

**Sultanate of Oman
Ministry of Oil & Gas**

**Oil & Gas Law
(8/2011)**

Keywords

The laws were put for this Country under the royal decrees were issued and will issued from time to time, in order to maintain the interests of the people, you have to examine these laws in their respective areas thoroughly studied, and should not ignore in transactions of any text of those laws. Must abide by them and follow.

**His Majesty the Sultan
Qaboos Bin Said
From His Majesty's Speech
(15, May 1978)**

تتويه:

النص الإنجليزي لقانون النفط والغاز الصادر بالمرسوم السلطاني رقم (٢٠١١/٨) مترجم من اللغة العربية ، والتي تعد النص الأصلي للقانون ، وفي حالة وجود أي اختلاف في التفسير بين النص الإنجليزي (المترجم) والنص العربي (الأصلي) فيعتد بالنص العربي للقانون . وعليه فإن هذه الترجمة لا تزيد عن كونها استرشادية لغير الناطقين باللغة العربية

Notice:

English text for the Oil and Gas law promulgated by Royal Decree No. (8/2011) translated from the Arabic language, which is the original text of the law, and if there is any discrepancy in interpretation between the Arabic and the English text (translated) and the Arabic text (the original), the Arabic version shall be taken as the authentic text of the law. Thus, this translation is nothing more than guidelines to non-Arabic readers. The translator is not responsible for any inaccuracy or deficiency in the translation.

Royal Decree No. 8 / 2011
The issuance of Oil and Gas Law

We, Qaboos Bin Said, Sultan of Oman

After perusal of the Basic Law promulgated by Royal Decree No. 101/96,
The Law on Oil and Minerals issued by Royal Decree No. 42/74,
The Omani Penal Code promulgated by Royal Decree No. 7 / 74,
And the law on Expropriation for Public Interest issued by Royal Decree No. 64/78,
The National Heritage Protection Law promulgated by Royal Decree No. 6 / 80,
And the Royal Decree No. 15/81 on the Territorial Sea and the Continental Shelf and Exclusive Economic Zone,
And the Royal Decree No. 2 / 99 select the area Right of Way Oil and Gas Pipelines,
The Law on Protection of Water Resources issued by Royal Decree No. 29/2000,
The Law on Environmental Protection and Pollution control issued by Royal Decree No. 114/2001,
The Law on Protection of Drinking Water Sources from Pollution issued by Royal Decree No. 115/2001,
And the law on Nature Reserves and Wildlife Conservation issued by Royal Decree No. 6 / 2003,
The Labour Law promulgated by Royal Decree No. 35/2003,
and in accordance with the public interest.

Decreed as follows:

- Article I:** The provisions of the attached law on Oil and Gas facilities shall be applied.
- Article II:** The Minister of Oil and Gas shall in coordination with the concerned authorities, issue the regulations and the decisions necessary for implementation of the attached law. The existing regulations and decision shall remain in force as long as they are not inconsistent with the provisions of this law until such time new regulation and decision are made.
- Article III:** The Law of Oil and Minerals issued by Royal Decree No. 42/74 and Royal Decree No. 2 / 99 referred to is hereby repealed. The Decree also repeals all that may contradict this Decree or the attached law or inconsistent with their provisions.
- Article IV:** This Decree shall be published in the Official Gazette and shall come into force from the next day following the date of its publication.

Issued: 19th of Saffor 1432 H
Corresponding to: 24 January 2011

Qaboos bin Said
Sultan of Oman

Oil and Gas Law

Chapter I Definitions and General Provisions

Article 1: The following words and phrases shall have the meaning assigned to them unless the context requires otherwise:

Government: means the Government of the Sultanate of Oman.

Ministry: means the Ministry of Oil and Gas.

Minister: means the Minister of Oil and Gas.

Concession Agreement: means a contract entered between the government or on its behalf with a third party with a view to conduct Survey and exploration and discovery, development and Exploitation of petroleum, or any of these activities on the independence.

Concession Owner: means the party that concluded a Concession Agreement with the Government or on its behalf.

Concession Area: means the specific area or location with coordinates in the map annexed to the Concession Agreement.

Crude oil: means liquid hydrocarbon, whether in its natural state or acquired by condensation or separation of Natural gas.

Natural gas: means hydrocarbons in the gaseous condition, whether it is obtained from the oil well or gas well including the remaining gas from the process of separating crude oil.

Petroleum Substances: means crude oil and natural gas.

