

Islamic Republic of Mauritania Honor - Brotherhood - Justice
Presidency of the Republic

Visa : DGLTEJO

**Law No. 2010-33 dated 20 July 2010 Instituting Code of
Crude Hydrocarbons**
Title I – General Provisions and Definitions

Art.1.- The purpose of this law is to define:

1° the legal and tax regime of operations related to exploration, exploitation, and transportation by pipeline and storage of crude hydrocarbons, as well as of the works and facilities enabling such activities being carried out ;

2° the institutional framework allowing carrying out the activities referred to above and regulating and controlling them.;

3° the rights and obligations of persons carrying out one or more of the activities referred to above.

The activities referred to in paragraph 1 of this article are excluded from the field of application of Ordinance No. 2002-005 of 28 March 2002 regulating downstream activities of the hydrocarbons sector.

Art.2.- For purposes of this law, the following means:

Prospection Authorization: The authorization delivered by the Minister in Charge of Hydrocarbons conferring upon its holder the non-exclusive right to carry out works of prospection in a perimeter defined in the authorization.

Contractor(s): The person(s) party(ies) to an exploration-production contract.

Exploration-Production Contract: Any contract entered into between the State and one or more contractor(s) having as its purpose the execution, on an exclusive basis, of activities of exploration and/or exploitation of hydrocarbons in a perimeter defined in the contract.

National Enterprise: The Mauritanian Hydrocarbons Company, instituted by Decree No. 2005-106- of 7 November 2005 modified by Decree No. 2009-168 of 3 May 2009 or any other State public enterprise or entity of the State upon which the scope of duties and rights of this company under this law would be later conferred.

State: The Islamic Republic of Mauritania.

Exploitation : The operations and works related to development and production of hydrocarbons, including the operations of abandonment of wells and deposits.

Exploration: The operations, works and studies aiming at proving the existence of hydrocarbons and determining the importance and commercial exploitability thereof.

National Fund of Revenues from Hydrocarbons: an account opened to receive all receipts coming from petroleum activities.

Wet Gas: Natural gas containing a fraction of elements becoming liquid under ambient pressure and temperature; and making it economical to create a facility for recovery of such liquids.

Natural Gas: All gaseous hydrocarbons produced from wells including wet gas and dry gas, which may be associated or not associated with liquid hydrocarbons and the residual gas which is obtained after extraction of natural gas liquids.

Dry Gas: Natural gas containing essentially methane, ethane, and inert gases.

Hydrocarbons : Liquid and gaseous or solid hydrocarbons, in particular sands and oil shale.

Ministry : The Ministry in charge of crude hydrocarbons.

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Operator : The entity responsible for the direction and execution of Petroleum Operations in conformity with the provisions of the exploration-production contract.

Petroleum Operations: The operations of exploration, exploitation, storage, transportation and marketing of hydrocarbons.

Crude Petroleum: All liquid hydrocarbons in the natural state or obtained from natural gas by condensation or separation as well as asphalt.

Reconnaissance: Reconnaissance operations and studies allowing the identification of areas which are likely to contain hydrocarbons, notably by utilization of geological and geophysical methods..

Storage : The activities of warehousing, on the surface, in subsoil or in the ocean, of hydrocarbons.

Transportation : The activities of transportation by hydrocarbons pipelines and the storage pertaining thereto, including the networks for service and collection on the deposits, with the exclusion of gas which is servicing the national market exclusively.

Art.3.- The deposits or natural accumulations of hydrocarbons contained in the soil and the subsoil of the national territory, including therein the interior waters and the exclusive economic zone, are the property of the State.

Art.4.- The State may undertake all Petroleum Operations either directly or by the intermediary of the national enterprise. The State may also authorize one or more legal entities established in Mauritania, or having a subsidiary there, to undertake petroleum operations under a reconnaissance authorization, an exploration-production contract or a transportation authorization, pursuant to the provisions of this law.

Art.5.- The Minister shall put in place the texts to implement this law. He shall process the applications for approval of the contracts referred to in Article 4, which approvals are granted by decree. He shall issue the reconnaissance authorizations and other authorizations provided for by this law. He shall exercise control over the Petroleum Operations.

Art.6.- The national enterprise may be made responsible for managing all the participation which the State decides to take in the rights and interests of the contractors in application of Article 44 here below.

Art.7.- For purposes of this law, the national petroleum land is divided into parcels of five kilometers (5 km) on each side, each one constituting the base unit for the determination of perimeters, which are the subject of a reconnaissance authorization and of exploration-production contracts. Any petroleum title or authorization is made up of a certain number of squares such as defined here above, which must be contiguous, in other words, presenting at least one side in common. The cadastral unit represents the minimum size of a petroleum title and it is indivisible. The geometry of the zones and parcels and the maximum size of the perimeters shall be established by regulation.

The mining titles shall be registered in the Petroleum Land Register of which the terms and contents shall be established by decree of the Minister. Any decision granting or denying an application provided for by this law must provide the reasons therefor, rendered in writing and published in the Official Journal. The structure of the Ministry in Charge of the Petroleum Land Register is responsible for the public register of the petroleum titles granted under this law. It shall determine and shall reproduce, on maps which it shall keep, the boundaries of the territories upon which the petroleum titles were and can be obtained.

Art.8.- Subject to rights acquired, certain areas of the national territory may be closed to Petroleum Operations by regulation. Such prohibition shall be taken by decree taken in the Council of Ministers upon a joint report of the Minister and other concerned Ministers.

Art.9.- No one can carry out Petroleum Operations on the national territory without having been authorized beforehand pursuant to this law.

No one can claim such an authorization if he does not show proof of the technical and financial means necessary.

Art.10.- The existence of a reconnaissance authorization or of an exploration-production contract shall not prevent the grant of mining permits for exploration or exploitation of mineral substances other than hydrocarbons, and likewise the existence of such mining permits shall not prevent the grant of a reconnaissance authorization or of an exploration-production contract, on all or part of the same perimeters.

In the case of the granting of a mining title and a petroleum title for the same area, the activities of the most recent title holder must be carried out in such a manner as to not cause damage to the activities of the more senior title holder.

