



**THE HYDROCARBONS
(PROSPECTING, EXPLORATION AND EXPLOITATION)
REGULATIONS**

of 2007

(Unofficial English translation)

Nicosia, February 2007

**THE HYDROCARBONS
(PROSPECTING, EXPLORATION AND EXPLOITATION) LAW**

Regulations by virtue of section 30

Preamble. For the purpose of harmonization with the European Community Act referred to as the-

Official Journal of the E.U.: L 164, 30.05.1994, p. 3. “Directive 94/22/EC of the European Parliament and of the Council of 30 May 1994 on the conditions for granting and using authorisations for the prospecting, exploration and production of hydrocarbons (OJ L 164 of 30/05/1994, p. 3),

4(I) of 2007. The Council of Ministers, in exercising the powers vested to it by section 30 of the Hydrocarbons (Prospecting, Exploration and Exploitation) Law, hereby makes the following Regulations.

Short title. **1.** These Regulations may be cited as the Hydrocarbons (Prospecting, Exploration and Exploitation) Regulations of 2007.

Interpretation. **2.-(1)** In these Regulations, unless the context otherwise requires, the following definitions shall apply-

213(I) of 2002 “aircraft” has the meaning as referred to in the Civil
114(I) of 2004 Aviation Law;
83(I) of 2005
70(I) of 2006.

"associated natural gas" means natural gas, which exists in a reservoir with crude oil and includes what is commonly known as gas-cap gas which overlies and is in contact with oil;

"commercial oilfield" means an oilfield in which commercial hydrocarbon reserves occur;

"Contract" has the meaning attributed to it in Regulation 5;

"crude oil" means unrefined hydrocarbons which are produced at the wellhead in liquid state at a temperature of 15° C and a pressure of 1 Atmosphere, crude mineral oil, asphalt and ozokerites and the liquid hydrocarbons known as condensate and Natural Gas liquids obtained from Natural Gas by condensation or extraction;

"drilling" means operations for or in connection with the perforation of the earth's surface, whether the hole is vertical, inclined or horizontal, and includes all operations for preventing the collapse of the sides of the hole or preventing the hole from becoming filled by extraneous materials, including water, and the fitting of wellheads, coring or logging, and any operations incidental thereto;

"exploitation area" means an area within the licensed area encompassing the extension of a commercial oilfield subject to a development and production plan as determined in an agreement;

"good oilfield practice" means all those activities that are generally accepted as good, safe and efficient in the carrying on of hydrocarbon operations, and in accordance

with generally accepted practices in the international petroleum industry;

“hydrocarbon operations” means the operations carried out for the exploration of, and the exploitation of hydrocarbons;

“hydrocarbon reservoir” means a naturally occurring discrete accumulation of hydrocarbons;

“land” includes the surface of the earth, the sea bed and their subsoil;

4(l) of 2007. “Law” means the Hydrocarbons (Prospecting, Exploration and Exploitation) Law;

“Natural Gas” means hydrocarbons which at a temperature of 15° C and pressure of 1 Atmosphere are in a gaseous phase, including wet mineral gas, dry mineral gas, wet gas and residue gas remaining after the extraction, processing or separation of liquid hydrocarbons from wet gas, as well as non-hydrocarbon gas or gases produced in association with liquid or gaseous hydrocarbons;

“oilfield” means one or more hydrocarbon reservoirs that occur in a distinct structural and/or stratigraphic geological feature, in which proven hydrocarbon reserves occur;

“reservoir” means porous and permeable formation, contained by impermeable layers, in which hydrocarbons occur or could occur, usually above formation water, in such a manner that these fluids are subject to a single system of pressure;

“vessel” has the meaning attributed to it in international treaties and does not include warships;

“well” means any opening in the ground or seabed made or being made by drilling or boring, or in any other manner, for the purpose of discovering and/or producing Crude Oil or Natural Gas, or for the injection of any fluid into a hydrocarbon reservoir, other than a seismic hole or a structure test hole or stratigraphic test hole;

(2) Terms, which are not otherwise defined in the present Regulations, have the meaning attributed to them by the Law, unless the context otherwise requires.

