Law No. (25) of 1955  
on the petroleum law of 1955  

We, Idris I, King of the United Kingdom of Libya,  

have ratified and issued the following law passed by the Senate and the House of Representatives:  

Article (1)  
Petroleum is the property of the State  
1. All the petroleum that exists in Libya in its natural state in the strata of the earth shall be the property of the Libyan State.  
2. No person may explore or search for petroleum or mine or extract petroleum in any location in Libya, unless authorised by a permit or a concession issued according to the provisions of this Law.  

Article (2)  
Petroleum Committee  
1. An independent Petroleum Committee shall be established in accordance with this Law. It shall have public legal personality and an independent budget attached to the budget of the competent ministry. The Petroleum Committee shall consist of a chairman and at least three other members, appointed and dismissed from their posts by a decree upon a proposal from the Prime Minister after agreement on the same with the competent authorities in the provinces. A delegate appointed by the minister may attend the meetings of the Committee without having a vote in the deliberations.  
2. Whenever possible, the members of the Committee shall be experienced in finance, economics, trade, law, or engineering affairs. They may neither be ministers, nor members of the National Assembly or legislative councils. If one of the foregoing is elected or appointed to such positions, his membership in the Committee shall be forfeited.  
3. The Committee shall be responsible for implementing the provisions of this Law in the name of the provinces, individually or jointly, under the supervision of the Minister.  
4. The Committee shall take all decisions concerning granting, assigning, renewing, relinquishing, or cancelling licenses and concessions. Such decisions shall be submitted to the Minister immediately upon their issuance for approval or rejection. All decisions shall be presented immediately upon issuance and in writing to the Minister for ratification or rejection.  
5. The Committee shall establish its own rules of procedure, provided they include a text stipulating that no meeting thereof shall be valid except in the presence of three-fourths of the members and that the decisions of the Committee shall be taken by a two-thirds majority of the members present. In the event of a tie, the Chairman shall have two votes.  
6. The Committee shall appoint a Director of Petroleum Affairs, who shall be referred to as “Director” in this Law. He shall be entrusted with carrying out the functions assigned to him in accordance with this Law and Annexes (1) and (2) to this Law, in addition to all other functions assigned thereto in accordance with the regulations issued in implementation of this Law and referred thereto by the Committee.
Where appropriate, the Committee shall appoint other employees.

7. All the expenses of the Committee approved by the Government, including the salaries of its members and employees, shall be borne by the budget of the Federal Government.

**Article (3)**

**Petroleum Zones**

In execution of the provisions of this Law, Libyan territory shall be divided into four petroleum zones:

First Zone – It shall include the province of Tripolitania.

Second Zone – It shall include the territory of the province of Cyrenaica, north of the 28th parallel north.

Third Zone – It shall include the territory of the province of Cyreneica, south of the 28th parallel north.

Fourth Zone – It shall include the province of Fezzan.

**Article (4)**

**Borders**

1. The execution of this Law shall extend to the seabed and subsoil, for the lands located below the territorial waters and the high seas contiguous thereto and within the jurisdiction of the United Kingdom of Libya and under the supervision thereof. In the execution of the provisions of this law, the seabed and subsoil adjacent to any petroleum zone shall be part of that zone.

2. In the event of any doubt regarding the borders of any petroleum zone, the Committee shall determine the borders thereof, only for the purpose of the execution of this Law. If due to such delineation of borders the applicant needs to amend his application or submit a new application, he shall be granted one month to carry out this measure starting from the date he receives notification to do so. This shall not result in the application losing any priority it had.

3. If the Committee’s delineation of the borders is deemed in the future to be contrary to the correct borders, the adjustment of borders shall not affect the validity or extent of the licenses or concessions granted within the area or areas affected by the adjustment.

**Article (5)**

**Eligible Applicants**

1. The Committee shall consider the applications for licenses and concessions submitted by eligible applicants only. Upon determining the eligibility of the applicant, the Committee shall take the following into consideration:

   First: The furtherance of the country’s national interest.

   Second:

   a. The applicant’s compliance with the laws and regulations on petroleum.
   b. His previous activity in the petroleum industry.
   c. His previous experience in the conduct of similar works.
   d. His financial and technical capacity to conduct the works planned.
2. When determining the eligibility of an applicant, if he is a subsidiary company or a member of a group of companies, the satisfaction of the above qualifications in the parent company or the group of companies in which the applicant is member shall be taken into consideration, in addition to the extent the applicant avails of such qualifications.

**Article (6)**

**Licenses**

1. Applications for licenses shall be submitted to the Committee in three copies. The Committee shall forward a copy thereof to the Minister. Separate applications shall be submitted to each petroleum zone.

2. The application shall indicate the zone in which the applicant wishes to start exploration works. It shall also contain short statements on the matters referred to in Article (5) of this Law. The applicant shall provide to the Committee any additional data related to the application upon request. All the information provided in execution of this paragraph shall be treated as confidential.

3. The Committee may grant the license in the form set out in Annex (1) to this Law. However, the license may include minor amendments as may be required by the conditions of any case so that the licensee does not have a status that distinguishes him from others.

4. The license may be granted for any zone and shall entitle the holder to carry out the works permitted thereby within the specified zone and in accordance with the conditions thereof. However, this provision shall not entitle the holder of the license to impede the works of any concession holder in any way whatsoever or to enter locations where research and exploitation works are carried out without the express permission of the concession holder.

5. Granting a license shall not in itself entitle the holder to obtain a concession for any zone.

6. The license shall be issued upon the payment of the fees specified in Annex (1) of this law.

7. The license shall be granted for a period of one year and may be renewed upon payment of the specified fees.

**Article (7)**

**Applications for Concessions**

1. Applications for concessions shall be submitted to the Committee in three copies. The Committee shall forward a copy thereof to the Minister.

2. The application shall indicate the zone in which the applicant wishes to start works, provided its borders comply as much as possible with the zoning borders included in the official map issued by the Committee. The application shall also contain short statements on the matters referred to in Article (5) of this Law. The applicant shall provide to the Committee any additional data related to the application upon its request. All the data provided in execution of this paragraph shall be treated as confidential.

3. The application may not cover more than one petroleum zone.

**Article (8)**

**Conflicting Applications**

1. In the event more than one person file applications for concessions over zones fully or partially overlapping, priority shall be for the person who submitted the application to the Committee first.
The following applications shall be considered as submitted at the same time:

a. All the applications for concessions that the Committee receives before midnight of the seventh day following the date this Law enters into effect.

b. All the applications submitted on the same day after that period.

2. All the applications for concessions submitted at the same time and over zones fully or partially overlapping shall be decided thereon as follows:

a. The Committee shall invite the representatives of the applicants to meet and request them to settle their conflicting applications within thirty days or any longer period that the Committee deems necessary and to modify their requests accordingly within the same period. In such case, the applications may be modified by adding a new area, provided that such addition does not exceed the maximum limit of the area added to another area covered at the same time by another application submitted simultaneously with the original application. Modified applications shall be deemed to have been submitted at the date of submission of the original application.

b. If no agreement is reached between the applicants, the Committee shall mediate among them. The Committee and the applicants shall then consider all the settlement methods proposed by each of them.

c. In order to facilitate the settlement in accordance with the provisions of this paragraph, the Committee shall, without delay and without prejudice to the provisions of paragraph (4) of Article (2) of this Law, agree to increase the maximum limit of concessions, unless this is contrary to the public interest.

d. If it is not possible to reach an agreement by mediation, the Committee may either request the applicants to make the overlapping area common among them, divide the area or areas into parts and distribute them by lot, or apply any other solution it deems fit.

