

ACT

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THE PETROLEUM (EXPLORATION AND PRODUCTION) ACT, 2011

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SIGNED this 25th day of July, 2011.

DR. ERNEST BAI KOROMA,
President.



No. 7

2011

Sierra Leone

THE PETROLEUM (EXPLORATION AND PRODUCTION) ACT, 2011. Short title.

Being an Act to provide for the management of petroleum operations, to regulate and promote petroleum exploration, development and production; to regulate the licensing and participation of commercial entities in petroleum operations; to provide for proper supervision of petroleum operations, to promote the participation of Sierra Leoneans in the petroleum industry; to provide for efficient and safe petroleum operations; to provide for an open, transparent and competitive process of licensing and for other related matters.

[] Date of commencement.

ENACTED by the President and Members of Parliament in this present Parliament assembled.

PART 1—PRELIMINARY

Interpretation. **1.** In this Act, unless the context otherwise requires—

“affiliate” means any person, whether an individual, corporation, partnership, unincorporated association or other entity—

- (a) in which a licensee directly or indirectly holds more than fifty percent of the share capital or voting rights;
- (b) which holds directly or indirectly more than fifty percent of the share capital of or voting rights in a licensee;
- (c) in which the share capital or voting rights are directly or indirectly and to an extent more than fifty percent held by a company or companies holding directly or indirectly more than fifty percent of the share capital of or voting rights in a licensee or;
- (d) which holds directly five percent or more of the share capital of or voting rights in a licensee;

“appraisal” means a programme carried out following a discovery of petroleum for the purpose of delineating the accumulation of petroleum to which that discovery relates in terms of thickness and lateral extent and estimating the quantity of recoverable petroleum therein;

“arms length commercial transaction” means a sale to a purchaser or purchasers that are independent of the seller, which do not involve petroleum exchange or barter transactions, government to government

transactions, sales directly or indirectly to affiliates, or sales involving consideration other than payment in U.S. Dollar or currencies convertible thereto, or affected in whole or in part by considerations other than usual economic incentives for commercial arms length petroleum sales;

“call for negotiations” means an invitation for prequalified persons to enter into negotiations within a specified period, for a petroleum licence in relation to an area specified by the Minister;

“call for tenders” means an invitation for prequalified persons to submit a tender for a petroleum licence in relation to an area specified by the Minister;

“carried interest” means an interest held by the State in respect of which the contractor pays for the exploration and development costs without any entitlement to reimbursement from the State;

“contractor” means any person with whom a holder of a petroleum right has entered into a contract for the performance of obligations under a petroleum right;

“crude oil” means hydrocarbons which are solid or liquid under normal atmospheric conditions and includes condensates and distillates obtained from natural gas;

“decommission” means to undertake activities in respect of a petroleum facility upon the permanent cessation of petroleum operations to ensure that the facility is safely removed or left in a permanent, safe and secure condition;

“development” includes the building and installation of facilities for the production of petroleum and the drilling of development wells;

“development area” means part of an area which, following a commercial discovery of petroleum has been delineated for production according to the terms of the petroleum licence;

“Directorate” means the Petroleum Directorate established by section 4;

“Director-General” means the person appointed to be Director-General under section 8;

“discovery” means a discovery of petroleum which has not previously been known to have existed and which has been recovered at the surface in a flow measurable by conventional industry testing methods;

“drilling” includes all preparations for and implementation of operations surrounding the drilling of a well and operations such as well completion, data acquisition, monitoring, well control, modification and plugging of existing wells;

“exploration” means the search for petroleum via geological, petrophysical, geophysical, geochemical or geotechnical activities and the drilling of exploration wells, including appraisal wells, and activities connected therewith;

“facility” means—

- (a) any plant, structure, equipment, device or other associated installations or infrastructure including pipelines, cables, valve stations, pump stations and compressor stations constructed, placed or used in order to carry out petroleum operations;

- (b) vessels, vehicles or craft when stationary and used for drilling or support of ongoing petroleum operations; and

- (c) vessels, craft or vehicles for transportation of petroleum in bulk when connected to a facility for loading of petroleum, but not when in transport;

“field” means a geological structure or feature playing host to one or more reservoirs from which petroleum production may be commercially undertaken through a defined set of facilities;

“flaring” means combustion of hydrocarbons without application of the resulting heat or gases for any useful purpose;

“gas venting” means the release to the atmosphere of combustible gas without flaring;

“Government” means the Government of Sierra Leone;

“land” includes—

- (a) land beneath the territorial waters, and
- (b) the subsoil below the seabed;

“licence area” means an area covered by a petroleum licence;

“licensee” means a person to whom a petroleum licence is granted under this Act;

“market price” means the price at which oil value will be assessed as the base for calculating royalty payments;