

CAYMAN ISLANDS



PETROLEUM LAW

(1998 Revision)

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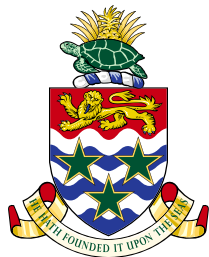
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Law 7 of 1978-6th April, 1978.

Revised this 6th day of January, 1998.



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Arrangement of Sections

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PETROLEUM LAW

(1998 Revision)

Short title

1. This Law may be cited as the *Petroleum Law (1998 Revision)*.

Definitions

2. In this Law —

“**continental shelf**” has the meaning ascribed to it in section 2 of the *Continental Shelf Law (1998 Revision)*;

“**exploration**” means work carried out in the course of exploring for petroleum;

“**exploration licence**” means a licence issued under section 6(1);

“**Governor**” means the Governor in Council;

“**land**” includes the subsoil and sea-bed beneath the territorial waters of the Islands and the continental shelf appertaining thereto;

“**licensee**” means the lawful holder of an exploration licence;

“**Minister**” means the Member of Executive Council for the time being responsible for natural resources;

“**petroleum**” means naturally occurring —

- (a) hydrocarbons, whether in gaseous, liquid or solid state, but excluding coal, bituminous shales and other stratified deposits, from which oil can be extracted by destructive distillation;

- (b) mixtures of hydrocarbons whether in gaseous, liquid or solid state; and
- (c) mixtures of one or more hydrocarbons, whether in gaseous, liquid or solid state, and one or more of the following —
 - (i) hydrogen sulphide;
 - (ii) nitrogen;
 - (iii) helium; or
 - (iv) carbon dioxide,

and includes such petroleum when returned to its normal reservoir; and

“**petroleum agreement**” means a petroleum agreement made under section 6(4).

Vesting of property in petroleum in Her Majesty

3. The property in all petroleum in the Islands whether or not already so vested is, subject to this Law, declared to be vested in Her Majesty.

Application for petroleum agreements and licences

4. Whoever wishes to explore, prospect for or extract petroleum within the Islands declared by section 3 to be vested in Her Majesty may apply in the prescribed manner to the Governor for an exploration licence or petroleum agreement and the Governor, after considering such application, may refuse or grant it upon such terms as appear expedient.

Mode of applications

5. (1) Applications under section 4 shall be writing in the form prescribed in the Schedule and shall —
 - (a) be addressed in the first instance to the Minister;
 - (b) be accompanied by the prescribed fee;
 - (c) have annexed thereto two copies of a map of the Islands and environs with relevant areas of land delineated thereon; and
 - (d) be supported by evidence of the applicant’s intention and ability to undertake the operations permitted by the licence or agreement if granted.
- (2) The Governor may, when considering the grant of an application, require of the applicant such further information as appears relevant to a decision and in the event of failure of the applicant to provide such information within three months or such extension of that time as may be granted to him, may treat the application as having lapsed.
- (3) Separate applications shall be made in respect of separate areas of land.
- (4) Information supplied in respect of applications is confidential.



Exploration licence, petroleum agreements, etc.

6. (1) The Governor may issue an exploration licence in respect of the whole or any part of the area of land applied for, and an exploration licence may authorise the licensee to explore for petroleum over the whole or any part of the area of land specified therein, but no licence shall be issued in respect of an area of land which has already been covered by a petroleum agreement entered into under subsection (4); and nothing in this section prevents the Governor from issuing, in respect of the same area of land, more than one exploration licence or other exploration licences to other persons.
- (2) A licensee shall enjoy the rights and liberty granted under his licence during the continuance thereof in common with other licensees to whom exploration licences, in respect of the same area, may be issued.
- (3) Exploration licences shall be for an initial period not exceeding two years and thereafter may be extended, from time to time, upon an application for the extension thereof made and supported by evidence that the licensee has carried out, during the currency of the licence, exploration work upon a reasonable scale.
- (4) The licensee of an exploration licence may, at any time, apply to the Governor for a petroleum agreement in respect of the whole or any part of the area held under his licence and the Governor may enter with such person into a petroleum agreement in respect thereof; and, upon the issue of a petroleum agreement covering such areas or any part thereof, all exploration licences covering them shall determine without the Government being liable to pay any compensation to licensees.
- (5) An exploration licence and a petroleum agreement shall be in the form and shall contain the terms and conditions prescribed by paragraph (i) of section 9(1) with such modifications and exclusions and additional clauses covering ancillary matters (including in the case of a petroleum agreement provision for the payment of royalties to the Crown) as the Governor may deem fit.
- (6) Completion of agreements and payment of fees in respect thereof are to be made within six months of approval thereof by the Governor unless the Governor extends the time in that behalf.
- (7) Nothing in the *Petroleum Handling and Storage Law (1996 Revision)* shall apply to anything lawfully done, or omitted to be done, under an exploration licence issued, or a petroleum agreement entered into, under this section.