Article (9)

Granting Concessions

1. The Committee shall grant the concession in the form set out in Annex (2) to this Law. However, the concession may include minor amendments as may be required by the conditions of any case so that the licensee does not have a status that distinguishes him from others.

2. Before granting the concession, the Committee may require the applicant to provide a written pledge to abstain from any political activity in Libya.

3. Before granting the concession, the Committee may require the applicant to provide a guarantee in the form of bonds or a bank guarantee in a sufficient sum not exceeding fifty thousand (50,000) Libyan Dinars to ensure he satisfactorily performs his obligations under all the concessions granted to him in Libya. The amount for which the bond or bank guarantee is provided shall be kept all throughout the period of the concession and the General Director of Customs shall accept it in lieu of any guarantee he may require in accordance with the Customs Law.

4. The concession shall be issued for the period the applicant indicates in his application, provided it does not exceed fifty years. The concession may be renewed for any other period, provided the total of the two periods does not exceed sixty years.

5. No concession may be granted for any area included in any other concession issued in accordance with the provisions of this law.
6. The Committee may issue concessions covering adjoining areas located in two or more petroleum zones.

7. The borders of the area of a concession granted in accordance with the provisions of this law shall conform as much as possible to the division lines included in the map issued by the Committee.

8. The maximum number of concessions and the total areas that may be held by any person at one time are as follows:
   a. Three concessions in the first and second zones and four concessions in the third and fourth zones, provided that:
      1. The Committee may grant concessions in excess of the maximum number permitted and shall consider the applications submitted therefor in this regard.
      2. The areas of concessions in which there is one oil or gas well shall not be included in the above maximum limit.
   b. Thirty thousand (30,000) square kilometres in the first and second zones and eighty thousand (80,000) square kilometres in the third and fourth zones.

9. If the Committee considers it necessary to exploit areas not covered by outstanding applications or existing concessions, it may publish a declaration in the Official Gazette calling for applications for concessions in respect of such areas. In such case, the Committee may grant concessions in accordance with the provisions of this law to the applicants who submit such applications. In application of the provisions of this paragraph, at the date of submission, applicants shall not be considered holders of any concessions in the petroleum zones in which these areas are located.

10. The concession holder shall have the right to enter any land within the borders of the concession area, except the lands owned by individuals, and occupy them free of charge for the purpose of his operations under any concession granted pursuant to this law, provided they are not legally occupied by a person.

11. If the concession holder fails to agree with the land owner or the lawful occupier of a land not owned by individuals on the terms that enable him to enter and occupy the lands in question, the concession holder shall notify the Director of the same. If the occupation is temporary for a maximum of one year, the Director shall authorise such temporary occupation once the concession holder deposits with the Committee a sum assessed by the Director as a reasonable compensation to the landowner and/or lawful occupier for the loss of use of the land and the damage to their interests therein. If the occupation is for more than one year, the Committee shall authorise the concession holder to occupy the land once he deposits with the Committee a sum it assesses as reasonable compensation. The Committee shall then seek to take the necessary measures to enable the concession holder to take possession of the land under the law in force, as if the company’s works were similar in all respects to the works of public utility. In the event of any dispute as to the nature, extent of the interests of claimants to the land, or the amount of compensation that the concession holder shall pay, the Committee shall refer the dispute to the appropriate court to assess the compensation. The Committee shall pay to the respective claimants the sums determined by the court. The Committee shall then pay to or obtain from the concession holder, as the case may be, the amount that exceeds or falls short of the total compensation payable to the claimants.
12. The concession shall not confer upon the concession holder the right to carry out any work within the lands of cemeteries, places used for religious worship, and archaeological sites as defined in the Antiquity Laws in force. All works of art or antiquity discovered by the concession holder shall be subject to the law in force.

13. No drilling or any dangerous works shall be carried out within fifty meters of any public utilities or permanent buildings without the approval of the Director and subject to such conditions he deems fit.

Article (10)

Relinquishing the Concession Area

1. The concession holder shall reduce the concession area to 75% of its original size within the first five years from the date of granting the concession. He shall further reduce the area to 50% of the original size within eight years. Within ten years from the said date, he shall reduce it to 33.33% for areas located in the first and second petroleum zones and to 25% for areas located in the third and fourth zones, provided that the concession holder is not obliged in any case whatsoever to reduce the area to less than 3,000 square kilometres for areas located in the first and second petroleum zones and less than 5,000 square kilometres for areas in the third and fourth zones.

2. The concession holder may at any time relinquish the concession area, partially or fully, provided he notifies the Committee of the same in writing at least three months prior to the relinquishment.

3. In execution of paragraphs (1) and (2) of this Article, the concession holder shall freely choose the area he is relinquishing from one or more parts of the concession, provided that the part or parts he keeps are adjacent and bounded as far as possible by the grid lines of the official map of the Committee. The concession holder shall retain all the rights granted thereto in the concession for the areas he keeps.

4. The notice of relinquishment shall be accompanied by an illustration referring to the official map of the Committee, as well as a descriptive statement clarifying accurately the areas relinquished and the ones retained.

5. The concession holder shall no longer have the right to use any of the rights conferred on him under the concession with respect to the areas relinquished, except as provided in item (26) of Annex (2) to this Law. The obligations imposed upon him shall be waived, except in respect of his actions in the said areas before the relinquishment, without prejudice to the concession holder’s use of easements in the areas he relinquished.

Article (11)

Work Obligations

1. Within eight months of granting any concession pursuant to this law, the holder shall start petroleum exploration works in the concession area. He shall also actively pursue all works under the concession in accordance with the industry practices, following appropriate scientific methods. To achieve such purposes, he shall at least spend the following sums, in Libya or abroad, on exploration, search, drilling, or extraction works or related works, including general organizational, administrative, and other general expenses:

a. In the case of all concessions granted in the first and second petroleum zones:
• An average of one and a half Libyan Dinars per year per square kilometre during the first five years over the whole period and for the total area granted in each zone.
• An average of three and a half Libyan Dinars per year per square kilometre during the following three years over the whole period and for the total area granted in each zone.
• An average of six Libyan Dinars per year per square kilometre during every subsequent full five-year period for the total area granted in each zone.

b. In the case of all concessions granted in the third and fourth petroleum zones:
• An average of one and a half Libyan Dinars per year per square kilometre during the first eight years over the whole period and for the total area granted in each zone.
• An average of three and a half Libyan Dinars per year per square kilometre during the following four years over the whole period and for the total area granted in each zone.
• An average of six Libyan Dinars per year per square kilometre during every subsequent full five-year period for the total area granted in each zone.

2. Any sum spent during any of the work periods specified above in excess of the minimum limit prescribed for that period shall be carried forward as a credit to the company against the expenditure requirements for the following period or periods.

3. If, at the expiration of the half of any of the work periods specified above, the Committee determines that the concession holder has seriously neglected his obligations in respect of any petroleum zone, it may require from him a guarantee in the form of bonds or a bank guarantee for a sum that does not exceed the total outstanding expenditure obligations still unfulfilled in that zone. At the end of the said period, the Committee may seize this guarantee to the extent that the concession holder has failed to fulfil his expenditure obligations.

