

Petroleum Law 238/2004

CHAPTER I

General

Art. 1. – (1) The petroleum resources located in the subsoil of this country and on the Romanian continental shelf of the Black Sea, as such is delimited in accordance with the principles of international law and the provisions of the international treaties to which Romania is a party, make the exclusive object of public ownership and belong to the Romanian State.

(2) Petroleum comprises the combustible mineral substances consisting of mixtures of naturally accumulated hydrocarbons in the earth's crust and which, at surface conditions, appear in a gaseous state, in the form of natural gas, or in a liquid state, in the form of crude oil and condensate.

(3) Natural gas includes the free gas from methane gas reservoirs, the gas dissolved in crude oil, those from the gas cap associated with the crude oil reservoirs as well as the gas arising out of the production of the gas condensate mixtures.

Art. 2. – For the purposes of this law, the terms and expressions used herein are defined as follows:

1. abandonment means all operations which are conducive to the shut down of the exploitation of a petroleum field, including the environmental restoration and rehabilitation works.

2. petroleum agreement means a legal instrument concluded in accordance with the provisions of this law between the competent authority and one or several Romanian or foreign legal entities for the purpose of conducting petroleum operations and obtaining the concession of the assets which are necessary for the performance of such operations.

3. competent authority means the National Agency for Mineral Resources which represents the interests of the state in respect of the petroleum resources in accordance with the powers conferred to it hereunder.

4. production cadastre means the special cadastre applied as a permanent record and inventory sub-system of the immovable assets related to the petroleum operations, such as land, buildings and facilities, in respect of their technical, economic and legal relevance and other information concerning the block in question;

5. petroleum book means the instrument of record which comprises:

a) all data concerning the legal regime applicable to the areas related to the development and production block, the ownership, the topographic status of the works related to the petroleum operations, the petroleum and production resources/reserves;

b) data concerning the delimitation of the block and the petroleum operations conducted in the prospecting and exploration phase;

6. concession grantor means the competent authority empowered by the law to grant the concession;

7. petroleum concession means the legal operation whereby the Romanian state, as represented by the competent authority, in its capacity of concession grantor, transfers for a determined period of time to a Romanian or foreign legal person the right and obligation to conduct, at such person's own risk and expense, petroleum operations which fall under the provisions of this law, and the right to use publicly-owned assets which are necessary for the conduct of petroleum operations, in exchange for a royalty;

8. concessionaire means the title holder to which the concession is granted;

9. gathering pipeline means any pipeline or pipeline network, including the related installations, equipment and facilities, through which the transportation of petroleum is made from the gathering points located in the commercial fields to the trunk pipeline;

10. trunk pipeline means any pipeline, including the related installations, equipment and facilities, through which the transportation of petroleum is made between the take-over points from gathering pipelines or from import and the delivery points to the processing units, distribution centers and consumers which are directly connected to such pipeline or for export purposes;

11. transit pipeline means the pipeline which provides the transportation of petroleum on Romania's territory between two different points located on the state border of this country, which was built

pursuant to an intergovernmental agreement and which has the legal status and is operated in accordance with the provisions of the special law whereby the aforementioned agreement is approved;

12. underground storage facility means a space from the earth's crust having natural qualities or qualities acquired following the conduct of previous petroleum or mining operations, which qualities are fit for the injection, storage and extraction of certain petroleum volumes;

13. development means all of the works consisting of the completion of the production wells, the building, mounting, rehabilitation and upgrading of the specific installations, gathering pipelines, trunk pipelines, equipment and other facilities which are necessary for the production, treatment, storage, transportation and transit of petroleum;

14. production means all of the works conducted at and starting from the surface for the production of petroleum, its gathering, treatment, transportation and transit through trunk pipelines, with a view to achieving certain economic purposes from the use and sale of such petroleum;

15. exploration means all of the studies and operations conducted for the purpose of finding out the geological conditions for petroleum accumulation and comprises the identification of the reservoirs, their quantitative and qualitative appraisal, and the determination of the technical and economic conditions for the use of such petroleum;

16. national geological fund means all of the data concerning the mineral resources and reserves, obtained from mining and petroleum activities regardless of the nature of the support on which such data are stored;

17. geological resources/petroleum reserves national fund means all of the resources/reserves identified and recorded by the competent authority for each type of the country's petroleum resources, determined in accordance with specific regulations;

18. force majeure means an unforeseen, unavoidable and insurmountable event which causes the temporary or final impossibility of conduct of petroleum operations;

19. underground storage means all of the petroleum operations conducted at and from the surface for the injection, storage in underground facilities and also extraction of petroleum therefrom in order to use the same;

20. environment means all of the natural conditions and elements, as such defined by the Environment Protection Law no. 137 of 1995, as republished, as subsequently amended and supplemented, which can be adversely affected following the conduct of petroleum operations;

21. operation of trunk pipelines means all of the activities conducted for the transportation of petroleum and for the building, operation, development, maintenance, repair, upgrading and abandonment of the trunk pipelines or parts thereof;

22. operation of petroleum terminals means all of the activities conducted for the reception, storage and transfer of petroleum to the harbor facilities through which the import, respectively export of petroleum and petroleum products are carried out;

23. operator means the title holder or a legal person appointed by the title holder to conduct the petroleum operations described in the petroleum agreement and to represent the title holder vis-a-vis the competent authority;

24. petroleum operations means all of the activities of exploration, development, production and abandonment of a petroleum field, the underground storage, transportation and transit of petroleum through trunk pipelines and also the operation of petroleum terminals (see art 27,28);

25. petroleum block means the area corresponding to the projection at the surface of the contour of the portion of the Earth's crust within which, along a determined depth interval, exploration, development, production or storage operations are being conducted, and also the surfaces needed for the conduct of petroleum exploration, development, production, storage and transportation operations, which are located outside the aforementioned area;

26. trunk pipelines and petroleum terminal operating block delimits the protection and safety corridor of the pipelines, of the land on which the pumping, compression and storage stations are located, and of the related protection, security and communication installations;

