 of this law, the license holder shall conclude an oil contract with the government, to be submitted for approval by the Cabinet meeting, prior to the granting of an operating/exploitation license.

Any oil contract duly approved in accordance with the provisions of paragraphs 1 and 2 of this article shall be signed, on behalf of the government, by the Minister in charge of hydrocarbons.

Any Production Sharing Agreement or transportation and storage contract shall come into force under the conditions and following the terms stipulated therein and, in any case, subsequent to the grant of the permit concerned.

Article 107: Any oil contract shall comply with the provisions of this law and the implementing legislations thereto. It shall specify the rights and obligations of Parties and terms and conditions according to which the license holder shall carry out oil operations or transportation and storage operations.

Article 108: The government and the National Operator shall abide by the obligations of confidentiality set by the oil contract. Except as otherwise provided by the legislation, information and documents collected by the administration or the national operator, from the license holder shall not be made public or communicated to third parties without the authorization of the holder. The said information and documents may be used by the government or the National Operator for his /her own account.

As from the permit expiry date, the government may freely communicate to third parties the overall oil data provided by the former holder of this permit.

CHAPTER II

TYPES OF OIL CONTRACTS AND SPECIAL PROVISIONS TO THE PRODUCTION SHARING CONTRACT

Article 109: The oil contracts on research, mining and, where appropriate, on transportation and storage shall be Production Sharing Agreements attached to the grant of hydrocarbons license.

The oil contracts on transportation and storage operations other than those carried out by virtue of the provisions of paragraph 1 of article 97 of this law, shall constitute transportation and storage contracts attached to the grant of transportation and storage permit.

The oil contracts on prospecting carried out on behalf of the Government by legal entities other than the National Operator shall be Service Contracts.

The term of a Service Contract may not exceed five (05) years, whether concluded for the purposes of carrying out prospecting operations or for any other activity referred to in Article 1 of this law.

The Service Contract shall be renewable under the conditions stipulated herein, for a period not exceeding five (05) years.

The Service Contracts may be signed by the body authorized to bind the National Operator by virtue of its by-laws, including when they are concluded in accordance with the provisions of paragraph 1, article 8 of this law.

Article 110: Within the framework of a Production Sharing Agreement, the Government shall seek for the service of a license holder in order to carry out on its behalf in an exclusive way, within the contract areas covered by the hydrocarbon licenses attached to this contract, research operations and, in case of discovery of a commercial deposit, mining operations. The license holder shall be responsible for the financing of these oil operations.

Article 111: Under a Production Sharing Agreement, hydrocarbon produced shall be shared between the Government and the license holder, in accordance with stipulations of the said contract. The license holder shall therefore receive a part of the production as reimbursement of the cost incurred by him /her and his /her remuneration in kind, according to the following terms and conditions:

- i) According to the rate defined in the Production Sharing Agreement, part of the total hydrocarbons production, net of the ad valorem royalty referred to in Article 118 of this Law, shall be used to repay the oil costs actually borne by the license holder under the contract, for carrying out oil operations. This share, called "cost oil" or "production for cost recovery", cannot be greater than a percentage of production called "cost stop" or "percentage of production awarded to cost recovery". The maximum rate of "cost stop" shall be set at:
 - seventy percent (70%) for operating contract areas located in the conventional zone;
 - Seventy-five percent (75%) for operating contract areas located in the deep offshore zone;
 - eighty percent (80%) for operating contract area located in a very deep offshore zone.
- ii) The Production Sharing Agreement in addition, shall define the recoverable oil costs, as well as conditions for recovery by levy on production;
- iii) The remaining of the total hydrocarbons produced, after deduction of the ad valorem royalty and the proportion taken as "cost oil", called "profit oil" or "production for remuneration", shall be shared between the Government and the license holder, according to the terms set in the Production Sharing Agreement. ¶The share of the Government regarding this "oil profit" is known as "tax- oil ".

TITLE VI
TAX SYSTEM, CUSTOMS REGIME AND EXCHANGES REGIME IN OIL OPERATIONS
CHAPTER ONE
TAX SYSTEM

Article 112: The license holder shall be subject to the payment of taxes, fees and royalties provided for by this law as well as those set in the tax system under common law in its provisions not contrary to this law.

The rules for assessment, settlement and recovery relating to taxes, fees and royalties shall be those set by tax legislation, subject to particular provisions of this law. The rules referred to in this paragraph shall be supplemented as the need may be, by the Production Sharing Agreement in accordance with the existing legislative provisions in force.

