

MOZAMBIQUE FOURTH LICENSING ROUND

APPLICATION GUIDELINES

Round closes Friday, 30th April 2010

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1 INTRODUCTION

The Government of the Republic of Mozambique, through the Ministry of Mineral Resources and the Institute of National Petroleum (INP) invites Oil & Gas Companies for the onshore competitive bidding round to explore for hydrocarbons in the North, Central and South of onshore basins.

Companies may apply for a Reconnaissance Concession Contract (RCC) and/or an Exploration and Production Concession Contract (EPCC).

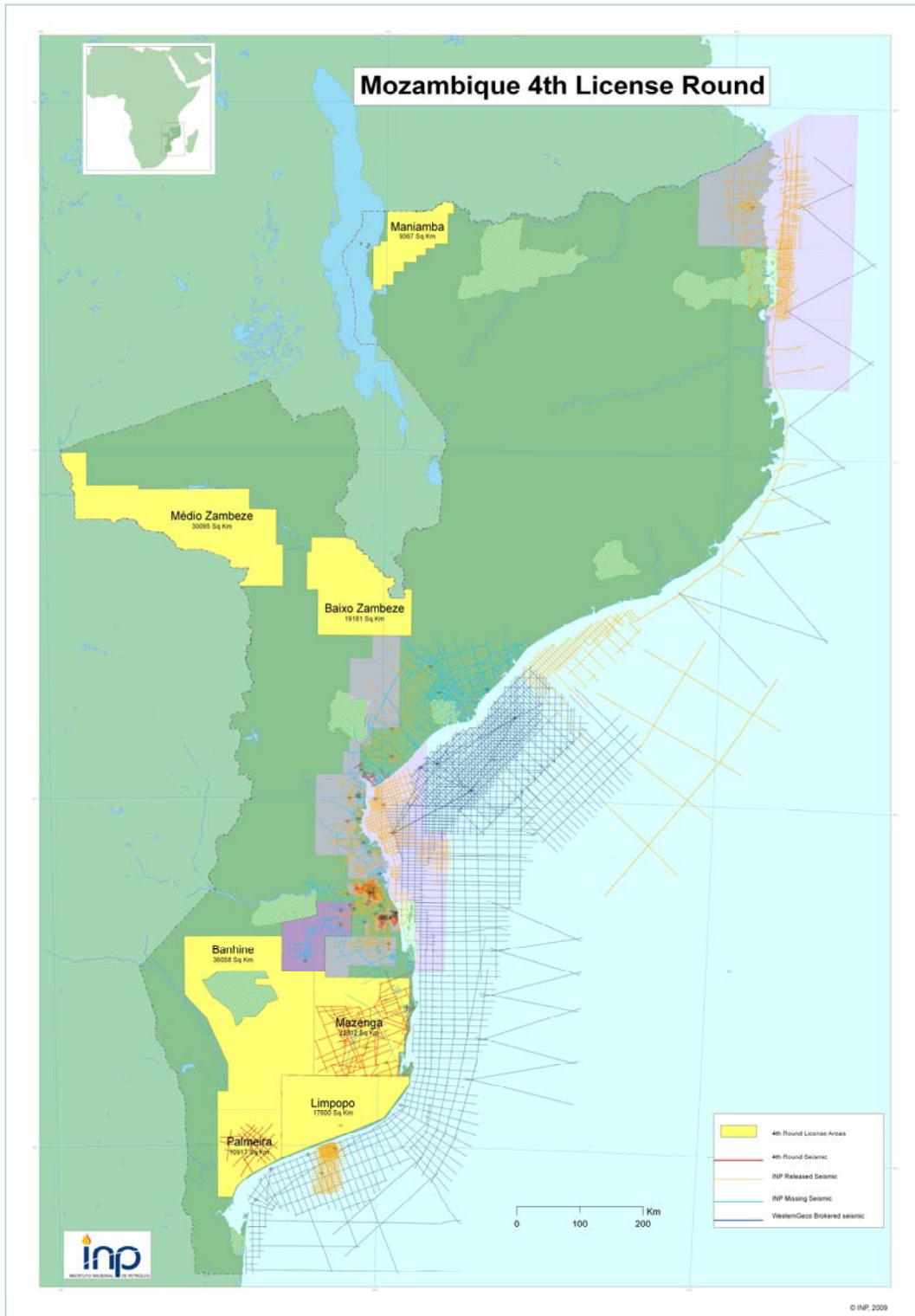
This document is intended as guidance for applicants in the Mozambique Fourth Licensing Round on how to complete and support an application. Our website (<http://www.inp-mz.com>) carries pointers to other useful information, including general information about the Licensing system and the availability of technical data.