27. prospecting permit is the legal instrument issued by the competent authority whereby the non-exclusive right is granted (in the sense that such right can be simultaneously granted to several applicants) to conduct exploration operations in a petroleum block;

28. abandonment plan means the complex of technical, economic, social and environmental documentation motivating the shut down of production and includes the necessary actions to secure the financing and the actual performance of the measures aimed at closing down the activity;

29. environment restoration plan mean all of the actions conducted for the environment restoration and rehabilitation in the exploration/production block by also taking in consideration the options of the local communities as to the post closing down use of the block, and which also includes the technical plan for carrying out such restoration and rehabilitation;

30. petroleum reference price means the price set by the competent authority pursuant to a methodology substantiated by relevant studies and which is used in order to calculate the revenues of the state budget related to the petroleum royalty;

31. gross petroleum production means the quantities of petroleum produced from the field as determined at the measuring points after they have passed through the separation and/or treatment installations;

32. provision for abandonment, environment restoration and return to the agricultural or forestry circuit means the amount recorded with the books of account and deducted annually when calculating the profit tax, in compliance with the regulations in force;

33. petroleum royalty means the amount owed to the state budget by the title holders of the petroleum agreements, as provided by the law, for the exploitation of a petroleum field and of the publicly-owned assets, for the transportation and transit of petroleum through trunk pipelines , and for the operation of petroleum terminals;

34. petroleum geological resource means all the petroleum quantities or volumes from natural accumulations discovered and those supposed to be discovered following the conduct of future petroleum operations;

35. petroleum reserve means that part of the geological resource estimated to be produced under the technical and economic conditions existing on the date on which such reserve was calculated;

36. termination means the legal instrument whereby the competent authority orders the cessation of a petroleum agreement, on the terms provided herein;

37. national petroleum transportation system means all of the interconnected trunk pipelines which ensure the gathering of the petroleum produced from the production blocks or imported and its directing from the delivery points of the producers, respectively importers, to the processing units, distribution and consumption centers or for export operations, and the pumping and compression stations, the railway loading and off-loading platforms, and also all of the installations, equipment and facilities related thereto;

38. subcontractor means the legal person which renders services to the concessionaire pursuant to a contract whose object is the partial conduct of the petroleum operation provided for in the petroleum agreement;

39. petroleum terminal means all of the tanks, technological pipelines, pumps and harbor installations which secure the transfer of petroleum from/to the limit of the trunk pipelines to/from harbor facilities, for import and, respectively, export operations;

40. title holder means the Romanian or foreign legal person which was granted the right to conduct petroleum operations pursuant to a petroleum agreement;

41. transportation means all of the activities conducted in connection with the operation of the trunk pipelines or parts thereof, and also the take over, handling, dispatching, storage, selection, transmission and delivery of petroleum to the final consumers, distributors, for export or transit.

42. carrier means any legal person which is a title holder of a petroleum agreement for petroleum transportation through trunk and/or transit pipelines;

43. transit means the transportation on Romania's territory of petroleum originating from a state to be delivered to another state;

44. commercial field means the accumulation or all of the natural accumulations of petroleum whose unitary use is justified technically and economically;

45. protection area means the land area expanding on both sides of the horizontal projection of the trunk pipelines and related installations/infrastructure by a distance which ensures their technical operational integrity;

46. safety area means the land area expanding on both sides of the horizontal projection of the trunk pipelines and related installations/infrastructure by a distance established for each facility subject to its safety and intervention requirements.

Art.3. - The petroleum operations are conducted in accordance with the law by Romanian or foreign legal persons solely within the blocks selected for this purpose by the competent authority.

Art.4. - (1) All data and information, regardless of their storing mode, obtained from the conduct of operations related to the Romanian petroleum resources, as such, determined pursuant to art. 1 paragraph (1) herein, belong to the Romanian state.

(2) The legal persons conducting petroleum operations may, for the entire duration of such operations, use the data and information obtained solely in their own interest.

(3) The remittance to other interested parties of the data and information regarding the petroleum resources from Romania is subject to the agreement of the competent authority, in accordance with the norms for the application of this law.

(4) The competent authority, the title holders of agreements/permits and also other public authorities and institutions having responsibilities for the application of this law are obliged to keep the confidentiality of the data and information remitted by the title holders of agreements/permits they become aware of in the performance of their official duties, for the entire duration of the petroleum operations, on the terms provided by the law.

Art. 5. - (1) The development and production operations of the commercial petroleum fields may be conducted solely for reserves confirmed by the competent authority upon proposals submitted by the title holder.

(2) The documentation concerning the calculation of the reserves is prepared by the title holder in accordance with the technical instructions issued by the competent authority.

CHAPTER II

Obtaining the use of and access to the land on which petroleum operations are conducted

Art. 6. - The right of use of the land necessary for the conduct of petroleum operations is obtained in accordance with the law as a result of:

- a) the sale and purchase of the land and, as the case may be, the buildings located thereon, at the price agreed to between the parties;
- b) the land exchange, accompanied by the removal of the affected owner and the reconstruction of the affected buildings on the new piece of land made available, at the expense of the title holder which enjoys the thus released land, in accordance with the agreement of the parties;
- c) the lease of the land for a limited period based on contracts made between the parties;
- d) the expropriation for public use cause made in accordance with the law;
- e) the concessioning of the land;
- f) the association between the land owner and the title holder of the petroleum agreement;
- g) other procedures provided for by the law.

Art.7. - (1) Except for the land which was declared as being of public use, a legal servitude in favor of the title holder is hereby constituted in respect of the land needed for providing the access to the exploration and production blocks and also in respect of the land which is necessary for the conduct of any such exploration and production operations.

(2) The exercise of the legal servitude right established under paragraph (1) is made against payment of an annual rent to the landowners affected by such right, pursuant to an agreement made between the parties in accordance with the law, within 60 days from the date the landowners were notified accordingly in writing by the title and/or permit holder.