**Article (12)**

**Transport Facilities through Pipelines**

Any concession holder having a surplus in the capacity to transport through pipelines shall make such surplus available for third parties to transport their petroleum, under the terms and conditions agreed between them and in conformity with the usual practice in the petroleum industry.

**Article (13)**

**Fees, Rents, and Royalties**

In respect of each concession granted in accordance with the provisions of this law, the concession holder shall:

a. Pay 500 Libyan Dinars in fees as soon as he is granted the concession.

b. Pay the following fees per each 100 square kilometres of the area included in the concession, subject to Annex (2) of this law:

First: For the areas located in the first and second petroleum zones: ten Libyan Dinars per year for each of the first eight years of the concession; twenty Libyan Dinars per year for each of the seven following years or until the concession holder finds petroleum in commercial quantities, whichever occurs first; and 2,500 Libyan Dinars for each year after that.

Second: For the areas located in the third and fourth petroleum zones: five Libyan Dinars per year for each of the first eight years of the concession; ten Libyan Dinars per year for each of the seven following years or until the concession holder finds petroleum in commercial quantities, whichever occurs first; and 2,500 Libyan Dinars for each year after that.
c. Pay royalties of 12.5% as indicated in Annex (2) of this law. The value of due royalties shall be reduced by the amounts paid as rents in accordance with the provisions of Clause (9) of the concession contract.

**Article (14)**

**Taxes and Profit Distribution**

1. The concession holder shall pay the income tax and other taxes and returns as imposed by Libyan laws, but he shall not be subject to any other type of other taxes or financial burdens of such nature as to render him liable to pay other taxes or returns not generally imposed on people starting their activities in Libya, with the exception of fees, royalties, and land rents imposed pursuant to this law, taking the following into consideration:
   a. If the total of the fees, rents, royalties, income taxes, and other due taxes and returns on his work and the income he obtains therefrom for all the concessions granted for him in Libya that the concession holder paid in any full year subsequent to the start of the production period, as defined below, is less than 50% of his profits in this year, calculated as shown below, the concession holder shall pay an additional tax so that the total of his payments is equal to 50% of these profits.
   b. If the total of the fees, rents, royalties, income taxes, and other due taxes and returns that the concession holder paid in any full year subsequent to the start of the production period, as defined below, exceeds 50% of his said profits in this year, he shall have the right to reduce the total amounts payable to the Committee by an amount equal to such surplus. If the amount that the concession holder may reduce exceeds the remaining unpaid obligations for a certain year, the excess shall be considered an advance payment for the sums to be due to the Committee in the subsequent year or years.

2. In execution of the provisions of this Article:
   - The “start of the production period” shall refer to the date indicated in subparagraphs (a) and (b) above, but during which the average exports of the concession holder reach for the first time fifteen thousand (15,000) barrels of oil per day (bpd) for thirty consecutive days and on a regular basis, from all the concessions granted thereto in Libya or once four years have elapsed from the first time the concession holder exported oil regularly, whichever occurs first.
   - “Profits” in a given year in respect of the execution of subparagraphs (a) and (b) of paragraph (1) shall refer to the income earned by the concession holder from his total activity in Libya in respect of the exploration, search, drilling, or extraction of oil in that year after excluding the following:
     a. All the expenses and losses incurred by the concession holder to carry out this activity and related to him in particular, regardless of the place of disbursement, except for fees, rents, royalties, income taxes, and other taxes and due fees in respect of the expenses of exploration and research and lost drilling costs as defined in the regulations, to the extent that these expenses are not related to the acquisition or installation of fixed assets and the drilling costs of wells that do not produce oil in commercial quantities, as well as the expenses of regulating and starting oil operations in Libya, may be excluded in the year they occurred or considered capital expenditures consumed as indicated below. The concession holder may each year choose between deducting such expenses or
considering them capital expenditures or the balance of the cost of assets left in a year. The rest remaining without consumption may be deducted in the year the holder leaves the concession.

b. The return on capital expenditures used during this year, and spent on fixed assets used in respect of the above works and the expenses associated with obtaining and installing them, shall be calculated based on a rate chosen annually by the concession holder, provided it does not exceed 20% per year for all the expenses spent before the start of the production period, regardless of the date they were spent, until such expenses are consumed in full. As for the expenses incurred at the beginning or after the production period, they shall be consumed at a rate chosen by the concession holder annually, provided this rate does not exceed 10% per year, until consumed in full.

c. An amount annually equal to 25% of the annual gross income, as defined below, as a compensatory benefit, provided it does not exceed 50% of the profits for the year, calculated after excluding the amount stated in this subparagraph, regardless of the amounts deducted in this respect in previous years. In calculating this compensatory benefit, “gross annual income” shall refer to the income resulting from the concession holder’s disposal of the oil extracted in Libya after deducting the costs of transporting and transferring it to the place of disposal thereof. However, in any given year, the concession holder may, instead of excluding the amount shown above, exclude an amount for the depreciation of all his capital expenditures incurred in respect of his works, except for what was spent on fixed assets, at a rate of 20% per year for the expenses incurred before the start of the production period, regardless of the date they were spent, and at a rate of 5% per year for capital expenditures incurred at the beginning or after the production period, until such expenses are fully consumed by the exclusion applying this sub-paragraph (c).

3. If, in any given year, the total amounts excluded to determine the profits in execution of paragraph (2) of this Article exceed the total income for that year before excluding such amounts, the surplus shall be carried forward and subtracted as much as possible from the profits of the following years, provided they do not exceed ten years.

4. A license or concession holder who participates with third parties in joint works in respect of the license or concession may, in respect of such works, report on his share of the income to which he is entitled therefrom and on his share of the expenses. In the cases when selection is permissible, he may make his selection independently of the other persons who participate with him in such joint works, provided that one or more of the participants in such joint works independently undertake other acts in Libya pursuant to this law. In this case, the income and expenses above may be combined with their counterparts due to other works he practices in Libya pursuant to this law.

5. Sound accounting systems customarily followed in the petroleum industry shall be taken into consideration when calculating profits as set forth in this law.

Article (15)
Entity to Which Fees, Rents, Royalties, Additional Taxes, and Income Taxes Are Paid
All the fees, land rents, royalties, additional taxes imposed in execution of this law, and income taxes shall be paid to the Committee, which shall deliver what is paid thereto to the concerned authorities.

**Article (16)**

**Exemption from Certain Import and Export Fees**

1. A license or concession holder and any contractor he employs may import without paying duty the parts of the facilities, the machinery, tools, equipment, supplies, materials, and other goods as may be specified from time to time by decisions issued under the Customs Law, provided that the purpose of their export and use in Libya is for petroleum exploration, search, drilling, transport, refining, and other works related thereto. Such exemption shall not apply to any goods included in this paragraph and available in Libya in suitable types, with comparable features, and at no higher prices, provided that upon comparing the prices, customs duties and other expenses incurred up to the time the imported goods reach Libya shall be added the price of imported goods.

2. The other goods on which customs duties are imposed pursuant to the Customs Law shall be subject to the payment of the appropriate fees.

3. Any person intending to sell or transfer any goods imported free of duty in accordance with paragraph (1) above shall, before such sale or transfer, declare the same to the Customs Department and pay the import duty as assessed by the Director-General of Customs in accordance with the Customs Law, unless the goods are sold or transferred to another permit or concession holder or contractor entitled to the same exemptions.