The rules of control, sanction, regulation and dispute relating to taxes, fees and royalties shall be those set by the tax legislation, without prejudice to the provisions of article 164 relating to the terms of the dispute settlement.

Article 113: Application for granting, renewal, extension of licenses and renunciation to these licenses as well as the approval of transfers of license or on all or part of a share in a license, shall give rise to the payment of the following fixed taxes:

- Issuance of a prospection license: CFA F 2,500,000;
- Issuance of a research license: CFA F 5.000.000;
- Renewal of a research license: CFA F 5,000,000;
- Extension of a research license: CFA F 5,000,000;
- Transfer of a research license or a participation in a research license: CFA F 5,000,000;
- Total or partial renunciation to a research license: CFA F 5,000,000;
- Issuance of an operating/exploitation license: CFA F 100,000,000;
- Renewal of an operating/exploitation license: CFA F 100,000,000;
- Transfer of an operating/exploitation license or a participation in an operating/exploitation license: CFA F 100.000.000;
- Renunciation to an operating/exploitation license: CFA F 100.000.000;
- Issuance of a transportation and storage license: CFA F 100.000.000;
- Extension of transportation and storage license: CFA F 100.000.000;
- Transfer of a transportation and storage license: CFA F 100.000.000.

Article 114: The granting of a research permit or an operating/exploitation license on a Contract area not covered by a research license shall give rise to the payment to the Government of a signature bonus the amount of which shall be specified in the Production Sharing Agreement.

The payment of the signature bonus shall be stipulated among the suspensive conditions to the entry into force of the Production Sharing Agreement. This condition shall not affect the entry into force of the stipulations of this contract relating to terms and deadline of the signature bonus payment.

Article 115: Any Production Sharing Agreement shall provide for the payment by the license holder, of an operating bonus following the granting of any operating/exploitation license and payable under the conditions and deadline specified in the said contract.

Article 116: The inclusion or not of the signature bonus and that of the operating bonus for the cost-oil calculation, shall be the subject of a stipulation for the Production Sharing Agreement.

Article 117: Any holder of a research license, an operating/exploitation license or a transportation and storage permit shall be subject to the payment of an annual surface royalty, calculated according to the following scale:

- Research license:
 - i) Initial period:
 - ii) CFA F 500 /km² /year;
 - iii) First renewal Period: CFA F 1, 500 /km²/year;
 - iv) Second Renewal period: CFA F 2,500 /km²/year;
 - v) Extension: CFA F 5.000 /km²/year.
- Operating/exploitation license:
 - i) Initial period: CFA F 1,500,000 /km²/year;
 - ii) Period of renewal: CFA F 2,000,000 /km²/year;
- Transportation and storage permit: CFA F 1,500,000 /km²/year for the portion of this permit located at the onshore part of the territory.

The Ministry in charge of Hydrocarbon shall be responsible for the settlement and recovery of the surface annually on the basis of the situation as at 1st January of the current year. It shall be paid to the Internal Revenue Service latest by 31st January of the year under consideration.

Article 118: Any holder of an operating/exploitation license shall pay a royalty proportional to the production known as "ad valorem Royalty", based on the net hydrocarbon production as determined in the Production Sharing Agreement.

The rate of this ad valorem royalty shall be set as follows:

- i) Between 10% and 15% for crude oil;
- ii) Between 2.5% and 5% for natural gas.

The ad valorem royalty shall be payable, for all or part of the production, either in cash, or in kind.

When the royalty is received in cash, it shall be paid monthly on provisional basis and quarterly on final basis and shall be paid latest on 25th of the month following the month or the quarter for which the ad valorem royalty shall be paid.

When the royalty is paid in kind, it shall be settled monthly.

The payment of this ad valorem royalty shall be under the control of the Ministry in charge of hydrocarbons. It shall be paid to the Public Treasury by the license holder.

Article 119: Any holder of a transportation and storage permit shall, under conditions of common law, pay corporate taxes, to the proportion of net profit made from transportation and storage operations carried out in the territory.

Article 120: The holder of hydrocarbon license shall not be subject to the payment of profit tax at the rate of oil operations that he/she shall carry out in the Republic of Benin.

The tax oil paid to the Government by the license holder in the pursuance to the provisions of this Law and his/her Production Sharing Agreement shall be the equivalent of the corporate tax due in respect of his/her oil operations.

The rate of "tax oil" which base shall be defined in article 111, shall not be lower than:

- (i) Forty-five percent (45%) for licensed areas located in the conventional zone;
- (ii) Forty percent (40%) for licensed areas located in the deep offshore zone or very deep offshore zone.

