

The Petroleum Law (25/55)

(As amended)

Article 1

Petroleum Property of State

- 1) All petroleum in Libya in its natural state in strata is the property of the Libyan State.
- 2) No person shall explore or prospect for, mine or produce, petroleum in any part of Libya, unless authorized by a permit or concession issued under this Law.

Article 2

High Council of Petroleum Secretariat

The Secretary of Petroleum shall submit matters set forth in paragraphs (a) and (b) below to the General People's Committee for study and the issuance of a final decision in that connection.

- (a) The granting of reconnaissance permits and the complete surrender of concession areas.
- (b) Granting or cancellation of concession agreements and the acceptance or refusal of assignment of them and the decision to resort to arbitration and the fixing of the dates for opening of concession applications.

Article 3

Petroleum Zones

For the implementation of this Law the Libyan territory will be divided into four petroleum Zones:

The First Zone includes the regions of Tripoli, the Western Mountains, Zawia, Homs and Misurata.

The Second Zone includes the regions of Benghazi, Green Mountain and Derna, which are north of latitude 28.

The Third Zone includes the regions of Benghazi, Green Mountain and Derna, which are south of latitude 28.

The Fourth Zone includes the regions of Sebha and Ubari.

Article 4

Boundaries

- (1) This Law shall extend to the seabed and subsoil, which lie beneath the territorial waters and the high seas contiguous thereto under the control and jurisdiction of the Socialist People's Libyan Arab Jamahiriya. Any such seabed and subsoil adjacent to any Zone shall for the purpose of this Law be deemed to be part of that Zone.
- (2) If there is doubt as to the boundary of any Zone the Secretariat of Petroleum shall determine the boundary of such Zone for the purposes of this Law only; and if by reason of such determination it becomes necessary for the applicant to amend his application, or to make a new application, he shall be allowed one month to do so after receipt of a request to do so, without loss of priority.
- (3) If a subsequent determination of the boundaries leads to an adjustment of the boundaries as determined by the Secretariat of Petroleum, such adjustment shall not affect the validity or extent of permits or concessions granted within the area or areas affected by the adjustment.

Article 5

Eligible Applicants

- (1) The Secretariat of Petroleum shall consider applications for permits or concessions submitted by eligible applicants only, and in determining the eligibility of any applicants the Secretariat of Petroleum shall have regard to the following:
 - (a) The furtherance of the public interest.
 - (b)
 - i) The applicant's compliance with relevant Laws and Regulations.
 - ii) His previous activities in the Petroleum Industry.
 - iii) His previous experience in the conduct of similar operations
 - iv) His financial and technical capacity to conduct the contemplated operations.
- (2) In determining the eligibility of an applicant who is a subsidiary of a company or a member of a group of companies, there shall be taken into consideration the possession of the aforesaid qualifications by the parent company or group of companies of which he is a member and the extent of the availability to the applicant of such qualifications.

Article 6

Permits

- (1) Applications for permits shall be submitted in triplicate to the Secretariat of Petroleum, which shall forward a copy to the Secretary. Separate applications shall be submitted in respect of each petroleum Zone.
- (2) The applications shall show the area the applicant desires to work, and contain short particulars in respect of the matters referred to in Article 5 of this Law. The applicant shall, at the Secretariat of Petroleum's request, furnish any further relevant information. All information submitted under this paragraph shall be treated as confidential.
- (3) The Secretariat of Petroleum may grant a permit in the form set out in the First Schedule to this Law and not otherwise, provided that the permit may contain such minor nondiscriminatory variations as may be required to meet circumstances of any particular case.
- (4) Such a permit may be granted in respect of any area and shall entitle the holder thereof to carry out the operations permitted therein within the specified area and in accordance with the terms of the permit; provided however, that nothing in this paragraph shall entitle the holder of the permit to impede in any way the work of any Concession Holder, or to enter into prospecting and development sites without the express permission of the Concession Holder.
- (5) The grant of a permit does not of itself entitle the holder thereof to a concession in respect of any area.
- (6) A permit shall be granted on payment of the fee specified in the First Schedule hereto.
- (7) A permit may be granted for a period of one year and may be renewed on payment of the specified fee.