4. Petroleum or any of its derivatives produced in Libya and any goods imported free of duty in accordance with paragraph (1) above may be exported free of duty without an export license, subject to the policy of the country regarding exports in general and to such legislative restrictions imposed on production and disposal thereof during wars or emergencies.

**Article (17)**

**Assignment of Licenses and Concessions**

1. Licenses may only be assigned with the approval of the Committee, provided that the receiving party shall be one or more companies that:
   a. Control the assigning party.
   b. Is supervised by the assigning party.
   c. Is controlled by one or more companies that control the assigning party.

   Whether the supervision in the said cases is direct or indirect.

2. The concession holder may assign the concession, in whole or in part, to one or more companies if the receiving party:
   a. Controls the assigning party.
   b. Is controlled by the assigning party.
   c. Is controlled by one or more companies that control the assigning party.

   Whether the supervision in the said cases is direct or indirect, provided that the receiving company respects the conditions stipulated in Article (5) of this law.

3. In all other cases, assigning the concession shall only be permissible with the approval of the Committee in accordance with the conditions it deems fit.
Article (18)
Revocation of Licenses and Concessions
Licenses or concessions may only be revoked in the cases and situations indicated in the license or concession.

Article (19)
Publication
The granting, renewal, assignment, revocation, termination, or relinquishment of a license or concession, in whole or in part, shall be announced in the Official Gazette for the United Kingdom of Libya and the concerned province.

Article (20)
Arbitration and Force Majeure
1. Any dispute arising between the Committee and the holder of a concession granted pursuant to this Law shall be settled by arbitration as indicated in Annex (2) to this law.
2. In the event of force majeure, the rights and obligations of the contracting parties to a concession granted pursuant to this Law shall be as indicated in Annex (2) to this law.

Article (21)
Oil Refining
1. A concession holder who discovers petroleum in Libya and desires to refine it in the country shall have the right to construct, maintain, and operate a refinery for this purpose, in accordance with the provisions of the law governing oil refining.
2. If refineries are established in Libya, the Committee may require concession holders, each in accordance with the production percentage, to make available to such refineries in field storage locations and at the prevailing prices in such locations sufficient quantities of crude oil from the production in all concession areas granted thereto, so as to meet the domestic consumption of oil products. However, concession holders shall not be obliged to equip or build additional means to transport or transport the oil for this purpose.

Article (22)
Penalties
1. Any person who explores, searches, or mines for petroleum in any part of the Libyan territories without a license or concession issued in accordance with this law shall be penalised by a fine not exceeding five hundred Libyan Dinars. If the violator extracts petroleum unrightfully, he shall be subject to the penalty provided for theft and a fine not exceeding five hundred Libyan Dinars or triple the value of any extracted petroleum, whichever is higher. He shall also return any petroleum mined or extracted to the Government.
2. Any person entitled under paragraph (1) of Article (16) to import the goods referred to therein free of duty and who intentionally uses such goods for purposes other than those specified therein, transfers their ownership to any person not entitled to exemption from duty, violating thereby paragraph (3) of Article (16), or fails to notify the Customs Department before the transfer of such goods as required by the said paragraph, shall be subject to the penalty provided for in Article (95) of the Customs Law.
3. Any public employee entrusted with or who has come to know of any confidential information pursuant to this Law and divulges such information shall be subject to the penalty provided for in Article (236) of the Penal Code.

4. In execution of the provisions of this Law and the regulations and decisions issued in implementation thereof, the Committee Chairman and members, the Director, and other specialist employees shall have the capacity of judicial police.

5. The persons mentioned in the previous paragraph shall have the right to enter the premises of the concession holder and inspect his works, books, registers, and papers to ensure the proper implementation of the provisions of this law, the regulations and decisions issued in implementation thereof, and the provisions of the license or concession.

**Article (23)**

**Definitions**

In execution of this Law:

- “Minister” shall refer to the concerned minister.
- “License” shall refer to the preliminary exploration license issued in accordance with the provisions of this law.
- “Concession” shall refer to the concession contract for petroleum search, drilling, and extraction issued in accordance with the provisions of this law;
- “Person” shall include corporate and legal persons.
- “Oil or gas well” shall refer to the well capable of producing oil and/or gas in measurable quantities.
- “Petroleum” shall refer to hydrocarbons in their natural form, whether liquid or gaseous, extracted or extractable from the ground, as well as asphalt and other solid hydrocarbons suitable to extract liquid or gaseous petroleum. Petroleum shall not include coal.
- “Direct control” shall refer to the control of any company exercised by any other company or companies holding a number of shares granting it the majority of votes in the general assemblies of the first company.
- “Indirect control” shall refer to the control of any company (hereinafter referred to as “private company” in this paragraph) exercised by any other company or companies (hereinafter referred to as “parent company or companies” in this paragraph) in the event there is a series of companies beginning with the parent company or companies and ending with the private company, and each company of the series, except the parent company or companies, is directly controlled by one or more of the companies in the series. One year” shall refer to one calendar year according to the Gregorian calendar.
- “Barrel” shall refer to 42 US gallons or 158.984 litres of liquid petroleum.
- “Refining” shall refer to any operation related to the treatment of petroleum, with the exception of distillation that produces petroleum derivatives.

**Article (24)**

**Regulations**
The Committee shall prepare the regulations necessary for the implementation of this law and present them to the Minister for ratification and issuance, including the regulations related to the proper flow of works in accordance with the provisions thereof and the regulations related to safety precautions and conservation of petroleum resources in Libya, provided that such regulations or any amendment thereof is not contrary to the provisions of this Law or affect the contractual rights expressly granted in the license or concession or in force at the time the regulations are issued or amended.

**Article (25)**

**Title and Date of Entry into Effect**

1. This law shall be titled “Petroleum Law of 1955” and shall enter into effect thirty days after its date of issuance in the Official Gazette.

2. Starting from the date this law enters into effect, Law No. (9) of 1953 on minerals shall be repealed with regards to petroleum, provided the licenses granted in accordance thereof remain valid until their expiry.

**King Idris**

Issued in Dar Al-Salam Palace on 24 Shaaban 1374 AH

Corresponding to 21 April 1955 AD

Upon order from the king

Mustafa Ben Halim

Prime Minister

Salem al-Qadi

Minister of National Economy
Annex (1)

Preliminary Exploration License

In accordance with the Petroleum Law of 1955, the Petroleum Committee (hereinafter referred to as the “Committee”) shall grant the following license to the company ………………… (hereinafter referred to as the “Company”) registered in …………………:

1. The company shall be licensed to carry out the preliminary exploration for petroleum according to the following conditions.

2. The preliminary exploration for petroleum shall include surface geological exploration, aerial surface surveying, and surface geophysical works usually used in the petroleum industry. This license may neither be used to dig wells for exploration nor to mechanically drill holes nor for seismological works.

3. The area in which the company is entitled to carry out exploration works shall be the area whose borders and features are specified in the annex and the map accompanying this license.

4. This license shall be valid for one year from the date of signature and work shall start as soon as possible after that date. The Company shall notify the Director of Petroleum Affairs (hereinafter referred to as the “Director”) in writing of the start date of works.

5. Within thirty days of the end of the period of the said year, the company shall submit to the Director a report that includes a description of the works carried out. The report shall be in three copies and accompanied by maps, records, and some rock samples.