Hydrocarbon register. **3.-(1)** The Minister keeps a hydrocarbon register, in such a form as he determines with an Order. The hydrocarbon register records with dates all applications, executions, grants, modifications, transfers, assignments, relinquishments, renewals, extensions, terminations, cancellations and any other related information regarding licences and related hydrocarbons Contracts.

(2) Geographical maps are attached to the hydrocarbon register, which show, at any time-

(a) the boundaries of the licensed areas;

(b) the areas subject to application for a licence; and

(c) the route of hydrocarbon pipelines.

Constitution of blocks.

4. The Council of Ministers may, by a decision published in the Official Gazette, designate blocks within the areas

that are available for the exercise of the activities of prospecting, exploration and exploitation of hydrocarbons, as determined by decision of the Council of Ministers, pursuant to section 4 of the Law.

Contracts for the determination of the terms and conditions of the exploration and exploitation licences.

5.-(1) The terms and conditions attached to an exploration licence and to an exploitation licence are stated explicitly in a Contract that is concluded between the Republic of Cyprus and the licensee.

(2) The Minister may issue, by notification published in the Official Gazette, a model Contract which is used in the licensing procedure pursuant to the provisions of these Regulations.

(3) A model Contract may be a production sharing contract or a concession agreement or such other form as customarily used in the international petroleum industry.

General and specific information submitted by the applicant.

6.-(1) Applications that are submitted for a prospecting licence, pursuant to section 5 of the Law, shall include the following information:

(a) the name, address and nationality of the applicant;

(b) the applicant's place of registration or incorporation, its principal place of business, its Board of Directors and senior management, the domicile and nationality of the members of the Board of Directors, its capital structure and the factors constituting control of the applicant by other natural or legal person;

(c) the manner in which prospecting activities shall be financed, if the application is successful, and how performance of the applicant's obligations shall be guaranteed; and

(d) the applicant's previous experience in hydrocarbon prospecting.

(2) Applications that are submitted for an exploration licence, pursuant to section 5 of the Law, shall include the following information:

(a) the name, address and nationality of the applicant;

(b) the applicant's place of registration or incorporation, its principal place of business, its Board of Directors and senior management, the domicile and nationality of the members of the Board of Directors, its capital structure and the factors constituting control of the applicant by any natural or legal person;

(c) the form of organisation of the applicant, including information concerning the relationship of the applicant with its parent company, if any, and other affiliated persons;

(d) the financial structure of the applicant and its parent company, if any, including annual reports, audited balance sheets and profit and loss statements for the past three years, and any reports which the applicant or its parent company may have

filled to competent authorities responsible for securities regulation during that period;

(e) the manner in which exploration and development activities shall be financed, if the application is successful, and how performance of the applicant's obligations shall be guaranteed; and

(f) the applicant's previous experience in hydrocarbon exploration, development, production, transportation and marketing.

(3) Where an application is submitted by a group of two or more entities, the information referred to in Sub-Regulations (1) and (2) above is submitted for each entity and the group designates one person as representative.

(4) Where following the submission of the information referred to in Sub-Regulations (1) and (2) above, but prior to the selection of the successful applicant, there has been any change in the information so submitted, the applicant shall forthwith inform the Minister, specifying all particulars of the change.

(5) Upon payment by the applicant of the appropriate application fee, as determined by the Minister by an Order issued in accordance to sub-section 30(4)(c) of the Law, the Minister registers the application in the hydrocarbon register, including the date of the application, the designation and map of the area applied for, the amount of fee paid and the status of the application.

(6) An application for an exploration licence includes the following specific information:

(a) the designation of the area or areas applied for, and if the application is made in respect of more than one area, the priority assigned to each area;

(b) a detailed description of the exploration programme proposed for the area or areas applied for and its geographical distribution over each such area or areas;

(c) the minimum work and expenditure obligations to be undertaken during the exploration period;

(d) a short notice regarding the exploration activities and the possible impact they have to the environment, and the measures that the exploration work programme intends to take for dealing with;

(e) proposals with respect to the training and employment of nationals of the Republic of Cyprus and minimum expenditures to be incurred thereof;

(f) proposals with respect to the economic terms and conditions which have been designated as criteria for the evaluation, such as the financial consideration and/or the sharing of production between the applicant and the Republic;

(g) any agreement, between any persons relating to the manner in which hydrocarbon operations are to be financed; and

(h) such other matters as may be required by the Minister or under the applicable model contract or which the applicant wishes the Minister to consider.