The rate of "tax oil" shall vary according to a ratio representing the profitability of the operation. The means of calculation of this ratio shall be specified in the Production Sharing Agreement.

The "tax oil" shall be payable, fully or partly, either in cash, or in kind.

When the "tax oil" is paid in cash, it shall be settled monthly on provisional basis, and quarterly on final basis and paid latest on the 25th of the month following the quarter when the "tax oil" is due.

When the "tax oil" is paid in kind, it shall be settled on monthly basis.

The settlement of this "tax oil" shall be under the control of the Ministry in charge of hydrocarbons. It shall be paid to the public Treasury by the license holder.

Article 121: The Capital gains made by the holder of a hydrocarbons license during transactions involving transfer of ownership of all or part of his /her share in this license shall be subject to a twenty-five per cent (25%) exceptional levy.

The payment of this exceptional levy shall be under the control of the Ministry in charge of hydrocarbons. It shall be paid at the Internal Revenue Service by the license holder.

Article 122: The base of the exceptional levy due on capital gains resulting from the transfer of a hydrocarbon license or a share in such a license, shall be the difference between the transfer price of the license or share and its cost price.

Article 123: For the application of the provisions of article 122 of this law, the transfer price shall be the actual price received by the assignor, in cash or in kind, after reimbursement of any advance payment made by the assignee regarding the license or share concerned.

Where the assignment is made against the assignee's commitment to finance all or part of the oil operations, the cost of which be normally borne by the assignor in respect of the latter's residual share in the license, the value of the commitments thus subscribed by the assignee, hereinafter referred to as the "payment in kind", shall not be taken into account in the determination of the assignment price, since this payment in cash is offset by the allocation to the assignee of the cost oil intended for recovery of the oil costs concerned.

By way of derogation from the provisions of paragraph 1 of this article, the payments in kind relating to research operations shall not be part of the exceptional capital gains tax base provided for in Article 121 of this law.

Article 124: For the application of the provisions of article 122 of this law, the cost price shall be constituted by the sum of the oil costs not yet recovered at the date of the transfer but actually presented by the assignor within the framework of oil operations carried out in pursuance of the license or share transferred, including expenses actually incurred but not recoverable under the terms of the Production Sharing Agreement or the provisions of this Law and the implementing legislations thereto.

Article 125: Where the assignment price is fully paid by any means other than a payment in kind, the exceptional levy shall be paid by the assignor within thirty (30) days following the authorization of the assignment.

Without prejudice to the provisions of paragraphs 2 and 3 of article 123 of this law,

1-Where the agreed sale price is made up partly of a sum of money and, for the other part of a payment in kind, the exceptional levy shall be paid according to the following terms:

a) Where the difference between the amount of the payment made by deposit of a sum of money and the cost price of the license or share makes it possible to get a positive balance:

i. This positive balance shall be subject to the exceptional levy, under the conditions and deadline set out in paragraph 1 of this article;

ii. The balance of the capital gain achieved by the assignor shall be subject to the exceptional levy from the first financial year in which the cost oil corresponding to the oil costs having been the subject of payment in kind, hereinafter referred to as "cost oil" payment in kind", is provided to the assignor. The exceptional levy payable on the said balance shall begin to be paid not later than 31 March of the calendar year following the year in which the cost oil payment in kind shall be paid to the assignor, subject to a limit of twenty-five per cent (25%) of the amount of this "cost oil" until the total amount of the exceptional levy would be cleared.

b) In case there is a negative balance from where from the difference between the payment made by deposit of a sum of money and the cost price of the license or share transferred, , the exceptional levy payable due to the capital gain made by the assignor, shall be payable as of the first financial year in which the cost oil payment in kind is provided to the assignor, under the conditions and within the time limit provided for in paragraph (a) (ii) above.

2- When the agreed transfer price is fully constituted of a payment in kind, the exceptional levy shall be paid as follows: the capital gain achieved by the assignor shall be subject to the exceptional levy from the first financial year in which the "cost oil payment "in kind is served to the assignor. The exceptional levy payable on the said balance shall begin to be paid not later than 31 March of the calendar year following that in which the cost oil payment in kind is paid to the assignor, subject to a limit of twenty-five per cent (25%) of the amount of this "cost oil" until the total amount of the exceptional levy would be cleared.

Article 126: Where the transaction concerns an exchange, the capital gain shall be determined by the difference between the cost price of the license or the share given in exchange and that of the license or the share received in exchange, determined in accordance with the provisions of Article 124 of this Law.

