



EGPC

**2021 BID ROUND
REQUEST FOR BIDS (RFB)
II-MAIN COMMERCIAL TERMS**

All bidding parties (“Bidder(s)”) must bid on those terms highlighted and listed below as subject to competitive bidding.

1. TYPE OF CONTRACT

The Production Sharing Agreement (PSA) model based on production rates will be applied. The relevant PSA is attached to this Request for Bid (RFB). The successful bidder will be referred to as the “Contractor” in the PSA and shall undertake all risks and financial obligations to explore and develop both crude oil and /or gas under this PSA.

2. PARTIES to the PSA

The parties to this PSA will be i) the Government of Arab Republic of Egypt (“A.R.E.”), ii) the Egyptian General Petroleum Corporation (EGPC) and iii) the Contractor.

3. ROYALTY & INCOME TAX

- a. EGPC shall bear and pay out of its share the royalty due the A.R.E. under the PSA on behalf of Contractor.
- b. EGPC shall assume, pay and discharge, in the name and on behalf of CONTRACTOR, CONTRACTOR's Egyptian income tax out of EGPC's share.
- c. In case Contractor elects to dispose all or part of its Gas production share and excess cost recovery share if any, by itself to local market, contractor shall notify EGPC of the Gas price, Quantities and Gas buyer. The effective law No. 196 of 2017 Regulating Gas Market Activities in A.R.E. shall be applied on Contractor.

4. CONTRACT PERIODS

a. Exploration Period:

Bidders must specify the duration of the Exploration Period in the offer (shorter exploration period is preferable) and subdivided into phases (With maximum total exploration duration of 7 years). The Contractor will have the option to relinquish at any phase provided that CONTRACTOR has fulfilled commitment of such phase. (**Subject to competitive bidding**)

b. Development Periods:

The duration of any Oil or Gas Development Lease shall be (20) years from the date such Development Lease is approved by the Minister of Petroleum and mineral resources.

A Development Lease may be extended up to two extensions (5 years each) upon Contractor's advance written request to EGPC for such extension. This request must include a complementary Development or Production Plan (as the operation may require) and an extension bonus. All requests for extensions are subject to prior approval by EGPC and the Minister of Petroleum and mineral resources.

5. MINIMUM WORK AND FINANCIAL OBLIGATION

- a. For each Exploration Phase, the Bidder shall bid its minimum technical exploration program in sufficient detail (including for instance, the number of wells, seismic, etc.) and its expected relevant minimum financial commitments. **(Subject to competitive bidding.)**
- b. Any exploration and financial obligation in excess of the minimum obligations during any phase shall be carried forward to the subsequent phase and offset against the minimum technical and financial commitment for such phase.
- c. A Letter of Guarantee for the minimum financial commitment of the initial Exploration Phase must be submitted to EGPC at least one day before final signature of the PSA. Where Contractor elects to enter a subsequent Exploration Phase similar Letters of Guarantee will be required. The Contractor has the right to submit a bank guarantee or a letter entitles EGPC to offset from the Contractor(s) dues an amount equal to the financial commitment of the current phase under the subject PSA concession agreement.

6. RELINQUISHMENT

- a. The Contractor shall relinquish a minimum of -----% (not less than 25%) of the original Exploration Area at the end of each Exploration Phase. Relinquishments may be as single discrete contiguous blocks or configured units as approved by EGPC. At the end of the final Exploration Phase, the Contractor shall relinquish all of the remaining Exploration Area that has not previously been converted to a Development Lease. **(Subject to competitive bidding.)**
- b. Subject to the approval of the Minister of Petroleum and mineral resources, Contractor may retain the area supposed to be relinquished per the terms of the PSA by submitting a written pre-notification request to EGPC at least six (6) months prior to the required relinquishment date. Such request by Contractor must include i) the additional technical activities that Contractor agrees to undertake, ii) a statement or breakdown of the costs and expenses for such additional activities, and iii) a Letter of Guarantee with a stated amount equal to the costs for such additional activities. The Contractor shall pay a non-recoverable bonus.
- c. At the time of relinquishment of all or any part of the Concession area, Contractor shall ensure that all environmental regulations set out in Article XVIII have been followed in accordance with sound and accepted petroleum industry practice, if so requested by EGPC.

7. COST RECOVERY

- a. Bidder to provide the percentage (---- %) of total production it will require for Cost Recovery up to but not to exceed 40%. **(Subject to competitive bidding)**.
- b. Bidder to provide amortization schedule for its exploration and development expenditures, but not less than 4 years. **(Subject to competitive bidding)**.
- c. EGPC’s PSA provides Cost Recovery for 100% of PSA operating expenses.
- d. Exploration and Development expenditures incurred and paid by Contractor during the last (-----) years of any Development Lease(s) shall be cost recovered over the remaining period of the Development Lease(s). **(Subject to competitive bidding)**
- e. In respect of any Excess Cost Recovery (“ECR”) Bidder to state the percentage each of Contractor and EGPC should be allocated, on the condition that EGPC shall not receive less than 85% of any ECR. **(Subject to competitive bidding)**

8. PRODUCTION SHARING (Subject to competitive bidding)

After deducting Cost Recovery (percentage), the remaining percentage of petroleum shall be shared between EGPC and Contractor based on Brent Price (on a quarterly average) and according to the production tranches shown in the following table.