(7) Additional information on all matters referred to in Sub-Regulations (1) and (2) above shall be promptly supplied by the applicant, if so requested by the Minister, at any time after the application has been received.

(8) An application for an exploitation licence related to a commercial hydrocarbon discovery within an area under an exploration licence is submitted along with a development and production plan, pursuant to the provisions of the Contract.

Grant of licence.

7. The Minister negotiates the terms and conditions of the Contract with the selected applicant. In case where the negotiation is successful, the Contract is submitted to the Council of Ministers for approval, and upon approval and signing by both parties, the licence is granted.

Term of the
prospecting licence.

8. A Prospecting licence is granted for a period not exceeding one year.

Term of the
exploration licence.

9.-(1) An Exploration licence is granted for an initial period not exceeding three (3) years and could be renewed for up to two terms, each term not exceeding two (2) years, provided that the conditions of the Sub-Regulation (2) are fulfilled.

(2) The exploration period may be renewed, pursuant to Sub-Regulation (1) above, provided that the licensee has fulfilled all his obligations with respect to the current exploration term, and subject to prior application submitted to the Council of Ministers two (2) months prior to the expiry of the current term,

(3) The Contract may provide that in case where an appraisal work programme with respect to a discovery is actually under progress and has not been completed at the expiry of the second renewal referred to in Sub-Regulation (1), the licensee may apply to the Council of Ministers for an extension of the exploration period, which may not exceed six months.

(4) Without prejudice to the provisions of Sub-Regulation (2) above, in cases where the licensee has not fulfilled all his obligations with respect to the current licence, the Council of Ministers may decide to renew the licence under terms and conditions the Council of Ministers may deem fit to impose.

Relinquishment of area.

10.-(1) Upon each renewal of the term of the exploration period, the licensee relinquishes at least twenty-five percent (25%) of the initial surface of the licensed area.

(2) Upon expiry of the second renewal of the term of the exploration period, the licensee relinquishes all the remaining part of the licensed area:

Provided that the area to be relinquished under Sub-Regulation (2) shall exclude the areas designated as exploitation areas and, if any, the areas encompassing a natural gas discovery pursuant to an appraisal programme in accordance to the provisions of the Contract.

Term of the exploitation licence.

11.-(1) The term of the exploitation licence for an exploitation area shall be a maximum of twenty-five (25) years and it may be renewed for a maximum of ten (10) years, subject to the provisions of the Contract.

(2) The exploitation licence may be renewed, pursuant to Sub-Regulation (1) above provided that the licensee has fulfilled all his obligations arising from the licence, and submits an application to the Council of Ministers, through the Minister, one year prior to the expiry of the current term.

Transfer of licence and assignment of rights arising from a licence.

12.-(1) Pursuant to section 27 of the Law, any transfer of a licence, or assignment of any rights arising from a licence shall be of no effect without the prior submission of a written application to the Minister, who, after assessing it, submits an opinion to the Council of Ministers for final decision.

(2) An application for a transfer of licence or assignment of rights arising from a licence is made in writing to the Minister and shall include the following:

(a) the name and nationality of the proposed transferee or assignee, and, in the case where a transferee or assignee is a legal person, the place of its incorporation and principal place of business;

(b) evidence of the proposed transferee's or assignee's technical and financial ability to assume and undertake the work obligations and other commitments of the licensee, set forth in the Contract concerned;

(c) any agreement between any persons relating to the manner in which hydrocarbon operations are to be financed;

(d) an unconditional written undertaking by the transferee or assignee to assume all the obligations transferred and assigned by the transferor or assignor; and

(e) such other particulars as the Minister may reasonably require.

(3) In addition to any information required under Sub-Regulation (2) above, the Minister may request the licensee to submit further relevant information, prior to his suggestion to the Council of Ministers. This piece of information is submitted within reasonable time, determined by the Minister. Where such requested information is not supplied within the time specified, the application shall be deemed to have been withdrawn.