Survey: means geological, geochemical and geophysical and air that are performed to determine the perception of the nature of the oil regions under survey.

Prospecting: means all exploration and evaluation required to ensure the presence of Petroleum Substances that can be exploited in commercial quantities.

Discovery: means the finding of the Petroleum Substances.

Commercial Discovery: means finding the Petroleum Substances in commercial quantities and quality

Development: means the works done within the concession area, which precedes the commercial production and include all acts of

geological, geophysical, geochemical, drilling development wells, and all basic equipment for the extraction of Petroleum Substances.

Exploitation: means the extraction of Petroleum Substances, including any necessary activities directly or indirectly for this purpose.

Operations: All the works stipulated under the concession agreement.

Well: means a hole in the ground whether on shore or off shore created by means of drilling or boring to a depth in which petroleum material can be explored, or exploited.

Article 2: Without prejudice to the provisions of the existing concession agreements, the provisions of this law shall apply to all Petroleum Substances , which are located on the territory of the Sultanate of Oman, or in the internal waters or territorial sea or exclusive economic zone or continental shelf.

Article 3: The title and ownership in Petroleum Substances in its natural state, wherever is found in the Sultanate of Oman is the Sultanate's property, may not be transferred or owned by prescription before it is extracted.

Article 4: It is prohibited for any natural or juristic person to import, export or transport of Petroleum Substances, store, distribute, manufacture, market or carry any other operations without a license from the Ministry in accordance with the terms and conditions and upon payment of fees prescribed by a decision of the Minister after coordination with the Council of Financial Affairs and Energy Resources.

Article 5: Universities and colleges, institutes and national research centers after obtaining the Ministry's approval in writing can conduct scientific research related to the petroleum activities, provided that they are obliged to submit the results and findings of their researches to the Ministry, and these researches are prohibited to be used in any manner or publication of the text or in summary or in full of its results without written approval from the Ministry.

Article 6: The Minister of Justice in agreement with the Minister of Oil and Gas shall issue a decision of judicial officers status to staff designated to monitor the acts that violate the provision of this law and the implementation of the regulations and decisions thereto.

Chapter II

The Concession Agreement

Article 7: It is prohibited for any person natural or juristic to carryout any Survey or exploration, discovery, development or Exploitation of Petroleum Substances without the Concession Agreement.

Article 8: It is permissible to conclude a Concession Agreement with a third party on any of the operations referred to in Article 7 of this Law.

- Article 9:** The Concession Agreement shall be for a specified period, and shall not be effective until after its ratification by the Royal Decree.
- Article 10:** It is prohibited to grant the concession to any person unless he is technically and financially capable in implementing the required commitments in accordance with the criteria established by the Ministry.
- Article 11:** The Ministry shall coordinate with the Ministry of the Interior before the conclusion of any Concession Agreement on border areas of the Sultanate if the area to be granted is at a distance of less than six kilometers from the border boundary line.
- Article 12:** The Ministry may request the third party before the conclusion of the Concession Agreement, to provide financial guarantee not less amount of about 2% of the value of the Agreement and not more than 5% which shall be valid for the duration of the Agreement, so as to ensure the implementation of its obligations under the Agreement, and in case of breach of the obligation the guarantee shall be forfeited.
- Article 13:** Without prejudice to the provisions of this law, the Concession Agreement shall include, in particular the following:
- 1) the boundaries of the concession area.
 - 2) the rights and obligations of both parties.
 - 3) commercial discovery.
 - 4) operations management.
 - 5) the safe production rate in the concession area.
 - 6) special procedures by which the Ministry's supervise and control in order to ensure implementation of the Agreement.
 - 7) rules by which the Concession Owner shall retrieve his capital and profit.
 - 8) the Agreement period.
 - 9) the procedure for relinquishment and abandonment of the Concession Area.
 - 10) requirements for the protection of the environment, health, safety and security.
 - 11) Omanisation and training.
 - 12) The settlement of disputes.
- Article 14:** The Concession Agreement shall not grant the Concession Owner of any right of ownership in the concession area.
- Article 15:** The Concession Owner is prohibited to do any of the following acts without the approval of the Ministry in writing, which coordinate with the relevant authorities when necessary:
- 1) Selling Substances, equipment and devices that are used in the Concession Agreement.

- 2) Importing Substances, equipment and appliances necessary in the implementation of the Concession Agreement which violate the import laws of the Sultanate.
- 3) Transporting, storing, using or handling of hazardous Substances.
- 4) Subcontracting with any natural or juristic person on the implementation of any of the provisions of the Concession Agreement.