Art.11.- No public servant or agent of the state may hold, directly or indirectly, an interest in exploration-production contracts, transportation authorizations and more generally, in Petroleum Operations.

Title II – Concerning Reconnaissance Activities

Art.12.- The reconnaissance authorization may be granted by the Minister to any legal entity having sufficient technical and financial means, which applies to execute works of hydrocarbons prospection on one or more perimeters not covered by an exploration-production contract.

Art.13.- The reconnaissance authorization shall be granted for an initial maximum duration of twelve (12) months and can be renewed one time for the same duration.

It confers upon its holder the non-exclusive right to carry out, within the perimeter which is the subject of the reconnaissance authorization, all operations of reconnaissance, in particular by the utilization of geological and geophysical methods, with the exclusion of drillings of a depth greater than three hundred (300) meters.

It is not transferable and does not confer upon its holder any right or privilege for the obtaining of an exploration-production contract. In the event of a bidding round, for the granting of an exploration-production contract for all or part of the perimeter which is the subject of the authorization, the holder of the authorization shall be invited to tender.

Art.14.- All data and results from works of reconnaissance must be made available to the Ministry according to procedures specified in the reconnaissance authorization.

Title III – Concerning Exploration and Exploitation of Hydrocarbons

Art.15.- Activities of exploration and/or of exploitation of hydrocarbons shall be carried out on the foundation of an exploration-production contract entered into with the State the provisions of which must be in conformity with those of this law.

Art.16.- The exploration-production contract confers upon the contractor the exclusive right to carry out in the perimeter defined in said contract activities of exploration, as well as activities of exploitation in the event of a discovery declared to be commercial and after approval by the Ministry of the development plan relative to said discovery. It provides for the sharing between the State and the contractor of the production of hydrocarbons from the deposits; one portion of such production being set aside for reimbursement of petroleum costs incurred by the contractor and the balance being shared between the State and the contractor according to principles of sharing specified in the exploration-production contract.

Art.17.- The contract may cover one or more deposits of hydrocarbons already discovered, in which case the contractor has the exclusive right to carry out within the perimeter defined by said contract activities of exploitation pursuant to the development plan approved by the Minister.

Art.18.- The exploration-production contract is, in principle, entered into following a bidding round in conformity with procedures prescribed by regulations.

A multidisciplinary technical commission shall be put into place at the time of each bidding round to assist the Minister in the evaluation of the offers and the negotiation of the exploration-production contract. The make up, the missions and the methods of functioning of such commission shall be determined by decree of the Minister.

The Council of Ministers shall adopt a decree to delimit the areas where competitive bidding is called for.

The exploration-production contracts shall be established on the basis of a model-contract approved by decree taken in the Council of Ministers in application of this law.

The Minister may issue an explanatory report and set aside the bidding round procedure provided he has obtained the authorization of the Council of Ministers.

Art.19.- The exploration-production contract shall be signed by the Minister on behalf of the State and by the contractor(s). The contract as well as any rider shall be approved by decree taken in the Council of Ministers.

Art.20.- The term of the exploration-production contract includes two (2) successive periods:

1° A period of exploration which, subject to extensions provided for by Articles 21 and 22 here below, may not exceed ten (10) years starting from the effective date, and which includes three (3) phases the term of which is determined in the exploration-production contract.

2° A period of exploitation which may not exceed twenty-five (25) years if the exploitation is for deposits of Crude Petroleum and thirty (30) years if the exploitation is for deposits of dry gas, on condition however that the exploration-production contract can provide for an extension of a maximum period of ten (1) years upon an application by the contractor providing justifying supporting data, if, at the end of the initial exploitation period, a commercial exploitation proves to be possible.

Art.21.- The contractor can claim a special extension of the current exploration phase for a maximum period of twelve (12) months in order to allow him to complete a current drilling and/or works of evaluation of a discovery and/or to prepare a development program in the case of a discovery deemed commercial. Such extension shall be granted by the Minister upon an application by the contractor providing supporting data, submitted prior to the end of the exploration period.

Art.22.- In the case where the contractor discovers one or more deposits of hydrocarbons for which he cannot issue a declaration of commerciality before the end of the exploration period by reason of a lack of transportation infrastructures by pipeline or the lack of a market for the production of gas, he may request the retention of a surface area covering the deposit(s) for a maximum period of three (3) years for the deposits of petroleum or of wet gas, and five (5) years for deposits of dry gas.

Art.23.- The Minister shall deliver to the contractor, according to the terms provided for in the exploration-production contract, authorizations specifying for each one of the periods and phases referred to in Articles 20, 21 and 22 the actual duration of the period or phase in question as well as the perimeter pertaining thereto. He will interact with other Ministries and concerned public entities to facilitate the obtaining of all required administrative authorizations required by the regulations in force which are necessary for the execution of the Petroleum Operations.

Art.24.- The exploration-production contract must specify the minimum work program that the contractor undertakes to carry out for each of the phases of the exploration period. It must also provide for the remittal of a bank guarantee covering the minimum work commitments to be carried out by the contractor during each phase of the exploration period.

Art.25.- The contractor must submit to the Ministry for approval according to the terms specified in the exploration-production contract :

1° A program and an annual budget of exploration work;

2° A program and a budget for appraisal in the event of a discovery which the contractor wishes to appraise in order to determine its commerciality.

Art.26.- The exploration-production contract terminates automatically in the following instances:

1° at the end of each phase of the exploration period, if the contractor has not complied with the minimum work program set forth for the phase in question and presented an application for renewal as well as a bank guarantee for proper execution of the minimum work for the following period.

2° at the end of the exploration period, if the contractor has not declared the discovery commercial or if he has not applied for a retention of the area pursuant to Article 22 here above.

3° at the end of the period of retention¹, if the contractor has not declared a commercial discovery.

Additional time, may, however, be granted by the Minister upon the application by the contractor if the latter shows that the noncompliance with the work obligations or the absence of a declaration are due to an event of force majeure.