(4) The transfer of any licence or the assignment of any rights arising from a licence and related Contract or interest therein shall not affect any liability of the transferor or assignor incurred before the date upon which such assignment or transfer takes effect, nor, unless a Contract otherwise provides, shall it release the transferor or assignor from liability for the performance by the transferee or assignee of the obligations undertaken by them at the time the Contract was entered into.

(5) Without prejudice to the transfer or assignment, any legal proceedings which may be or have been commenced against the transferor or assignor may be commenced or continued notwithstanding the transfer.

Work practices.

13.-(1) A licensee shall carry out hydrocarbon operations

in a proper, safe and workmanlike manner and in accordance with good oilfield practices. A licensee shall, at all times, comply with the present Regulations and any other legislation, guidelines and instructions relating to work practices, employers' obligations, safety and health at work and the rights of employees.

(2) A licensee shall:

(a) ensure that all materials, supplies, machinery, plant, equipment and installations used by the licensee and subcontractors comply with generally accepted standards in the international petroleum industry and are of proper construction and kept in good working order;

(b) use the natural resources of the licensed area as productively as practicable;

(c) prevent damage to producing formations and ensure that hydrocarbons discovered, mud or any other fluids or substances do not escape or be wasted;

(d) prevent damage to hydrocarbon and water bearing strata that are adjacent to a producing formation or formations and prevent water from entering any strata bearing hydrocarbons, except where water injection methods are used for secondary recovery operations or are intended otherwise in accordance with generally accepted international petroleum industry practice;

(e) properly store hydrocarbons in receptacles constructed for that purpose, and not store crude oil in an earthen reservoir, except temporarily in an emergency; and

(f) implement the provisions of the Solid and Dangerous Waste Law as regards the hydrocarbon wastes.

215(I) of 2002
196(I) of 2004
162(I) of 2005
17(I) of 2006.

Directions of the
Minister to licensees
in case of
infringement of
Regulation 13.

14.-(1) Where the Minister determines that a licensee has not acted in accordance with Regulation 13, the Minister may notify such licensee in writing accordingly and require him to show cause, within such reasonable time as the Minister shall specify, why he has failed to act in accordance with Regulation 13.

(2) Where, within the time specified in any notice issued under Sub-Regulation (1) above, the licensee fails to satisfy the Minister that he has acted in accordance with Regulation 13 or that his failure to so act is justified, the Minister may direct in writing the licensee to take such steps as may be necessary to ensure compliance therewith.

(3) In case that a licensee fails to comply with the Minister's directions given under Sub-Regulation (2)-

(a) the licensee is guilty of an offence and is liable on conviction to imprisonment for a term not exceeding two years or to a fine not exceeding one million Cyprus Pounds or to both such imprisonment and fine:

Provided that in proceedings on a prosecution for an offence under this Sub-Regulation, it shall be a sufficient defence if the licensee proves that he promptly took all reasonable steps in accordance with good oilfield practices to comply with the Minister's directions;

(b) the Minister may cause to be done all or any of the measures required by such direction. In such a case, any costs and expenses incurred by the Minister shall be collected as a civil debt due by the licensee.

Protection of the environment.

15.-(1) A licensee ensures that hydrocarbon operations are conducted in an environmentally acceptable and safe manner, consistent with the applicable environmental legislation and the good international industry practice, and are monitored to ensure the same.

(2) A licensee shall take all necessary measures to:

(a) minimize any avoidable environmental damage or destruction to the water, the soil or the atmosphere, in relation with hydrocarbon operations;

(b) the provisions of the International Convention for Civil Liability concerning Damage from Oil Pollution are met, which entered into force internationally on the 19th July 1975, its Protocol that was signed on the 19 November 1976 and entered into force internationally on the 8th April 1981 and the International Convention for Civil Liability concerning Damage from Oil Pollution of 1969 (Ratifying) and Related Issues Law.

63 of 1989
185 of 1991
47 (III) of 2005.

(3) If the licensee's failure to comply with the provisions of Sub-Regulations (1) and (2) above and any relevant legislation results in environmental pollution in water, the soil or the atmosphere, the licensee takes all necessary and reasonable measures to remedy or eliminate the pollution and the effects thereof.