The Licensing Round launched on the 3rd November 2010 and the closing date for submission of applications is 12:00 noon in Maputo on Friday, 30 April 2010.

The Areas are shown on the map and have been named as follows;

- Maniamba Basin 9,367 sq km
- Middle Zambezi Graben 30,095 sq km
- Lower Zambezi Graben 19,181 sq km
- Banhine 36,058 sq km
- Mazenga Graben 22,812 sq km
- Limpopo Graben 17,600 sq km
- Palmeiras Graben 10,917 sq km

If you have any further queries, clarification or additional information please see contact information (<http://www.inp-mz.com>).



MOZAMBIQUE FOURTH LICENSING ROUND
Areas on offer highlighted in yellow

2 LEGAL & FISCAL DOCUMENTS

2.1 Schedule 1 - Petroleum Law

The Mozambique Petroleum sector is currently regulated by the Petroleum Law No 3 of 21st February 2001. The law establishes the regime for the granting of rights for the conduct of Petroleum Operations in the Republic of Mozambique. The scope of the law excludes the refining of Petroleum, its industrial utilization as well as the distribution and sale of Petroleum Products.

Ownership of Petroleum Resources

All petroleum resources in situ as natural resources in the soil and the subsoil onshore, in the interior waters, in the territorial sea and on the continental shelf are the property of the State.

Participation of the State

The State reserves itself the right to participate in Petroleum Operations in which any legal eternity is involved. The participation of the State may occur during any phase of Petroleum Operations or during the construction and operation of a petroleum pipeline in accordance with the terms and conditions to be established in a Concession Contract.

2.2 Schedule 2 - Petroleum Operation Regulations

This document further outlines the conditions for the conduct of Petroleum Operations in Mozambique.

Hydrocarbon Exploration may only be conducted in accordance with:

Reconnaissance Concession Contract

Allows the holder, the right to conduct preliminary work and assessment operations in the area subject to the Concession Contract. Is executed on a basis of exclusivity for a maximum two-year period and permits the drilling of wells to a depth of 100 meters below the surface or the bottom of the sea.

Exploration and Production Concession Contract

An Exploration and Production Concession Contract gives an exclusive right to conduct Petroleum Exploration and Production activities as well as the non-exclusive right to operate petroleum pipelines.

2.3 Schedule 3 - Model EPCC / RCC

This is the current model Mozambique “EXPLORATION AND PRODUCTION CONCESSION CONTRACT”. The final version granted to the successful applicants

will be based on this model. Applicants should take due notice that the EPCC is based on an administrative law based governmental decision in which a specific number of fiscal elements have been agreed based on negotiation prior to the final award.

It is provided in Microsoft Word format for companies to complete.

Please note with regard to RCC:

Model RCC is being constructed-; however, RCC will be awarded on the legal basis for the granting of individual petroleum rights to individuals and legal persons for the conduct of Petroleum Operations subject to the Republic of Mozambique jurisdiction..

A RCC has preferential rights to convert up to 10,000 sq km (of the RCC area) to a EPCC, subject to negotiation of terms and satisfactory work program.

2.4 Schedule 4 –Fiscal Regime

Law n. ° 12/2007: Royalty Gas Law

Update the legislation on taxation, especially the one relative to the petroleum activity.

Law n. ° 13/2007: Fiscal Incentive for the Petroleum Operations

Update the legislation on Fiscal incentives for the mining and petroleum activities

2.5 Schedule 5 - Areas Available

This license round focuses on the Mozambique onshore and Areas are available for either RCC or EPCC license applications For ease of references these have been grouped by INP in to seven (7) areas: Maniamba, Lower Zambezi Graben, Middle Zambezi Graben, Mazenga Graben, Banhine, Limpopo Graben and Palmeiras Garben.

INP will accept a linked application for Areas for RCC applications only:

- Lower & Middle Zambezi Graben
- Limpopo & Palmeiras Graben

3 APPLICATION DOCUMENTS

Applications must be made on the approved “Application Forms” shown in Appendix A, B, C and follow the “Outline” provided for Appendix D. All applications must complete all sections (Appendix A, B, C, D).

Note this forms a crucial part of the application – *see evaluation criteria*.

Applicants may also provide material that they consider best to support their application, but it is also in their interest to make the material as concise as possible.

INP prefers all material to be at A4 size for ease of handling. Three paper copies of the application must be provided. We also request that applicants provide an additional copy on CD-ROM because we may wish to print documents for internal use.

Separate application must be presented for each Area applied for. If the applicant submits proposals for more than one Area, the applicants’ priority given to each Area should be clearly indicated.