(3) In the case the parties fail to reach an agreement within the term referenced in paragraph (2) the determination of the amount of the rent shall be made by the court, in accordance with the law.

(4) The legal servitude established pursuant to paragraph (1) shall apply for the term of the petroleum operations and the pieces of land which are to be affected shall be determined, in respect of their area and owners by observing the principle of causing as little harm as possible to the ownership right.

Art. 8. - (1) The access to the land charged with the legal servitude described in art. 7 paragraph (1) shall be established through negotiations between the title holder of the petroleum agreement and the landowners with the observance of the principle of equal treatment and equity.

(2) In the case of force majeure or breakdown the access to the land is unlimited and the appraisal of the consequences of such access will be made at a later date with the observance of the landowner's right to receive compensation.

Art. 9. - The right of access to the pipelines operating area is differentiated subject to the nature of the operations to be conducted, as follows:

a) a permanent right for the daily check of the operating area of the trunk pipelines, the landowners to be notified on an annual basis of such checks;

b) an occasional right, for the purpose of conducting intervention works in case of breakdowns and planned repairs, involving the notification of the owners and payment of compensation in accordance with the law.

Art. 10. - (1) Any disputes between the title holders which conduct petroleum operations and the landowners shall be settled in accordance with the law by the courts of competent jurisdiction.

(2) The compensation shall be determined by taking in consideration the equivalent value of the crops and plantations which were damaged and also the market value of the damaged immovable property, which values shall be those applicable at the time the damage occurred and shall be established in accordance with the law.

Art. 11. - In the case the state sells the assets which were expropriated under art. 6 paragraph d) the former owners or, as the case may be, their successors, have a right of repossession at a price which cannot be higher than the up-dated compensation received, and for this purpose they shall be notified administratively or through advertising of the terms of the sale.

Art. 12. - (1) It is hereby prohibited to conduct petroleum operations on the land on which historical, cultural, religious monuments, archaeological sites of special significance, natural reserves, sanitary protection area and water supply sources hydrological protection areas are located, and to constitute on such land the servitude right to conduct petroleum operations.

(2) Any exception from the provisions of paragraph (1) may be established by law only and must include the assessment of the damages payable and other compensation measures.

Art. 13. - The right of land ownership does not confer a preemption right in respect of the concessioning of petroleum operations.

CHAPTER III

Rules applicable to the national petroleum transportation system and trunk pipelines

ensuring the transportation and transit of petroleum

Art. 14. - (1) The national petroleum transportation system is part of the public property of the state and has a strategic importance.

(2) The investments made during the term of the concession from the title holder's own sources in order to ensure the operation of the national petroleum transportation system, materialized in the development and upgrading of the national petroleum transportation system, are part of the public property of the state.

(3) The investments specified in paragraph (2) are treated as tangible assets which are subject to depreciation in accordance with the legal provisions.

(4) The investments made pursuant to a public-private partnership contract will be subject to the rules provided for in paragraph (1).

(5) The assets from the public property of the state and which were financed from budgetary sources are not subject to depreciation.

(6) The assets from the public property of the state and also those specified in paragraph (2) are delivered by the title holder to the competent authority on the date of cessation of the concession.

Art. 15. - (1) The investments made from the title holder's own sources and materialized in new assets which are similar to those specified in art. 14 but which are not part of the

national petroleum transportation system are treated as private property and can be connected to the aforementioned system.

(2) The title holder has the obligation to allow the access to such pipelines on the terms provided for in art. 47 subparagraph b).

SECTION 1

Transit of petroleum

Art. 16. - The transit of petroleum is carried out through trunk pipelines, on a contract basis, with the observance of the applicable legislation and international agreements to which Romania is a party.

Art. 17. - The contracts for the transit of petroleum shall be negotiated by the entities designated by the Romanian state with the correspondent entities from the states involved by also taking into account the contract clauses set in the mandate issued by the competent authorities.

Art. 18 - The terms comprised in the transit contracts shall not include unjustified restrictive clauses or clauses which may endanger the security of the supply and the quality of the services, by taking into account the production reserve, storage capacity and the efficiency of the manner of operation of the existing system.

SECTION 2

Rules applicable to the transportation of petroleum through the national transportation system

Art. 19. - The transportation of petroleum through the national transportation system is a public service of national interest and strategic importance.

Art. 20. - (1) The concessionaire of the national petroleum transportation system has the capacity of common carrier and the obligation to ensure, in accordance with the legal provisions, the free access to the available capacity of the system to all applicants which are authorized legal persons, on equal terms and on a non-discriminatory and transparent basis.

(2) The available capacity means the difference between the total physical capacity of the system and the capacity engaged under the contractual obligations assumed by the carrier through contracts made and which are in effect on the date a beneficiary submits an application, and it should also ensure:

- a) the transportation of the petroleum belonging to the carrier;
- b) the fulfillment of the obligations concerning the rendering of certain public services by the common carrier, in accordance with the legislation in force;
- c) the keeping of a capacity reserve necessary for the operation of the system under security, flexibility and efficiency conditions, in accordance with the technical norms issued by the carrier and endorsed by the competent authority.

(3) The access to the available capacity of the national petroleum transportation system means the right of any authorized applicant to enjoy the effective connection to the system and/or the transportation of its own quantities of petroleum, condensate and/or natural gas, in accordance with the contract made and in exchange for the payment of the transportation tariffs.

(4) The transportation tariffs applicable to the national transportation system are established by the competent authority in accordance with the legislation in effect.

Art. 21. - The common carrier has no obligation to provide the access to the national petroleum transportation system if:

- a) there is no available capacity in the trunk pipelines, as provided in art. 20 paragraph (2), for the requested routes. In the case there is no sufficient available capacity for the transportation of the entire quantity applied for, the common carrier will advise the applicant which is entitled to adjust its request accordingly;
- b) there are grounded technical, operational or security considerations which may affect the security of the operation of the system;
- c) the quality of the petroleum requested to be transported fails to comply with:
 - (i) the quality specifications applying to the national petroleum transportation system;

(ii) the quality specifications of the petroleum shipments, as such provided for in the contract;

(iii) the quality of petroleum shipments for which applications were filed and to which a higher priority rank was given within the demand.