(4) If the Minister reasonably determines that any works or installations erected by the licensee or any operations conducted by the licensee endanger or may endanger persons or third-party property, or cause pollution or harm wildlife, marine organisms or the environment to a degree which the Minister deems unacceptable, the Minister may require the licensee to take remedial measures within a reasonable period specified by the Minister, and to repair any damage to the environment. If the Minister deems it necessary, he may submit an opinion to the Council of Ministers, which may suspend the licence until the licensee has taken such remedial measures or has repaired any damage.

(5) The measures and methods to be used by the licensee for the purpose of Sub-Regulation (2)(a) are agreed in consultation with the Minister upon the commencement of hydrocarbon operations or whenever there is a significant change in the scope or method of conducting hydrocarbon operations, and shall take into account the international standards applicable in similar circumstances.

(6)(a) Prior to the commencement of any drilling operations, the licensee prepares and submits to the Minister for evaluation and approval, a contingency plan for hydrocarbon leakage and fire. In such a case, the

licensee applies immediately the relevant contingency plan.

(6)(b) In a case of any emergency or accident other than those referred to in sub-Regulation (6)(a) which affects the environment, the licensee takes reasonable and necessary measures, in accordance with generally accepted practices applied in the international oil industry.

(7) In the event that the licensee fails to take steps, measures, or action as required in the Sub-Regulations (1) to (6), within the time period specified by the Minister, the Minister may direct to be taken any action which may be necessary, and the licensee shall be liable for the costs and expenses of such actions.

Abandonment.

16.-(1) Unless otherwise directed by the Minister, on expiry or termination of a licence or relinquishment of part of the licensed area, the licensee shall:

(a) remove all equipment and installations, structures, plants, appliances and pipelines from the relinquished area or former licensed area in a manner agreed with the Minister pursuant to an abandonment plan provided by the Contract; and

(b) perform all necessary site restoration activities in accordance with good international petroleum industry practice, and shall take all other action necessary to prevent hazards to human life or to the property of others or the environment.

(2) To ensure compliance with the requirements of this Regulation, the Minister may at any time in accordance

with the provisions of a Contract, require the licensee to post a guarantee for an amount determined by the Minister, or in the alternative, to establish a reserve for future estimated abandonment and site restoration costs.

Drilling practices.

17.-(1) A licensee shall ensure that the well design and conduct of drilling operations, including without limitation its casing, cementing, well spacing, plugging operations, are in accordance with generally accepted practices in the international petroleum industry.

(2) Every well is identified by a name, number and geographic coordinates, which are shown on maps, plans and similar records which a licensee is required to keep, and the Minister shall at once be notified in writing of any change of the said elements.

(3) At least seven days before commencing any work on or drilling any well, or recommencing work on any well on which work has been discontinued for more than six (6) months, a licensee shall notify the Minister in writing of its intention and such notice includes:

- (a) the official name and number of the well;
- (b) a description of its precise location by reference to geographical coordinates;
- (c) a detailed report on the drilling technique to be employed, an estimate of the time to be taken and depth objective, the material to be used, and the safety measures to be employed, in the drilling of the well; and
- (d) a well location report along with the geological and geophysical data, and any interpretations

thereof, upon which the licensee made its decision to drill the well in the particular location.

(4) Where any work or drilling relating to any well is discontinued for a period exceeding thirty (30) days, a licensee shall notify the Minister in writing to that effect.

(5) Before recommencing any work on or drilling, with respect to any well on which work has been discontinued for more than thirty (30) days but for less than six (6) months, a licensee shall give at least two days' notice in writing of its intention to do so.

(6) A licensee shall not drill a well any part of which is less than two hundred (200) metres from a boundary of the licensed area except with the written consent of the Minister and in accordance with such terms conditions that the Minister may deem fit to impose.

Well abandonment.

18.-(1) Before abandoning any well, a licensee shall give, in the case of a producing well, not less than thirty (30) days, and, in the case of any other well, not less than two days' written notice to the Minister of its intention to abandon and such notice shall be accompanied by a satisfactory programme for the abandonment and plugging of the well identified in the notice.

(2) Notwithstanding the terms and conditions of the Contract, a licensee may, upon the expiration of the relevant period of notice pursuant to (1) above, or upon receipt by the licensee of the written approval of the Minister of the programme submitted pursuant to (1) above, whichever is earlier, commence the abandonment

operations in relation to such well.