The payment of exceptional levy due on capital gains made on the occasion of the license or share transferred shall start not later than March 31 of the calendar year following the year in which the "Cost oil" resulting from oil operations carried out under the license or share received, is served for the first time to the assignor, until the total amount due for the exceptional levy is cleared.

Article 127: Where the transaction consists of a capital invested in a license or a share, the capital gain shall be constituted by the difference between the value of the social rights received by the assignor in return for the contribution and the price license or share, as determined in accordance with the provisions of article 124 of this law.

The exceptional levy due on capital gains that do not benefit from the tax relief provided for in Article 128 below shall be paid under the conditions and within the time limit provided for in the paragraph 1 of Article 125 of this law.

Article 128: The capital gains made on the occasion of a transfer of ownership of a hydrocarbons license or a share in such a license to affiliated assignees, shall benefit from a tax deferral in respect of exceptional levy. Any transaction involving transfer of ownership of a license or share concerned to the benefit of a third party, subsequently carried out by the affiliated assignee, shall give rise to the payment of:

- (i) The capital gain initially made by the assignor in connection with the transaction referred to in paragraph 1 of this article, carried out with the affiliated assignee;
- (ii) Any capital gain made, where appropriate, by the Affiliate Assignee in connection with the transaction involving transfer of ownership of a license or share in the benefit of a third party.

Article 129: Within the framework of his / her request for approval of the transaction, the assignor shall provide a declaration on the capital gain achieved and its calculation mechanism to the Minister in charge of hydrocarbons for approval. The declaration shall be sent to the Minister of Finance.

A Cabinet decree shall set the terms and timeframe for approving the declaration.

The assignee and the assignor shall jointly pay for any exceptional levy.

Article 130: Capital gains resulting from transactions of any kind involving the direct or indirect transfer of ownership of social rights, shall also be subject to the exceptional levy referred to in Article 121 of this Law.

The capital gain taxable under exceptional levy shall correspond to the positive difference between the transfer price stipulated in the document and the property value of the company rights at the date of the transaction.

Where the transfer of the rights gives rise to a payment made by means other than the payment of a sum of money, the taxable capital gain shall be made up of the difference between the value of the property, right or title granted to the assignor in exchange for the transfer of the Company's rights, determined, as the case may be, to the expert's opinion, and the share value of the shares on the date of the transaction. Debts of all kinds transferred by the assignor to the assignee by reason of or on the occasion of the transaction shall be used to determine the base of the capital gain.

When the assets of the legal entity whose corporate rights are transferred are found in several countries, the capital gain shall be calculated on the value of the assets located in the Republic of Benin.

Capital gains made on the occasion of direct or indirect transfers of social rights between affiliated companies, shall benefit from a gains taxes accrued

Article 131: The license holder shall keep his /her accounts in the legal tender currency of the Republic of Benin. However, he /she shall be allowed to keep his/her oil cost statements in dollars or Euros, under the terms and conditions set in the oil contract.

Notwithstanding the provisions of paragraph 1 of this article, tax returns on income be established in the legal tender currency of the Republic of Benin. Amounts in the tax return shall be converted using the exchange rate applicable on the closing day of the relevant financial year.

Article 132: The unit sales price of crude oil and natural gas taken into account for the calculation of ad valorem, cost oil and tax oil shall be the market price at hydrocarbon delivery point.

This price, which is in line with the current price of the international market, shall be calculated according to the terms specified in the Production Sharing Agreement.

Article 133: Supplies of goods and services of all kinds, including studies, which are directly related to the execution of oil operations, shall be exempt from value added tax and all similar taxes, under the terms and conditions set by Cabinet decree.

The exemption provided for in paragraph 1 of this article shall not apply in respect of VAT on vehicles or machines, whatever their nature designed or equipped for the transportation of persons or for mixed uses. The same shall apply for VAT on the spare parts and accessories of these vehicles and machines.

Subcontractors of the license holder shall benefit from the provisions of this article.

Article 134: With the exception of fixed duties provided for in Article 113 of this Law, the ad valorem royalty, the surface royalty, the profit-Oil share accruing to the Government, stamp and registration duties, the tax on motor

vehicles and tourism, the single tax on insurance contracts, internal radio and television taxes and any other taxes and fees provided for by this Law, the holder of an hydrocarbons license shall be exempt from all internal taxes, including:

- i) The corporate tax;
- ii) The Profit Tax Deduction (PTD);
- iii) Tax on profit distributions;
- iv) Taxes and charges of any kind on the interest and other proceeds of money borrowed by the holder for the purposes of oil operations;
- v) Registration and stamp duties payable for incorporation of companies and social capital increases;
- vi) The land tax of the built and / or undeveloped properties, the property tax with the exception of that payable on residential buildings;
- vii) The contribution of patents.

