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A Bill for an Act

ENTITLED

**THE PETROLEUM (EXPLORATION, DEVELOPMENT AND
PRODUCTION) ACT, 2012.**

An Act to give effect to article 244 of the Constitution; to regulate petroleum exploration, development and production; to establish the Petroleum Authority of Uganda; to provide for the establishment of the National Oil Company; to regulate the licensing and participation of commercial entities in petroleum activities; to provide for an open, transparent and competitive process of licensing; to create a conducive environment for the promotion of exploration, development and production of Uganda's petroleum potential; to provide for efficient and safe petroleum activities; to provide for the cessation of petroleum activities and decommissioning of infrastructure; to provide for the payment arising from petroleum activities; to provide for the conditions for the restoration of derelict lands; to repeal the Petroleum (Exploration and Production) Act, Cap 150; and for related matters.

BE IT ENACTED by Parliament as follows:

PART I—PRELIMINARY

1. Commencement

This Act shall come into force on a date appointed by the Minister by statutory instrument; and different days may be appointed for the commencement of different provisions.

2. Purpose of this Act

The purpose of this Act is to operationalise the National Oil and Gas Policy of Uganda by—

- (a) creating a conducive environment for the efficient management of petroleum resources of Uganda including—
 - (i) promotion of exploration for petroleum in Uganda;
 - (ii) evaluation and development of discoveries; and
 - (iii) production of petroleum resources;
- (b) establishing institutions to manage the petroleum resources and regulate the petroleum activities;
- (c) regulating petroleum activities, including licensing, exploration, development, production and cessation of petroleum activities or decommissioning;
- (d) providing for the optimal social and economic benefits of petroleum resources with a long term perspective for Ugandan society as a whole;
- (e) ensuring public safety and protection of public health and the environment in petroleum activities; and
- (f) supporting the development of state participation and national content in the petroleum industry in Uganda.

3. Interpretation

(1) In this Act, unless the context otherwise requires—

“Act” means the Petroleum (Exploration, Development and Production) Act;

“Authority” means the Petroleum Authority of Uganda established by section 10;

- “authorised officer”, means an officer or other person acting under the authority of the Minister or the Authority under this Act;
- “best petroleum industry practices” means the best available practices that are generally accepted as good, safe and efficient in carrying out petroleum activities and that can be applied globally under similar circumstances;
- “block” means a block constituted as provided in the Schedule 3 to this Act and includes part of a block as so constituted;
- “code of practice” means a code of practice issued by the Minister under section 181;
- “crude oil” means a naturally occurring liquid consisting of a mixture of hydrocarbons and other organic compounds found beneath the earth’s surface;
- “currency point” has the value assigned to it in Schedule 1;
- “development” means the planning, placement, construction and installation of facilities needed for production of petroleum;
- “development area” means an area constituted by a block or blocks which, following a commercial discovery of petroleum, has been delineated for production according to the terms of the petroleum agreement;
- “discovery” means to establish through drilling of a well the presence of petroleum not previously known to have existed, and which is recoverable at the surface in a flow which can be measured by petroleum industry methods;
- “drilling” means the perforation of the earth’s surface for purposes of making a discovery, establishing the extent of a discovery, or production of the discovered petroleum;

“Executive Director” means the Executive Director appointed under section 28;

“exploration” means the undertaking of activities, whether on land or water, for the purpose of discovering petroleum and includes geological, geophysical and geochemical surveys, and drilling of wells for the purpose of making a discovery and its appraisal;

“exploration area” means an area constituted by a block or blocks that are, or can be, subject to a petroleum exploration licence;

“facility” means—

- (a) any structure, device or other associated installations or infrastructure including pipelines, valve stations, pump stations, compressor stations and equipment constructed, placed or used in order to carry out petroleum activities;
- (b) vessel, vehicle or craft when stationary and used for drilling or support of ongoing petroleum activities; and
- (c) vessel, vehicle or craft for transportation of petroleum in bulk when connected to a facility for loading of petroleum;

“field” means a geological structure or feature which hosts one or more reservoirs from which petroleum production may be commercially undertaken through a defined set of facilities;

“field development plan” means the field development plan referred to in section 71;

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“flaring” means the combustion of hydrocarbons without the application of the resulting heat or gases for any useful purpose;