(2) Any refusal of the common carrier to ensure to any applicant the access to the national transportation system shall be properly motivated and remitted in writing to such applicant and to the competent authority.

(3) The common carrier has the following obligations:

a) to insure the qualitative and quantitative integrity of the petroleum carried, with the deduction of the quantities related to technological losses calculated in accordance with the technical instructions in effect;

b) to ensure a capacity reserve necessary for the operation of the system under security, flexibility and efficiency conditions, in accordance with the technical norms issued by the carrier and endorsed by the competent authority.

(4) The applicant shall have the right to approach the competent authority in respect of the refusal of the common carrier and such complaint shall be solved pursuant to a procedure specified in the regulations issued by the competent authority, and the solution given by the competent authority is binding for the carrier and applicant.

Art. 22. - The competent authority has the right to investigate, review and solve, on its own initiative, any case of refusal of the access to the national transportation system recorded by the common carrier.

Art. 23. - The following legal persons are forbidden from acting as common carrier:

a) the legal persons which are controlled, either by way of holding shares or blocks of shares, or by any other form of exercise of the control over the management or administration, or in any other manner which could be reasonably regarded as causing a conflict of interest which may endanger the transparency and non-discrimination provision governing the access to the national petroleum transportation system, by a third party legal person involved directly or indirectly in petroleum production, processing, refining or marketing activities;

b) the legal persons which are simultaneously controlled by natural or legal persons which hold the control or are capable of holding the control over the legal persons specified in paragraph a), by way of holding shares or blocks of shares, or by any other form of exercise of the control, or in any other manner which could be reasonably regarded as causing a conflict of interest which may endanger the transparency and non-discrimination provision governing the access to the national transportation system.

(2) The legal person which holds the capacity of common carrier shall not engage directly or indirectly in petroleum operations for exploration, development and production and also in activities of petroleum processing, refining or marketing, including by way of holding shares or blocks of shares, or by a management contract in which one of the persons described in paragraph (1) is involved, or in any other manner which could be reasonably regarded as causing a conflict of interest which may endanger the transparency and non- discrimination provision governing the access to the national transportation system.

Art. 24. - Notwithstanding the provisions of art. 23 paragraph (2) the common carriers have the right to conduct commercial operations for the sale and purchase of petroleum on the terms set and within the limits approved by the competent authority, strictly in order to ensure the physical balance of the national transportation system and maintain the same within the operational parameters. Any such operation should be notified to the competent authority at the moment it is performed and the books of accounts concerning such operations shall be kept distinctly from those related to the transportation operations through the national transportation system.

Art. 25. - (1) In order to ensure the maintenance of the national petroleum transportation system and eliminate the occurrence of potential dangers in respect of its operation the protection and safety areas are created.

(2) The protection and safety areas are determined in accordance with the specific norms and technical instructions approved by the competent authority.

(3) A legal servitude is constituted in respect of the third-party owned land located within the protection and safety areas.

(4) The carriers have the right to carry out intervention works solely upon the notification of the owner. The compensation due for the interventions which were carried out are to be determined subsequently

through negotiations with the landowner, and in case of dispute, the amount of the compensation is set by the courts of law.

Art. 26. - (1) The rules applicable to the transmission of the natural gas through the national transmission system are established by a special law.

(2) The competent authority shall determine the rules related to the access, refusal of the access to the system, endorsement of the technical norms concerning the transmission of natural gas, commercial operations conducted pursuant to art. 24 and the tariffs applicable for the rendering of the natural gas transmission service.

CHAPTER IV

Rules applicable to petroleum concessions

Art. 27. - (1) The petroleum operations, including the publicly-owned assets which are necessary to conduct such operations, are concessioned under this law by the competent authority.

(2) The initial term of the concession can be of up to 30 years and can be extended by up to 15 years.

Art. 28. - (1) The exploration works can also be conducted solely on the basis of non-exclusive prospecting permits issued by the competent authority upon receipt of a written request, for a block defined by topo-geodesical coordinates.

(2) The form and dimensions of the prospecting block are established by the competent authority.

(3) The prospecting permit is granted for a term of maximum 3 years and no extension right shall apply.

Art. 29. - (1) The competent authority determines, by issuance of an order, the list of the blocks to be concessioned for the conduct of petroleum operations and also the list of the assets which are necessary for this purpose. The list is published in the Official Monitor of Romania, Part I.

(2) Upon accession to the European Union, the list shall also be published in the Official

Journal of the European Union.

Art. 30. - (1) The concessioning of petroleum operations is made by a petroleum agreement entered into by the competent authority with Romanian or foreign legal persons.

(2) The petroleum agreement is entered into with the winner of a public offering conducted by the competent authority as provided herein.

(3) The initiative of concessioning of the petroleum operations may belong to the competent authority or to the interested Romanian or legal persons.

(4) In order to participate in the public offering the Romanian or foreign legal persons shall submit bids within a timeframe set by the competent authority through an order which cannot be shorter than 30 and longer than 270 calendar days.

(5) The bids include the proposed exploration, development-production or production program, as the case may be, the documents proving the technical and financial capability of the bidder and other documents as determined by the competent authority.

(6) The proposed exploration program comprises the description of the of the petroleum operations and the related expenditures, whose fulfillment is mandatory.

(7) The development-production or production program shall comprise the estimated reserves, the period of economic use and the proposed development works.

(8) Notwithstanding the legislation concerning the rules governing the concessions, the conditions of the organization and conduct of the public offering referenced in paragraph (2), the criteria applying to the selection and designation of the successful bidder and other related aspects are determined through transparent and non-discriminatory methodological norms approved by the Government.