The exemptions provided for in this Article shall not apply to fees for services rendered, in particular port charges and road tolls.

Article 135: For the conduct of oil operations, the license holder shall be obliged, subject to no double taxation agreements, to operate, under common law conditions, a withholding tax in respect of remuneration paid to natural persons or companies domiciled abroad because of the services rendered to him by them.

This withholding tax shall relate in particular to technical, financial and accounting assistance, the share of the head office costs relating to the operations carried out in the Republic of Benin, the rental of equipment, materials and all services rendered to the contractor by its subcontractors and affiliated companies.

The license holder shall remain subject to all obligations of assessment and payment relating to taxes deducted at source on behalf of the Internal Revenue Service, particularly in respect of tax on salaries and wages including payment of the employer's payment on wages, industrial, commercial and non-commercial profits, with the exception of any tax on interest paid to non-resident lenders for loans contracted for oil operations.

Notwithstanding the provisions of paragraph 1 of this article, the rental of drilling equipment and materials as well as any drilling services rendered to the license holder by his subcontractors and affiliated companies shall be subject to withholding tax at the following derogatory rate:

- i) Five per cent (5%) for the operating contract areas in the deep offshore area;
- (ii) Zero per cent (0%) for the operating/exploitation contract areas in the very deep offshore area.

Article 136: Subject to the provisions of Article 133 of this law, subcontractors shall be subject to tax regime under common law for the duration of oil operations.

Article 137: The license holder shall deposit with the relevant services of the Ministry in charge of finances, all the documents and declarations involved in the regulations under common law, even if they relate to operations exonerated from all rights or applicable taxes under this law.

Article 138: Any oil contract shall provide for, but shall not be limited to, the amount of the annual contribution to the training of the officers of the Ministry in charge of hydrocarbons or the National Operator and to the oil promotion, as well as the follow-up costs legal, accounting and financial obligations, owed by the license holder, including co-holders jointly. The methods of recovery of these sums shall be provided for in the oil contract.

The delay in payment of any sum due to the Government by the license holder shall entail the payment of late penalties in accordance with the terms and conditions set by Cabinet decree.

Article 139: Each license shall be the subject of separate accounts. However, the Production Sharing Agreement may provide for mechanisms for the recovery of Oil costs incurred in the context of Oil operations carried out under a license, from the "cost oil" collected in respect of Oil operations carried out under another license.

Article 140: Income derived from activities carried out in the territory other than Oil operations or transportation and storage operations shall be taxable under common law conditions.

CHAPTER II CUSTOMS SYSTEM

Article 141: The license holders and their subcontractors may import, in the Republic of Benin, the products, materials, building materials, machinery and equipment necessary for carrying out oil operations, without prejudice to the right of preference granted to Beninese companies for the supply of such property under the provisions of this law.

Subject to the special provisions of this Law, such imports shall be governed by the provisions of the current customs legislation in the Republic of Benin.

Article 142: The customs provisions to which shall be subject imports by the holder of transportation and storage permits or his / her subcontractors shall be set in the transportation and storage contract.

Article 143: The following items shall be admitted free of all import duties and taxes, including value added tax and all assimilated taxes, with the exception of the statistical tax, the Community levy and the Community solidarity levy, import of products, vehicles, materials, building materials,

machinery and equipment intended, directly, exclusively and definitively, for operations carried out in the context of a prospecting license or a research license, and which are not available for purchase or rental in the territory. This exemption shall not apply to tourism vehicles, foodstuff, office equipment, office consumables, and any ordinary office equipment, the importation of which shall remain subject to common law regime.

Article 144: Products, vehicles, materials, building materials, machines and equipment intended, directly, exclusively and definitively for oil operations and not available for purchase or rental in the territory of the Republic of Benin, shall be exempt from all import duties and taxes, including value added tax and all assimilated taxes, with the exception of the statistical tax, the Community levy and the Community solidarity levy, during the first five (05) years following the granting of this license. This exemption shall not apply to tourism vehicles, foodstuff, office equipment, office consumables, and any ordinary office equipment, the importation of which shall be subject to common law regime.

At the end of the period of five (05) years referred to in paragraph 1 of this article, import of products, vehicles, materials, building materials, machinery and equipment exonerated during that period shall be subject to the common law regime.