The Bidder shall complete in its entirety the specified tranches in the table below and submit the completed table with its bid, provided, however, that EGPC’ share should not be less than (70 %) calculated at a Brent Price of less than or equal to 40 US\$/BBL for the first production tranche with EGPC’s share increasing for each tranche thereafter as the Brent price and production tranches increase (as provided).

(i) EGPC’ Share of Crude Oil and Condensate

Brent Price US\$/bbl.	Crude Oil produced and saved under this Agreement and not used in Petroleum operations, Barrel of Oil Per Day (BOPD) (quarterly average)				
	Less than or equal to 5000 BOPD	More than 5000 BOPD and less than or equal to 10000 BOPD	More than 10000 BOPD and less than or equal to 15000 BOPD	More than 15000 BOPD and less than or equal to 25000 BOPD	More than 25000 BOPD
Less than or equal to 40 US\$					
More than 40 US\$ and less than or equal to 60 US\$					
More than 60 US\$ and less than or equal to 80 US\$					
More than 80 US\$ and less than or equal to 100 US\$					
More than 100 US\$					

(ii) Gas & LPG (Quarterly Average):

		EGPC SHARE %	CONTRACTOR SHARE %
Less than 25	MMSCF/Day	--	--
25 - < 50	MMSCF/Day	--	--
50 - < 100	MMSCF/Day	--	--
100 - < 125	MMSCF/Day	--	--
125 and above	MMSCF/Day	--	--

The Bidder shall propose and complete the above tranches with its proposed breakdown for EGPC’s and Contractor’s share for each of the above-described Oil, Gas and LPG tranches.

9. BONUSES

- a. **Signature Bonus:** The Bidder shall propose in its bid the amount it is prepared to pay as a Signature Bonus. The Signature Bonus is due before signing the PSA. **(Subject to competitive bidding)**
- b. **Development Lease Bonus:** The Bidder shall propose in its bid an amount for being granted a Development Lease. The amount proposed shall not be less than US\$ 100,000 for each Development Block (1'x1') or part of a block and due and payable on the date each Development Lease is approved. **(Subject to competitive bidding)**
- c. **Production Bonus:** The Bidder shall propose in its bid an amount as a Production Bonus when cumulative production from the area reaches: **(Subject to competitive bidding)**

		MMUS\$
1,000,000	BO or its equivalent	-----
2,000,000	BO or its equivalent	-----
4,000,000	BO or its equivalent	-----
6,000,000	BO or its equivalent	-----
8,000,000	BO or its equivalent	-----
10,000,000	BO or its equivalent	-----

- d. **Development Lease Extension Bonus:** The Bidder shall propose the amount of the Extension Bonus of each of the two five-year extensions in its bid. Such proposal shall be not less than US\$ 1 MM (for each five-year extension) and shall be due upon the date Contractor’s request for each Five-Year Extension is approved by EGPC and the Minister of Petroleum and mineral resources . **(Subject to competitive bidding)**

- e. **Bonus for retaining a relinquished area:** Due upon approval date. **(Subject to Competitive bidding)**
- f. **Training Bonus:** Training budget shall be: US\$ 50,000 for EGPC Agreements, Exploration, Production and Financial Control foreign & joint venture companies departments plus US\$ 50,000 for other EGPC staff training in every financial year during any of the exploration periods and/or any of the development periods.
- g. **Assignment Bonus:** Under the PSA the Contractor is obligated to pay to EGPC an Assignment Bonus equal to 10 % of the transaction value of each and any deal or assignment (i.e., sale, transfer, exchange, etc.) made by Contractor or Contractor Member with any third-party, excepting, however, an assignment to an affiliated company of the same Contractor or Contractor Member. Such Assignment Bonus shall be due and payable on the date the MOP approves the assignment to a third party. In case of an assignment to an affiliated company of the Contractor or Contractor Member Contractor shall pay to EGPC the sum of US\$ 200,000 on the date each assignment deal is approved by the MOP.
- h. All Bonuses amounts must be stated in USD and are not cost recoverable.

10. CUSTOMS EXEMPTIONS

All imported machinery and equipment required for PSA operations shall be exempt from Egyptian customs duties.