Art. 31. - (1) The petroleum agreement is made in writing and comes into effect after its approval by the Government.

(2) The provisions of the petroleum agreement remain valid for its entire term, except for the case that legal provisions favorable to the title holder of the petroleum agreement are adopted.

(3) In the event that during the conduct of the petroleum operations circumstances occur which could not be foreseen when the agreement was made, except for the provisions which were conducive to the award of the public offering, then the parties shall by mutual consent execute amendments which will come into effect on the date of their approval by the Government.

Art. 32. - The commencement of petroleum operations is authorized in writing by the competent authority, on the basis of the permits and consents required by the legislation in force.

Art. 33. - (1) The foreign legal persons which obtained the right to conduct petroleum operations have the obligation to set up within 90 days from the date of coming into effect of the petroleum agreement and maintain for the entire term of the concession, with the observance of the provisions of the petroleum agreement, a subsidiary or branch having their headquarters in Romania.

(2) In the event that two or several foreign partners obtain petroleum rights in respect of the same block, it is the company which was appointed to represent their interests that has the obligation to set up and maintain a subsidiary or branch in Romania.

Art. 34. - (1) The title holder of a petroleum agreement may assign to another legal person the rights obtained and the obligations assumed by it solely subject to the prior written approval of the competent authority.

(2) Any assignment made in the absence of the approval of the competent authority shall be null and void.

(3) The approval of the assignment of the rights obtained and obligations assumed is issued provided that the legal person taking over the rights and obligations included in the petroleum agreement proves that it has the technical and financial capability necessary to conduct the petroleum operations on the terms set forth in the agreement.

(4) In the case that the title holder of the petroleum agreement changes its legal status by way of restructuring, then the petroleum agreement, as such was negotiated, shall be assigned to the legal successors of the title holder by an order issued by the president of the competent authority with the observance of the conditions set forth in paragraph (3).

Art. 35. - Within the limits of a petroleum exploration or production block legal persons, other than the title holder of the petroleum agreement, may be granted in accordance with the law the exploration

and/or production right for useful mineral substances, other than those described in art. 1, provided that such activities would not adversely affect the petroleum operations.

Art. 36. - The right obtained through concessioning is distinct from the right of land ownership and cannot be assigned by the title holder to any other person except as provided in art. 34.

Art. 37. - The title holder may obtain bank loans for the purpose of conducting petroleum operations, and the competent authority may certify the existence of the concession.

Art. 38. - The concession terminates in the following cases:

- a) expiration of the term for which it was granted;
- b) relinquishment by the title holder on the conditions set forth in art. 40 paragraph (1);
- c) termination of the agreement by the competent authority as provided in art. 42;
- d) upon the title holder's request, in case of occurrence of force majeure events which objectively and finally render impossible the fulfillment of certain obligations and/or application of certain rights of the title holder, as such are provided in the agreement and which are essential for the conduct of petroleum operations.

Art. 39. - The concession terminates on the date of expiration of the petroleum agreement unless this was extended by the parties prior to its expiration by a Government decision.

Art. 40. - (1) The title holder may relinquish the petroleum agreement if on the date the competent authority is notified of such relinquishment the title holder cumulatively satisfies the following conditions:

- a) makes available to the competent authority all the documentation regarding the activity conducted until the date the relinquishment is notified, and the results of such activity;
- b) makes available to the competent authority the amount representing the equivalent of the operations included in the minimum exploration program set forth in the petroleum agreement, and of the development and production operations, which were accruing on the date of notification of the

relinquishment and were not carried out for reasons attributable to the title holder of the petroleum agreement. The relevant amount will be disbursed to the state budget as revenues.

c) makes available to the competent authority the document issued by the competent environmental authority certifying the performance of the restoration works of the environment which was damaged following the petroleum operations conducted up to the moment of relinquishment;

d) makes available to the competent authority the amount representing the equivalent

of the non-performed abandonment works related to the petroleum operations conducted up to the moment of relinquishment and the post-closing monitoring program of the environmental factors, as such are provided in the abandonment plan. The relevant amount will be disbursed to the state budget as revenues.

(2) Within 60 days from the date of notification of the relinquishment the competent authority shall check the fulfillment of the conditions set forth in paragraph (1).

(3) Upon the fulfillment of the 60 days term provided in paragraph (2) the petroleum agreement terminates if the competent authority failed to notify its refusal, and in such a case the competent authority has the obligation to issue the decision concerning the termination of the concession.

(4) In case of refusal of the competent authority the title holder may apply to the court of law or to the arbitration court, including the international arbitration courts, to ascertain that the conditions of relinquishment of the petroleum agreement were fulfilled.

(5) In the event that the courts of law or the arbitration courts, including the international arbitration courts, find that the conditions of relinquishment of the petroleum agreement were fulfilled, the competent authority issues the decision concerning the termination of the concession, which is effective as of the date the court resolution became final and irrevocable.

Art. 41. - (1) The competent authority may suspend the concession if the title holder of the petroleum agreement, despite the minor offence sanction applied and/or notice which was served to it, after 60 days from receipt of such notice continues to be found in one of the following situations:

a) fails to abide by a court decision concerning the disputes occurred in the conduct of petroleum operations;

b) is subject to the judicial restructuring and/or bankruptcy procedure;

c) endangers, as a result of the manner in which it conducts the petroleum operations, the possibility of the future exploitation of the field, and violates the regulations concerning the protection and safe production of the fields;

d) seriously infringes the labor health, safety and security regulations.

(2) The suspension of the agreement/permit for any of the reasons set forth in paragraph (1) shall be effective for the title holder commencing from the date of the notice served by the competent authority and shall continue to apply until the removal of the reason which generated such suspension, but no longer than one year.