The Minister shall issue a decision on procedures and controls for applications and its approval.

Article 16: The Concession Owner shall at its own expenses restore to normal the Concession Area after the end of the Concession Agreement during the time determined by the Ministry by removing any building or plant or machinery or equipment or tool or waste or other Substances or any other type of property, except that the Ministry considers not to be remove.

In case of failure by the Concession Owner to accomplish his commitment the Ministry may do so at its own expenses, and billed all costs and expenses that result from such removal plus 10% of its value.

Article 17: The Concession Owner is obliged to insurance against risks of all kinds in respect of movable and immovable assets used in operations, is also to insure against civil liability arising from damage to persons or properties or public safety or the environment as a result of work or because of it.

Article 18: The Concession Owner and the subcontractor are bound by the provisions of the Concession Agreement and all permits and approvals issued by the Ministry or other Government agencies, and the provisions of applicable laws and regulations in the Sultanate.

Article 19: The Concession Owner is prohibited to assign or relinquish its rights or obligations prescribed in the Concession Agreement only after the written approval of the Ministry and ratification by the Royal Decree required to ratify such assignment.

Article 20: The Concession Owner is prohibited to execute its operations in a manner that is prejudicial to the rights of others.

Article 21: The Concession Owner is required to keep all records and documents relating to operations within the Sultanate, in accordance with regulations prescribed by the Ministry.

Article 22: The Concession Owner after the declaration of Commercial Discovery and prior to Exploitation in the light of the exploitation agreement concluded by the Ministry with the Concession Owner develop a comprehensive security plan to achieve security and safety requirements in the concession area which satisfies the terms and conditions established in accordance with the laws in force in this regard, and shall coordinate with the Royal Oman Police for its approval. The plan shall be renewed after every two years.

The provision of preceding paragraph, shall apply to the Concession Owners of the existing Concession Agreements.

Article 23: The Concession Owner shall enable the relevant staff of the Ministry to perform the following activities:

- 1) Access all records and documents relating to operations and to obtain copies of them.
- 2) Examine Petroleum Substances that are extracted and sampled and tested.
- 3) Check all facilities and equipment that are used in operations.

Article 24: The Concession Owner shall notify the Ministry in writing on the occasion of any of the following events:

- 1) existing of obstacles that impede the progress of work and measures taken to tackle it.
- 2) The occurrence of any incidents that poses a threat to the rights of the Concession Owner or others or threaten the environment or public property or cause serious injury to workers.
- 3) Stop working with the reasons for that.

The Concession Owner shall be required to notify the Royal Oman Police on the occurrence of any of the events mentioned in item (2) of this article.

Article 25: The Concession Owner shall stop any operations in the Concession Area in the case of Discovery of any natural resource that is not covered by the Concession Agreement or any other archeological value, and shall with immediate effect notify the Ministry in order to coordinate with the relevant authorities, to set an agreed date to take a decision on the subject between the Ministry, the aforementioned relevant authorities and the Concession Owner.

Chapter III Areas of Right of Way

Article 26: It shall be prohibited for the Concession Owner to carry out operations covered by the Concession Agreement at a distance of less than two hundred meters (200 meters) from the cities, villages and roads, mosques, tombs and archeological sites, nature reserves and sites of natural protected areas, dams, springs, wells, restricted areas and any facilities other.

It shall also be prohibited for the Concession Owner to perform any operations or the establishment of any facilities at a distance of less than five hundred meters (500 meters) from land and facilities, camps of Ministry of Defense of the Sultan's Armed Forces, unless authorized by these authorities to do so.

Article 27: The Ministry may in cases required by the public interest, determine the distance of buffer zones to more than the distance stipulated in Article 26 of this law, and shall not be more than three kilometers.

Article 28: The oil pipeline and gas-based, and that to be constructed in the future shall have a Right of way of twenty five meters (25 meters) on each side from the center of the pipeline, and the Ministry in coordination with the competent authorities determine the area of buffer zones in urban areas with a distance that shall not be less than that.

Article 29: The buffer zones for oil and gas pipelines projects referred to in Article 28 of this law shall be considered as public utility projects and the Ministry has the right to direct size of the land and whatever on it required or needed for the execution of the project, including its conformity with the provisions of the Expropriation Act on the public interest referred to.

Article 30: Except for the activities allowed by the oil and gas pipeline operator in the buffer zones provided under the provision of Article 28 of this law, no other party shall carry out any activity or establish any facility or building within the buffer zone whether above or below the ground.