“gas venting” means the release of gas to the atmosphere;

“graticulation” means the division of the earth’s surface into blocks for petroleum activities;

“land owner” means a person who holds land in accordance with the Land Act;

“licence” means a licence issued under this Act;

“licensee” means a person to whom a licence is granted under this Act;

“mineral” has the meaning assigned to it under the Mining Act, 2003;

“Minister” means the Minister responsible for petroleum activities;

“natural gas” means all petroleum which is in a gaseous state at 15° c at atmospheric pressure, including wet gas, dry gas and residue gas remaining after the recovery of liquid hydrocarbons;

“NEMA” means the National Environment Management Authority;

“operator” means any entity executing on behalf of a licensee, the day to day management of petroleum activities;

“petroleum” means any naturally occurring hydrocarbons including mineral oil or natural oil and gas, or other hydrocarbons produced or capable of being produced from reservoirs;

“petroleum activity” means all or any of the operations, including planning and preparations related to exploration, development or production;

“petroleum agreement” means an agreement for the purpose of petroleum activities entered into by Government and another person in accordance with this Act;

“production” means all activities relating to recovering oil and gas from a reservoir and preparing it for evacuation from the field area;

“reconnaissance” means the undertaking of preliminary petroleum activities for the purpose of acquiring geoscientific data and includes geological, geophysical and geochemical surveys;

“regulations” means regulations made under section 180;

“reservoir” means a naturally occurring accumulation of petroleum in a geological unit limited by rock characteristics, structural or stratigraphic boundaries, contact surface between petroleum and water in the formation, or a combination of these, so that all the petroleum comprised in the geological unit is in pressure communication through liquid or gas;

“well” means a borehole obtained by the perforation of the earth’s surface using conventional drilling either in a vertical, inclined or horizontal configuration, and drilled with the aim of making a discovery, an appraisal or production of petroleum.

(2) In this Act, a reference to a year of the term of a licence is a reference to a period of one year commencing on the date from and including the date on which the licence has effect and on any anniversary of that date.

4. Compliance with environmental principles

(1) A licensee and also a person who exercises or performs functions, duties or powers under this Act in relation to petroleum activities shall take into account, and give effect to the environmental principles prescribed by the National Environment Act and other applicable laws.

(2) The management of the production, transportation, storage and treatment of waste arising out of petroleum activities shall be carried out by different entities and in any case, different from those described in subsection (1).

(3) The National Environment Management Authority (NEMA) may, in consultation with the Authority grant a licence for the management, production, transportation, storage or treatment of waste arising out of petroleum activities to different entities in subsection (2), on terms and conditions prescribed in the licence.

(4) A person shall not carry on any of the activities referred to in subsection (2) without a licence granted by NEMA.

(5) A person who carries on the management of the production, transportation, storage or treatment of waste arising out of petroleum activities without a licence commits an offence and on conviction is liable to a fine not exceeding five thousand currency points or imprisonment not exceeding ten years or both.

(6) NEMA shall make regulations concerning the management of the production, transportation, storage and treatment of waste arising out of petroleum activities.

(7) Without prejudice to the general effect of subsection (5), regulations made under this section shall prescribe, in respect of the contravention of the regulations, penalties not exceeding a fine of five thousand currency points or imprisonment not exceeding ten years or both; and may prescribe that the court that convicts the person shall order the forfeiture of anything used in the commission of the offence.

(8) The licensee for the relevant petroleum activity shall be responsible for the payment of costs to the entities referred to in subsection (3), for the management of the production, transportation, storage and treatment of waste arising out of petroleum activities.

PART II—PETROLEUM RIGHTS

5. Vesting of petroleum rights

In accordance with article 244 of the Constitution, the entire property in, and the control of, petroleum in its natural condition in, on or under any land or waters in Uganda is vested in the Government on behalf of the Republic of Uganda.

6. Prohibition of petroleum activities without authorisation

(1) Petroleum activities in, on or under any land or waters in Uganda or subject to Ugandan jurisdiction, shall not be conducted without an authorisation, licence, permit or approval issued in accordance with this Act.