Art. 42. - (1) The competent authority terminates the concession if it finds that the title holder of the petroleum agreement:

a) fails, due to its own fault, to fulfil the obligations assumed in respect of the date of commencement of petroleum operations;

b) continues to stay the petroleum operations for a period in excess of 60 days in the absence of the consent of the competent authority;

c) fails to comply with the provisions of the technical and scientific production studies;

d) conducts petroleum operations without having the permits provided by the law or if the environmental protection permit/authorization and/or the labor protection authorization were withdrawn;

e) knowingly provides the competent authority with false data and information on petroleum operations or violates the confidentiality clauses included in the license;

f) fails to pay the royalty owed to the state within 6 month from the date such was due;

g) fails to comply with a clause of the petroleum agreement whose violation is punished by the revocation of the concession;

h) fails, in respect of a certain and expired period, to fulfill the accrued minimum work program specified in the petroleum agreement;

i) fails to remove within the term specified in art. 41 paragraph (1) the reason due to which the concession was suspended.

(2) The termination of the concession for any of the reasons set forth in paragraph (1) shall be effective in respect of the title holder after 30 days from the date of the notice served by the competent authority.

Art. 43. - (1) If one of the events from amongst those specified in art. 38 paragraph d) occurs the title holder shall notify the situation to the competent authority within 5 days from such occurrence; the documents certifying the force majeure are issued by the organization which is legally empowered for this purpose and must be submitted within 15 days from the occurrence of the event concerned. The termination of the concession is effective after 30 days from the date of notification of the force majeure event.

(2) If, within the 30 days term set forth in paragraph (1) the competent authority notifies the title holder of its refusal to accept the event invoked by the title holder as being a force majeure event rendering finally impossible the commencement or continuation of the conduct of petroleum operations, for reasons not attributable to the title holder, then the title holder may apply to the administrative contentious court to rule the termination of the agreement for force majeure reasons, without imposing the obligation of payment of damages.

(3) After the court decision becomes final and irrevocable the competent authority shall issue the decision concerning the termination of the concession.

Art. 44. - (1) The decision concerning the termination of the petroleum concession shall be published in the Official Monitor of Romania, Part IV, indicating the date on which it becomes effective, and shall be recorded in the Petroleum Book by the competent authority.

(2) Upon termination of the petroleum concession for any of the reasons set forth in art. 38 the concessionaire has the obligation to return the full ownership, free of any encumbrances, of the concessioned assets, including the investments made in connection therewith which are directly related to the conduct of petroleum operations.

(3) If, upon the cessation of the force majeure event, the title holder elects to relinquish the petroleum agreement, the compensation to which it is entitled shall be paid by the new title holder licensed by the competent authority according to the law, and will cover the value of the assets which are being taken over as such is recorded in the Petroleum Book.

Art. 45. - Within maximum 6 months from the receipt of the notice concerning the termination of the petroleum concession the competent authority shall determine and notify the title holder of the measures which are to be taken in respect of the petroleum block, trunk pipelines and petroleum terminal operating blocks and their related facilities, as the case may be.

Art. 46. - (1) The title holder shall be liable, in accordance with rules of the delictual fault civil responsibility, to remedy the damages caused by its fault to third parties arising from the conduct of petroleum operations up to the date of relinquishment, even if such damages are ascertained after the termination of the petroleum concession.

(2) The concessionaires are pecuniarily responsible until the restoration of all environmental factors which were affected by the petroleum operations, in accordance with the environment restoration plan approved by the competent environmental authority.

CHAPTER V

Rights and obligations of the title holder

Art. 47. - The title holder of the petroleum agreement has the following rights:

a) to use and have access in accordance with the law to the land necessary for the conduct of petroleum operations, within the boundaries of the block described in the petroleum agreement;

b) to have access in accordance with the law to the petroleum pipelines, harbors, docks and other installations in the event that their use is necessary for the conduct of petroleum development-production and production operations, against payment of the relevant tariffs to the title holders of the concession agreements of the national transportation system and petroleum terminals;

c) to conduct, within the boundaries of the block granted, all petroleum operations set forth in the petroleum agreement;

d) to use the sources of surface and underground water needed for the conduct of petroleum operations, with the observance of the legal provisions governing the water husbandry and environment protection;

e) to dispose of the quantities of petroleum to which it is entitled pursuant to the clauses of the petroleum agreement, including the right to export such;

f) to lay its own gathering pipelines and facilities for the transportation of its petroleum and petroleum products to the separation and treatment stations, lifting platforms, delivery-take over points and consumers, with the observance of the regulations in force;

g) to build in accordance with the law roads, bridges and railways which are necessary for the conduct of petroleum operations and transportation of the products derived from the production operations;

h) to apply, on a preemption right basis, for the concessioning of the exploitation of certain useful mineral substances, other than petroleum, discovered as a result of its petroleum operations, in the case that such substances can be produced and profitably used, on the terms set forth in the applicable legislation;

i) to apply to the competent authority for the extension of the block in the event it is proven that the reservoir goes beyond the limits of the block which was initially granted, provided, however, that the areas concerned are not subject to another petroleum agreement;

j) to associate itself with other legal persons for the purpose of conducting the petroleum operations specified in the agreement, subject to the prior approval of the competent authority. The responsibility for the fulfillment of the obligations set forth in the agreement belongs exclusively to that associate which has the capacity of title holder. In order to issue the approval for the association the competent authority shall consider at least the following elements: the technical and financial capability of the person with which the association is made, the object of the association and the manner of delimitation of the rights and obligations of the associates. The national companies and societies which conduct petroleum operations shall obtain the approval of the competent authority solely after the prior consent of the line ministry.

k) to obtain, in accordance with the law, from the competent authority the data which are necessary for the petroleum operations to be performed, to keep and use such data as well as the data obtained from its own operations, for the term of validity of the petroleum agreement;

l) to appoint the operators and the limits of its competencies;

m) to conduct petroleum storage operations, upon the prior consent of the competent authority and solely after having obtained the underground storage license in accordance with the applicable legal regulations.