3.1 Appendix A - Applicant Details and Financial Information (Form)

Appendix A contains financial information about the applicant and is required to support applications for a Reconnaissance Concession Contract or an Exploration and Production Concession Contract. Where there are two or more companies on an application, we require an Appendix A from each company separately.

3.2 Appendix B - Technical Application Summary (Form)

Appendix B demonstrates the applicant’s plans to work and evaluate the acreage.

3.3 Appendix C - Financial Proposal (Form)

The proposal of the applicant for work and minimum expenditure in respect of the exploration area (s) specified in the application must be stated.

Definite proposal with respect to all negotiable items as contained in the Model Exploration and Production Concession Contract must be stated, including, training, institutional support and Social Support that may be applicable.

3.4 Appendix D - Health Safety Environment (Outline)

This section applies across the entire scope of application of the regulations. An applicant should submit details of the Health, Safety (Safety Culture) and Environment protection systems, including applicant’s policy not known to Mozambican authorities and corporation wide records of the same for the last 3 years. Harm or danger of harm to people, the environment or to installations, pipelines and equipment must be prevented or limited. A high standard of operational regularity and

safety is in the interest of all petroleum industry stakeholders. To reach the level of acceptable conduct systematic procedures and assessments must be made and documented in all phases of the petroleum activities.

The applicant thus must demonstrate its HSE systems and their implementation with regard to risk reduction through the applicants choice and implementation of technical, operational or organisational solutions. Solutions must demonstrate that individual as well as an overall evaluation attain appropriate HSE standards and also reduces future potential harm and that future use offer the best results.

Note:

INP objectives are to ensure the success of the systematic effort needed to prevent faults and dangerous situations or undesired conditions arising or developing, and to limit pollution and injury to persons and damage to equipment, a favourable health, environment and safety culture must pervade all levels of the individual activity/establishment.

INP also recognises that a favourable health, environment and safety culture is also needed to ensure continual development and improvement of health, environment and safety.

4 SUBMITTING AN APPLICATION

- Applications must be consistent with the provisions of the Petroleum Law 3/2001.
- Applications on behalf of more than one company are to be accompanied by a fully executed agreement between those companies. Such cooperation – or bid agreement shall be submitted no later than the application and its terms may not deviate from the requirements stipulated in Mozambican Law or the model documents.
- A non-refundable fee equivalent of 500,000 MT must accompany the application for each area. Notwithstanding the fee can be paid in United States Dollars according to the official exchange rate of the day according to Bank of Mozambique (www.bancomoc.mz).

Bank Details:	National Petroleum Institute:
Account Name:	Standard Bank, Maputo - Mozambique
Account Number:	1081819781013
SWIFT:	BSTMMZMA

Applications should be made in triplicate, in sealed envelopes clearly marked on the top “APPLICATION FOR HYDROCARBON EXPLORATION OF THE MOZAMBIQUE’S ONSHORE BASINS– MOZAMBIQUE (FORTH LICENSE ROUND)” must be sent by registered mail until 12:00 hrs local time by Friday 30th April 2010 or hand delivered to:

NATIONAL PETROLEUM INSTITUTE
34 FERNÃO DE MAGALHÃES
P.O. BOX 4724
MAPUTO - MOZAMBIQUE

No application sent in by e-mail and or telefax will be accepted.

A receipt will be issued on receipt of each application.

- All bids will remain valid for at least 6 months from the date of closure of the licensing round.
- INP will have the right to have full flexibility when defining the outline and size of the areas to be awarded if for instance the proposed work programme is considered to be sufficient only in parts of the area applied for.

5 BID EVALUATION CRITERIA

The Ministry of Minerals Resources and the National Petroleum Institute will take the following aspects into consideration:

- Proven expertise the technical competence, capacity and financial strength of the applicant to be able to carry out exploration and production of hydrocarbons to legal requirements and industry standards.
- The technical database used in making the application.
- The technical evaluation and obligatory work program. Preference will be given to bids which demonstrate an active and cost-effective exploration approach, with satisfying progress. For EPCC applications: the relinquishment terms for each exploration phase
- Proven expertise
- Strength of the proposed safety, health and environmental protection.
- Economic terms offered by the Company.
- Level of institutional support and training (EPCC applications only)

Each of the abovementioned aspects must be at an acceptable level

Important Note:

INP encourages companies to present a technical proposal that will maximize the knowledge of the petroleum potential of the Areas on offer.