Article 7

Applications for Concessions

- (1) The Secretariat of Petroleum shall announce from time to time by notice published in the local and world press the areas in respect of which concessions may be applied for.
- (2) The Secretariat of Petroleum shall by notice published in the local and world press invite those who wish to apply for concessions in the areas mentioned

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in paragraph (1) of this Article to submit their applications in triplicate in a sealed envelope delivered to the Main Offices of the Secretariat of Petroleum. The Secretariat of Petroleum shall fix a closing time and date for the delivery of the applications and shall not consider any application, which is delivered after such time and date.

- (3) The Secretariat will invite by registered mail every applicant for concessions to send a representative to the Secretariat's Offices on a fixed hour and day to attend the opening of the application for concessions. If the representative of the applicant fails to attend at the fixed hour and day this shall be considered as a refusal to the invitation. Applications will be opened by those entrusted by the Secretary to do so in the presence of the representatives of the applicants who accepted the invitation. The first copy of each application will be signed by those entrusted to open them and by the representatives of the applicants who accepted the invitation.
- (4) It shall not be permissible to amend or vary an application after it has been opened and signed as mentioned in paragraph (3) hereof.
- (5) The Secretariat of Petroleum shall send a copy of each application to the Secretary.
- (6) Each application shall contain short particulars in respect of the matters referred to in Article 5 of this Law. The applicant shall, at the Secretariat of Petroleum's request, furnish any further relevant information which may be required by the Secretariat of Petroleum and which relates to his application. All information supplied under this paragraph shall be treated as confidential.
- (7) The applicant may include in his application particulars of any economic and financial benefits and advantages and other things, which he is willing and able to offer in addition to those stated in this Law and the Second Schedule hereto.

Article 8

Conflicting Applications

In the event of more than one application being submitted for a concession over the same area the Secretariat of Petroleum shall have absolute discretion as to which application to accept. In making its decision the Secretariat of Petroleum shall take into account such additional economic and financial benefits and advantages and other things mentioned in paragraph (7) of Article 7 of this Law as are offered in the applications.

Article 9

Grant of Concessions

- (1) The Secretariat of Petroleum shall grant concessions in the form set out in the Second Schedule to this Law provided that they may contain any additional benefits and advantages which are offered by the applicant under paragraph (7) of Article 7 of this Law and accepted by the Secretariat of Petroleum and provided that those additions shall not contain conditions or terms that reduce any of the rights, benefits or privileges to which the Secretariat of Petroleum is entitled under the terms of this Law and the Second Schedule hereto.
- (2) Before the grant of a concession, the Secretariat of Petroleum may require the applicant to furnish a written undertaking to abstain from all political activities in Libya.
- (3) An applicant may be required before the grant of a concession to deliver to the Secretariat of Petroleum a guarantee by way of bond or banker's guarantee in a sufficient sum not exceeding Fifty thousand Libyan Dinars (LD 50,000) to secure the due performance of his obligations under all concessions held by him in Libya. Such bond or banker's guarantee shall be maintained as a constant figure throughout the life of the concession, and such bond or banker's guarantee shall be accepted by the Director of Customs in lieu of any bond he may require under the Customs Law.
- (4) Concessions shall be granted for the period of time requested by the applicant provided that such period shall not exceed fifty (50) years. A concession may be renewed for any period so that the total of the two periods does not exceed sixty (60) years.
- (5) No concession may be granted in respect of any area included in any existing concession granted hereunder.
- (6) The Secretariat of Petroleum may however grant concessions covering adjoining areas lying in two or more Zones.
- (7) The boundaries of every concession granted hereunder shall conform as far as possible to the grid lines of the official map of the Secretariat of petroleum.
- (8) The maximum number of concessions and the total areas, which may be held at one time by any person, are as follows:
 - (a) Three concessions in each of the First and Second Zones and four concessions in each of the Third and Fourth Zones provided that:

- i) The Secretariat of Petroleum may grant concessions in excess of the maximum number permitted hereunder and shall give reasonable consideration to applications submitted for that purpose.
 - ii) No concession in which there is an oil or gas well, shall be included in computing the number of concessions held by a Concession Holder.
- (b) 30,000 square kilometers in each of the First and Second Zones and 80,000 square kilometers in each of the Third and Fourth Zones.
- (9) (Repealed by 3rd July 1961 Amendment).
- (10) The concession holder shall have the right to enter and occupy free of charge for the purpose of his operations under any concession granted under this Law any land within the concession area other than private land, provided it is not then in the lawful occupation of some person.
- (11) If the Concession Holder fails to agree with a private landowner or lawful occupier of other than private land as to the terms on which he may enter and occupy the land in question, the Concession Holder shall immediately notify the Director. If the occupation is to be of a temporary nature, not exceeding one year, the Director shall authorize such temporary occupation upon deposit by the Concession Holder with the Secretariat of Petroleum of a sum by way of reasonable compensation to such landowner and/or lawful occupier for loss of use of and damage to the interest in the land as the Director shall determine. If the occupation is to be for a longer period than one year the Secretariat of Petroleum shall authorize occupation by the concession holder of the land in question upon deposit by the Concession Holder with the Secretariat of Petroleum of such sum by way of reasonable compensation as the Secretariat of Petroleum shall determine and the Secretariat of Petroleum shall direct appropriate proceedings to be taken to put the Concession Holder into possession of the land under the law from time to time in force, as if the Concession Holder's operations were in all respects a work of public utility. In the event of any dispute as to the nature and extent of the interest of claimants to the land or the amount of compensation payable by the Concession Holder, the Secretariat of Petroleum shall refer the dispute for determination by appropriate court of Law and the Secretariat of Petroleum shall pay to the respective claimants such sum by way of compensation as may have been determined by the court. The Secretariat of Petroleum shall pay to or obtain from the Concession Holder (as the case may be) the amount by which the sum deposited by the Concession Holder 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 do any work within the precincts of cemeteries, places used for religious worship and places of antiquity as defined in the Antiquity Laws from time to time in force. Any works of art or antiquity discovered by the Concession Holder shall be subject to the law from time to time in force.
- (13) No drilling or any dangerous operations shall be conducted within 50 meters of any public works or permanent buildings without the previous consent of the Director, and subject to such conditions as he may impose.

Article 11
Working Obligations

- (1) The holder of any concession granted under this Law shall within eight months of the grant of such concession, commence operations to explore for petroleum within the concession area. He shall diligently prosecute all his operations under the concession in a workmanlike manner in accordance with oil industry practice based on appropriate scientific methods. In furtherance thereof he shall spend in Libya, or elsewhere, not less than the following sums or their equivalent, or in connection with, the said operations including general organizational, overhead and administrative expenses connected therewith: -
 - (a) In respect of all concessions in the First and Second Zones;

During the first five years at the average rate, over the period and over the total area held in the Zone, of one and a half Libyan Dinars (LD 1 ½) per square kilometer per annum;

During the next three years at the average rate, over the period and over the total area held in the Zone of three and a half Libyan Dinars (LD 3½) per square kilometer per annum;

and thereafter during each successive five year period at the average rate over such period of six Libyan Dinars (LD 6) per square kilometer per annum.
 - (b) In respect of all concessions in the Third and Fourth Zones;

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During the first eight years at the average rate, over the period and over the total area held in the Zone, of one and a half Libyan Dinars (LD 1½) per square kilometer per annum;

During the next four years at the average rate, over the period and over the total area held in the Zone, of three and a half Libyan Dinars (LD 3 ½) per square kilometers per annum;

and thereafter during each successive five year period at the average rate over such period of six Libyan Dinars (LD 6) per square kilometer per annum.

- (2) Any sum spent during any of the working periods specified above in excess of the minimum sum 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 one half of any of the working periods specified in sub-paragraphs (a) and (b) above it appears to the Secretariat of Petroleum that a Concession Holder has seriously neglected his obligations in respect of any Zone, the Secretariat of Petroleum may require such Concession Holder to deliver to it a guarantee in the form of a bond or banker's guarantee in a sum which shall not exceed the total outstanding expenditure obligations remaining unfulfilled in that Zone. Such guarantee may at the end of the said period be forfeited to the Secretariat of Petroleum to the extent that the Concession Holder may have failed to fulfill his expenditure obligations.