Article 145: The exemptions provided for in Articles 143 and 144 above shall extend to supplies, spare parts and parts of spare parts for products, vehicles, equipment, materials, machinery and equipment benefiting from such exemptions, provided that such supplies, spare parts and parts of spare parts are directly, exclusively and definitively linked to oil operations and are not available for purchase or lease in the territory.

Notwithstanding any legislative provision to the contrary and for the purpose of the provisions of Articles 143, 144 and 146 of this Law, the rate of the statistical tax shall be fixed at one per cent (1%).

Article 146: Vehicles, equipment, machinery, and equipment used for oil operations and intended to be re-exported shall be placed under the normal temporary admission procedure free of all import duties and taxes, including value added tax and all assimilated taxes, with the exception of the statistical tax, for the duration of the prospection license, the research permit and the operating/exploitation license, subject to annual renewal of the commitments made in accordance with the provisions of the legislation in force in Republic of Benin.

Vehicles, equipment, machinery, and equipment having benefited from the suspensive procedure for the purposes of oil operations in accordance with the provisions of paragraph 1 of this article may be kept on the national

territory with suspension of customs duties and taxes, provided that the beneficiary of the suspensive procedure shall undertake to constitute them as a private warehouse in accordance with the procedures provided for by the customs legislation in force.

Vehicles, materials, machinery, and equipment, kept in private warehouses that are reassigned to oil operations and are intended to be re-exported shall benefit from the same provisions as those of paragraph 1 of this article.

In the specific case of special aircraft intended for carrying out technical work in connection with oil operations and placed under a suspensive procedure, the statistical royalty shall be calculated on the basis of the amount of the service provided by the aircraft concerned.

Notwithstanding any legislative or regulatory provisions to the contrary, the re-exportation of the aforementioned products, materials, building materials, machinery and equipment in accordance with the provisions governing the suspensive procedure from which they benefit shall not give rise to the payment of any right of exit.

The benefit of the suspensive procedure provided for in this article shall be subject to the completion of the formalities set by Cabinet decree.

Article 147: The exemptions and suspensive procedures provided for in this Chapter shall also apply to Subcontractors, provided that the list of their imports for oil operations is covered by the license holder and without prejudice to the regulatory provisions relating to the procedures for the validation of these imports by the Government.

Article 148: In accordance with the provisions of the customs legislation in force in the Republic of Benin, expatriate staff employed by the license holder in the Republic of Benin, shall enjoy the exemption of the duties and taxes on the importation of their effects and personal properties being currently used, excluding motor vehicles that may be imported under the temporary admission procedure with the collection of the statistical fee.

Article 149: The share of hydrocarbons that any license holder is entitled to, under a Production Sharing Agreement, shall be exported free of all duties and exit taxes.

Article 150: Imports and exports shall be subject to all the formalities required by the Beninese customs administration. However, at the request of the license holder or his /her subcontractors, and on the proposal of the Minister in charge of hydrocarbons, the Minister of Finance may, as necessary, take any measures likely to speed up the import or export procedures.

CHAPTER III CURRENCY EXCHANGE REGIME

Article 151: Any license holder shall be subject to the current currency exchange regulations in force in the Republic of Benin.

TITLE VII ADMINISTRATIVE AND FINANCIAL PROVISIONS

CHAPTER ONE REBATES AND DISTRIBUTION OF PETROLEUM REVENUE

Article 152: A rebate of ten percent (10%) shall be granted to the officers of the Ministry in charge of hydrocarbons on the fixed duties and on surface royalty.

A rebate of one percent (1%) shall be granted to the officers of the Ministry in charge of hydrocarbons on the Signature Bonus.

A rebate of zero point one per cent (0.1%) of the unit selling price of the barrels produced shall be granted to the officers of the Ministry in charge of hydrocarbons on the ad valorem royalty.

A 50% rebate shall be granted to the officers of the Ministry in charge of hydrocarbons on the penalties provided for by this law.

A grant corresponding to eight percent (8%) of the amount of any signature bonus and any operating bonus shall be granted to the National Operator.

CHAPTER II ADMINISTRATIVE AND TECHNICAL SUPERVISION AND FINANCIAL CONTROL

Article 153: The officers of the Ministry in charge of hydrocarbons shall supervise, under the authority of the Minister, the compliance to this law and the texts adopted for its implementation. They shall provide administrative and technical supervision of oil operations and transportation and storage operations.

They shall prepare, maintain and disseminate oil documentation. They shall have, for this purpose, the power to proceed at any time, to any verification traces of hydrocarbons or deposits and shall have, at any time during normal working hours, access to the work and facilities of the license holder. The latter shall be required to provide them with all the documentation relating to his / her work and to make available to them the means necessary for the fulfillment of their mission.