(2) A person who contravenes subsection (1) commits an offence and is liable on conviction—

- (a) if an individual, to a fine not exceeding ten thousand currency points or imprisonment not exceeding ten years or both; and
- (b) if a body corporate, to a fine not exceeding one hundred thousand currency points.

7. Agreements with Government

The Government may enter into an agreement relating to petroleum activities and consistent with this Act, with any person with respect to the following matters—

- (a) the grant of a licence;

- (b) the conditions for granting or renewing a licence;
- (c) the conduct by a person, of petroleum activities on behalf of any person to whom a licence is granted; and
- (d) any other matter incidental or connected to the matters in paragraphs (a), (b) and (c).

8. Graticulation of the earth's surface

For the purposes of this Act, the surface of the earth shall be deemed to be divided into graticular sections or blocks in the manner set out in Schedule 3.

PART III—INSTITUTIONAL ARRANGEMENTS

The Minister

9. Functions of the Minister

The Minister shall be responsible for—

- (a) granting and revoking licences;
- (b) initiating, developing and implementing oil and gas policy;
- (c) submitting draft legislation to Parliament;
- (d) issuing petroleum Regulations;
- (e) negotiating and endorsing petroleum agreements;
- (f) approving field development plans;
- (g) promoting and sustaining transparency in the petroleum sector;
- (h) approving data management systems; and
- (i) any other function incidental or consequential to his or her functions.

The Petroleum Authority of Uganda

10. Establishment of the Authority

(1) There is established the Petroleum Authority of Uganda.

(2) The Authority shall be a body corporate with perpetual succession and an official seal and may, for the discharge of its functions under this Act—

- (a) acquire, hold and dispose of moveable and immovable property;
- (b) sue and be sued in its corporate name; and
- (c) do all acts and things as a body corporate may lawfully do.

11. Functions of the Authority

(1) The function of the Authority is to monitor and regulate exploration, development and production of petroleum in Uganda.

(2) Without limiting the generality of subsection (1), the Authority shall—

- (a) monitor and regulate petroleum activities including reserve estimation and measurement of the produced oil and gas;
- (b) review and approve any proposed exploration operations contained in the annual work programme, appraisal programme and production forecasts submitted by a licensee;
- (c) review and approve budgets submitted by a licensee;
- (d) assess field development plans and make recommendations to the Minister for approval, amendment or rejection of the plans;
- (e) advise the Minister in the negotiation of petroleum agreements and in the granting and revocation of licences;

- (f) assess tail-end production and cessation of petroleum activities and decommissioning;
- (g) participate in the measurement of petroleum to allow for estimation and assessment of royalty and profit oil or gas due to the State and be responsible for the approval of the exercise;
- (h) ascertain the cost oil or gas due to licensees;
- (i) ensure that licensees uphold laws, regulations, rules and contract terms;
- (j) administer petroleum agreements;
- (k) ensure optimal levels of recovery of petroleum resources;
- (l) promote well planned, executed and cost-efficient operations;
- (m) ensure optimal utilisation of existing and planned facilities;
- (n) ensure the establishment of a central database of persons involved in petroleum activities, manage petroleum data and provide periodic updates and publication of the status of petroleum activities;
- (o) take such action as is necessary to enforce the requirements in a licence or any regulations and to protect the health and safety of workers and the public;
- (p) ensure and facilitate competition, access and utilisation of facilities by third parties;
- (q) monitor conditions of operators and their trade practices to ensure that competition and fair practice is maintained;

- (r) provide information to the relevant authority for the collection of taxes and fees from petroleum activities;
- (s) ensure compliance by the licensees with the Act and regulations made under the Act; and
- (t) perform any other function incidental or consequential to its functions under this Act.

(3) The Authority shall, to the greatest extent possible and consistent with this Act, consult and co-operate with ministries, departments and agencies of Government having duties, aims or functions related to those of the Authority.

12. Conduct of functions of the Authority.

(1) The Authority shall perform its functions and exercise its powers in a manner that—

- (a) is open and objective;
- (b) is fair and reasonable;
- (c) is non- discriminatory; and
- (d) promotes fair competition.