(3) The licensee shall:

(a) undertake to securely plug such well to prevent pollution and possible damage to the reservoir, and shall, except as the Minister may otherwise direct or the Contract may otherwise provide, remove all equipment, materials and facilities relating thereto;

(b) ensure that cemented strings or other forms of casing shall not be withdrawn without the prior written approval of the Minister; and

(c) permit an authorised officer to inspect such operations.

Construction and maintenance of installations, pipelines and related facilities.

19.-(1) A licensee shall maintain in good condition and repair all structures, equipment and other installations in the licensed area or used in connection with the hydrocarbon operations.

(2) In conducting offshore operations, a licensee shall, in accordance with international petroleum industry practice and applicable legislation and regulations, ensure that works and installations erected shall:

(a) be constructed, placed, marked, buoyed, equipped and maintained so that there are safe and convenient channels for shipping;

(b) be fitted with navigational aids and be illuminated between sunset and sunrise pursuant to the provisions of the International Convention Pollution

18 of 1980
8 of 1981
66 of 1982
4 of 1989.

of the Sea by Vessels of 1973, its Protocol of 1978 and the Decisions MEPC 14(20) of 1984, MEPC 16(22) and MEPC 21(22) of 1985 that was ratified by the Republic with the International Convention Pollution of the Sea by Vessels of 1973, its Protocol of 1978 and the Decisions MEPC 14(20) of 1984, MEPC 16(22) and MEPC 21(22) of 1985 (Ratifying) and Related Issues Law.

(c) be kept in good repair and working order; and

(d) not hinder navigation or fishing or cause pollution of the sea or rivers.

(3) A licensee shall, prior to commencing the construction, alteration or operation of a pipeline, pumping station, storage facility or any other related facilities for the conveyance or storage of petroleum from the licensed area, apply in writing to the Minister for authorization.

(4) Such written application, pursuant to (3) above, shall include the following information:

(a) the proposed design and construction of the pipeline, pumping station, storage facility or other related facilities;

(b) the proposed work program and budget and the technical and financial resources available to the licensee for the construction, alteration or operation of the pipeline, pumping station, storage facility or any other related facilities; and

(c) the proposed route to be followed by the pipeline and the location of any pumping station, storage facility or other related facilities to be constructed, altered or operated.

(5)(a) The Minister may, by Order published in the Official Gazette, order the construction of common installations, including pipelines and other transportation, processing, storage and communication facilities, for different areas that are included in licensed areas, where the Minister determines that it is justified by public interest.

(b) The licensees referred to in Sub-Regulation (5)(a) take all necessary measures and use their best efforts to reach agreement on the construction and operation of such common facilities and shall report to the Minister every fifteen days on the progress of their negotiations. If no agreement is made after three months of negotiations, the Minister may forward the dispute to a mediation procedure.

(6)(a) Where there exists excess capacity, a licensee may, upon approval by the Minister, come to an agreement with an other licensee to use the facilities of other licensee(s), including, but not limited to, pipelines and other transportation, processing, storage and communication facilities.

(b) If no agreement is made within thirty (30) days for the usage of the installations, the licensee who wishes to come to an agreement may submit an application to the Minister, who, if he deems it appropriate, will forward the dispute to arbitration or mediation.

Measurement of hydrocarbons.

20.-(1)(a) A licensee shall supply, operate and maintain equipment for measuring the volume and quality of any hydrocarbons produced and saved from the licensed area, including gravity, density, temperature and pressure measuring devices and any other devices that may be required.

(b) All such equipment and devices along with their permissible tolerances shall, prior to their installation or usage, be approved by the Minister and, following such installation or usage shall not be replaced or altered without the prior approval of the Minister.

(2) Such measurement, as stated in Sub-Regulation (1) above, is performed by a method or methods customarily used in the international petroleum industry and with the frequency and according to the procedures which shall be approved by the Minister.

(3) A licensee gives to the Minister two days' notice of his intention to conduct measuring operations and an authorised person has the right to be present and inspect such operations.

(4) Measurement equipment and devices are available for inspection and testing at all reasonable times by any authorised person:

Provided that any such inspection or testing does not obstruct the normal operation of the facilities involved.