Grant of more than one exploration licence or petroleum agreement

7. Nothing in this Law prevents more than one exploration licence or petroleum agreement being issued to or entered into with the same person.



Notification of any execution, surrender, etc., of a petroleum agreement

8. The Governor shall, as soon as may be after the execution, surrender, determination or assignment of any petroleum agreement or the rights thereunder, issue a public notification of the fact stating the name of the person with whom such petroleum agreement was made, the name of any assignee and the area concerned.

Regulations

9. (1) The Governor may make regulations for carrying this Law into effect, and, in particular, prescribe —
- (a) a model exploration licence and a model petroleum agreement;
 - (b) the appointment, duties, privileges and powers of officers to enforce this Law including an exploration licence and any petroleum agreement issued or entered into thereunder;
 - (c) fees for the issue of exploration licences and making petroleum agreements;
 - (d) for the establishment of safety areas around petroleum reserve installations erected on the sea bed;
 - (e) for the prevention of fires in areas where oil extraction is being carried on;
 - (f) for the safety, health, working conditions and welfare of persons engaged in oil extraction; and
 - (g) amendments to the Schedule.
- (2) Whoever contravenes any regulation made under paragraphs (d), (e) and (f) of subsection (1) is guilty of an offence and liable on summary conviction to a fine of five thousand dollars and to imprisonment for two years.

Permission to enter upon land

10. (1) Where a licensee or a person who is a party to a petroleum agreement has been refused entry upon land by the holder thereof, such licensee or person may make an application to the Governor for permission to enter upon such land; and the Governor may, subject to subsection (2), grant the permission applied for on condition that the applicant undertakes to pay compensation for all damage which may have been caused to the land, crops or property therein or for any loss of the lawful use of such land or on such other conditions as the Governor may deem fit to impose.
- (2) Before granting the permission referred to in subsection (1), the Governor shall consider such written representations as the holder of such land shall, within such reasonable time as the Governor may allow for that purpose, submit, and the permission so granted shall not be questioned in any court of law.



- (3) Upon the production to the holder of such land of the permission granted under subsection (1), such holder shall allow the person in whose favour the permission is granted or a person authorised by him to enter upon such land.
- (4) Whoever, being the holder of land after having had produced to him the permission referred to under subsection (1), refuses or fails to allow entry upon his land by the person in whose favour the permission is granted or a person authorised by him, is guilty of an offence and liable on summary conviction to a fine of one thousand dollars and a further fine of twenty dollars for every day during which the refusal or failure continues.
- (5) In this section —
 - “entry” includes the exercising of any rights contained in the licence or the petroleum agreement; and
 - “holder” includes chargee, lessee, occupier or any person having an interest in the land.

Penal

- 11.** Whoever explores, prospects for or extracts petroleum other than by virtue of a licence or petroleum agreement is guilty of an offence and liable on summary conviction to a fine of ten thousand dollars and to imprisonment for two years and tools, plant and other materials and buildings of whatever nature used in contravention of this section are liable to forfeiture to the Crown.

SCHEDULE

Application for an Exploration Licence or a Petroleum Agreement

- (1) Name(s) of applicant(s) in full
- (2) If application is by an individual or individuals —
 - (a) Address
 - (b) Nationality
 - (c) Occupation of each individual
- (3) If application is by a company —
 - (a) Law under which company is incorporated
 - (b) Country where company registered
 - (c) Principal place of business
 - (d) If principal place of business is outside the Islands, name and address of duly authorised agents in the Islands
 - (e) Nature of business
 - (f) Name and nationality of each director and
 - (g) Name of each principal shareholder and the amount of shares held by him
- (4) State whether a petroleum agreement or a petroleum exploration licence is required
- (5) Situation and approximate size of the area in respect of which application is made
- (6) Brief particulars of previous experience in petroleum prospecting or oilfield development work
- (7) Name and qualifications of technical experts or advisers
- (8) Brief particulars of interest in and access to refining and marketing facilities outside the Islands

- (9) State amount of capital for operations under the exploration licence or petroleum agreement applied for —
- (a) at present available; and
 - (b) which applicant can make available and the source

I/We hereby declare that all the foregoing particulars are correct

*Signature(s) of Applicant(s) **

If the applicant is a company, state capacity in which form is signed.

**Publication in revised form authorised by the Governor in Council this 6th day of
January, 1998.**

Carmena H. Parsons
Clerk of Executive Council