(2) Notwithstanding the general effect of subsection (1), the Authority shall, in the performance of its functions—

- (a) promote efficiency, economy and safety on the part of licensees and the efficient and safe conduct of petroleum activities;
- (b) ensure that licensees carry out the activities which they are licensed to perform;
- (c) promote competition in petroleum activities;

- (d) ensure transparency in relation to the activities of the petroleum sector and the Authority; and
- (e) ensure a fair balance of the interests of the Government and other participants in the petroleum sector.

13. Seal of the Authority

(1) The official seal of the Authority shall be in a form determined by the Board. `

(2) The official seal shall, when affixed to any document, be authenticated by the signatures of the Chairperson and the Secretary of the Board.

(3) In the absence of the Chairperson, the person performing the functions of the Chairperson shall sign.

(4) An instrument or contract which if executed or entered into by a person other than a body corporate would not require to be under seal may be executed or entered into on behalf of the Board by the Chairperson, or by any member of the Board or any other person if that member or other person has been duly authorised by resolution of the Board to execute or enter into the instrument or contract as the case may be.

(5) Every document purporting to be an instrument or contract executed or issued by or on behalf of the Board in accordance with this section shall be deemed to be so executed or issued until the contrary is proved.

14. Directions by the Minister

(1) The Minister may give directions in writing to the Authority with respect to the policy to be observed and implemented by the Authority, and the Authority shall comply with those directions.

(2) The Minister shall cause a copy of any directions given to the Authority under subsection (1) to be published in the *Gazette*.

15. Independence of the Authority

The Authority shall, subject to section 14(1), be independent in the performance of its functions, duties and the exercise of its powers.

16. Directions by the Authority

The Authority shall, by notice in writing served on a licensee, give to the licensee directions consistent with applicable law and best petroleum industry practices to ensure proper and optimal production of petroleum and to encourage best conservation practices in licensed areas.

17. Compliance with directions

(1) Where a licensee fails or neglects to comply with directions within the time stipulated in a notice issued under section 16, the Authority may cause to be done all or any of the things required by the direction to be done.

(2) The costs and expenses incurred under subsection (1) are a debt due to the Government and may be recovered in a court of competent jurisdiction, notwithstanding that the licensee may have been convicted of an offence under this Act.

Board of Directors of the Authority

18. Board of Directors

(1) The Authority shall have a Board of Directors, which shall be the governing body of the Authority.

(2) The Board of Directors shall consist of seven members of high moral character and proven integrity and competence appointed by the Minister with the approval of the Cabinet.

(3) At least two members of the Board shall be women.

(4) The Minister shall designate as chairperson of the Board, one of the members who is qualified and experienced in the petroleum industry disciplines of geosciences, engineering, economics, finance or law.

(5) The other members of the Board shall have proven experience in any of the following—

- (a) petroleum geosciences or engineering;
- (b) health, safety and environment matters;
- (c) law;
- (d) business administration or management;
- (e) finance or economics; or
- (f) chemical and process or refinery engineering.

(6) The Executive Director shall be the Secretary to the Board.

19. Disqualification for appointment to the Board

A person shall not be appointed to the Board who—

- (a) is a shareholder of any entity operating in or providing services to the petroleum sector, a member of the board or an employee of a licensee;
- (b) has been convicted of an offence under this Act or of an offence involving dishonesty or fraud by a competent court in Uganda or outside Uganda;
- (c) has been convicted of an offence and sentenced to a term of imprisonment for six months or more by a competent court in Uganda or outside Uganda without the option of a fine; or

- (d) is an undischarged bankrupt, or has made any assignment or arrangement with his or her creditors.

20. Tenure of office of Board members

(1) A member of the Board shall hold office for five years and is eligible for reappointment for one more term.

(2) Upon re-appointment, two of the members of the Board shall be appointed to hold office for three years while three members shall hold office for five years.

21. Termination of appointment

(1) A member of the Board may, at any time, resign his or her office by thirty days notice in writing delivered to the Minister.

(2) The Minister may remove a member of the Board—

- (a) if information relating to the conduct of a member, which could have precluded his or her appointment if it had been made available to the Minister, is brought to the attention of the Minister;
- (b) for incompetence;
- (c) for misbehaviour or misconduct;
- (d) for failure to disclose, at a Board meeting, a matter in which he or she has an interest;
- (e) for inability to perform the functions of his or her office arising from infirmity of body or mind;
- (f) who has been convicted of an offence and sentenced to imprisonment for six months or more by a competent court in Uganda or outside Uganda;

- (g) for bankruptcy or insolvency; or
- (h) for absence, without prior permission of the Chairperson, or without reasonable cause to the satisfaction of the Minister, for more than four consecutive meetings of the Board, or absence from Uganda for more than twelve months.