Article 12

Pipeline Facilities

Any Concession Holder having pipeline capacity surplus to his own requirements shall make such surplus available for the transport of Petroleum of any other Concession Holder desiring to use the said surplus on terms agreed between them and approved by the Secretariat of Petroleum.

If they fail to agree or if the Secretariat of Petroleum does not approve the terms agreed upon, the Secretariat of Petroleum shall propose terms of user.

If any of the Concession Holders do not accept the terms proposed by the Secretariat of Petroleum, the Secretariat of Petroleum shall within two months from such non-acceptance submit the matter to a Committee of three persons, one to be nominated by the Concession Holder having the surplus capacity, another by the Secretariat of Petroleum and the third by the President of the Supreme Court of Libya. This Committee shall settle the terms of user and its decision or that of a

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majority of its members shall bind the respective concession holders and the Secretariat of Petroleum. This decision shall be published in the Official Gazette.

Pending agreement on the terms of user or decision of the Committee in accordance with the provisions of this Article, the Concession Holder desiring to use the surplus capacity shall be entitled to do so in accordance with the terms proposed by the Secretariat of Petroleum. Upon the terms being agreed upon or decided by the said Committee, as the case may be, they shall have retrospective effect to the commencement of such user.

Article 13
Fees, Rents and Royalties

- (1) The Concession Holder shall in respect of each concession granted hereunder pay the following fees, rents and royalties: -
 - (a) An initial fee of 100 Libyan Dinars per 100 square kilometers or pro-rata for part thereof of the Concession Area upon the grant of the concession.
 - (b) An annual surface rent per 100 square kilometers or pro-rata for part thereof of the Concession Area held as follows:
 - i) For concessions located within the First and Second Zones, ten Libyan Dinars for each of the first eight years, twenty Libyan Dinars for each of the next seven years, provided that if at any time during this period of fifteen years Petroleum is found in commercial quantities the annual rent shall immediately increase to 2500 Libyan Dinars for the remainder of the said period and a pro-rata proportion of this increased rent shall be payable in respect of the year in which the find occurs.
 - ii) For concessions located within the Third and Fourth Zones, five Libyan Dinars for each of the first eight years, ten Libyan Dinars, for each of the next seven years provided that if at any time during this period of fifteen years petroleum is found in commercial quantities, the annual rent shall immediately increase to 2500 Libyan Dinars for the remainder of the said period and a pro-rata proportion of this increased rent shall be payable in respect of the year in which the find occurs.
 - iii) 3500 Libyan Dinars for each of the five years from the expiry of the fifteenth year from the granting of the concession.
 - iv) 5000 Libyan Dinars for each year thereafter.

- (c) A royalty of 12.5% of the value of the total field production of all natural gasoline recovered by the Concession Holder from the concession area and of all petroleum (excluding natural gas) won and saved into field storage freed of water and foreign substances after deduction of the quantities of any petroleum, petroleum products and natural gasoline used in Libya by the Concession Holder in the course of his operations hereunder.

The value of crude oil for royalty purposes shall be calculated on the basis of the posted price as defined in Article 14 (5) hereof.

The value of natural gasoline and of petroleum other than crude oil for royalty purposes shall be calculated in a manner to be agreed upon from time to time between the Secretariat of Petroleum and the Concession Holder.

- (d) A royalty of 12.5% of the sale price less any cost of transport from the Wellhead paid by the concession holder and not recovered from the purchaser in respect of all natural gas derived from the concession area and sold by the Concession Holder for delivery in Libya.
 - (e) A royalty of 12.5% of the value of all natural gas derived from the concession area and exported by the Concession Holder, the value of the natural gas for this purpose being the sale price after deducting any handling charges, duties and imposts and the cost of transport from the Wellhead paid by the Concession Holder and not recovered from the purchaser.
- (2) The Secretariat of Petroleum shall be entitled by notice in writing to the Concession Holder of not less than three months to take in kind the whole or part of the royalty stipulated in this Article and due in any complete year. Any petroleum, or natural gasoline to which the Secretariat of Petroleum becomes entitled by virtue of the exercise of this right shall be delivered by the Concession Holder f.o.b. Seaboard Terminal in Libya.
 - (3) Sums payable by way of royalty in respect of any year from a concession area shall be reduced by the amounts paid as surface rent in respect of that year, provided that in no case shall the amounts of rent paid be less than LD 2500 per 100 square kilometers or pro-rata for part thereof.