Art. 48. - (1) The title holder of the petroleum agreement has the following obligations:

a) to comply with the norms and instructions issued for the application of this law and with the provisions of the petroleum agreement;

b) to prepare, based on the petroleum agreement, technical and economic documentation for the conduct of the petroleum operations and submit the same for approval to the competent authority;

c) to obtain, prepare, keep updated and remit on the scheduled dates all data, information and documentation, as determined by the competent authority, concerning the petroleum operations which were carried out and the results obtained;

d) to inform the competent authority about the investigation documents drawn up by the local authorities responsible for environment protection and labor safety;

e) to keep confidential the data included in the petroleum agreement and other information obtained in accordance with the law from the competent authority and line ministry and from its own activity and disclose the same solely on the terms set forth in the agreement;

f) to associate itself, upon the request of the competent authority, with the title holders of adjacent blocks, in the event that the operations which were carried out show the hydrodynamic continuity of the reservoir in such blocks, in order to ensure an efficient use of the reserves;

g) to deliver to the competent authority, in any of the ways specified in art. 38, the block which was granted to it, within 60 days from the termination of the concession ;

h) to fulfil on the scheduled dates the measures indicated in writing by the competent authority in the exercise of its competencies in accordance with the law;

i) to record in its books of accounts the abandonment, environment restoration and return to the agricultural circuit and forestry provision; the calculation and the deductibility limit of this provision over the entire term of the production of the field shall be made in accordance with the profit tax law;

j) to obtain the consent of the harbor authorities and of the competent authorities from the transportation and water husbandry sector for the conduct of petroleum operations in the navigation routes area;

k) to bear the cost related to the transfer of technology and professional training, as such are set forth in the agreement;

l) to pay the petroleum royalty on the dates set forth in this law.

(2) The shut down of a sector from the national petroleum transportation system can be made solely upon the consent of the competent authority it being understood that the title holder has the obligation to lift and carry the petroleum from the respective sector and perform the environment restoration and rehabilitation works.

CHAPTER VI

Petroleum tariffs and royalties

Art. 49. - (1) The title holders of petroleum agreements have the obligation to pay a royalty to the state budget.

(2) The petroleum royalty is set as follows:

a) a percentage quota of the value of the gross production obtained, applicable to the petroleum production operations of the petroleum fields, as follows:

Royalty

Gross production

%

crude oil/condensate

103 tons/quarter

3.5 %	for fields which produce	below 10
5%	for fields which produce	between 10 and 20
7%	for fields which produce	between 20 and 100
13.5%	for fields which produce	above 100

% natural gas

106 m3 /quarter

3.5%	for fields which produce	below 10
7.5%	for fields which produce	between 10 and 50
9%	for fields which produce	between 50 and 200
13%	for fields which produce	above 200

b) a 5% quota of the value of the gross income made from petroleum operations of transportation and transit of petroleum through the national petroleum transportation systems and also from the petroleum operations conducted via the petroleum terminals which are the public property of the state.

(3) The petroleum royalty is owed from the date of commencement of petroleum operations and is payable on a quarterly basis on the date of 25th of the first month of the ensuing quarter.

(4) The calculation of the amount of the petroleum royalty owed to the state budget by the title holders of petroleum agreements for development-production and for production is made based on the reference prices set by the competent authority.

(5) No royalty is owed for the quantities of petroleum used to create the minimum safety stock.

Art. 50. - (1) The gas from domestic production produced and re-injected for storage purposes is subject to the payment of the petroleum royalty at the moment of its extraction from the storage facilities.

(2) No petroleum royalty is owed for the natural gas re-injected in the reservoir for technological purposes.

(3) The gas produced from the wells concomitantly with the crude oil and not used and sold by the title holder shall be delivered free of charge to the competent authority and the title holder is exempt from the payment of the petroleum royalty. The right of use of such gas shall be concessioned by the competent authority under a petroleum agreement and the new title holder shall bear the take over expenses, the risks of use and the petroleum royalty related to the quantities thus lifted.

(4) No royalty is owed for the imported natural gas extracted from the storage facilities.

Art. 51. - (1) The verification of the accuracy of the data based on which the petroleum royalty is calculated is performed by the competent authority and also by the state bodies in charge with the conduct of the financial control.

(2) In the event the petroleum royalty is not timely paid interest and penalties for delay shall apply in accordance with the fiscal legislation in force.

(3) In the event it is found that delays in excess of 6 months are incurred in respect of the payment of these obligations the competent authority shall terminate the petroleum concession pursuant to art. 42 paragraph (1) f).

Art. 52. - (1) For the documents issued in the exercise of its responsibilities - consents, prospecting and production permits, documents for the registration of reserves, decisions concerning the termination of the petroleum operations, approvals of association arrangements and assignment of the petroleum agreement, certificates, authorizations or the like - the competent authority charges tariffs set on the

basis of the related cost incurred comprising salary expenses, social contributions related to the salaries and materials expenses.

(2) For the consultation and use of certain documents and information concerning the petroleum resources in order to participate to the public offerings and also for the consultation of the Petroleum Book taxes are charged calculated on the use value of such documents and information. The taxes shall be calculated subject to the volume of the information offered, its quality, the investigation method used to obtain such information and the age thereof.

(3) The tariffs specified in paragraph (1) and the taxes described in paragraph (2) shall be treated as extra-budgetary income.

(4) The extra-budgetary income made by the competent authority pursuant to the provisions of paragraphs (1) and (2) are revenues of the state budget except for a quota of up to 20% which is intended to be used in order to grant incentives to the competent authority's staff.

CHAPTER VII

Competent authority

Art. 53. - The competent authority in charge with the application of the provisions of this law is the National Agency for Mineral Resources as a special body of the central public administration having legal personality, acting under the Government.