(3) Where it appears to the Minister that there is cause to remove a member under subsection (2), the Minister shall notify the member concerned in writing and shall give the member an opportunity to submit his or her explanation to the Minister.

(4) A person removed under this section is not entitled to any benefits that may be payable to him or her under section 22.

22. Remuneration of Board members

The Chairperson and members of the Board shall be paid such remuneration as the Minister may, with the approval of Cabinet, specify in the instrument of appointment.

23. Filling of vacancies on the Board

(1) Where a member of the Board resigns, dies, is removed from office or is for any other reason unable to act as a member of the Board, the Chairperson shall notify the Minister of the vacancy within one month after the occurrence of the vacancy.

(2) The Minister shall, after being notified of the vacancy under subsection (1), in accordance with section 18, appoint another person to hold office for the remainder of the term of the previous member.

(3) Where the member of the Board referred to in subsection (1) is the Chairperson of the Board, the secretary to the Board shall notify the Minister of the vacancy and the Minister shall appoint one of the board members to hold the office of Chairperson for the unexpired portion of the Chairperson's term of office.

24. Meetings of the Board

Schedule 2 has effect in relation to meetings of the Board and other matters provided for in that Schedule.

25. Committees of the Board

(1) The Board may appoint committees of the Board—

- (a) to inquire into and advise the Board on any matter concerning the functions of the Board as it may refer to the committee; and
- (b) to exercise such powers or perform such functions of the Board as the Board may delegate or refer to the committee.

(2) A committee appointed under subsection (1) shall consist of a chairperson who shall be a member of the Board and other members of the Board as the Board may determine whether members of the Board or not.

(3) The Board shall, in writing, specify the terms and conditions of service of the members of a committee appointed under this section.

(4) Members of a committee appointed under this section shall be paid such allowances as the Board may determine.

(5) The Board may require a committee appointed under this section to act jointly or in co-operation with any other committee.

(6) Subject to any direction given by the Board, a committee appointed under this section may regulate its own procedure.

26. Functions of the Board

(1) The Board is responsible for the general direction and supervision of the Authority.

(2) Without prejudice to the generality of subsection (1), the Board shall—

- (a) oversee the operations of the Authority;
- (b) advise the Minister on petroleum related policy and strategic issues;
- (c) review and approve business and operating plans, budgets, reports and financial statements of the Authority;
- (d) establish and approve rules and procedures for appointment, promotion, termination, discipline, and terms and conditions of service of the staff of the Authority;
- (e) provide guidance to the Executive Director and staff of the Authority; and
- (f) perform any other function conferred by this Act or which may be necessary for the proper implementation of this Act.

27. Delegation of functions of Board

(1) The Board may, by instrument of delegation, delegate to the Chairperson, a member of the Board, an officer of the Authority or to a committee established under section 25, any of the powers, duties or functions of the Board under this Act.

(2) The terms and conditions regulating the exercise of the powers delegated under this section shall be contained in the instrument of delegation.

(3) A person aggrieved by the decision of a person to whom functions and powers have been delegated under this section may appeal to the Board.

(4) A person shall, in the exercise of a delegated power under this section, comply with any directions or guidelines as the Board may, from time to time, communicate in writing.

Staff of the Authority

28. Executive Director

(1) The Authority shall have an Executive Director who shall be appointed by the Minister on the recommendation of the Board, on terms and conditions specified in his or her instrument of appointment.

(2) The Executive Director shall be the accounting and chief executive officer of the Authority and a full time employee of the Authority.

(3) The Executive Director shall be a person of high moral character and proven integrity, and who has qualifications and experience in petroleum geosciences, petroleum engineering, petroleum management, petroleum law or petroleum taxation and finance.