Art.27.- The contractual perimeter, with the exclusion of exploitation perimeters or of retention perimeters pursuant to Article 22 here above, shall be reduced by twenty-five percent (25%) at the end of the first phase of the exploration period and by twenty-five percent (25%) of the initial surface at the end of the second phase of the exploration period. At the end of the exploration period, the contractor must relinquish all of the contractual perimeter, with the exclusion of the exploitation perimeter(s) and/or the retention perimeter(s).

The surface relinquishment shall be done consistent with the land registry grid starting with one of the corners of the initial exploration area or the remaining exploration area and proceeding in a contiguous manner.

Art.28.- The contractor may give up totally or partially his exploration-production contract within the same terms of contiguity as those provided for in Article 27 here above, if he has fulfilled the obligations set forth in the contract in question. He may also at any time during the exploration period proceed with partial relinquishments of the exploration perimeter within the same requirements of contiguity.

Art.29.- The procedures for selection of exploitation perimeters, relinquishments and retention shall be specified by the application decree relative to petroleum titles.

Art.30.- The State assumes no obligation for financing nor for guaranteeing the availability of finance, and is no case responsible vis-à-vis third parties in the framework of the execution of the exploration-production contract. The contractor is responsible at his own risk and expense for the mobilization of the technical and financial resources and equipment necessary for the execution of the exploration-production contract.

Art.31.- The contractor must carry out the Petroleum Operations according to international good oilfield practice in utilizing the best scientific and technical practices and in complying with the norms and standards dictated by the current national regulations, or if they do not exist, the international norms and standards, in the matter of operational technology, protection of the environment and work safety at industry.

¹ See Art 22 [Translator]

Art.32.- The contractor is required to repair all damages caused by the Petroleum Operations or connected activities or by facilities located inside of or outside of the contractual perimeter, whether such damages are the result of his own doing or that of his subcontractors. He is required, to cover such risks, to obtain and maintain in force and to cause his subcontractors to obtain and maintain in force, from companies of an international level in Mauritania, all insurance coverage relative to Petroleum Operations in conformity with international standards in the matter as well as all insurance coverage required by Mauritanian legislation with regard to insurance.

Art.33.- The contractor must furnish the Ministry with all data and results obtained within the framework of the execution of the exploration-production contract, as well as all the reports required by the Ministry in the form and in the frequency set by the exploration-production contract and supplemented, if applicable, by regulatory means.

Art.34.- The contractor, must, within the framework of the Petroleum Operations:

- 1° grant preference to Mauritanian enterprises for all contracts for construction, supplies or provision of services on terms equivalent in terms of quality, quantity, price, conditions of delivery and of payment;
- 2° upon equal qualification, employ Mauritanian personnel in priority ; and
- 3° handle the professional training of Mauritanian personnel and technicians following the terms set forth in the exploration-production contract.

Art.35.- The contractor who has discovered a deposit may benefit from an early production authorization from one or more wells for a period not to exceed six (6) months, in order to allow him to determine with precision the characteristics necessary for the development of the development plan. Such early production is subject to the regime of sharing and to the tax regime provided for by this law.

Art.36.- Following the notification of the declaration of commerciality, the contractor must submit to the Minister an application for an exploitation authorization, including a proposal of delimitation of the exploitation perimeter, and accompanied by a draft development plan, including, if applicable, the costs of compensating the neighboring inhabitants, as well as an estimate of development costs. Such plan, the corresponding budget, as well as any modification of such plan, must be the subject of approval of the Minister.

Any development plan must be the subject of an environmental impact study. The impact study must be submitted for the approval of the Minister in Charge of the Environment pursuant to the regulations in force in matters of the environment.

Art.37.- The contractor shall be required to apply methods proven to allow an optimal exploitation of the deposits. To this end, each development plan must contain work commitments and expenditures aiming at the optimization of production during the entire term of the life of the deposit.

Art.38.- The hydrocarbons extracted during the term of the exploration-production contract shall be shared between the State and the contractor according to the following principles:

- 1° a share of the total annual production for which the contract sets a ceiling which may not be exceed sixty percent (60%) for deposits of Crude Petroleum and sixty-five percent (65%) for deposits of dry gas, shall be designated for the reimbursement of petroleum costs borne by the contractor for the execution of the Petroleum Operations.

2° the balance is shared between the State and the contractor according to the rules for sharing set in the exploration-production contract and which are based upon an index measuring profitability.

3° The State may take its share of production either in kind, or in cash.

The exploration-production contract must specify the recoverable petroleum costs, the terms and conditions for their recovery as well as the terms for lifting or for payment in cash on the part of the State.

Art.39.- Natural gas shall receive the benefit of priority access on the national market to the extent that domestic demand allows for it.

In the case of discovery of natural gas, the Ministry and the contractor must evaluate together the possible outlets both on the national market and for export, as well as the means necessary for its marketing, and to consider the possibility of joint sales of the shares of the contractor and of the State.

In the case of gas associated to a reservoir containing Crude Petroleum, the Minister may authorize the contractor to bring to market the gas, in particular with a view to production of electricity and its sale to a utility designated by him.

All associated natural gas which is not required for the Petroleum Operations may, at the request of the Ministry, if the contractor does not wish to market it or to use it for production of electricity or any other technical options available to bring to market the natural gas, may be put free of charge at the disposal of the State consistent with the terms specified in the exploration-production contract or, if such is not the case, it must be re-injected to improve the recovery of the Crude Petroleum.

Art.40.- Flaring of natural gas is prohibited, except for imperatives linked to the safety of the facilities and of persons, as well as in the start-up phase of the production. However, the Minister may on an exceptional basis grant an authorization for limited periods of torching at the request of the contractor in the terms provided for in the exploration-production contract.

The burning of gas, other than as the preceding exceptions, is liable to sanctions and/or fines determined by regulatory means in application of this law.

Art.41.- At the request of the Minister and according to the terms specified in the exploration-production contract, the contractor must satisfy in priority, on his share, the hydrocarbons necessary for the coverage of national energy and industrial needs to the extent that shares of the State and of the national enterprise are insufficient to meet such needs. If certain deposits covered by more than one exploration-production contract are being exploited, such obligation is imposed upon each of the contractors pro rata to his share of production in relation to the national production.