Article 14

Taxation and Division of Profits

- (1) The Concession Holder shall pay such income tax and other taxes and imports as are payable under the Laws of Libya, but shall not be subject to any form of taxation whether Government or Municipal or other exaction of such nature as to render him liable to taxation or other dues not payable by persons in general operating in Libya other than fees, royalties and surface rents made payable under this law: -

Provided however that: -

- (a) If in respect of any complete year from and after the effective date as hereinafter defined the total amount of the fees, rents and royalties except 16.67% of the value of crude oil exported as herein defined, payable under this Law and income tax and other direct taxes for which a Concession Holder is liable in respect of his operations and income there from under all petroleum concessions held by him in Libya falls short of 65% of his profits¹ as hereinafter defined for that complete year the Concession Holder shall pay to the Secretariat of Petroleum such sum by way of surtax as will make the total of his payments equal to 65% of the profits aforesaid.
- (b) If in respect of any complete year from and after the effective data the total amount of fees, rents and royalties except 16.67% of the value if crude oil exported, as herein defined, payable by the Concession Holder under this Law and income tax and other direct taxes for which the Concession Holder is liable as aforesaid exceeds 65% of the said profits of the Concession Holder during that complete year, he shall be entitled to deduct such excess from the income tax, surtax and other direct taxes payable in that year or following years.
- (c) For purposes of paragraphs (1), (2) and (9) of this Article, "16.67% of the value of crude oil exported" shall mean: 16.67% of the value calculated on the basis of the applicable posted prices of crude oil exported by the Concession Holder in any such complete year and on which royalty is payable by the Concession Holder in that year.
- (d) For purposes of this Law crude oil sold by the Concession Holder for export from Libya (which term "for export" as used herein includes export before or after sale) shall be deemed to be crude oil exported

¹ Amended by Law No. 30 of 1971, published in the Official Gazette No. 34 for 1971 and Law No. 76 for 1974, Official Gazette 5/1975 and Law No. 2 for 1975, Official Gazette 19/1975.

by the Concession Holder. With respect to crude oil taken in kind by the Libyan Government under this Law, being in payment by the Concession Holder in whole or in part of the royalty stipulated in this Law, such crude oil shall be deemed to be crude oil exported by the concession holder if such crude oil is delivered to the Libyan Government by the Concession Holder for export.

(2) In applying this Article: -

“Complete year” means the financial year of the Concession Holder. The first year, however, shall include the period from the effective date to the end of the financial year of the Concession Holder and the last year shall include the period from the beginning of the financial year of the Concession Holder to the termination of the concession.

“Effective date” means the date on which the Concession Holder first commences regular exports in commercial quantities or regular sales in commercial quantities of petroleum derived from any of his concessions in Libya.

“Profits” for the purposes of paragraph (1) (a) and (1) (b) mean in respect of any complete year after the effective date the income resulting to the Concession Holder from his operations in Libya after deducting the following items (a) and (b) in so far as they are fairly, properly and necessarily attributable to the operations of the Concession Holder in Libya, and item (c);

(a) Operating expenses and overheads the details of which defined in Regulations excluding the fees, rents, royalties and income tax and other direct taxes referred to in (1) (a) and (1) (b) above.

(b) Depreciation of all physical assets in Libya at the rate of 33 $\frac{1}{3}$ % per annum and amortisation of all other capital expenditure in Libya at the rate of 5% per annum until such assets and expenditure are fully written off. The unamortised balance of the cost of physical assets permanently put out of use may be deducted in the year when such assets are scrapped or sold.

(c) 16.67% of the value of the crude oil exported, as defined in paragraph (1) (c) above.