(5) Where it is determined, following an inspection or test carried out by an authorized person, as stated in Sub-Regulation (4) above, that the equipment, devices or

procedures used for measurement are inaccurate and exceed the permissible tolerances approved under Sub-Regulation 20(1)(b), such inaccuracy is deemed to have existed for the entire period since the last such inspection or test, unless it is proved that the inaccuracy has been in existence for a longer or shorter period, and appropriate adjustments covering such period shall be made within thirty (30) days from the date of such determination.

Unit development.

21.-(1) For the purposes of this Regulation, "unit development", in relation to a hydrocarbon reservoir, means the operations for the recovery of hydrocarbons being carried on or, to be carried on in a licensed area, for which a licence has been granted and in which there is part of a reservoir, that falls into another area that is included in a licence granted to another person by the Republic or other State and in which operations for the recovery of hydrocarbons are carried on or will be carried on.

(2) A licensee may enter into an agreement in writing with another person for, or in relation to, the unit development of a hydrocarbon reservoir and shall lodge any such agreement with the Minister forthwith for prior approval.

(3) Notwithstanding the provisions of Sub-Regulation (2), the Minister may, on his own motion, or on application made to him in writing by a licensee in whose licensed area there is a part of a particular hydrocarbon reservoir, for the purpose of securing the more effective recovery of hydrocarbons from that hydrocarbon reservoir, direct any such licensee whose licensed area includes part of that

hydrocarbon reservoir to enter into an agreement in writing with the licensee and within the period specified by the Minister for or in relation to the unit development of the hydrocarbon reservoir, and to lodge the agreement with the Minister forthwith for prior approval.

(4) Where a licensee, who is directed under Sub-Regulation (3) to enter into an agreement for, or in relation to, the unit development of a hydrocarbon reservoir does not enter into such an agreement within the specified period or enters into such an agreement pursuant to Sub-Regulations (2) and (3) above but the agreement is not lodged with the Minister for approval, the Minister may, by notice served on the licensee, direct him to submit to the Minister, within the period specified in the notice, a scheme for, or in relation to, the unit development of hydrocarbons.

(5) In case that the hydrocarbon reservoir extends beyond the median line that separates the Exclusive Economic Zones of the Republic and a neighbouring country, the unit development shall be governed by the relevant international agreements.

Records.

22.-(1) A licensee shall keep at his registered office in the Republic of Cyprus accurate records in respect of the licensed area, containing full particulars of the following:

- (a) the areas in which any geological or geophysical work has been carried out;
- (b) accurate geological maps and plans, geophysical records, and interpretations thereof;
- (c) the drilling, operation, deepening, plugging or

abandonment of wells;

(d) the strata and subsoil through which wells are drilled;

(e) the casing inserted in wells and any alteration to such casing;

(f) any hydrocarbons, water and other economic minerals or dangerous substances encountered;

(g) such other matters as may be provided by the Contract or as the Minister may reasonably require by notice in writing to the licensee.

Reports.

23.-(1) A licensee shall keep the Minister currently advised of all major developments taking place during the course of hydrocarbon operations.

(2) Without prejudice to the generality of the foregoing, the licensee shall submit to the Minister:

(a) as soon as possible after the same are acquired or prepared:

(i) copies of all geological, geophysical and other technical reports, well logs, maps, diagrams, tapes, electronic support and all other data acquired or reports and interpretations prepared by or for the licensee; and

(ii) representative geological samples including cuts of core and cutting samples, properly labelled, from all wells drilled;

(b) at half-yearly intervals commencing six months after the grant of the licence:

- (i) a summary of all geological and geophysical work carried out and the results;
- (ii) a summary of all drilling activity and results obtained; and
- (iii) a list of maps, reports and other geological and geophysical data prepared by and for the licensee, in or in respect of the period concerned;

(c) within sixty days after the end of each year of the term of the licence:

- (i) a report describing the results of all hydrocarbon operations carried out by the licensee in the year concerned; and
- (ii) estimates, if available, of economically recoverable reserves of crude oil and natural gas at the end of year concerned;

(d) summaries of exploration wells drilled, including lithological groups and hydrocarbon zones, within six months of the completion of drilling or, in the case of information that cannot be reasonably obtained in that period, as soon as possible thereafter;

(e) any other such available information, data, reports, assessments and interpretations related to the hydrocarbon operations as the Minister may reasonably require.