Art. 54. - In the field of petroleum resources the National Agency for Mineral Resources has the following prerogatives:

- a) manages the petroleum resources of the state;
- b) negotiates the clauses and terms of the petroleum agreements and enters into such agreements on behalf of the state;
- c) regulates the petroleum operations conducted under the petroleum agreements and the technical norms and instructions issued for the application of the law;

d) receives, checks and registers the data and information concerning the petroleum resources and reserves and ensures their storage, systematization and use; sets up the geological resources/petroleum reserves national fund; the official data concerning the geological resources/petroleum reserves are those recorded in this fund;

e) conducts studies on the basis of which it substantiates and sets the reference price of the petroleum produced in Romania, the transportation tariffs through trunk pipelines of crude oil and condensate and the tariffs specified in art. 52 paragraph (1);

f) monitors and checks the petroleum production for the purpose of calculating the royalties;

g) monitors the application of the measures established for the protection of the surface and subsoil during the performance of the petroleum operations;

h) checks the compliance by the title holder with the provisions of the petroleum agreement and the relevant norms and instructions and orders measures meant to ensure such compliance;

i) orders the cessation of the exploration or production works carried out outside the boundaries of the block granted, of those which do not have approved technical documentation and of those which, given the manner in which they are conducted, may be conducive to an irrational exploitation and the damaging of the reservoirs, such cessation to last until the causes which generated said actions are removed;

j) issues mandatory technical norms and instructions for the fulfillment of the provisions of this law;

k) prepares and keeps the Petroleum Book; the legal instruments and documents which are not registered in the Petroleum Book cannot be invoked vis-a-vis the third parties;

l) ascertains the cases when operations are carried out in the absence of a permit or petroleum agreement and notifies them to the competent state bodies;

m) endorses the abandonment plan and approves the termination of the concession on the basis of the fulfillment of the provisions of the environment restoration plan approved by the responsible authorities pursuant to the environment protection legislation.

Art. 55. - The organization and operation of the National Agency for Mineral Resources are determined by Government decision.

CHAPTER VIII

Minor offences and crimes

Art. 56. - The non-compliance by the title holder of the petroleum agreement with the provisions of this law which are listed below is deemed to be a minor offence and is sanctioned as follows:

a) non-compliance with the provisions of art. 33 paragraph (1) and art. 48 paragraphs (1) b), c) and h) - by a fine ranging between 150,000,000 and 300,000,000 lei;

b) non-compliance with the provisions of art. 4 paragraphs (2), (3) and (4), art. 41 paragraph (1) c), art. 42 paragraph (1) a), b) and d) and art. 48 paragraph (1) a) and f) - by a fine ranging between 300,000,000 and 700,000,000 lei;

c) non-compliance with the provisions of art. 48 paragraph (1) e) and i) - by a fine ranging between 700,000,000 and 1,000,000,000 lei;

d) the conduct by Romanian or foreign legal persons of petroleum operations in other blocks than those determined for this purpose by the competent authority - by a fine ranging between 700,000,000 and 1,000,000,000 lei; also, in such a case the installations and equipment used to conduct the petroleum operations and the quantities of petroleum produced from other blocks than those determined by the competent authority for this purpose shall be confiscated and/or, as the case may be, compensation shall be charged equivalent to the quantities which were not recovered from the Romanian or foreign legal person which committed the minor offence.

Art. 57. - The conduct of petroleum operations without a permit or petroleum agreement is a crime and is punished by imprisonment from 6 months to 2 years.

Art. 58. - If any of the minor offences sanctioned under the provisions of art. 56 and for which the law does not provide for the revocation of the concession is committed for the second time and thereafter a fine will apply and the limits of the fine specified for the minor offence concerned shall be doubled, it being understood that such fine cannot be in excess of 1,000,000,000 lei.

Art. 59. - The ascertaining of the minor offences and the application of the sanctions are made by finding agents specially appointed for this purpose by the National Agency for Mineral Resources.

Art. 60. - Unless the present law provides otherwise, the provisions of the Government Ordinance no. 2 of 2001 concerning the legal rules applicable to minor offences, as approved with amendments and supplements by Law no. 180 of 2002, as subsequently amended and supplemented, shall apply to the minor offences specified in art. 56.

CHAPTER IX

Transitory and final provisions

Art. 61. - (1) The provisions of the petroleum agreements approved by the Government remain valid for their entire duration on the terms on which such agreements were made.

(2) The granting of incentives which are classified as state aid to the title holders of the petroleum agreements made before the coming into effect of this law, for those agreements which are in the process of being approved by the Government and for the new applicants shall be made in compliance with the legislation concerning the state

aid.

Art. 62. - The settlement of disputes in connection with the interpretation and performance of the provisions of the petroleum agreements fall under the competence of the Romanian courts of law if the parties did not agree to refer the settlement to arbitration. In the case of disputes which involve extranational elements the parties may agree on the competence, including that of the international arbitration courts.

Art. 63. - Within 90 days from the publishing of this law in the Official Monitor of Romania, Part I the competent authority shall draw up its application norms which will be submitted to the Government to be approved by a decision.

Art. 64. - This law comes into effect after 90 days from the date of its publication in the

Official Monitor of Romania, Part I.

Art. 65. - On the date of coming into effect of this law the Petroleum Law no. 134 of 1995, published in the Official Monitor of Romania, Part I no. 301 of December 29, 1995, as subsequently amended and supplemented and any other provisions which are contrary to the present law shall be abrogated.

This law was adopted by the Parliament of Romania with the observance of the provisions of arts. 75 and 76 paragraph (1) of the Romanian Constitution, as republished.

THE PRESIDENT OF THE HOUSE OF DEPUTIES
SENATE VALER DORNEANU

THE PRESIDENT OF THE
NICOLAE VACAROIU

Bucharest, June 7, 2004

No. 238

THE PRESIDENT OF ROMANIA DECREE

for the promulgation of the Petroleum Law

Pursuant to the provisions of art. 77 paragraph (1) and of art. 100 paragraph (1) of the

Constitution of Romania, as republished,

The President of Romania decrees:

Sole Article - The Petroleum Law is hereby promulgated and the publication of this law in the Official Monitor, Part I is hereby ordered.

THE PRESIDENT OF ROMANIA ION ILIESCU Bucharest, June 2, 2004.

No. 416