6. The Director shall also be notified of the discovery of water or precious minerals and all available information shall be sent thereto.

7. All reports shall be considered confidential.

8. The Director and the employees of his department appointed for this purpose shall have the right to inspect the company’s works.

9. The license holder shall not disrupt the works of any concession holder in any way whatsoever and shall not enter the research and exploitation premises without the express authorization of the concession holder.

10. The issuance of this license shall not grant the Company any rights and privileges in respect of search or mining for petroleum, except as provided in item (2) of this license.

11. The Committee may revoke the license if the company fails to respect any of the applicable provisions of the Petroleum Law of 1955 or any provision of this license.

12. A license may not be relinquished assigned except with the approval of the Committee. Moreover, provided that the receiving party shall be one or more companies that:
   a. Control the assigning party.
   b. Is controlled by the assigning party.
   c. Is controlled by one or more companies that control the assigning party.

   Whether the supervision in the said cases is direct or indirect.

13. This license shall be granted upon payment of a fee of five hundred Libyan Dinars.

On behalf of the company

On behalf of the Committee

On behalf of the Minister

……………………………

……………………………
Annex (2)

Petroleum Concession Contract

This concession contract is concluded on the day of …… of the month of ………… 19….. in accordance with the provisions of the Petroleum Law of 1955,

Between the Petroleum Committee (hereinafter referred to as the “Committee”), contracting on behalf of the province of …………… and after obtaining the Minister's approval,

And ……………………… (hereinafter referred to as the “Company,” whose office is registered in ……………. and represented by ……………., who is duly authorised to sign on its behalf in accordance with the power of attorney submitted therefor and dated ……………….

The Committee and the Company have agreed upon the following:

Article (1)
Granting the Concession Contract

In accordance with the Company’s undertaking to meet the annual payments, to pay the fees, rents, and royalties indicated hereinafter, to implement and observe the provisions and conditions of the concession contract, and to implement the provisions of the law, the Committee hereby grants the Company the absolute right for ……………. years to carry out geological and geophysical exploration works, including aerial surveying, search in any other way whatsoever, drill, and extract petroleum within and on the surface of the area indicated by the red lines on the illustration attached to this contract; an area of approximately …………… square kilometres, located in the …………… petro……… zone. Its location is determined as follows:

The Company shall have the right to transport the extracted petroleum through pipelines or any other way out of the concession area. It shall also have the right to use, refine, store, export, and dispose of the extracted petroleum.

Article (2)
Relinquishing the Concession Area

The Company shall gradually relinquish the concession area and shall also have the right to relinquish all or part of the concession area at any time in accordance with the provisions of Article (10) of the law.

Article (3)
Contract Renewal

The concession may be renewed for any period, provided the total duration does not exceed sixty years. If the Company wishes to renew the contract, it shall submit a written request for this purpose at most five years and at least three years before the end of the contract period.

The Committee shall inform the Company of its decision within one year from the date it receives the application.

Article (4)
Work Obligations

1. Within eight months of granting the concession, the Company shall start petroleum exploration works in the concession area. It shall also actively pursue all the works under the concession in accordance with industry practices, following appropriate scientific methods. To achieve such purposes, the Company shall at least spend the sums necessary to fulfil the obligations stipulated in Article (11) of the law, in Libya or abroad, on the above works or related works, including general organizational, administrative, and other general expenses.
2. Any sum spent during any of the work periods specified in Article (11) of the law in excess of the minimum limit prescribed for that period shall be carried forward as a credit to the Company against the expenditure requirements for the following period or periods.

**Article (5)**

**Company’s Observance of Correct Practices Prevailing in Oil Fields**

The Company shall carry out all the works provided for in this concession contract in accordance with the correct practices prevailing in oil fields. Petroleum, when found in abundant quantities, shall be extracted reasonably, taking into account the global demand for petroleum and the economic exploitation of the oil sources in the concession area.

**Article (6)**

**Rents**

In execution of the provisions of Article (13) of the law and Article (9) of this contract, the Company shall pay the following sums per one hundred square kilometres:

- ………………… Libyan Dinars per year for each of the first ………… years of the concession.
- ………………… Libyan Dinars per year for each of the ……………… following years or until petroleum is found in commercial quantities, whatever occurs first.
- 2,500 Libyan Dinars for each year after that.

**Article (7)**

**Royalties**

1. The Company shall pay royalties of 12.5% of the value specified in the production field for the total petroleum (excluding natural gas) extracted and kept in field storage areas after separation of water and foreign substances therefrom and for the total natural gasoline obtained by the Company from the concession area, after deducting the amounts of petroleum, petroleum products, and natural gasoline used by the Company during the performance of its works under this concession.

2. In execution of this Article, the value of crude oil shall be as follows:
   a. Average price of crude oil of a similar or close type in Libyan ports (Free On Board (FOB)) prevailing in the free market during the three previous months, after the necessary adjustment of the price depending on the type and density, as per the usual practice in the petroleum industry. The expenses of transport and transfer from the storage location in the fields shall then be deducted.
   b. If the FOB price in Libyan ports as indicated in the previous subparagraph (a) is not known, the average price (FOB) of crude oil of crude oil of a similar or close type and density in the free market in the previous three months at the nearest ports outside Libya where oil prices are published shall be taken into consideration, after the necessary adjustment of the price depending on the type, density, and location as per the usual practice in the petroleum industry until reaching a price suitable for the free Libyan market (FOB). The expenses of transport and transfer from the field storage location to the location designated for this purpose shall then be deducted.

3. The value of natural gasoline and petroleum (without crude oil and natural gas) shall be calculated on a basis agreed upon from time to time between the Director of Petroleum Affairs and the Company. Extraction and refining expenses shall be deducted from the said value.

4. For the total natural gas produced from the concession area and sold by the Company in Libya, the Company shall pay royalties of 12.5% of the sale price, minus the costs of transport from the edge of the well to the place where the sale takes place. The royalties for exported natural...
gas shall be calculated on the basis of the price at the location of the sale, minus handling charges, customs duties, revenues, and transport expenses from the edge of the well.

