

PRINCIPAL TERMS OF MODEL PSC (2001)

Parties to the Contract:

The Parties to the Contract are the Government of Malta and the Contractor.

Potential Contractor:

Individual oil companies or groups may submit proposals for one or more of the Blocks/Areas offered.

Type of Contract:

A Production Sharing Contract for the exploration and exploitation of petroleum, including Natural Gas.

Contract Area:

Any of the Areas/Blocks on offer

Term of Contract:

Thirty years, including an Exploration Period of six years, which may be extended.

Termination of Contract:

Contractor may terminate the Contract at any time after the second Contract Year.

Relinquishment:

Contractor shall relinquish 25% of the Contract Area at the end of the second Contract Year. A further 25% of the original contract area shall be given up at the end of the fourth Contract Year, while at the end of the sixth Contract Year the Contractor shall retain only the Production Area(s).

Work Programme:

Companies making offers are expected to propose details of the exploration activities as well as the related expenditure.

Cost Recovery:

When production commences the Contractor is entitled to recover all costs incurred in exploration and exploitation by retaining not more than 75% of net production in the case of Crude Oil or Natural Gas.

Production Sharing:

Profit Oil is shared between the Government and the Contractor in varying proportions determined by incremental production rates and the profitability of the discovery.

Valuation:

Petroleum produced from the Contract Area is valued at the then current international market price or arms length sales.

Natural Gas:

The model provides parameters for the exploitation of Natural Gas.

Assignment:

The Contractor may assign its rights and obligations to an Affiliate and, upon prior consent of Government, to third parties.

Taxation:

Contractor is charged income tax at 35% on its profits. An investment allowance amounting to 50% of initial development assets applies to developments in water depths exceeding 200m. Depreciation is over 4 years, or 3 years for developments in water depths exceeding 200m.

Arbitration:

Recourse to settlement of disputes by International Arbitration is provided in the Model.