

# Terms of Reference for Proposals on free blocks

## I. Introduction

Within its mandate to promote and valorise hydrocarbon resources in the mining property of the Republic of Cameroon, the **National Hydrocarbons Corporation (SNH)** announces to the Oil and Gas industry, that proposals can be submitted for any of **nine (9) free blocks** namely, Ndian River, Bolongo Exploration and Bakassi in Cameroon's hydrocarbons rich Rio del Rey (**RDR**) Basin, and Etinde Exploration, Ntem, Elombo, Tilapia, Bomono and Kombe/N'sepe, in its highly prospective Douala/Kribi-Campo (**DKC**) Basin.

Proposals shall be received throughout 2020, on the basis of the first come, first served option, leading to possible direct negotiations.

International Oil & Gas Companies are hereby invited to submit proposals for one or more blocks, on the basis of these Terms of Reference.

## II. Purpose

The purpose is for the State and Petroleum Companies to negotiate and conclude **Production Sharing Contracts (PSCs)** over one or several free blocks, in accordance with the provisions of the Law n° 2019/008 of April 25<sup>th</sup>, 2019 instituting the Petroleum Code, a copy of which is accessible from the SNH website [www.snh.cm](http://www.snh.cm), as along with these Terms of Reference.

## III. Data packages and the blocks on offer

Enhanced workstation ready 2D and 3D seismic and well data packages for the RDR and DKC basins are accessible from CGG Services (UK) Limited, Llandudno, North Wales, LL30 1SA, United Kingdom (Robertson GeoSpec International Ltd). Please contact [geospec.sales@cgg.com](mailto:geospec.sales@cgg.com).

The blocks concerned are:

Blocks	Basins	Surface Area (km <sup>2</sup> )	Location*
Ndian River	RDR	2530.0	TZ/Onshore
Bolongo Exploration	RDR	390.3	Offshore (WD<70 m)
Bakassi	RDR	736.9	TZ/Onshore
Etinde Exploration	DKC	1,698.0	Offshore/SW
Tilapia	DKC	3,874.9	Offshore/SW
Elombo	DKC	2,405.0	Offshore/SW
Ntem	DKC	2,319.0	Offshore; WD >500m
Kombe-Nsepe	DKC	3,026.0	TZ/Onshore
Bomono	DKC	2,327.5	TZ/Onshore

WD: Water Depth; SW : Shallow Water; TZ : Transition Zone

#### IV. Content of the Proposals

Any proposal submitted shall contain the following main Sections:

- a) Pertinent documentation on the Company or Group of Companies submitting the proposal, and in particular, on the Petroleum Company which shall act as Operator in the PSC, including its organization, technical and financial capabilities. The required documentation shall include:
  - Audited, certified balance-sheets for the past three (3) calendar years;
  - Names and experiences of the members of the exploration and production staff, as well as geoscience capabilities of the Company(ies);
  - Names and activities of each Company's shareholders;
  - Company's portfolio of assets in the petroleum industry, especially in the upstream;
  - Evidence of Company's capabilities, expertise and experience in environmental impact management and protection, notably in areas similar to those of the blocks of interest in Cameroon;
  - Company's practices and references in Local Content development and fulfilments in Africa;
  - Track record on exploration drilling activities and discoveries during the last five (5) years.
- b) Technical evaluation(s) report, elaborated on the basis of up to date data, including the SNH/CGG newly enhanced and/or reprocessed data set addressing the regional geology and the prospectivity of the blocks; and an outline of the Company exploration strategy and targets;
- c) Work programme and corresponding budget for the first period of the Exploration Phase which is normally three (3) years, extensible to a maximum of five (5) years for the Special Petroleum Operations Zone, as defined by Section 2.49 of the Law n°2019/008 of April 25<sup>th</sup>, 2019 instituting the Petroleum Code. Company to give indications on how the work programme will be financed;
- d) Work programmes and corresponding budgets for the two possible renewal periods of up to two (2) years each, and indications on how the work programme will be financed;
- e) Proposed Contractual Terms as indicated in Section V below.

During the Exploration Phase, the Holder of a Petroleum Contract shall commit to fulfil a Work Programme whose minimal requirements are set out in the Contractual Terms below, **it being understood that fulfilment of the exploration work programmes takes precedence over announced exploration expenditures amounts.**

#### V. Contractual Terms

The following **Terms** shall be considered in the proposal:

**Work Programme (biddable): Minimum requirements per block for the initial period of Exploration Phase are:**

- the reprocessing and interpretation of existing seismic data, and/or acquisition, processing and interpretation of new seismic data, and/or interpretation of the newly enhanced or reprocessed SNH/CGG seismic data set;
- the drilling of one (01) exploration well on a newly defined undrilled prospect in the block; and
- a description of the plan to appraise and/or develop of any pre-existing discovery (ies) in the block if any and if relevant.

Flexibility is provided to Bidders interested in either Bakassi, Ndian River, Bomono or Kombe-Nsepe Blocks, for an option to replace the "*drilling of one (1) exploration well*" in the Minimum Work Programme of the first Period of the Exploration Phase, with an additional seismic commitment of "*2D or 3D seismic acquisition and processing*", if the duration of the first period is 03 years.