Article (8)
Tax and Profit Distribution
1. The Company shall pay the income tax and other taxes and returns as imposed by Libyan laws, but it shall not be subject to any other type of other taxes or financial burdens of such nature as to render it liable to pay other taxes or returns not generally imposed on companies starting their activities in Libya, with the exception of fees, royalties, and land rents imposed pursuant to this law, subject to the following:
   a. If the total of the fees, rents, royalties, income taxes, and other due taxes and returns on its work and the income it obtains therefrom for all the concessions granted therefor in Libya that the Company paid in any full year subsequent to the start of the production period, as defined below, is less than 50% of its profits in this year, calculated as shown below, the Company shall pay an additional tax so that the total of its payments is equal to 50% of these profits.
   b. If the total of the fees, rents, royalties, income taxes, and other due taxes and returns that the Company paid in any full year subsequent to the start of the production period, as defined below, exceeds 50% of its said profits in this year, it shall have the right to reduce the total amounts payable to the Committee by an amount equal to such surplus.
   If the amount that the Company may reduce exceeds the remaining unpaid obligations for a certain year, the excess shall be considered an advance payment for the sums to be due to the Committee in the subsequent year or years.
2. In execution of the provisions of this Article:
   • The “start of the production period” shall refer to the date on which the average exports of the Company reach for the first time fifteen thousand (15,000) barrels of oil per day (bpd) for thirty consecutive days and on a regular basis, from all the concessions granted thereto in Libya or once four years have elapsed from the first time the Company exported oil regularly, whichever occurs first.
   • “Profits” in a given year in respect of the execution of subparagraphs (a) and (b) of paragraph (1) shall refer to the income earned by the Company from its total activity in Libya in respect of the exploration, search, drilling, or extraction of oil in that year after excluding the following:
     a. All the expenses and losses incurred by the Company to carry out this activity and related thereto in particular, regardless of the place of disbursement, except for fees, rents, royalties, income taxes, and other taxes and due fees in respect of the expenses of exploration and research and lost drilling costs as defined in the regulations, to the extent that these expenses are not related to the acquisition or installation of fixed assets and the drilling costs of wells that do not produce oil in commercial quantities, as well as the expenses of regulating and starting oil operations in Libya, may be excluded in the year they occurred or considered capital expenditures used as indicated below. The Company may each year choose between deducting such expenses or considering them capital expenditures or the balance of the cost of assets left in a year. The rest remaining without consumption may be deducted in the year the Company leaves the concession.
     b. The return of the capital expenditures used during this year, and spent on the fixed assets used in respect of the above works and the expenses associated with obtaining and installing them, shall be calculated based on a rate chosen annually by the Company, provided it does not exceed 20% per year for all the expenses spent before the start of the production period, regardless of the date they were spent, until
such expenses are consumed in full. As for the expenses incurred at the beginning or after the production period, they shall be consumed at a rate chosen by the Company annually, provided this rate does not exceed 10% per year, until consumed in full.

c. An amount annually equal to 25% of the annual gross income, as defined below, as a compensatory benefit, provided it does not exceed 50% of the profits for the year, calculated after excluding the amounts stated in subparagraphs (a) and (b) above but before excluding the amount stated in this subparagraph, regardless of the amounts deducted in this respect in the previous years. In the calculation of this compensatory benefit, the “gross annual income” shall refer to the income resulting from the Company’s disposal of the oil extracted in Libya after deducting the costs of transporting and transferring it to the place of disposal thereof.

However, in any given year, the Company may, instead of excluding the amount shown above, exclude an amount for the depreciation of all its capital expenditures incurred in respect of its works, except for what was incurred thereof on fixed assets, at a rate of 20% per year for the expenses incurred before the start of the production period, regardless of the date they were spent, and at a rate of 5% per year for the capital expenditures incurred at the beginning or after the production period, until such expenses are fully consumed by the exclusion applying this sub-paragraph (c).

3. If, in any given year, the total amounts excluded to determine the profits in execution of paragraph (2) of this Article exceed the total income for that year before excluding such amounts, the surplus shall be carried forward and subtracted as much as possible from the profits of the following years, provided they do not exceed ten years.

4. A Company who participates with third parties in joint works in respect of the concession may, in respect of such works, report on its share of the income to which it is entitled to therefrom and on its share of the expenses. In the cases when selection is permissible, the Company may make his selection independently of the other companies participating therewith in such joint works, provided that one or more of the participants in such joint works independently undertake other acts in Libya pursuant to this law. In this case, the income and expenses above may be combined with their counterparts due to other works it practices in Libya pursuant to this law.

5. Sound accounting systems customarily followed in the petroleum industry shall be taken into consideration when calculating the profits as set forth in this contract.

Article (9)
Method of Payment

1. The Company shall pay to the Committee all the fees, land rents, royalties, additional taxes imposed in execution of this law, and income taxes. The collection of the said amounts shall be subject to the measures stipulated for in the laws and financial regulations in Libya.

2. The Company shall pay in advance for each year the rents set forth in Article (6) of this contract until the time the royalty is due to be paid by the company, in execution of the provisions of Article (7) above. From this time on, the rents and royalties due shall be calculated for each of the three-month periods and paid by the company to the Committee within the sixty days subsequent to the end of the said period. The royalty payable in execution of this contract shall be reduced for any three-month period by the value of the amounts paid in rent in execution of Article (6) for the same period.

Article (10)
Exemption from Certain Import and Export Fees

1. The Company and any contractor it employs may import without paying duty the parts of the facilities, the machinery, tools, equipment, supplies, materials, and other goods as may be
specified from time to time by decisions issued under the Customs Law, provided that the purpose of their export and use in Libya is for petroleum exploration, search, drilling, transport, refining, and other works related thereto. Such exemption shall not apply to any goods included in this paragraph and available in Libya in suitable types, with comparable features, and at no higher prices, provided that upon comparing the prices, customs duties and other expenses incurred up to the time the imported goods reach Libya shall be added the price of imported goods.

2. The other goods on which customs duties are imposed pursuant to the Customs Law shall be subject to the payment of the appropriate fees.

3. If the Company or contractor, as the case, desires to sell or transfer any goods imported free of duty in accordance with paragraph (1) above shall, before such sale or transfer, declare the same to the Customs Department and pay the import duty as assessed by the Director General of Customs in accordance with the Customs Law, unless the goods are sold or transferred to another company or contractor entitled to the same exemptions.

4. Petroleum or any of its derivatives produced in Libya and any goods imported free of duty in accordance with paragraph (1) above may be exported free of duty without an export license, subject to the policy of the country regarding exports in general and to such legislative restrictions imposed on production and disposal thereof during wars or emergencies.

**Article (11)**

**Cash Control**

The Company shall be subject to the general control of the transfer of cash in force in Libya, taking the following into account:

a. The company shall have the right to retain abroad all the amounts obtained there, including the proceeds of sales, within the limits in which the amounts exceed the needs of the company for the purposes of its works in Libya. However, the Company shall submit to the Libyan National Bank, as per the conditions and on the dates the latter indicates, statements of its holdings of foreign currencies or the proceeds of the sale of Libyan oil.

b. The Company shall have the right to transfer to the country from which its funds were originally brought any amounts it holds in Libya and which exceed its needs in the country, provided that the transfer is made in the original currency in which its utilized funds were brought for its works arising from the contract.

c. The Company shall at all times have the right to buy or sell any currency, whether Libyan or otherwise, at the most appropriate exchange rates, which any buyer and seller of that currency deal with in Libya through licensed banks, in order to enable the Company to carry out its works in Libya and carry out the transfer provided for in subparagraph (b) only.

d. No restriction shall be imposed on the Company’s importation of money for the purpose of carrying out its works in execution of this contract.

**Article (12)**

**Related Rights**

For the purposes of carrying out its duties under this contract, the Company shall have the right to perform the following in the concession area:

a. Carry out, with the Director’s approval, works of exploration to obtain water, store surface water, and prepare the means necessary to supply the water needed for its works and for the consumption of its workers.

b. Carry out, with the Director’s approval, the transfer of materials, such as gravel, sand, limestone, gypsum, stone, and clay, and use them in Libya free of charge, in the event that such materials are taken from land that is not owned by individuals.
c. Build, establish, conduct the maintenance, and operate houses, installations, equipment, machinery, furnaces, buildings, oil pipelines, storage tanks, compressor stations, pumps, oil refining plants, roads in the fields, and all other constructions, installations, and works necessary for the continuation of its activities. For the same purpose, the Company may also build, establish, conduct the maintenance, and operate all other means and facilities of transport and transfer. However, it shall not have the right to undertake any of such works unless this is for temporary purposes. If this is not the case, the illustrations and locations thereof shall be presented to the Director for ratification before starting such works.