(3) Originals of records, magnetic tapes, electronic support and other data can be exported from the Republic by licensees upon prior approval of the Minister,

provided, however, that:

(a) magnetic tapes and any other data which must be processed or analyzed outside the Republic may be exported if the originals or copies shall remain in the Republic; and

(b) such exported originals of records, magnetic tapes and data shall be returned to the Republic within a reasonable time.

(4) Ownership of all original data referred to in these Regulations shall vest in the Republic of Cyprus.

(5) The Minister shall have access to the originals of all records, magnetic tapes and other data, and may, upon request, obtain two (2) copies thereof free of charge.

(6) The licensee shall keep originals beyond the termination of the Contract for a period and under conditions provided in the Contract.

Hydrocarbon
production records.

24.-(1) A licensee shall keep at his registered office in the Republic of Cyprus accurate production records containing full particulars of the following:

(a) the gross quantity of any crude oil and natural gas produced and saved from the licensed area;

(b) the grades, gravity and composition of any crude oil produced and the composition of any natural gas produced;

(c) any quantities of crude oil, natural gas and sulphur, in any form, or any other minerals, gases, liquids or solids disposed of by way of sale or otherwise, the consideration received, the quantity disposed of and the name and address of the person or company to whom any such quantity was disposed of;

(d) the quantity of crude oil, natural gas and other liquids or gases injected into a formation;

(e) the quantity of crude oil and natural gas consumed for drilling and other development and production operations, other than quantities reported under paragraph (d) above, and the quantity of crude oil and natural gas consumed in pumping to field storage, refineries in the Republic of Cyprus or the point of export;

(f) the quantity of crude oil refined by or on behalf of the licensee in the Republic of Cyprus, if any;

(g) the quantity of natural gas treated in the Republic of Cyprus by or on behalf of the licensee for the removal of liquids and liquified petroleum gases and the quantity of butane, propane and any other liquids, gases or any solids obtained from it;

(h) the quantity of natural gas flared or vented; and

(i) such further information as may be required in the petroleum contract or as the Minister may reasonably require by notice in writing to the licensee.

Obligations on
termination of a
licence.

25. Where a licence is terminated, cancelled, suspended or expires, or upon relinquishment of any part of a licensed area, the licensee shall within seven (7) days deliver to the Minister, in relation to the licensed area or part thereof, copies of such documents or materials not previously delivered. The Minister may, by notice given to the licensee, reasonably require the licensee to deliver any other data the Minister considers necessary.

Confidentiality.

151(I) of 2000.

26.-(1) Notwithstanding section 20 of the Law, all returns, reports, plans, data and other information submitted to the Minister under these Regulations shall be treated as confidential within the meaning of section 13 of the Statistics Law, and shall not be disclosed to third persons prior to the relinquishment of the area to which they relate or prior to the expiry of the exploration period if such area is not sooner relinquished, unless the Contract provides otherwise.

(2) Without prejudice to the provisions of Sub-Regulation (1) -

(a) any surface geological maps and interpretations may be utilised at any time by the Republic's Departments concerned for incorporation into official maps;

(b) annual statistical information may be published at any time by the Republic in a form which does not disclose the operations of any particular licensee; and

(c) the Republic may make such returns, reports, plans, data and other information available at any time to professional consultants, legal counsel,

accountants, underwriters, lenders and such Government entities as may need to be made aware thereof.

(3) Without prejudice of the terms of the Contract, no licensee shall, unless otherwise provided in a Contract, disclose any returns, reports, plans, data, records and other information compiled, received, maintained or submitted pursuant to these Regulations or the terms and conditions of a Contract without the prior written approval of the Minister;

(4) Without prejudice of the provisions of Sub-Regulation (2), a licensee may make such returns, reports, plans, records and other information available, without the approval of the Minister, to professional consultants, legal counsel, accountants, underwriters, lenders, companies in which a licensee maintains a controlling interest, and such Government entities as may need to be made aware thereof or have the right to require such disclosure.

(5) Any notification or disclosure made by a licensee or the Minister to third parties pursuant to this Sub-Regulation shall only be made on terms which ensure that the information so disclosed is treated and used as confidential by the physical or legal person that is the recipient.