



**Timor Sea Designated Authority
for the Joint Petroleum Development Area**

**Guidelines for Applications
for Production Sharing Contracts and
Criteria for Assessment of Applications**

Introduction

This guideline is issued under Article 5 of the *Petroleum Mining Code* for the purpose of assisting companies in lodging applications for Production Sharing Contract Areas in the Joint Petroleum Development Area ('JPDA'). The terms used in this guideline have the same meaning as those used in the *Petroleum Mining Code*.

Guideline 1

Applications for Production Sharing Contracts

1. Application Details

Applications lodged under Article 5 of the *Petroleum Mining Code* must:

- (a) be made in writing in triplicate on size A4 paper;
- (b) be delivered in a sealed envelope marked strictly confidential;
- (c) be made within the period specified in the official advertisement;
- (d) include a fixed non-refundable processing fee of US \$10,000, payable to "The Timor Sea Designated Authority" at a bank nominated by the Designated Authority, for each Production Sharing Contract Area included in the application;
- (e) be for one Contract Area, and all documents concerning the application shall be clearly identified as pertaining to an application for a certain Contract Area, and a company (or any company that controls it) cannot be, directly or indirectly, part of more than one bid for a certain Contract Area;
- (g) include a summary of their application in the form of a table; and
- (h) be submitted via secure delivery to the Darwin Office of the Timor Sea Designated Authority ('TSDA'), located at Level 8, 22 Mitchell Street, Darwin, NT, 0801 or the Dili Office of the TSDA located at No. 5 Avenida de Portugal, Farol, Dili, Timor-Leste.

2. Application Content

Applications must contain the following information:

2.1 Technical Assessment

- (a) the applicant's assessment of the petroleum potential of the Contract Area, including a geological and geophysical review and technical assessment of the Contract Area, and the concepts underlying the proposed exploration work program and expenditure commitments;

- (b) the applicant's proposed exploration Work Programme and Budget commitments for the first three (3) contract years covering data evaluation, seismic surveys and exploration wells to be drilled, on the basis that none of the items of the work program are conditional on the discovery of hydrocarbons. The first three (3) years of the proposal should only include work and expenditure expected to involve a substantial exploration component;
- (c) the applicant's proposal (in terms of operational activity or estimated expenditure) for data evaluation, seismic surveys and exploration wells to be drilled, for each of the remaining four (4) years of the contract term.

2.2 Particulars of the Applicant

- (a) Documents and other relevant information concerning the legal details of the applicant(s) (including a certificate of incorporation or registration in the country of origin);
- (b) the technical capability of the applicant including information on the relevant experience and expertise of the applicants relating to development work, research, safety, and work in difficult operating conditions, including (if applicable to the Contract Area) deepwater, high temperature or pressure operation and environmentally sensitive areas, and how this expertise and experience may contribute to the efficient exploration of, and the production of petroleum from, the Contract Area in question.
- (c) the technical knowledge and ability of the corporation proposed as contract Operator and of its employees;
- (d) the financial capability of the applicant, including evidence of the applicant's ability to fund the proposed work program and expenditure commitments, information on their short and long term financial commitments, and a copy of the last three (3) annual reports for each applicant company;
- (e) where relevant, the viability of the consortium lodging the application, including evidence that a satisfactory agreement has been, or can be, reached on the joint operating agreement (a copy of a heads of agreement document will generally suffice), and the viability of the corporation appointed and authorised to be the contract Operator;
- (f) details of the applicant corporation(s), the percentage participating interest of each corporation, the nominated contract Operator, and the contract Operator's address;
- (g) any relationship that a director of an applicant company had with any company that had defaulted over the previous five (5) years;
- (h) any permit, licence or contract cancellations, defaults on work program conditions or adverse criminal findings under relevant legislative schemes of any of the applicant companies (or any company in control of one of the applicant companies) over the previous five (5) years, and why the applicant believes the prior failure is irrelevant to the current application.