Article (13)
Transport Rights
In order to carry out its works, the Company shall have the right to establish and use a port, as well as to construct terminal stations, including the necessary means of transport and transportation between these stations and any part of the concession area, provided prior approval is obtained from competent authorities regarding the locations of such works. The issuance of the approval or rejection of such request shall not be delayed without reasonable justification. Respecting the same conditions, the Company shall also have the right to extend and maintain pipelines outside the concession area to transport the petroleum extracted under this contract. Upon exercising this right, the Company may occupy lands in accordance with the provisions of Article (14) of this contract, construct and maintain means of transportation thereon, and establish the other facilities and attachments it may need to construct, care, manage, and operate the pipelines.

Article (14)
Right to Occupy Lands
1. The Company shall have the right to enter any land within the borders of the concession area, except the lands owned by individuals, and occupy them free of charge for the purpose of its operations under any concession granted pursuant to this law, provided they are not legally occupied by a person.
2. If the Company fails to agree with the land owner or the lawful occupier of a land not owned by individuals on the terms that enable it to enter and occupy the lands in question, the Company shall notify the Director of the same. If the occupation is temporary for a maximum of one year, the Director shall authorise such temporary occupation once the concession holder deposits with the Committee a sum assessed by the Director as a reasonable compensation to the landowner and/or lawful occupier for the loss of use of the land and the damage to their interests therein. If the occupation is for more than one year, the Committee shall authorise the Company to occupy the land once it deposits with the Committee a sum it assesses as a reasonable compensation. The Committee shall then seek to take the necessary measures to enable the Company to take possession of the land under the law in force, as if the Company’s works were similar in all respects to public utility. In the event of any dispute as to the nature, extent of the interests of claimants to the land, or the amount of compensation that the Company shall pay, the Committee shall refer the dispute to the appropriate court to assess the compensation. The Committee shall pay to the respective claimants the sums determined by the court. The Committee shall then to or obtain from the Company, as the case may be, the amount that exceeds or falls short of the total compensation payable to the claimants.
3. The concession shall not confer upon the Company the right to carry out any work within the lands of cemeteries, places used for religious worship, and archaeological sites as defined in the Antiquity Laws in force. All works of art or antiquity discovered by the Company shall be subject to the law in force.
4. No drilling or any dangerous works shall be carried out within fifty meters of any public utilities or permanent buildings without the approval of the Director and subject to such conditions he deems fit.

Article (15)
Company Workers
In accordance with the provisions of immigration laws, the Company shall hereby be licensed to bring to the country the workers required for its works. The competent authorities shall facilitate the entry, exit, and movement of such workers and their dependents in Libya, as long as the said employees act in accordance with this contract. In order to organize work shifts, the Company may also conduct its works during the day, at night, and on public holidays.

Article (16)
Guarantee of the Rights of the Company
The Libyan Government, the Committee, and the competent provincial authorities shall take all necessary measures to ensure that the Company enjoys all the rights conferred upon it in accordance with this contract. The contractual rights expressly provided for in this contract may not be prejudiced unless agreed upon by the two parties.

Article (17)
Guarantee of the Rights of the Government and Third Parties
This contract shall not include anything that affects the right to award concession contracts in respect of minerals other than petroleum in the area covered by this contract or that generally limits the rights of the Government or any authority or person in the area of the contract, unless expressly provided for in this contract, provided that this does not result in endangering or disrupting the Company's works in accordance with this contract or damaging its rights conferred thereupon by the contract. The Company shall not impede the exercise of any such rights and shall provide the owners of the rights or contracts referred to with reasonable assistance to enable them to exercise their rights.

Article (18)
Employment and Training of Libyans
1. Ten years after it starts its works, the minimum number of Libyan employees in Libya in the Company shall be at least 75% of the total number of its employees in Libya, provided the required number of workers with the required technical capacity is available.
2. From the date it starts to export from Libya on a regular basis and in commercial quantities the petroleum produced from the concession area, the Company shall pay an annual amount of not less than 2,500 Libyan Dinars and not more than 5,000 Libyan Dinars. This amount shall be allocated to provide the Libyans with the technical training that takes place upon an agreement between the Director and the Company to prepare them to work in the petroleum industry or works related thereto. Each year, the Company may deduct from that amount any other amount it spent during that year on training and educating Libyans in Libya or abroad for the said purposes.

Article (19)
Water Drainage and Filling of Holes and Wells
The company shall, in accordance with proper practices prevailing in oil fields, prepare a suitable device to dispose of its water and spoiled oil, and it must fill tightly all the holes and wells it dug before leaving them.
Article (20)
Reports to Be Submitted
1. The Company shall submit to the Director at its expense in the first quarter of each year a report on the progress of its works in the concession area for the past year. The report shall include the following:
   a. Statement on the number of holes and wells dug, including the holes and wells dug in search of water and the depth of each. The statement shall be accompanied by an illustration showing their locations if the Director requests it.
   b. Statement of the petroleum, water, and precious metals that the Company found in the course of its works.
   c. Statement of the total petroleum extracted, the gas sold, and the natural gasoline obtained.
   d. Statement on the quantity of water extracted with the oil and natural gas.
   e. Nature and extent of the geophysical and geophysical works carried out by the Company.
   f. Statement overviewing the nature of the works in general.
   g. Statement on the number of the Company’s employees in Libya, including Libyans and citizens of other countries.
2. The Company shall submit to the Director, at least thirty days before the end of each year, a statement on the general program that it intends to implement during the following year.
3. The Company shall keep accurate financial records of its works under this contract and such books shall be subject to inspection by the competent authorities.
4. The Company shall provide any other information related to its works in the contract area in order to fulfil the reasonable requests of the Director.
5. The Company shall keep accurate geological and geophysical illustrations, maps, and records in respect of the lands located in the contract area.
6. The Director shall be immediately notified upon the discovery of oil or gas.
7. All the information provided by the Company pursuant to this Article shall be considered confidential (unless otherwise agreed by the Company in writing).

Article (21)
Inspection
The Committee Chairman and members, the Director, and other specialist employees shall have the right to enter the premises of the Company and inspect its works, books, registers, and papers to ensure the proper implementation of the provisions of this law, the regulations and decisions issued in implementation thereof, and the provisions of the concession.

Article (22)
Measurement of Petroleum
The Company shall properly measure and record, in accordance with proper practices prevailing in oil fields, all the petroleum and natural gasoline that it extracts from the area of the contract and shall keep such measures as if they had been purified of water and other foreign substances. The Director and any employee appointed thereby for that purpose shall have the right to witness the procedure of measuring, inspecting, and testing the accuracy of the tools used therein and to inspect the records thereof. The company shall assist the said employee in carrying out his duties in accordance with this Article. If it is deemed at any time that any measurement instrument is inaccurate, such instrument shall be deemed, if the Director so decides, in such case for a period of ninety days prior to the discovery of such defect or for the period that elapsed since the last test of such instrument, whichever period is shorter. The Company’s records shall be adjusted accordingly.
Article (23)
Local Address of the Manager
Prior to starting its works, the Company shall notify the Director of Petroleum Affairs of the name and address of the manager of the works of the Company executing this contract. The Company shall be considered properly notified if a declaration is delivered to the manager at the said address or by registered mail.