**Signature bonus:** No payment required

**Production bonus (fixed):**

Production bonuses shall be paid to the State according to the following cumulative production threshold values below:

Type of production	Cumulative production threshold	Production bonus (Million US dollars)
Oil/ Condensates	25 Million Barrels	3.0
	50 Million Barrels	5.0
	100 Million Barrels	10.0
Natural gas	200 BCF	3.0
	500 BCF	5.0
	1000 BCF	10.0

**Company Tax :** 35 % (fixed)

**State Participation :** up to 25 % (Biddable)

**Minimum Training Budget amounts (fixed) ;**

- USD 50 000 per year during the Exploration Phase ; and
- USD 100 000 per year during the Development/Exploitation Phase (both budgets are funded by the bidding company(ies) alone)

**Cost stop for gas:** 85% (fixed)

**Cost stop for oil :** 70% (fixed)

**Profit Oil/Profit Gas splits,** are biddable for both liquids and gas, as provided in the table below:

*Table applicable for the sharing of Profit Oil:*

Values of "R" Factor	Contractor's share	State's share
$R \leq 1.00$	85%	15%
$1.00 < R \leq 1.50$	Biddable and Negotiable	
$1.50 < R \leq 2.00$	Biddable and Negotiable	
$2.00 < R \leq 2.50$	Biddable and Negotiable	
$R > 2.50$	Biddable and Negotiable	

*Table applicable for the sharing of Profit Gas:*

Values of "R" Factor	Contractor's share	State's share
$R \leq 1.00$	90%	10%
$1.00 < R \leq 1.50$	Biddable and Negotiable	
$1.50 < R \leq 2.00$	Biddable and Negotiable	
$2.00 < R \leq 2.50$	Biddable and Negotiable	
$R > 2.50$	Biddable and Negotiable	

For a given calendar year, “**R**” factor refers to the ratio of “**Net Cumulative Revenue**” over “**Cumulative Investments**”, calculated at the close of the preceding year.

*“**Net Cumulative Revenue**” means the sum, from the Effective Date up until the end of the preceding Calendar Year, of the Contractor’s gross revenues, less the sum of the Exploitation Costs and the amount of the company tax pertaining to Petroleum Operations paid to the State by the entities comprising the Contractor (excluding the State) in the Republic of Cameroon for all fiscal years prior to the current Fiscal Year.*

*“**Cumulative Investments**” means the sum, from the Effective Date up until the end of the preceding Calendar Year, of the total Exploration and Development Costs. Neither the recovery nor the amortization of such Costs shall be taken into consideration for the calculation of the costs referred to in this definition.*

#### **Local Content (biddable):**

Proposals should be submitted pursuant to Sections 88 and 89 of the Law n°2019/008 of 25 April 2019 instituting the Petroleum Code.

#### **VI. Acceptance of proposal(s)**

The conditions for the acceptance of proposals are set in accordance with Sections 2 and 8 of the Law n°2019/008 of April 25<sup>th</sup>, 2019 instituting the Petroleum Code, and are as follows:

- The proposal should be submitted by a Petroleum Company, or by a group of Commercial Companies among which, at least one is a Petroleum Company with relevant financial and technical capabilities demonstrated by the documentation required under Section IV a) above;
- In case the bid is submitted by a Consortium of companies with only one of them being a Petroleum Company, the said Petroleum Company should own the majority of the interest shares in the Consortium, and act as Operator. Otherwise, the Petroleum Companies in the Consortium shall determine which amongst them shall act as Operator;
- Full compliance with the Terms outlined in Section V of the present Terms of Reference.

**Fulfilment of the conditions on the technical and financial capabilities of the Bidder, is a prerequisite for consideration by SNH of the applications received.**

#### **VII. Submission of proposals - Contacts**

The proposals should be submitted in hard and digital copies addressed to the SNH Headquarters in Yaoundé, at the following address:

**National Hydrocarbons Corporation (SNH)**  
**P.O. Box: 955 Yaoundé - Cameroon**  
**Tel : (+237) 222 20 19 10 / 222 20 98 64**  
**Fax: (+237) 222 20 98 69 / 222 20 46 51**  
**ATTN.: Mr. Adolphe MOUDI, Executive General Manager**

The sealed packages shall be clearly labelled as: “**PROPOSAL FOR.....(block name)....BLOCK IN CAMEROON : TO BE OPENED ONLY BY THE EVALUATION COMMITTEE**”.

Any enquiries or requests for clarifications on these Terms of Reference should be addressed in writing to SNH at the above address, or by contacting its Adviser N°2, **Mr. Jean-Jacques KOUM** (jean-jacques.koum@snh.cm) or its Exploration Manager, **Mr. Serge Edouard ANGOUA BIOUELE** (serge.angoua@snh.cm).

Any enquiries, requests for clarifications or comments on the enhanced exploration data packages should be addressed to CGG, c/o Robertson GeoSpec International Limited, Llandudno, North Wales, LL30 1SA, UK. Please contact via [geospec.sales@cgg.com](mailto:geospec.sales@cgg.com) (Attn: Mr. **Phil BAXTER**).

### **Supplemental information availability**

Visit our Website <http://www.snh.cm> for documents related to:

- The Cameroon Model Production Sharing Contract;
- Cameroon Petroleum Code and its enabling act;
- Cameroon Gas Code;
- Cameroon Law on the Development of Associated Gas.

***Done in Yaoundé, on September 25<sup>th</sup>, 2020***