Art.42.- Title to extracted hydrocarbons to which the contractor is entitled, pass to the contractor at the well-head and may, subject to the provisions of Article 41 here above, be freely exported and marketed by the latter.

Art.43.- Any exploration-production contract must provide that prior to the exhaustion of the reserves of a deposit, the contractor must submit to the Minister for approval a plan for

rehabilitation of the sites as well as the budget pertaining thereto. The rehabilitation plan shall be subject to prior authorization pursuant to the regulations in force in the matter of the environment.

The exploration-production contract shall establish the terms and conditions according to which the contractor must pay each year, on the basis of the budget for rehabilitation so approved, a provision in a sequestered account. Such amount, intended for financing of the rehabilitation plan, shall be recoverable as a petroleum cost.

Art.44.- Each exploration-production contract shall contain a clause conferring upon the State an option to participate in the rights and obligations of the contractor in any exploitation perimeter. The exploration-production contract must set forth the methods for exercising such option and specifies the maximum percentage of participation that the State may thereby acquire, provided that such percentage is not less than ten percent (10%).

For each exploitation perimeter where the option is exercised, the State shall assume responsibility for its participating interest share of all petroleum costs incurred from the effective date of its participation, and it shall reimburse to the contractor pro rata to its participation in all petroleum costs incurred starting from the effective date of its participation and shall reimburse the contractor, pro rata to its participating interest, the petroleum costs previously incurred and not yet recovered consistent with the terms and conditions specified in the exploration-production contract.

The exploration-production contract may provide that the participation of the State in the rights and obligations of the contractor shall take effect as of the effective date of the exploration-production contract up to a maximum of ten percent (10%). In such case, the contractor shall finance the share of the State in the exploration costs. Moreover, the State shall benefit from an option to increase its participation in the case of a commercial discovery according to the terms and within the limit of the maximum percentages set forth in the preceding paragraphs.

The exploration-production contract sets forth the conditions for reimbursement by the State, in the case of commercial discovery, of its percentage of the petroleum costs previously incurred by the contractor.

At the time of any assumption of participation referred to above, the State and other legal entities which make up the contractor must enter into an association agreement which shall define their respective rights and obligations and the rules of conduct and of supervision of joint operations, in providing in particular for the establishment of a board of directors and the designation of an Operator.

Art.45.- If the contractor is made up of several legal entities, they are jointly and severally liable.

Art.46.- If the contractor is made up of several legal entities, the contract shall specify which of these entities shall act as Operator. Any change of the Operator must be submitted for prior approval from the Minister.

Art.47.- The legal entities making up the contractor may transfer all or part of their rights and obligations between themselves or to affiliated companies, after having so informed the Minister. Any direct or indirect transfer to a third party shall be subject to the prior approval of the Minister.

Art.48.- When the contractor does not satisfy his commitments or when he ceases to fulfill the terms and obligations resulting from this law and the texts taken for its implementation, the exploration-production contract may, after a placement on notice without effect, be terminated, without prejudice to the provisions of Article 49 here below.

Whenever termination takes place, all the authorizations issued to contractor under this law are automatically terminated without further formality.

Art.49.- Any dispute between the State and the contractor, arising out of : the interpretation and/or the execution of the exploration-production contract; the application of this law and/or of the texts taken for its implementation shall be the subject of international arbitration procedure and if applicable of expert determination consistent with the terms provided for in the exploration-production contract.

Art.50.- Any exploration-production contract shall be governed and interpreted in conformity with the Mauritanian law and with general principles of international law applicable in the matter. Except for derogation provided for by this law, contractors are subject to all of the legislative provisions and regulations of common law in force in Mauritania.

Art.51.- The exploration-production contract may include a stabilization clause of the legislative and regulatory context in force upon its effective date, which allows the contractor , to demand the non-application of the financially aggravating provisions,, in the event of legislative or regulatory provisions taking effect after the effective date of the contract which would disrupt the economic balance of interests.

Art.52.- At the termination of an exploration-production contract, the ownership of all of the works necessary to carry on with the activities and of all material or equipment for which the cost has been fully recovered by the contractor shall be transferred to the State free of charges. For any works for which the State does not desire the transfer, the contractor must return the site to its original state in conformity with the rehabilitation plan referred to in Article 43 here above.

Art.53.- In the case where a deposit declared commercial extends over at least two perimeters, which are the subject of separate contracts, the contractors concerned must, at the request of the Ministry, establish a joint plan for the development and exploitation of the deposit and submit it for the approval of the Minister. If the contractors cannot come to an agreement on such plan, or if the Minister does not approve it, the latter shall engage an international expert to establish such a plan. In the case where the deposit extends to one or more perimeters which are not under contract, an extension of the contractual perimeter may be granted , in conformity with Article 18 of this Code

In the cases referred to here above, the applicable tax regime and production sharing shall be determined from parameters of calculation applicable to each perimeter, pro rata to the volumes of hydrocarbons recoverable contained in each perimeter.

Title IV – Concerning Rights Ancillary to Petroleum Operations

Art.54.- Subject to legal and regulatory provisions particular to each one of the matters spelled out hereafter and consistent with the terms set by this law and taking into account the provisions of the environmental impact study and the terms set by this law, the contractor shall receive the benefit of the following rights:

- 1° to occupy the land necessary for the execution of the Petroleum Operations ;
- 2° to proceed with or arrange to be proceeded with, infrastructure works necessary for the execution, under normal economic conditions, of Petroleum Operations and their connected activities, in particular transportation and storage of material and equipment and of the extracted hydrocarbons, subject to special provisions applicable to transportation by pipeline set forth in Title V of this law.;
- 3° to carry out or cause to be carried out the probings and work required for the supply of water for personnel and for the needs of Petroleum Operations ;
- 4° to take and to utilize materials extracted from the earth for which he has need for the execution of Petroleum Operations.

In the case of the use of drinking water or of water suitable for irrigation for the purpose of enhanced recovery of hydrocarbons, the contractor may be required to pay a specific tax within the terms set in the exploration-production contract.