However ,the Government may build roads and bridges, tunnels, walls and channels for water and sewage and creeks, and lay electrical and communications cables and the water distribution pipes above or below the ground, and other activities and projects within the buffer zones referred to after obtaining a written approval of the Ministry.

Article 31: Without prejudice to criminal liability of the violator for the violation, any building or facility constructed in the buffer zone in contradiction with Article 26 of this law shall be removed at the expense of the violator plus the 10% of its value, if the offender does not remove the construction and its effect in violation of the law within the time limit set by the Ministry.

Chapter IV Exploitation

Article 32: In case of a Commercial Discovery in the Concession Area is declared, the concession holder has the preference to get the privilege of exploiting the area.

Article 33: If the layer that contains Petroleum Substance in the Concession Area extended to one Concession Area or more, and it has been technically confirmed that there is a connection between the reservoirs, the Concession Owner shall during the period specified by the Ministry reach an agreement on the best ways and conditions to exploit that reservoir, after approval of the Ministry in writing.

Article 34: If the Concession Owner failed to reach an agreement as referred to in Article 33 of this law, the Ministry shall set rules of Exploitation that shall be adhered to.

Article 35: If it is found that the layer that contains Petroleum Substance covered by Concession Agreement extended to the area not covered by Concession Agreement, the Ministry may at the request of the Concession Owner modify

the borders of the Concession Area to include the area that extends to the layer or to the border, estimated by the Ministry. This shall be ratified by the Royal Decree.

Chapter V

Controls of the employment and the protection of the manpower

Article 36: Without prejudice to the provisions of the Labour Law referred to the Concession Owner shall abide by employing qualified national workforce, and shall coordinate with the Ministry to prepare an annual training programs aimed at qualifying Omanis for professional and technical positions as well as senior executive positions related to operations and shall gradually replace expatriates labour force.

The Ministry shall determine in coordination with the Ministry of Manpower stages of the rates and controls and areas of employment, training and obligations of the Concession Owner which shall be inline with the needs of the petroleum industry and the expertise required.

Article 37: Without prejudice to the provisions of the Labour Law referred to, the Concession Owner shall be required to implement the regulations and take action to protect the workforce in locations where operations take place.

Article 38: The labour rights shall in all cases be protected in accordance with the provisions of the labour law referred to and employment contracts with them and those conditions shall not be compromised whether in case of abandonment or relinquishment of the Concession Area.

Chapter VI

Environmental Protection

Article 39: Without prejudice to the provisions of the laws relating to protection of the environment in the Sultanate, the Concession Owner is committed to the implementation of the Operations with due diligence and in accordance with the technical standards set forth in the Concession Agreement and international conventions to which the Sultanate is a party, so as to ensure the protection of the environment, and must take all necessary measures to achieve this, including:

- 1). Treatment of waste before disposal to protect the environment and water sources.
- 2). Not to dispose any gas but if necessary, the appropriate means to protect the environment shall be observed.
- 3). Take all precautions and arrangements necessary when the possession, transportation, transfer or use of hazardous Substances while conducting operations, including wastes resulting fro operation and flammable and liquids material under pressure, burning and oxidizing, toxic and

- irritating, radioactive, corrosive Substances. Insurance cover shall be taken to insure against liability for damage that may result from them.
- 4). The protection of all ground layers containing fresh water and the common layer that contain water.
 - 5). The fresh potable water for drinking or agriculture shall not be used for oil well injection, except in cases of absolute necessity and in the absence of a suitable replacement and after obtaining a permit from the competent authorities.
 - 6). Not to re-inject the water associated with oil in the ground only after partially treated according to the specifications and standards prescribed in this regard.
 - 7). to abandon or the close the dry oil or used wells in accordance with rules established by the Ministry.
 - 8). to take the necessary precautions to prevent the leakage of Petroleum Substances.
 - 9). to take preventive measures to prevent pollution of all kinds.
 - 10). To take all appropriate immediate actions to reduce the environmental effects of explosions and accidents that may arise in the operational sites and the removal of waste products and to inform competent authorities immediately of the accident and take steps to control it.
 - 11). to reduce emissions of greenhouse gases in the Concession Area using the techniques and appropriate means to protect the environment.

Article 40: The Concession Owner shall use Substances and equipments that are in conformity with international standard and specifications and shall meet the requirements of safety and the environment according to the best methods used in this regard.