(4) A person shall not be appointed Executive Director who—

- (a) is a shareholder of any entity operating in, or providing services to the petroleum sector, a member of the board or an employee of a licensee;
- (b) is an undercharged bankrupt;
- (c) has been convicted of an offence under this Act or an offence involving fraud or dishonesty by a competent court in Uganda or elsewhere;
- (d) has been convicted of an offence and sentenced to imprisonment of six months or more by a competent court in Uganda or elsewhere; or
- (e) is a public officer, a member of Parliament, a Minister or a member of a local government council.

(5) Where a person referred to in subsection (4)(e) is to be appointed the Executive Director, the person shall resign his or her office before assuming the office of the Executive Director.

29. Functions of Executive Director

(1) Subject to this Act and to the general supervision and control of the Board, the Executive Director shall—

- (a) initiate and implement the policies and programmes of the Authority and report on them to the Board and ensure that the agreed objectives, targets and service standards are met;
- (b) be responsible for the proper management of the property of the Authority;
- (c) manage the staff of the Authority;
- (d) develop and oversee an operating plan to guide the Authority in performing its functions;
- (e) co-operate with lead agencies and organisations in matters related to the petroleum sector;
- (f) develop an economic, efficient and cost effective internal management structure;
- (g) provide advice as required on all matters which fall within the area of the Authority's responsibility; and
- (h) perform any other duty necessary for the implementation of this Act as may be assigned to him or her by the Board.

(2) The Executive Director is, in the performance of his or her functions, answerable to the Board.

30. Tenure of office of Executive Director

(1) The Executive Director shall hold office for five years and is eligible for re-appointment for one more term.

(2) The Executive Director shall cease to hold office if—

- (a) he or she resigns;
- (b) he or she is declared or becomes bankrupt or insolvent or has made an arrangement with his or her creditors; or
- (c) he or she has been convicted of an offence and sentenced to a term of imprisonment for six months or more by a competent court in Uganda or outside Uganda without the option of a fine.

(3) The Executive Director may be removed from office for—

- (a) abuse of office;
- (b) inability to perform the functions of his or her office arising from infirmity of body or mind;
- (c) misbehaviour or misconduct; or
- (d) incompetence.

31. Other officers and staff of the Authority

(1) There shall be officers and staff of the Authority as may be necessary for the effective performance of the functions of the Authority.

(2) The officers and staff shall be appointed by the Board on the advice of the Executive Director.

(3) The officers and staff of the Authority appointed under this section shall hold office on such terms and conditions as the Board may determine and specify in their instruments of appointment.

32. Protection from liability of members of Board and officers of Authority

A member of the Board or an officer of the Authority or a person acting on the directions of the Board or of an officer of the Authority is not personally liable for any act or omission done or omitted to be done in good faith in the exercise of functions under this Act.

33. Duty not to disclose information

(1) A person who is a member of the Board or a member of staff of the Authority shall not disclose any information, which he or she may have obtained in the course of his or her employment.

(2) A person who ceases to be a member of the Board or a member of staff of the Authority shall not disclose any information, which he or she may have obtained in the course of his or her employment for a period of ten years.

(3) A person who contravenes subsection (1) or (2) commits an offence and is liable on conviction to a fine not exceeding one hundred currency points or imprisonment not exceeding four years or both.

Finances of the Authority

34. Funds of the Authority

The funds of the Authority shall consist of—

- (a) monies appropriated by Parliament for the purposes of the Authority;
- (b) grants or monies donated to the Authority with the approval of the Minister responsible for finance; and

- (c) any revenue derived from the sale of any property, movable or immovable, by or on behalf of the Authority.

35. Duty to operate on sound financial principles

The Board shall, in the performance of its functions under this Act, have due regard to sound financial principles.

36. Power to open and operate bank accounts

(1) The Authority shall, with the approval of the Board, open and maintain such bank accounts as are necessary for the performance of the functions of the Authority.

(2) The Executive Director shall ensure that all money received by or on behalf of the Authority is banked as soon as practicable after being received.

(3) The Executive Director shall ensure that no money is withdrawn from or paid out of any of the Authority's bank accounts without the authority of the Board.

37. Powers to borrow

The Authority may, with the approval of the Minister and the Minister responsible for finance, borrow money from any source as may be required for meeting its obligations or for the discharge of the functions of the Authority under this Act.

38. Estimates

(1) The Executive Director shall, within three months before the end of each financial year, cause to be prepared and submitted to the Board for its approval, estimates of the income and expenditure of the Authority.