They shall assist the labor inspectors in their missions of monitoring the application of the labor legislation in the companies covered by this law.

The License holder and his / her subcontractors shall comply with instructions that shall be given during or as a result of inspection missions; they shall establish the facilities , at their expense, of equipment for the purpose of preventing or eliminating the causes of danger that the oil operations or transportation and storage would cause to public safety, to their personnel, to the hygiene, to the environment or to the conservation of classified sites and reserves, sources as well as public roads. In this case, the license holder shall be consulted for the implementation of these measures in order to preserve the interests of the various parties.

Article 154: The government may ask for examination and verification, for each calendar year, by its own care or by a specialized firm of its choice, the proper execution of the petroleum contracts as well as the conformity, regularity and sincerity of the financial information relating to oil operations and transportation and storage. These verifications shall be carried out at the request of the Minister in charge of hydrocarbons.

Copies of oil cost audits reports made in pursuance of paragraph 1 of this article shall be forwarded to the Minister of Finance.

Any refusal to have the oil costs audited shall be subject to penalties depending on the nature and scope of the said refusal. The amounts of such penalties shall be fixed by Cabinet decree.

Article 155: costs related to the examination and verification operations provided for in article 154 of this law shall be totally or partially borne by the license holder within the limit of amounts provided for this purpose in the oil contract.

The detailed rules for the application of this chapter shall be specified by Cabinet decree.

TITLE VIII INFRINGEMENTS AND SANCTIONS DISPUTE SETTLEMENT

CHAPTER ONE INFRINGEMENTS AND SANCTIONS

Article 156: Without prejudice to the provisions of article 105 of this law, the non-compliance by the license holder referred to in article 158 of this law shall be subject to a formal notice to address same in accordance with the terms and conditions provided for in the oil contract.

The formal notice sent to the license holder by the Minister in charge of hydrocarbons shall set the deadline for addressing the non-compliance, depending on the nature of the breach and its consequences in terms of damage, particularly to persons, goods, environment, oil operations or transportation and storage operations.

Except in cases of emergency, the time prescribed for addressing the non-compliance may not be less than forty-five (45) days. In case of emergency, the license holder may be instructed to address the non-compliance without delay.

The introduction, under the terms and conditions set out in the oil contract, of a dispute settlement procedure concerning the alleged non-compliance by the Government, shall interrupt the computation of the deadline prescribed to the license holder to address same, which shall start running again only after the final settlement of the dispute.

Notwithstanding the provisions of paragraph 4 of this article, the Minister in charge of hydrocarbons may, before the expiry of the time prescribed by the formal notice and according to the nature of the non-compliance, decide, as a precautionary measure, the suspension of oil operations or transportation and storage operations.

If, on the expiry of the deadline, the license holder does not take action to address the non-compliance, the license shall be withdrawn:

- (i) By Order of the Minister in charge of hydrocarbons, in the case of a prospection license or a research permit;
- (ii) By Cabinet decree, in the case of an operation/exploitation license or transportation and storage license.

Notwithstanding the withdrawal decision, the license holder shall continue to fulfill all its obligations under the oil contract, abide by any other legislations or regulatory provisions in force.

Article 157: Where the license holder has taken action to remedy the non-compliance prior to the issuance of the formal notice referred to in paragraph 1 of Article 156 or during the remediation period granted him, such non-compliance shall be deemed as addressed and shall not give rise to the application of the penalties provided for in Article 156.

A breach which, by its nature, is not remediable, the Government may, as long as such a breach does not jeopardize definitively the continuation of the contractual relations, deem it as remedied if the license holder pays compensation for damages resulting from this breach, in accordance with the terms of the oil contract.

Article 158: The following breaches shall be deemed to constitute a serious violation of the provisions of this law, giving ground for the application of the sanctions provided for in article 156 of this law, and the list of these breaches shall not be deemed to be exhaustive:

- a) The suspension or non-commencement of research operations or development operations without any reason for more than six (6) months;

b) b) Suspension or non-commencement of mining operations, except for development operations, without any reason, for more than fifteen (15) days;

c) c) The non-start of production of a deposit within a period not exceeding the following periods from the later of the two dates between the granting of the operating/exploitation license for that deposit and the allocation to the license holder of the land necessary for the performance of mining operations:

- In conventional zones: 3 years;

- In deep offshore zone or very deep offshore zone: five (05) years;

d) The non-payment of any amount due under this Law or under the oil contract;

e) The transfer of an oil permit or transfer of control by the license holder without prior approval of the Minister in charge of hydrocarbons.