(3) Exploration and prospecting expenses, intangible drilling costs, as defined by Regulations but only to the extent that such expenses and costs are not incidental to the procurement or installation of physical assets, and the costs of drilling wells not productive of petroleum in commercial quantities may in respect of expenditure incurred after the effective date, be deducted in the

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year in which the expenditure is incurred under paragraph (2) (a) of this Article or may be capitalised and amortised as provided in paragraphs (2) (b) of this Article. The Concession Holder may either deduct or capitalize each such classification of expenditure. The election once made is final and binding for all time unless the Secretariat of Petroleum in special cases agrees otherwise. Expenditure capitalised under this paragraph and attributable to areas surrendered under paragraph (1) of Article 10 of this Law may be deducted in the year of surrender in so far as not already amortized.

- (4) Nothing in this Article shall be taken as permitting the deduction under paragraph (2) (a) or (b) of this Article of the following items of expense in determining the profits for the purpose of paragraphs (1) (a) and (1) (b).
- i) Penalties paid under Article 22 of this Law or any sum forfeited to the Secretariat of Petroleum under Article 11 (3) of this Law.
 - ii) Foreign taxation paid on income determined from sources within Libya.
 - iii) Interest or other consideration paid or suffered by the Concession Holder in respect of the financing of his operations in Libya.
 - iv) Expenditure incurred in relation to the organizing and initiation of petroleum operations in Libya.
- (5) In applying this Article: -

“Income resulting from the operations of the Concession Holder in Libya means:

- (a) In relation to crude oil exported by the Concession Holder from Libya; Total gross receipts realized by the Concession Holder from such export.
- (b) In relation to other operations of the Concession Holder in Libya the income to be ascertained in a manner to be agreed between the Concession Holder and the Secretariat of Petroleum.

The value of petroleum and natural gasoline taken in kind under Article 13 hereof shall be deemed to form part of such income.

“Posted price” means the price f.o.b. Seaboard Terminal for Libyan crude oil of the gravity and quality concerned arrived at by reference to free market prices for individual commercial sales of full cargoes and in accordance with the procedure to be agreed between the Concession Holder

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and the Secretariat of Petroleum or if there is no free market for commercial sales of full cargoes of Libyan crude oil then posted price shall mean a fair price fixed by agreement between the Concession Holder the Secretariat of Petroleum or in default of agreement by arbitration having regard to the posted prices of crude oil of similar quality and gravity in other free markets with necessary adjustments for freight and insurance.

The Secretary of Petroleum may, in case of change in the circumstances or basis of fixing prices of crude oil or its products in the market, fix the prices of crude oil or its products by a decision from him in which he takes into account market conditions of Libyan crude oil advantages. The Government may, in case the Concession Holder 's income coming from the exported crude oil or its products be calculated on the basis of the prices fixed in the decision of the Secretary of Petroleum¹.

- (6) Where in respect of any complete year after the effective date the total of the deductions allowed under paragraph (2) of this Article for the determination of profits exceeds the income in respect of that year before taking the said deductions, the resulting excess shall be carried forward and as far as may be deducted from the profits of subsequent complete years up to a maximum of 10 years.
- (7) A permit or Concession Holder who participates in joint operations in connection with such permit or concession may, in respect of such operations, report his ratable proportion of income there from and his permitted expenses therein and make all permitted elections independently of the other person or persons participating in the joint operations, provided that one or more of the persons in the joint operations is carrying out the other independent operations in Libya under this Law. Income and permitted expenses so reported may be consolidated with those in respect of other operations being carried out by him in Libya under this Law.
- (8) In computing profits as herein defined sound and consistent accounting practices usual in the petroleum industry shall be employed. Where more than one such accounting practice prevails, the Secretariat of Petroleum shall decide which practice is to be applied by the Concession Holder.
- (9) As soon as practicable after the end of each complete year referred to above and in any event not later than four months after the end of each complete year the Concession Holder shall submit to the Secretariat of Petroleum accounts showing that year's profits as defined in this Article. Simultaneously with the submission of the accounts the concession holder shall pay to the Secretariat of Petroleum a sum which together with any fees,

¹ Added by Law No.82/1973, First Published in the Official Gazette No. 46/1973

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rents, royalties except 16.67% of the value of crude oil exported, as herein defined, and direct taxes already paid for the year equals 65% of the profits shown by the said accounts. This payment shall be treated by the Secretariat of Petroleum as a payment on account of income tax and surtax.