(2) The Board shall, within two months after receipt of the estimates referred to in subsection (1), cause to be submitted to the Minister for his or her approval, the estimates of income and expenditure as approved by the Board.

39. Financial year of Authority

The financial year of the Authority shall be the same as the financial year of the Government.

40. Accounts

(1) The Executive Director shall cause to be kept, proper books of accounts and records of the transactions of the Authority in accordance with accepted accounting principles.

(2) Subject to any direction given by the Board, the Executive Director shall cause to be prepared an annual financial statement stating the basis of accounting and shall identify any significant departure from it and the reasons for the departure.

(3) The Statement of accounts shall include—

- (a) a balance sheet, an income and expenditure account and a source and application of Authority's statement; and
- (b) any other information in respect of the financial affairs of the Authority as the Auditor General or an auditor appointed by the Auditor General may, in writing, require.

41. Audit

(1) The Auditor General or an auditor appointed by the Auditor General shall, in each financial year, audit the accounts of the Authority in accordance with the National Audit Act.

(2) The Board shall ensure that three months after the end of each financial year, a statement of accounts is submitted to the Auditor General or to an auditor appointed by the Auditor General for auditing.

42. Annual report

(1) The Board shall submit to the Minister, as soon as practicable but not later than four months after the end of each financial year, a report detailing the activities and operations of the Authority during the year to which the report relates including audited accounts.

(2) The report referred to in subsection (1) shall contain—

- (a) the reserve estimates of Uganda;
- (b) the amount of petroleum produced and forecast; and
- (c) such other information as the Board may consider necessary.

(3) The Minister shall, within two months after the receipt of the annual report, submit the report to Parliament with any statement which he or she considers necessary.

National Oil Company

43. Establishment of the National Oil Company

(1) There shall be incorporated, under the Companies Act, a National Oil Company to manage Uganda's commercial aspects of petroleum activities and the participating interests of the State in the petroleum agreements.

(2) The National Oil Company shall be subject to and managed in accordance with the Companies Act and this Act.

(3) Where there is a conflict between this Act and the Companies Act, this Act shall prevail.

44. Functions of the National Oil Company

The functions of the National Oil Company are—

- (a) to handle the state's commercial interests in the petroleum sub-sector;
- (b) to manage state participation in petroleum activities;
- (c) to manage the marketing of the country's share of petroleum received in kind;
- (d) to manage the business aspects of state participation;

- (e) to develop in depth expertise in the oil and gas industry;
- (f) to optimise value to its shareholders;
- (g) to administer contracts of joint ventures;
- (h) to participate in meetings of licensees; and
- (i) to investigate and propose new upstream, midstream and downstream ventures initially locally but later internationally.

45. Duties of the Board of Directors of the National Oil Company

(1) The Board of Directors of the National Oil Company shall submit the following matters to the annual general meeting—

- (a) plans for the coming year, as well as outlook for the intermediate term and significant changes in any of these;
- (b) plans regarding projects of major significance to the State's participation in activities according to this Act;
- (c) main features of the budget for the coming year;
- (d) principles relating to engagement of managers;
- (e) annual report and annual accounts in respect of the participating interests of the State.

(2) The Board of Directors of the National Oil Company shall in addition submit to the annual general meeting of the company all matters that must be assumed to comprise principal or political aspects of significance or that may entail significant socio-economic or social effects.

(3) The Board of Directors shall inform the Minister of matters which are to be submitted to the annual general meeting.

46. Annual report and annual accounts of the National Oil Company

(1) The Board of Directors shall submit to the annual general meeting, audited accounts of revenues and expenditure in respect of the State's participating interests.

(2) The Board of Directors shall also submit to the annual general meeting an annual report containing an overview of the participating interests managed by the company, including a resource account.

47. Instructions to the National Oil Company

The Minister may issue instructions in respect of the National Oil Company's execution of its management task under this Act, including the stipulation of rules relating to the duty of secrecy of board members and employees.

PART IV—LICENSING

48. Opening up of new areas for petroleum activities

(1) The Minister shall open up areas for petroleum activities.