Art.55.- The right to enter and use land and the exercise of rights referred to in Article 54 here above shall be the subject of agreements between the contractor and the owners of the lands or the beneficiaries of rights existing as a result of established custom. Lacking an amicable agreement, the Minister may give to the holder temporary authorizations for occupation or utilization with a view to avoid impeding the normal flow of activities of Petroleum Operations. Such authorization shall set a provisional and approximate compensation for the land taking which must be countersigned prior to taking possession and which shall constitute a down payment to be credited against the compensation referred to in Article 56 here below.

Art.56.- The occupation of public land and of land owned by public bodies takes place without a compensation payment.

The occupation of lands belonging to private persons opens up the right for such persons to an annual compensation payment equal to the value of the *net profit derived from use of the* land before the taking.

When the taking in such manner deprives the owner of the enjoyment of the land for a period greater than two (2) years or when, after the execution of the works, the land occupied is no longer suitable for its prior use, the owner may require the contractor to purchase the grounds. The land to be acquired shall be valued at the sum equal to- at the time of purchase or of the cash settlement paid for loss of use- the value of the land or of the rights prior to the taking. Disputes relative to compensation payments shall be settled by the civil courts.

Art.57.- The execution of the Petroleum Operations and of the facilities pertaining thereto may, if applicable, be declared to be of eligible for eminent domain taking , on application of the contractor, pursuant to the legislation applicable in the matter.

If it is necessary, expropriation may be proceeded with by eminent domain of any land, in conformity with the legislation and regulations in force. The contractor shall bear the costs, compensation payments and charges resulting from the expropriation procedure. The compensation is equal to the value of the land expropriated, such value being determined by the usage of the terrain prior to the expropriation. Disputes relative to such compensation payment shall be settled by the civil courts..

Art.58.- The State reserves the right to use for its public services all roads or paths established by the contractor for purposes of his activities, provided however that this does not disturb the proper functioning of such activities.

Title V – Concerning Transport of Hydrocarbons

Art.59.- The exploration-production contract has the effect of granting the contractor, during its period of validity and within the terms defined therein, the right to construct pipelines inside of the national territory allowing him to transport hydrocarbons to points of storage, processing, lifting, or of gross consumption. The layout and the characteristics of the pipelines must be established in a manner so as to ensure the collection, the transportation and the evacuation of the production of hydrocarbons within the best available technical, economic and environmental terms.

Art.60.- The works of transportation or of storage built by the contractor inside or outside of the contractual perimeter for purposes of development and exploitation of deposits discovered within the perimeter in question are deemed to be integral parts of the production facilities. Costs arising from the functioning and maintenance as well as the depreciation of such works are, for purposes of the tax on profits, considered to be current exploitation costs deductible from the result of exploitation, and said costs, with the exception of depreciation, constitute recoverable petroleum costs for purposes of production sharing.

Art.61.- Contractors who are parties to more than one exploration-production contract may associate amongst themselves to ensure in common the transportation of hydrocarbons coming from their exploitations. The contractor may also associate himself with third parties or with the State for the creation and the exploitation of pipelines. All agreements and contracts entered into between the interested parties and relative in particular to the conduct of operations of construction and exploitation, of sharing of costs and of the financial results and of the assets in the case of dissolution of the association must be approved by the Minister. When more than one deposit is discovered in the same geographic zone, the Minister may, if there is not an amicable agreement between them, impose upon the contractors the duty to associate with each other with a view to the creation and the utilization in common of the facilities and pipelines necessary for the evacuation of the production from such deposits. In like manner, when a deposit is discovered in a geographic area where there exist facilities and pipelines being exploited, the Minister may, if there is no amicable agreement amongst them, impose upon them the duty to contract with each other with a view to reinforcement of the existing facilities and pipelines and of their use in common for the evacuation of all of the production.

Art.62.- The contractor responsible for the exploitation of a transportation pipeline constructed in application of Article 59 may, within the limit of his excess transportation capacity, be required to accept the throughput of hydrocarbons of compatible quality with that of his own production, and coming from exploitation areas other than those which were the prime factor for the construction of these pipelines.

Art.63.- The transportation tariffs for production coming from exploitation areas other than those belonging to the contractor shall be established by the contractor and submitted for the approval by the Minister. Such tariffs shall include in particular a coefficient of utilization of the works , and a profit margin consistent with those generally accepted in the petroleum industry for facilities of such nature operating under similar conditions. The tariffs in question must, prior to their implementation, be communicated to the Minister for confirmation. Any change in tariff must likewise be submitted for approval by the Minister.

Art.64.- Any construction of infrastructure of transportation by pipeline must be the subject of a specific authorization granted by the Minister, jointly with any other concerned Minister, either in the framework of the approval of a development plan, if it concerns a pipeline constructed and exploited by a contractor for the evacuation of his production, or by a transportation concession if it concerns a pipeline constructed and exploited by a third party. The authorization shall specify the duration of the concession, layout of the pipeline, the technical norms and standards, the norms of industrial safety, the measures for protection of the environment, as well as, if applicable, the right of third parties' use and the compensation therefor. The approval of a construction project for a pipeline opens the right to eminent domain proceedings and to the exercise of rights set forth in Title IV of this law.

Art.65.- The provisions of Articles 62 to 64 shall not apply to facilities and pipelines established for purposes of exploitation within one or more exploitation perimeters resulting from the same exploration-production contract, such as the networks of gathering or of servicing on the deposits.

Title VI – Concerning the Tax and Customs Regime

Chapter First: Concerning the tax regime applicable to the contractors

Section 1 – The Direct Tax on Profits

Art.66.- Contractors shall be subject to the industrial and commercial profit tax in terms of net profits that they realize in relation with their Petroleum Operations according to the actual regime set forth in Title 1st of Book 1st of the General Tax Code, subject to special terms provided for hereafter.

Art.67.- The tax is set annually separately for each entity which is a part of the contractor and for the results of each exploration-production contract. For this purpose, each of these entities shall keep by calendar year separate accounting books which make it possible to establish an accounting of profit/loss of the exploration-production contract as well as the breakdown of assets and liabilities linked to it directly or indirectly. The exploration-production contract specifies the rules and bases for entering in the proper place in the books of account the profits and costs.