If when the actual amounts of income tax and surtax payable have been finally determined the payment on account is less than the total of the income tax and surtax payable, the Concession Holder shall pay the balance forthwith. If when the actual amount of income tax and surtax payable has been finally determined the payment on account is more than the total of the income tax and surtax payable, the balance shall be carried forward and treated as a payment on account of future income tax and surtax.

Article 15

To Whom Fees, Rents, Royalties, Surtaxes And Income Taxes are Payable

All fees, surface rents, royalties and surtax imposed by the implementation of this Law and the income tax shall be paid to the Public Treasury through the Secretariat of Petroleum.

The total income to the Secretariat of Petroleum and other Libyan Government, Municipal and other authorities whether central or local in respect of the production, manufacture, dealings in oil or rights thereto, transport, sale, export, shipments and profits and distribution therefore of crude oil produced in Libya by the concession holder and/or sold by the concession holder for export from Libya shall be equal in respect of such year calculated in accordance with the Concession Holder's concession agreements, as amended in accordance with this amendment to the Petroleum Law referred above. In the event any difference or dispute arises concerning this paragraph, such difference or dispute shall be referred to arbitration in accordance with the Concession Holder's concession agreements.

Article 16

Exemption from Certain Import and Export Duties

- (1) A permit or concession holder or any contractor employed by him may import free of duty: -
 - (a) Plant, tools, machinery, equipment, supplies and materials; and
 - (b) Such other goods as may be specified from time to time by Regulations issued under the Customs Law.

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Provided that all the goods mentioned in paragraph (a) or (b) above are used for petroleum exploration, prospecting, mining, transporting, refining operations and activities connected therewith. Provided however, that such exemption shall not apply to any goods included in this paragraph which are available in Libya of suitable type and reasonably comparable quality and at no higher price provided that in comparing price to the price of imported goods shall be added customs duties and other expenses incurred up to the time the imported goods reach Libya.

- (2) Other goods, which are dutiable under the Customs Law, shall be subject to the payment of the appropriate duty.
- (3) Any person intending to sell or transfer any goods which have been imported free of duty under paragraph (1) hereof shall before such sale or transfer make a declaration to the Customs Department and shall, unless such goods are sold or transferred to another permit or concession holder or contractor entitled to the same exemptions, pay on demand such import duty as may be assessed by the Director General of Customs in accordance with the Customs Law.
- (4) Petroleum or any of its derivatives produced in Libya and any goods imported free of duty under paragraph (1) hereof may be exported free of Customs duty and without an export license subject to the policy of the Government regarding exports in general and to such restrictions as the State may impose by Law on Production and exports during a state of war or emergency.

Article 17

Assignment of Permits and Concessions

Permits and concessions shall not be assigned except with the written consent of the Secretariat of Petroleum, which may impose any conditions, which it may deem appropriate in the Public Interest.

Article 18

Revocation of Permits and Concessions

A permit or concession granted under this Law may be revoked only in the circumstances and in the manner set out in the permit or concession.

Article 19

Publications

Notice of the grant, renewal, assignment, revocation, termination or surrender of the whole or any part of any permit or concession shall be published in the Official Gazette.

Article 20
Arbitration and Force Majeure

- (1) Any disputes between the Secretariat of Petroleum and the Concession Holder arising from any concession granted under this Law shall be settled by arbitration in the manner set out in the Second Schedule hereto.
- (2) In the event of Force Majeure, the rights and obligations of the parties to a concession granted hereunder should be those specified in the Second Schedule hereto.