Article (24)
Force Majeure
No right shall arise from the Company’s failure to implement any provision of this contract and this contract shall not be considered breached if it is found that such failure resulted from a *force majeure*, i.e. predestination, civil war, sedition, war, labour strike, or any other unexpected accident out of control of the company. If the *force majeure* results in the delay of the Company’s implementation of any provision or condition provided for in the provisions and terms of this contract or enjoyment of its rights pursuant thereto, the delay period shall be added to the period specified in this contract for the execution of such provision or term or for the enjoyment of such rights.

Article (25)
Relinquishing the Concession Contract
1. The Company may relinquish the concession, in whole or in part, to one or more companies if the receiving party:
   a. Controls the relinquishing party.
   b. Is controlled by the relinquishing party.
   c. Is controlled by one or more companies that control the relinquishing party.
   Whether the supervision in the said cases is direct or indirect, provided that the receiving company respects the conditions stipulated in Article (5) of the law.
2. In all other cases, relinquishing the concession shall only be permissible with the approval of the Committee in accordance with the conditions it deems fit.

Article (26)
Transfer of Properties
Upon relinquishing any area or upon the expiry or termination of this contract, the Company shall have the right to remove any objects of any kind owned thereby from the area that has been relinquished or from the contract area, as the case, except for the property provided for in this Article. However, the internal shields and covers of the wells may not be removed unless appropriate preventive measures are taken, as approved by the Director. The necessary accessories to direct the flow of gas or liquid from the edge of the well may only be removed with the approval of the Director. In respect of the removal of such items, no taxes, fees, or returns of any kind whatsoever may be imposed, except as specifically imposed thereon in this contract. However, during the thirty days following the relinquishing, expiry, or termination prior to the expiry, the Director may choose to purchase any of the items that the Company has been using until then in respect of its works only in the area relinquished or in the contract area. Such purchase shall be conducted at a fair price determined by agreement between the Director and the Company. In the absence of such agreement, the matter shall be referred to an independent expert or a panel of independent experts, as agreed between the Director and the Company. The panel shall be composed of a third member chosen by the other two members. The expert or a member appointed by the Director, a second member appointed by the Company, and a member of the panel, as the case, shall determine the fair price according to the prevailing circumstances. The wells, their internal shields and covers, and the accessories being removed as indicated above shall be delivered
to the Director free of charge within thirty days of the relinquishing, expiry, or termination prior to the expiry. The Director may request the Company to repair the surface of the land in a reasonable manner in accordance with proper practices prevailing in oil fields from the normal damage due to the Company’s works therein.

**Article (27)**

**Cancellation of the Contract**

1. The Committee may notify the Company in writing that this contract is cancelled, only in the following cases:
   a. If the Company does not start its works within eight months in accordance with Article (4) of this contract or if it has not fulfilled the payment obligations in two consecutive periods of employment, as specified in items (a) and (b) of paragraph (1) of Article (11) of the law.
   b. If the Company fails to pay any rents or royalties payable under this contract for a period of six months from the date specified for the payment in accordance with Articles (6) and (7).
   c. If the company dissolves or a liquidator is appointed therefor unless the solution is optional with a view to reform it or to merge it with others.
   d. If the Company fails to comply with its obligations under Articles (2) or (25).
   e. If the Company does not pay any amount on which a decision has been issued in the arbitral proceedings carried out in accordance with the following Article within ninety days from the date specified in the decision. However, the Committee shall notify the Company in writing in advance of the breach and request it to repair the damage and to pay compensation, if necessary, within a period determined by the Committee, provided it is not less than ninety days. The Company shall be notified of the cancellation unless it fails to repair the damage and pay the compensation when necessary.

2. If the company disputes the grounds upon which the cancellation is based and requests arbitration in accordance with Article (28) of this contract, the cancellation shall only be effective in accordance with the result of the arbitration and in accordance therewith.

3. The cancellation shall not prejudice the consequences that the company may have prior to the cancellation.

**Article (28)**

**Arbitration**

1. Any dispute between the two parties arising out of this contract or related thereto shall be settled by arbitration between the Committee as a first party and the Company as a second party, unless the dispute is settled otherwise. The arbitration proceedings shall determine what the two parties have to do to put an end to any breach of the provisions of this contract or to repair the damage resulting therefrom, including the payment of compensation where appropriate.

2. The arbitration proceedings shall start when one of the two parties receives from the other party a written request to hold the arbitration. Each party shall appoint an arbitrator within thirty days from the start of the arbitration proceedings. If the two arbitrators fail to settle the dispute, they shall appoint a third arbitrator within sixty days from the start of the proceedings. If no such appointment is made, either party may request the President of the International Court of Justice (ICJ) or his representative if the President is Libyan or a national of the country in which the company is originally registered to carry out this appointment.

3. If none of the two parties fails to appoint its arbitrator within sixty days of the start of the arbitral proceedings or the other party is not notified within this period, the other party
may request the President of the ICJ or his representative if the President is Libyan or a national of the country in which the company is originally registered to appoint an individual arbitrator to consider and settle the dispute.

4. The third arbitrator or the individual arbitrator shall not be Libyan or a national of the country in which the company is originally registered, however he is appointed. Moreover, he shall not be in the service of either party to this contract or in the service of the Government of the country mentioned in the past or at the time of the appointment.

5. If the ICJ is replaced by a new international court or the core competencies of the first tribunal are transferred to the new court, the President and Vice-President of the new international tribunal (as the case) shall exercise the competencies provided for in this contract for the President and Vice-President of the ICJ without that this requires a new agreement between the two parties to this contract.

6. The third arbitrator or the individual arbitrator shall determine the arbitration proceedings and shall generally be guided by the rules of appropriate proceedings provided for in Articles (32) to (69) of the Rules of Procedures of the ICJ issued on 6 May 1946. The third arbitrator or the individual arbitrator shall also determine the place and date of the arbitration.

7. This contract shall be subject to Libyan laws and to the appropriate principles and rules of international law and shall be interpreted accordingly. The third arbitrator or the individual arbitrator shall base his decision on such laws, principles, and rules.

8. Arbitration decisions shall not be subject to appeal and the two parties to the contract shall comply with them faithfully.

9. The two parties shall bear the expenses of arbitration at the rate and manner specified in the decision.

**Article (29)**

**Definitions**

1. The words and expressions defined in the Petroleum Law of 1955 shall have the same meaning when they appear in this contract.

2. In this contract:
   - “Law” shall refer to the Petroleum Law of 1955
   - “Director” shall refer to the Director of Petroleum Affairs
   - “Lands” shall refer to the lands under the supervision and jurisdiction of the United Kingdom of Libya and include the swamps and lands under the lakes, rivers, seabed, and subsoil for the territorial waters and adjacent high seas.
   - “Concession area” shall refer to the area to which the Company has the rights conferred thereupon by this contract.
   - “Crude oil” shall refer to the non-refined oil mainly composed of hydrocarbons.
   - “Natural gas” shall refer to any gas extracted from the ground and composed mainly of hydrocarbons.
   - “Natural gasoline” shall refer to any hydrocarbon liquid extracted from natural gas in a chemical or natural way.
   - “Three-month period” shall refer to each period of the year consisting of three months beginning on the first of January, the first of April, the first of July, or the first of October, as the case.
Article (30)
Fees

This concession contract has been granted against the payment of five hundred Libyan Dinars in fees.

On behalf of the Company
Stamp of the Company

On behalf of the Committee
Minister

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