Art.68.- The rate of the tax applicable for the entire duration of the exploration-production contract shall be specified in the exploration-production contract. It is at minimum equal to the generally applicable rate in force upon the date of signature of the contract.

Art.69.- The following must in particular be entered as a credit to the accounting of profits/loss enabling the determination of the net profit for a calendar year.:

- 1° the value of hydrocarbons marketed by the contractor for purposes of cost recovery and of production sharing according to Article 38 of this law, determined according to the methods provided for in the exploration-production contract ;
- 2° Capital gains coming from the disposal or the transfer of various elements of the assets;
- 3° The revenues coming from the sale of connected substances, processing, storage or transportation of hydrocarbons for third parties or of any other services rendered to third parties;

4° All other revenue directly linked to Petroleum Operations, including therein profits from foreign exchange.

Art.70.- Costs consisting in particular of the following elements, borne for the purposes of Petroleum Operations, must be entered as a debit into the accounting of results enabling the determination of the net profit for a calendar year, within the limits specified in the exploration-production contract:

1° The costs of supplies, of personnel, and of provisions of services;

2° Overhead

3° Depreciation of fixed assets;

4° Interest and interest payments paid by the contractor on loans extended by third parties, and of loans obtained from affiliated companies to the extent that such loans, duly approved by the Minister, are, earmarked for the financing of Petroleum Operations of development. The rate of interest paid to affiliated companies must not exceed the rate in normal usage on international financial markets for loans of a similar nature;

5° Loss of materials or of goods resulting from destruction or damage, unrecoverable debts and compensation payments paid to third parties by way of damages, unless such damages are caused by a fault or negligence of the contractor ;

6° Reasonable and justified reserves constituted with a view to be able to address losses or charges clearly specified and which current events render likely;

7° The unamortized amount of deficits relative to prior years, within the limit set by the General Tax Code. Fines and penalties as well as charges qualified as non-deductible in the provisions of this title may not be entered as a debit into the accounting of the results.

Art.71.- For each calendar year, starting from the first year of production of hydrocarbons, contractors are required to submit to the Tax Administration their declarations of net profit, accompanied by financial statements, not later than 31 March of the following calendar year.

Art.72.- The exploration-production contract may provide that the share of the hydrocarbons production that the State receives as part of the sharing provided for in Article 38, includes the portion corresponding to the amount of the tax on industrial and commercial profits due by the contractor. In such a case, the level of the share of production of the State shall be set in the contract in taking into account the fact that it includes said tax.

Art.73.- Subject to the provisions of Article 72, the tax shall be paid to the public treasury in quarterly payments on an installment basis equal to one-quarter of the tax paid for the prior calendar year. The definitive settlement of the tax for the calendar year is made not later than the 1st of June of the following year. If the taxpayer has paid in the form of installments an amount greater than the tax for which he is liable relative to the net profits of a given year, the excess shall be accepted as a deduction from the tax due for the following year, or, if it concerns the last year of exploitation, it shall be returned to the contractor not later than 30 June of the following year.

A tax receipt shall be delivered to the taxpayer by the General Tax Office within sixty (60) days following receipt of payment of the tax following its definitive liquidation, without

prejudice to corrections of errors resulting from verifications of the administration provided for in Article 75 here below.

Art.74.- The contractors are required to present to the tax administration and to any duly mandated professional accounting firm, all accounting documents, inventories, copies of contracts and of letters, receipts for receipts and expenditures, of such nature to justify the results indicated in their declarations. The administration shall have a period of three (3) years following the end of a calendar year to proceed with or to cause to be proceeded with audits of the profit/loss of the year in question and to rectify the calculation of the tax related thereto. For charges incurred prior to the first year of hydrocarbons production, the time period for verification and for corrections shall be extended to the end of the second fiscal year following the first year of production. The tax administration shall have recourse, as necessary to the services of the Ministry in order to have its assistance in the conduct of such verifications.

Section 2 – Surface rentals

Art.75.- The contractors must pay annual surface rentals, calculated on the base of the surface area of the contractual perimeter upon the date that each payment falls due.

Art.76.- The surface rental shall not constitute a deductible charge for the establishment of tax on profits referred to in Article 66 of this law, nor a recoverable petroleum cost.

Art.77.- the exploration-production contract specifies the rate and the base of the surface rentals for each phase of the exploration period and for the exploitation period.

Section 3 – Bonuses

Art.78.- A signature bonus shall be payable by the contractor on the effective date of the exploration-production contract, and also a production bonus when the quantity of hydrocarbons produced reaches certain thresholds set in the exploration-production contract.

Art.79.- The signature and production bonuses shall not constitute either a deductible charge for the establishment of the tax on profits referred to in Article 66 of this law, nor as recoverable petroleum costs.

Section 4- The Administrative Contribution

Art.80.- The contractors are obligated to pay an annual reserve intended for the training and skills improvement of the personnel of the Ministry, following-up of the Petroleum Operations and promotion of the petroleum sector.

A decree taken in the Council of Ministers upon a joint report of the Minister and the Minister in charge of Finance shall set the terms for withdrawal and use of these reserves.

Art.81.- The amount of the reserve and the rules relative to its recovery are set by the exploration-production contract.

Art.82.- The contribution is a deductible charge for the establishment of tax on profits referred to in Article 66 of this law, and is a non-recoverable petroleum cost.

Section 5- Other Taxes Under Generally applicable Law

Art.83.- The contractors are subject to the value-added tax (« VAT ») according to the regime of generally applicable law, subject to the provisions hereafter :

- 1° Exportation of hydrocarbons are subject to the VAT at the rate of zero;
- 2° Local purchases of goods and services are subject to the VAT at the rate in force;
- 3° Importations are subject to the VAT either at the generally applicable rate, or shall be brought in under the temporary importation procedure which suspends payment of VAT for personal property brought in under this particular customs practice in accordance with Article 91 of this law;
- 4° Any credit of VAT reimbursable according to the regulations in force and having been taxed on local purchases and importations shall be, after verification, reimbursed within ninety (90) days following the request for reimbursement.

Art.84.- Contractors are required to withhold at the source and to pay to the public treasury the tax on pay and salaries (“TPS”) provided for in the General Tax Code at the rates and according to the rules in force. However, for expatriate personnel carrying out an activity in Mauritania, the rate has a ceiling of thirty-five percent (35%).