11. ASSIGNMENTS

Neither EGPC nor Contractor may assign to a person, firm or corporation, in whole or in part, any of its rights, privileges, duties or obligations under this Agreement either directly or indirectly "indirect assignment shall mean, for example but not limited to, any sale, purchase, transfer of stocks, capital or assets or any other action that would change the control of the Contractor/ Contractor Member on its share in the company's capital " without the written consent of the Government, and in all cases priority shall be given to EGPC, if it so desire, to obtain such interest intended to be assigned (except assignment to an Affiliated Company of the same Contractor Member)

12. VALUATION OF GAS

The Cost Recovery, Production Sharing and Excess Cost Recovery, if any, Gas Price for local market will be agreed upon between CONTRACTOR and EGPC or EGAS after the Commercial Discovery and before converting an area to a Development Lease(s). Production Sharing Gas Price for export will be valued at Netback Price.

13. MANAGEMENT OF OPERATIONS

- a. During the Exploration Period, an Exploration Advisory Committee consisting of an equal number of representatives from Contractor and EGPC shall be formed to discuss and recommend annual work programs and budgets to EGPC for approval.
- b. Upon the agreement that a commercial discovery has been made, EGPC and Contractor shall meet and agree on the organization of an entity (i.e., operating

company) that will be formed by both parties to conduct development and production operations taking into consideration the economics of the discovery. The organization of such entity must be approved by the Minister of Petroleum and mineral resources.

14. EMPLOYMENT & TRAINING

Contractor shall give preference to the employment of qualified Egyptian Nationals and shall undertake appropriate training programs. Minimum training budget shall be the sum of US\$ 100,000 in every financial year during exploration and development period

15. APPLICABLE LAW AND ARBITRATION

- a. The subject PSA shall be governed by the laws and regulations of the A.R.E., including, without limitation, the enforcement thereof.
- b. Disputes between EGPC and Contractor or Contractor Member that are not settled amicably shall be submitted to and settled through arbitration under the Arbitration Rules of the Cairo Regional Center for International Commercial Arbitration.
- c. Disputes, claims and controversies between or among EGPC, Contractor, or Contractor Member (individually or collectively) and the A.R.E. shall be submitted to the jurisdiction of the appropriate courts of A.R.E. to settle any dispute arising on the interpretation or the execution of any term of this Agreement..

16. GENERAL PROVISIONS AND PROCEDURES:

- a. Bidders, whether an individual petroleum exploration company or group of companies, are free to submit their offers for each block or part of a block (i.e., to submit separate bids for each block).
- b. Bid(s) of any party or consortium will not be considered and will be disregarded if :
 - i. Conditioned or connected to any other concession agreement in Egypt that the Bidder(s) may have an interest in or operate.
 - ii. Includes any area(s) out of 2021 Bid Round blocks.
 - iii. Includes more than one offered block in a single offer.
 - iv. Is missing any documents mentioned in the Procedures.
- c. EGPC shall liquidate without any legal procedure the US\$ 100,000 letter of guarantee or cheque for the successful bidders, in case the successful bidder withdrew after the announcement of the bid results, or failed to increase it up to the amount of US\$ 2 MM, and shall liquidate the US\$ 2 MM letter of guarantee in case the company withdrew or failed to deliver EGPC the necessary documents required before the final signature as determined by EGPC. All Bidders shall indicate in their respective bids their acceptance of the EGPC Model PSA
- d. The draft of the PSA that is ultimately agreed by the parties will be reviewed by the Egyptian State Council and any comments raised by the State Council must be considered and may be required to apply.
- e. All Bidders submitting bids for any block(s) will be required to purchase the data package(s) for such block(s) from Egypt Upstream Gateway “EUG”
- f. In case of successful bidder, CONTRACTOR shall submit EUG membership documents

before the signature of the Minister of Petroleum and mineral resources on the Agreement.

- g. Technical, financial competence and global ranking of the company in the field of exploration, development and production Etc. will be considered in the evaluation of bids
17. All bids must be unconditional
 18. Upon execution of the PSA by EGPC and the Contractor (i.e., the successful Bidder) the PSA will be issued as a law which authorizes the Minister of Petroleum and mineral resources to execute the PSA. The effective date of the PSA will be the date the Minister of Petroleum and mineral resources executes the PSA.
 19. Expenditures that are incurred or made by the Bidder in respect of the entirety of the bidding process prior to the effective date of the PSA are not subject to any form of cost recovery or reimbursement.
 20. The decision to accept the bid of any particular Bidder shall be within the sole discretion and right of EGPC (and any other applicable Egyptian competent authority) and neither EGPC nor any other Egyptian competent authority shall be under any obligation to provide any reasons for its decision (whether to accept or reject any bid) to any party and no Bidder shall have any recourse against EGPC (or any Egyptian competent authority) for such decision.
 21. **RECAP OF REQUIRED COMPETITIVE BID ELEMENTS FOR THIS RFB**
Sections: **4a, 5a, 5b, 6a, 7a, 7b, 7d, 7e, 8, 9a, 9b, 9c, 9d, 9e**
 22. **FOR FURTHER INFORMATION**
Geologist / Deputy Chief Executive Officer for Exploration and Agreements:
 - * Tel.: (202) 27065227 (202) 27065358
 - * Fax: (202) 27065207 (202) 27065887
 - * E-mail : bidround@eug.petroleum.gov.eg.