5.1 Example Bid Evaluation Score Card**EPCC**

Appendix A – Company Expertise	15 Marks
Appendix B / C (Technical Work Program)	50 Marks
Appendix C / D (Economic Proposal)	20 Marks
Appendix C / D (HSE)	15Marks
TOTAL	100 Marks

RCC

Appendix A – Company Expertise	15 Marks
Appendix B / C (Technical Work Program)	60 Marks
Appendix C / D (Economic Proposal)	10 Marks
Appendix C / D (HSE)	15 Marks
TOTAL	100 Marks

5.2 Minimum Technical Work Program

INP has defined the minimum work program for each Area as follows:

Minimum technical work program for EPCC:

- Digital Database
- GIS Project & geo-reference of historical data (well & seismic)
- Potential Field Data Analysis
- 400 km of new 2D Seismic Data
- 400 km of gravity data
- Field studies (geo-chemical), sampling, thin sections, palynology
- Reprocessing of existing seismic data (where available)
- Well data analysis (new well composites)
- Seismic Interpretation / Technical Studies
- Shallow coring / sampling (up to 100m)
- Basin Modelling
- Environmental Baseline Assessment - detailed

Minimum technical work program for RCC:

- Digital Database
- GIS Project & geo-reference of historical data (well & seismic)
- Potential Field Data Analysis
- Field studies (geo-chemical), sampling, thin sections, palynology
- Well data analysis, where applicable (new well composites)
- Shallow coring / sampling (up to 100m)
- Technical Studies, geological assessment / mapping
- Environmental Baseline Assessment – initial assessment

6 TECHNICAL DATA

INP has prepared a comprehensive technical database, using all the available data, these data are recommended for licensing by companies applying in the Mozambique Third License Round. The available data is described in detail in a document titled “INP TECHNICAL DATA MOZAMBIQUE BASIN” and can be downloaded from www.inp-mz.com.

The data compiled by INP demonstrate the, Exploration History, Petroleum Potential and Prospectivity of the Mozambique Basin both onshore & offshore.

The technical database has been consolidated in World Geodetic System of 1984 (WGS84), Zone 36. Applicants are asked to use these same geodetic parameters.

6.1 INP TECHNICAL DATA

The INP technical database which is available for companies to license includes:

- Technical Reports - Digital pdf
- Well Data - Digital Well Folders
- Seismic Data - Digital SEG Y, Scan pdf
- Gravity & Magnetic - Digital
- GIS & Satellite Data - Digital ArcView project

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Well Data

There are 52 released wells in the vicinity of the 4th round blocks. INP has created a digital well data base of what is available for each well, this is summarized in a spreadsheet which can be downloaded from www.inp-mz.com (the well data spreadsheet has been updated to include recent information that has been retrieved from INP archives).

Seismic Data

The released seismic data in both the onshore and offshore is available by survey or by individual seismic line (complete line only). The data is provided in both SEG Y and where possible scanned pdf format. The seismic data is described in detail within the “Technical Data, Mozambique document that can be downloaded from www.inp-mz.com.

Data License Agreement

All INP data is licensed subject to an INP data license agreement. The standard agreement can be downloaded from www.inp-mz.com. The cost of licensing the technical data can be offset against the exploration expenditure obligations of the EPCC. The technical database (an applicant company has) forms a key part of the evaluation criteria.

Workstation Project

Once the data has been licensed by INP, a SMT Workstation project can be provided preloaded with a client’s individual data entitlement (at additional cost).

6.2 DATA ROOMS

Data room is available in Mozambique (INP) office. The data available in each location are identical and contain:

- SMT Kingdom Project
 - INP seismic data
 - INP well data
 - Selected Western broker and speculative seismic data
- INP Digital Library
 - Scanned Technical Reports
 - Scanned Well Folders
- Hardcopy of Key Technical Reports (supplied as pdf in data packages)
- Hardcopy of Key Well Composites

Entry to the data room will require signature of the “data room rules” (available on www.inp-mz.com). This requires the name, title and company of each visitor viewing the Information is required to be disclosed in writing at the time the appointments are made and any changes thereto should be notified in writing before entry to the respective Data Room.

Each company interested in making an application may have one working day in the data room at no charge. This is to give companies the opportunity to review the data before committing to purchase of the data packages.

In this case companies may take away only limited information (usually within a PowerPoint Presentation), restricted to internal use within their company, to enable them to review the opportunity at their office.

Once the data package has been purchased the data license agreement governs the use and copying of the data.

MOZAMBIQUE DATA ROOM

INP Maputo Mozambique (9.00 a.m. and 5.00 p.m.) Monday to Friday.
Coordinator – Inocencia Maculuve

Appointments must be made via email to info@inp-mz.com

7 FURTHER INFORMATION

For further information about the Mozambique Forth License Round please contact:



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