2.3 Timor-Leste's Economic Development

- (a) proposals for training, and giving preference in employment, to nationals and permanent residents of Timor-Leste;
- (b) proposals for the acquisition of goods and services from persons based in Timor-Leste;

- (c) proposals for the improvement of the technical capabilities of Timor-Leste through research to be undertaken in Timor-Leste;
- (d) proposals for the transfer of technology and skills to Timor-Leste nationals and permanent residents;

2.4 Health Safety and the Environment

- (a) proposals for securing the health, safety and welfare of persons involved in petroleum activities;
- (b) proposals for protecting the natural and marine environment, and for preventing, minimising and remedying pollution and other environmental harm;

2.5 Other

- (a) a statement that:
 - (i) the applicant acknowledges that acceptance of the model Production Sharing Contract terms and conditions is a prerequisite for making an application to bid;
 - (ii) the applicant accepts that the application is a formal offer that may be accepted by the Designated Authority to form a final Production Sharing Contract without any further negotiation with the applicant;
- (b) proposals for insurance; and
- (c) such other information as the applicant wishes to be taken into account in consideration of the application.

Guideline 2

Criteria for Assessment of Applications for Production Sharing Contracts

1. General

Companies will be expected to have taken into account all relevant information and any special conditions, such as those related to environment protection, applying in Contract Areas. All relevant information and details of special conditions will be made known to potential applicants by the Designated Authority when blocks forming Contract Areas are advertised.

2. Assessment Criteria

(a) The Designated Authority's key objective will be to identify the exploration work program bid which will best and expeditiously evaluate the petroleum potential of the Contract Area. The primary criteria for assessment of applications are therefore:

- (i) acceptance of the Production Sharing Contract;
- (ii) the substance and quality of exploration work in each of the first three contract years; and
- (iii) the extent to which the first three (3) years' work program and expenditure commitments, including the drilling program, data evaluation and geophysical surveying activities, reflects the available technical information on exploration prospects in the Contract Area, seeks to follow up existing leads, and seeks to identify and evaluate new exploration prospects in previously unexplored parts of the Contract Area. The work program commitments and associated expenditure will be assessed by the Designated Authority on the basis of a detailed review of the objectives of the individual items of work proposed.

The Designated Authority will not negotiate changes to the work program bids in assessing those bids.

(b) The capacity of the applicant to undertake the proposed work program commitments will also be considered, particularly:

- (i) the adequacy of financial capability and technical knowledge and ability available to each applicant:
 - (aa) the evaluation of financial capacity will be based on the company's annual reports or if they are providing a parent guarantee then an assessment of the parent company's annual report and any other publicly available information on the finances of those companies;
 - (bb) technical knowledge and ability will be assessed on the basis of company's performance in offshore operations or as appropriate on the company's financial capacity to acquire the necessary technological resources to work offshore; and
- (ii) the future viability of any group of corporations lodging an application, including evidence that a joint operating agreement can be, or has been, reached between those corporations for cooperation in relation to petroleum activities in the Contract Area.

(c) The following additional criteria shall also be used to choose between the applications:

- (i) the application which maximises participation of Timor-Leste nationals involvement in petroleum exploration and associated and subsequent activities;
- (ii) the extent to which the applicant undertakes to source goods and services in Timor-Leste, and to transfer technology and skills to Timor-Leste nationals and permanent residents;
- (iii) any undertaking by consortia members to research exploration techniques and technology in Timor-Leste; and
- (iv) the amount and quality of work proposed for contract years' four (4) to seven (7).

3. Process for Assessing Applications

- (a) Applications will be assessed against the selection criteria by a panel of officials representing the Designated Authority. The panel will prepare a report for the Designated Authority containing recommendations as to the winning bid.
- (b) Applications will be assessed on the basis of the information contained in the written applications together with any additional information requested by the Designated Authority, which should also be submitted in writing. Applicants may be invited to attend an interview with the assessment panel and information provided during that interview will also be taken into account.
- (c) It should be noted that the composition and timing of the work program proposed in the original application as part of the competitive bidding process cannot be amended by the provision of additional information or through the interview process.
- (d) In the event that a winning applicant cannot be chosen on the basis of the information contained in the written application and provided during interview, the two (2) or more parties that the Designated Authority considers as equally deserving of the grant of the Production Sharing Contract, will be invited to submit supplementary written bids as a basis for the selection of a successful applicant.

4. Refusal to Grant a Permit

Applicants should note that the Designated Authority is not obliged to award an Applicant a Production Sharing Contract and the re-release of acreage will be at the discretion of the Designated Authority in consultation with the Joint Commission.