Chapter VII

Special provisions for Natural gas

Article 41: The Concession Owner who has the Concession Agreement shall be committed to protect Natural gas and shall be ideally exploited after obtaining a written approval of the Minister and in accordance with the following priorities:

- 1) Exploitation in the oil operations.
- 2) Commercial exploitation.
- 3) Injection for improved recovery rates.
- 4) Storage in the ground and includes the production layers.
- 5) Other purposes as deemed fit by Ministry.

Article 42: It may be permissible under the Concession Agreement for crude oil to provide one or more of the benefits, incentives and additional facilities in order to encourage the Exploitation of gas in the Concession Area, in line with the effort of the Concession Owner and the size of his investments, namely:

- 1) Extend the period of assessment of gas discoveries in the Concession Area.

- 2) Recover the Commercial Discovery expenses incurred by the Concession Owner for gas Discovery in the Concession Area in the manner determined by the Concession Agreement if the Ministry deems that the development of this Discovery shall be postponed to meet the future demands of the domestic gas market.
- 3) Merge small-sized gas discoveries and link them together to be combined field or commercial fields.
- 4) Reduce the financial burden on the Concession Owner provided for under this law, to commensurate with his efforts made and the size of investments aimed at developing Natural gas reserves and the development of production, in accordance with the principles and regulations established by a decision of the Minister, in coordination with the Ministry of Finance .

Article 43: The Concession Owner shall allocate unused Natural gas produced from the Concession Area to meet the requirements of the local market as determined by the Ministry.

An agreement may be reached between the Ministry and the Concession Owner to reduce the amounts allocated to the local market if there is a large quantity of gas from other sources outside the concession area and agreed between them on rates and the timetable.

Chapter VIII

Penalties

Article 44: Without prejudice to any severer penalty provided for under the Omani Penalty Law or any other law, crime committed for violation of the provisions of this law shall be punished by the penalties set forth herein.

Article 45: Any person who violates the provisions of Articles 4.7, 19 of this law shall be punished by imprisonment of not less than one year nor more than three years and a fine of not less than (500,000) Five hundred thousand Omani Rials and not more than (1,000,000) million Omani Rials, with the confiscation of Petroleum Substances and equipment and devices derived from crime or which is used in the commission of or preparation for that, in the case of repeat offenders prison and a fine shall be double.

Article 46: Any person who violates the provisions of articles 15.23, 24, 25 of this law, shall be punished by imprisonment of not less than six months and not more than two years and a fine of not less than (300 ,000) three hundred thousand Omani Rials and not more than on (800, 000) eight hundred thousand Omani Rials, with the confiscation of Substances, equipment and devices derived from crime or which is used in the commission of or prepared for that, in the case of repeat offenders prison term and fine shall be double.

- Article 47:** Any person who violates the provisions of articles 22, 26.28 of this law, shall be punished by imprisonment of not less than three months and not more than a year and a fine of not less than (100,000) one hundred thousand Omani Rials and not more than (500,000) five hundred thousand Omani Rials.
- Article 48:** Any person who violates the provisions of articles 16.17 of this law shall be punished by imprisonment of not less than one month and not more than six months and a fine of not less than (100,000) one hundred thousand Omani Rials and not more than (300,000) three hundred thousand Omani Rials.
- Article 49:** Any person who violates the provisions of articles 20.21 of this law shall be punished by a fine of not less than (10,000) ten thousand and not more than RO (20,000) twenty thousand Omani Rials.
- Article 50:** The juristic person shall be punished criminally by a fine equivalent to twice the value of the maximum fine provided for in each of the articles 45.46, 47, 48.49 of this law, as the case may be, if he commits an offense set forth in his name or on his behalf, with the consent or cover or gross negligence by the president or one of the members of the board of directors or manager or any other official acting in that capacity, this is without prejudice to the criminal responsibility of natural persons.
- Article 51:** Without prejudice to the penalties contained in this chapter, the Minister shall issue regulations and decisions determining administrative sanctions on acts that are in contravention of the provisions of this law.
- Article 52:** The Minister or his authorized representative may reconcile in the crimes punishable under articles 45.46, 47, 48.49, 50 of this Act if the violator pays half the amount of the maximum fine prescribed for the offense and at his expense remedy the breach at any stage of the public case prior to the issuance of judgment, the reconciliation shall result in dismissal of the public action in the crime. The dismissal shall be without prejudice to the right of the Ministry to implement the administrative penalties imposed for the implementation of the provisions of this law.