Article 21

Refining

- (1) A concession holder who discovers petroleum in Libya and who desires to refine it in the country shall have the right to construct, maintain and operate a refinery for this purpose in accordance with any legislation governing the refining of petroleum.
- (2) Should refineries be established in Libya the Secretariat of Petroleum may require a Concession Holder to make available at field storage to such refineries, pro-rata with other Concession Holders and at field storage price, sufficient quantities of crude oil from his production in all concessions in Libya to meet the domestic consumption requirements of Libya in respect of petroleum products; provided however that the Concession Holder shall not be required to furnish or build additional handling or transportation facilities for this purpose.

Article 22

Penalties

- (1) Any person found guilty of exploring for, or prospecting for petroleum in any part of Libya without the authority of a permit or concession issued under this Law shall be liable to a fine not exceeding five hundred Libyan Dinars (LD. 500). If petroleum has been mined, he shall on conviction be liable to the penalty provided by law for larceny and to a fine of five hundred Libyan Dinars (LD. 500) or treble the value of any petroleum produced, whichever is the greater, and any petroleum mined or produced shall be forfeited to the Government of Libya.
- (2) Any person entitled under paragraph (1) of Article 16 to import free of duty the goods referred to therein who intentionally uses such goods for purposes other than those specified therein, or transfers such goods to any person not entitled to exemption contrary to Article 16 paragraph (3), or

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fails to make the declaration to the Customs Department before the transfer of any such goods as required by the said paragraph thereof, shall be liable on conviction to the penalty provided in Article 95 of the Customs Law of 1954.

- (3) Any public official or employee who has been entrusted with or who has come to know of any confidential information by virtue of this Law and who divulges such information shall be liable to the penalties provided for in Article 236 of the Penal Code.
- (4) In the implementation of this Law, the regulations and decisions made hereunder, the officials appointed by decision of the Secretary of Petroleum shall have the capacity of investigating officials.
- (5) The persons mentioned in the previous paragraph shall have the right to enter the premises of the concession holder and inspect his work, books, registers and papers to ensure the proper implementation by the concession holder of the provisions of this Law, the Regulations and decisions made hereunder and the provisions of the Permit or Concession.

Article 23

Definitions

In this Law:

“Secretary” means the appropriate Secretary;

“permit” means a preliminary reconnaissance permit issued under this Law;

“concession” means a petroleum prospecting, mining and production concession issued under this Law;

“person” includes anybody corporate or other juridical person;

“oil or gas well” means a well capable of producing oil and/or gas in quantities susceptible of measurement;

“petroleum” means all natural hydrocarbons, liquid or gaseous, produced or producible from the ground and all asphalt and other solid hydrocarbons suitable for the production of liquid petroleum or gas. Petroleum does not include coal.

“Direct control” means the control of any company exercised by any other company or companies holding shares carrying a majority of votes in the general assemblies of the first mentioned company;

“Indirect control” means the control of any company (hereinafter in this sub-paragraph called ‘the particular company’) exercised by any other company or companies (hereinafter in this sub-paragraph called the “parent company or companies”) where a series of companies can be specified, beginning with the parent company or companies and ending with the particular company, in which each company of the series, except the parent

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company or companies, is directly controlled by one or more of the companies in the series;

“Year” means a calendar year according to the Gregorian calendar;

“Barrel” means forty two (42) gallons U.S. or 158.984 liters of liquid petroleum;

“Processing” means any operation connected with the treatment of petroleum with the exception of fractional distillation.

Article 24

Regulations

The Secretary may issue the following regulations and any other regulations necessary for the implementation of this Law;

- (a) Administrative and financial regulations.
- (b) Petroleum regulations for safety precautions and the conservation of the petroleum resources in Libya, provided that said regulations or any amendment thereof shall not be contrary to the provisions of this Law or adversely affect the contractual rights expressly granted under any permit or concession and in existence at the time the regulation is made or amended.

Article 25

Title and Coming into Force

- (1) This Law may be cited as the Petroleum Law for the year 1955 and shall come into force thirty days after publication in the Official Gazette with the exception of Articles 2 and 24, which shall come into force on publication.
- (2) As from the date on which this Law comes into force the provisions of the Minerals Law 1953 shall cease to apply in so far as they relate to petroleum, except that any permit issued under the Minerals Law 1953 shall continue in force until the normal expiry date.