Art.85.- The following are also due and payable under generally applicable conditions:

- 1° occupancy tax;
- 2° land tax on properties built for dwelling;
- 3° the tax on motor vehicles, excluding, however, vehicles properly registered for off-road use;
- 4° royalties collected by the State, local government, or contractors of the State in rendering government services in compensation for the use by the contractors of the road system, miscellaneous networks and other services, at the rates and within the terms generally applicable to users of such services;
- 5° customs duties on imports, subject to exemptions provided for in Article 91 here below.

Art.86.- The contractors and their affiliated companies shall be exempt from all other taxes and imposts of whatever nature as detailed below – except for the taxes, fees, royalties and contributions referred to in Articles 66 to 85 of this law:

- 1° from the minimum flat tax, the general income tax on revenue and any other tax imposed on revenues and profits;
- 2° from the tax on the income from securities and other payable levies, in particular by means of withholding at the source, on account of the payment of profit share earned by them;
- 3° from all taxes on turnover, in particular taxes on the rendering of services;
- 4° from the tax on apprenticeship;

5° from business occupancy tax;

6° from registration fees and stamp duty;

7° from any indirect tax, fee, other tax or contribution of whatever nature it may be, as long as the economic activities related to them are categorized as Petroleum Operations.

Chapter Second : Concerning the Tax Regime Applicable to Subcontractors and other Petroleum Operators

Art.87.- By way of exception to the provisions of the general tax code, foreign companies which render services on behalf of contractors shall receive the benefit of a simplified tax regime under the following terms and conditions:

1° The simplified regime is reserved for companies of foreign nationality present temporarily, whose services are specific to the Petroleum Operations and who have signed with a contractor, a service provider or a direct subcontractor of a contractor, a contract for services related to Petroleum Operations in Mauritania for a term of less than twelve (12) months;

2° Being subject to the simplified regime is subordinate to the consent of the tax administration upon an application formulated by the taxpayer prior to the commencement of the rendering of services;

3° the simplified regime concerns the tax on ICP² corporate profits (“BIC”) and salaries and compensation, provided the taxpayer shall be exempt from all other taxes;

4° The tax on corporate profits (BIC) is levied on the base of a profit deemed to equal sixteen percent (16%) of the turnover;

5° The ITS is calculated on the basis of a total payroll amount deemed to be equal to ten percent (10%) of the turnover;

6° For purposes of this article, « turnover » means the total of the amounts which the taxpayer invoices to the contractor related to the services which he renders to the latter in Mauritania, with the exclusion of (i) sums received for mobilization and demobilization of material and equipment, provided that they correspond to an actual transfer to and from of Mauritania, that they are reasonable and that they are separately invoiced and (ii) simple reimbursement of expenses and of accessory supplies invoiced separately ;

7° The tax on the ICP and the TPS are calculated at the generally applicable rate;

8° The tax on the ICP and the TPS are withheld by the contractor on each invoice;

9° The sums thus withheld during the course of each month by the contractor shall be paid by the latter to the public treasury prior to the 15th of the following month;

10° The contractor must submit monthly to the General Tax Office a report of withholdings performed during the course of the preceding month in accordance with this article, accompanied by a copy of the corresponding invoices;

11° The determination of taxes is subject to the procedures of control and correction

² ICP = Industrial and Commercial Profits.

provided for by the General Tax Code.

Art.88.- Providers of services referred to in Article 87 shall receive the benefit of advantageous regimes and exemptions provided for in Articles 83 to 86 of this law, as well as to the customs regime set forth in Articles 90 to 96 of this law.

Art.89- Enterprises other than contractors, carrying out the transportation of hydrocarbons by pipeline or by any other connected activity not addressed by this law shall be subject to the tax regime of general; application in force. They may however- by decree taken in the Council of Ministers- be admitted to the privileges and exemptions provided for by this law.

Chapter Third: Concerning the Customs Regime

Art.90.- The imports carried out by the contractors and their subcontractors shall be subject to the provisions of the Tax Code and of its application texts in force, subject to the particular terms and conditions set forth below.

Art.91.- Construction supplies, tools, machines, equipment, motor-driven device and vehicles, spare parts and consumables intended for Petroleum Operations and appearing on specific customs list may be imported either in complete exemption of duties and customs taxes, or on a temporary admission basis with suspension of customs duties and taxes for those items intended to be re-exported after use. Food products and articles intended for private use shall be excluded from the specific customs lists.

Art.92.- A specific customs list shall be approved by the Ministry at the proposal of the Operator and in agreement with the General Customs Office at the beginning of the exploration period and at the beginning of the exploitation period. Each list specifies the categories of goods, the importation of which is subject to each of the regimes described in the preceding article, and shall include for each category an enumeration and a detailed description of the goods in such a way as to enable the customs administration to control the conformity of the declarations in customs at the time of each importation. The list may be revised or supplemented at the request of the contractors as needed. The customs lists bear the visa of the General Customs Office and sent for execution to the competent customs bureaus.

Art.93.- The contractors must file all returns in customs required by the regulation in force. After verification of the conformity of the returns with the specific customs list, the General Tax Office shall inscribes the goods on a special register listing all of the imports effected by the contractors. For imports outside of the list, the payment of duties and taxes shall be evidenced by a receipt written up by the customs bureau.

Art.94.- The goods imported in the framework of the regimes provided for here above may not be sold or assigned in Mauritania to third parties except after authorization of the customs administration and payment of customs duties and taxes settled at the rate in force and on the basis of the residual value of the good, unless the acquirer is a contractor benefiting from a similar customs regime, in which case it shall be the responsibility of the latter to enforce his rights through the process of complying with the applicable formalities of the General Customs Directorate.

Art.95.- Natural persons of foreign nationality employed by the contractors shall be exempt from all duties and taxes relative to the importation of their belongings and personal effects at the time of their first settlement in Mauritania and at their re-exportation, and shall benefit from the regime of importation in temporary admission on an exceptional basis of one (1) vehicle per household.