The petroleum contract shall complement, as and when necessary, the list of breaches likely to give rise to the application of the sanctions provided for in article 156 of this law.

Article 159: The withdrawal of a license may also be decided, as the case may be, by Order of the Minister in charge of hydrocarbons or by Cabinet decree, in case of bankruptcy, cessation of payment, petition in bankruptcy, in receivership or in the event of judicial liquidation of the license holder or the company under the control of which he / she is placed, according to the laws of any country whatsoever.

Article 160: Any license holder shall be liable to civil and penal sanctions provided for by the laws in force in the event of violation of the legislative provisions and regulations relating to the protection of the environment and the facilities classified as dangerous, unhealthy or inconvenient. It cannot be exempted from liability due the government or the National Operator holding a share in the license concerned, regardless of the form or the legal nature of this share.

Article 161: Any natural person as well as the corporate officers of legal entities shall be liable to a fine of fifty million (50,000,000) CFA francs to two billion five hundred million (2,500,000,000) CFA francs and / or a term of imprisonment of a duration of one (01) month to two (02) years, in the following possible cases:

a) Misrepresentation to obtain an oil contract or related licenses;

b) Opposition to occupation of land, no matter in any manner whatsoever, necessary for oil operations or for transportation and storage operations for which the Government has proceeded for an expropriation;

- c) performance of oil operations or transportation and storage in the Republic of Benin, without being granted a license;
- d) Performance of oil operations or storage and transportation on a perimeter non-covered by a license in the Republic of Benin;
- e) Failing to inform the administration of an accident or damage caused by oil operations or transportation and storage operations after becoming aware of same;
- f) Non-performance of abandonment works at the expiry of the license.

The fines provided for in paragraph 1 of this article shall also apply to any legal entity performing any of the actions provided for in paragraphs (a) to (f) of this article.

Article 162: Notwithstanding the sanctions provided for in this chapter, the license holder shall face sanctions and liabilities stipulated in the oil contract and the legislations in force, in case of violation of his / her legal and contractual obligations

CHAPTER II DISPUTE SETTLEMENT

Article 163: Actions for annulment against decisions to withdraw licenses or forfeiture of oil contracts shall be exercised within the time limit set out in respect of appeals for excess of power against administrative actions.

Decisions of withdrawal or forfeiture canceled, where appropriate, by the relevant courts, shall give rise to compensation to the license holder where the guilt of the administration is established by these Courts.

The time limit provided for in the above paragraph shall apply to actions for annulment of decisions stipulated in the above paragraph before an arbitral tribunal.

Article 164: Disputes arising from the application of the present law or the implanting legislations thereto shall fall within the competence of the courts of the Republic of Benin.

However, the oil contract may include a clause providing recourse to a conciliation procedure, recourse to technical expertise or arbitration in order to settle any dispute concerning the interpretation or application of the provisions of this law, its implementing legislations and the stipulations of the contract.

TITLE IX MISCELLANEOUS TRANSITIONAL AND FINAL PROVISIONS CHAPTER ONE TRANSITIONAL PROVISIONS

Article 165: The oil contract may include clauses stipulating in particular the stability of the legal rules and the economic and fiscal conditions applicable to oil operations or transportation and storage.

Article 166: This law shall not apply to existing oil contracts at the date of its enactment. The terms and conditions of these contracts shall remain applicable mutatis mutandis and they shall be dependent on the oil legislation under which they have been concluded.

However, the holders of these contracts may request the benefit of the provisions of this law. In that case, they are bound to accept the renegotiation of their contracts and their compliance with the overall provisions of this law and the implementing legislations thereto.

Holders of expired oil contracts at the date of entry into force of this law, in accordance with the requirements of these contracts, shall be subject to the provisions of this law for oil operations they consider undertaking in the national territory.

CHAPTER II FINAL PROVISIONS

Article 167: This law shall repeal and supersede all previous provisions governing the oil operations, in particular the provisions of law n ° 2006-18 of 17th October 2006 relating to oil code in the Republic of Benin. It shall constitute a watchdog, within the meaning of private international law.

Article 168: Except as otherwise provided, the detailed rules for the enforcement of this Law shall be specified, as and when necessary, by Cabinet decree.

Article 169: This law shall be published in the Official Gazette and enforced as a State law.

Signed in Porto-Novo on 15th of, November 2019

By the President of the Republic of Benin, Head of State, Head of the
Government

Patrice TALON

The Minister of Justice and Legislation The Minister of Water and Mines

Séverin Maxime QUENUM

Samou SEIDOU ADAMBI