Art.96- At the request of the General Customs Directorate, contractors must make available on each worksite rooms and facilities required for the setting and operation of a special customs office intended to oversee operations and proceed to customs enforcement of imports.

Chapter Fourth: Concerning Earmarking and Transparency of Revenues Taken in by the State and Related to Petroleum Activities.

Art.97.- All the revenue which the State derives from contractors, the holders of transportation authorizations and foreign subcontractor enterprises pursuant to this law must be paid to the account of the Public Treasury entitled National Fund for Revenue from Hydrocarbons.

Art.98.- The contractors are required to participate in the mechanisms of transparency of the payments which they make to the State pertaining to this law and to other initiatives relative to good governance and to the transparency of *the extractive industries*. In order to facilitate the annual practice of collection and analysis of data relative to revenues from extractive industries, the contractors are expected to, in particular:

- 1° proceed to conduct an annual audit of their financial statements in accordance with generally accepted international accounting practices;
- 2° prepare and submit the returns pertaining thereto diligently to the accounting firm charged with collecting and analyzing such data, and to furnish the firm with any supplemental information necessary for the accomplishment of this mission;
- 3° obtain certification of the accounts with regard to payments reported in the declaration form;
- 4° communicate these certifications to the above-mentioned accounting firm.

Title VII- Concerning the foreign exchange regime and protection of the investment

Art.99.- Contractors shall comply with the regulation of foreign exchange established by the Central Bank of Mauritania in application of Law No. 2004-042 of 25 July 2004 determining the regime applicable to financial relations abroad, it being understood that the State guarantees to the contractors and to their foreign subcontractors for the entire duration of the contract, the right:

- 1° to open and to operate bank accounts abroad and bank accounts in foreign currencies or in ouguiya in Mauritania;
- 2° to receive from abroad through banks or affiliated companies the loans necessary for the financing of Petroleum Operations ;

3° to receive and to retain abroad all funds acquired or borrowed from abroad, including therein receipts from the sales of their share of the hydrocarbons production, and to freely dispose thereof;

4° to transfer abroad receipts from the sales of hydrocarbons, dividends and proceeds of any type of capital invested as well as the products of liquidation or of sale of their assets;

5° to pay directly abroad the foreign enterprises which are suppliers of goods and of services necessary for the conduct of Petroleum Operations, as well as their expatriate employees;

6° to practice in Mauritania, through the intermediary of banks and agents empowered for such purpose, the purchase and sale of currencies against the ouguiya at the rate generally offered by such intermediaries or on the foreign-exchange market.

Art.100.- The expatriate employees of the contractors and of their foreign subcontractors are entitled to freely exchange and transfer to their countries of origin their Mauritanian assets consistent, with the regulations on foreign exchange.

Art.101.- The contractors and their foreign subcontractors shall comply with all obligations for declaration of their assets, for submittal of their forecast budgets and other financial statements that the Central Bank of Mauritania may require in application of exchange control regulations.

Art.102.- The State guarantees to the contractors that no act of nationalization, requisition or expropriation will be taken against them, unless such actions are decreed by law, or taken on account of eminent domain on a non-discriminatory basis, and have given rise to fair compensation paid in advance.

« fair compensation », means the fair market value of the assets nationalized or expropriated, determined on a standard which assumes that the transaction took place at arm's-length, with the act of nationalization given no weight. Any dispute concerning the determination of the compensation may be submitted to arbitration as set forth in Article 49 of this law.

Title VIII – Control by the Administration, Violations and sanctions

Art.103.- Beyond the controls exercised by the competent administrative services in application of the legal and regulatory provisions in force, Petroleum Operations are, in a general manner, subject to monitoring by the Ministry.

The representatives duly empowered for this purpose have a right:

1° of administrative, technical and environmental monitoring of all of the Petroleum Operations carried out on national territory, and at any time;

2° of inspection of facilities and equipment necessary for the execution of the Petroleum Operations, as well as all the technical and financial data relative to such operations.

Art.104.- Without prejudice to legal actions and sanctions provided for by the provisions of this law, the Ministry may order the immediate halt of work in the event of serious violations which put in jeopardy third-party safety and the. In the event of an emergency, the department of proper jurisdiction will take the necessary measures without further formalities by the department of proper jurisdiction at the expense of the contractor.

Art.105.- The Ministry may examine and audit, or cause to be examined or audited, supporting documentation, according to the terms set in the exploration-production contract. Such audits could have in particular as their purpose the confirmation of the calculation of petroleum costs, recovery of such costs, and compliance with the rules of production sharing.

Art.106.- Violations of the provisions of this law and of the regulatory texts taken for its application shall be verified by official reports drawn up by the agents of the services of the competent Ministry(ies). They shall be referred to the Mauritanian courts, subject to the provisions of the exploration-production contract relative to arbitration with regard to legal action taken against the contractors.

Art.107.- The following is punishable by a fine of \$100,000 to \$200,000 Dollars (USD) and an imprisonment of from two months to one year, or one of these penalties only, when anyone:

- knowingly gives incorrect information with a view to benefit from the grant of a contract or of an authorization;
- engages illegally fashion in Petroleum Operations ;
- commits a violation which would have as an effect gravely placing the safety or the health of persons into danger;
- makes obstacles, by action on the ground, to entry into land necessary to carry out Petroleum Operations.

In the event of a repeat offense, the fine is doubled.

Art.108.- Whoever commits a violation of the provisions of this law other than those referred to in Article 107 here above shall be punished with a fine of from \$20,000 to \$50,000 Dollars (USD).

Title IX- Miscellaneous and Transitional Provisions

Art.109.- This law repeals and replaces Ordinance No. 88.151 of 13 November 1988 relative to the legal and tax regime of exploration and exploitation of hydrocarbons, as well as Law No. 2004.29 of 15 July 2004 instituting creation of the simplified tax regime to the benefit of the petroleum industry.

Art.110.- Companies who were parties to hydrocarbons production sharing contracts signed prior to the entry into force of this law, remain subject to the provisions contained in said contracts and for anything that is not contrary to them, by this law.

Art.111.- The methods of application of this law shall be determined by decrees taken in the Council of Ministers.