(2) The Minister shall, before opening up areas that have not been previously licensed with a view to allowing petroleum activities, ensure that an evaluation of preliminary geological, geophysical and geochemical data is conducted.

(3) In an evaluation under subsection (2), an assessment shall be made of the impact of the petroleum activities on trade, industry and the environment, and of possible risks of pollution, as well as the economic and social effects that may result from the petroleum activities.

(4) The Minister shall make a public announcement of areas to be opened up for petroleum activities and shall, in the announcement, make the impact assessments conducted under subsection (3) available to the public, affected local authorities, government agencies and associations or organisations which are likely to have a particular interest in the matter.

(5) Interested parties may, within a period of not more than ninety days after the public announcement made under subsection (4), present to the Minister, in writing, their views on the intended petroleum activities.

(6) The views and comments received under subsection (5) shall be taken into consideration before the Minister declares an area open for petroleum activities.

(7) Where the views and comments under subsection (5) are positive, the Minister may declare an area open for petroleum activities.

(8) Where the view and comments under subsection (5) are negative, the Minister may determine whether or not to declare an area open for petroleum activities.

(9) Where the period referred to in subsection (5) expires before the Minister receives any views or comments, the Minister may declare an area open for petroleum activities.

Reconnaissance Permits

49. Application for reconnaissance permit

(1) A person intending to carry out reconnaissance surveys shall apply to the Minister for a reconnaissance permit.

(2) An application for a reconnaissance permit shall be in the manner prescribed by regulations and shall be accompanied by the prescribed fee.

(3) A reconnaissance permit shall be for a geographically delineated area.

(4) Reconnaissance permits are non-exclusive and may be issued to different persons in respect of different reconnaissance activities in the same area or areas.

(5) A reconnaissance permit shall state—

- (a) the date of issue of the permit;
- (b) the area to which the permit relates;
- (c) the type of data for which the permit is issued;
- (d) the conditions on which the permit is issued; and
- (e) the duration of confidentiality of the data collected.

(6) It shall be a condition of every reconnaissance permit holder to give the Minister a copy of the data collected free of charge.

50. Grant of reconnaissance permit

The Minister may, on application duly made for a reconnaissance permit under section 49, issue the permit within ninety days after receipt of the application in such a manner and on such conditions as the Minister may determine.

51. Activities authorised by reconnaissance permit

(1) A reconnaissance permit may apply to a particular type of survey and may permit shallow drilling for data calibration purposes.

(2) Where reconnaissance permits are issued to two or more persons in the same area, the activities of one permit holder shall not be detrimental to the activities of another permit holder.

52. Duration of reconnaissance permit

Subject to this Act, a reconnaissance permit, unless otherwise determined by surrender or cancellation under sections 86 and 87, shall remain in force for eighteen months from the date of issue.

Petroleum Exploration Licence

53. Announcement of areas for petroleum exploration licensing

(1) The Minister shall with the approval of Cabinet announce areas open for bidding for a petroleum exploration licence under this Act.

(2) The announcement referred to in subsection (1) shall be published in the *Gazette* and in newspapers of national and international circulation and in other electronic and print media shall—

- (a) state the area open for petroleum exploration;
- (b) stipulate a period of not less than three months for making applications; and
- (c) contain such information as the Minister may consider necessary.

(3) The Minister may, in the announcement, stipulate, as a condition for granting a petroleum exploration licence, that the licensee shall enter into agreements with other licensees on terms specified by the Minister.

(4) The bidding process shall be carried out in a fair, open and competitive manner in accordance with procedures prescribed by regulations or by the Public Procurement and Disposal of Public Assets Act, 2003 and any other relevant laws in Uganda.

54. Direct applications

(1) Notwithstanding section 53, the Minister may, in exceptional circumstances, in consultation with the Authority, receive direct applications for an exploration licence.

(2) For the purposes of subsection (1), exceptional circumstances include—

- (a) where there are no applications received in response to the invitation for bids;
- (b) application in respect of areas that are adjacent to an existing licensed reservoir; and
- (c) promotion of national interest.

55. Publication of notice of applications

(1) The Minister shall, within fourteen days after receiving a direct application under section 54, cause a notice of the application to be published in the *Gazette* and in at least one national newspaper of wide circulation in Uganda.

(2) A notice published under subsection (1) shall—

- (a) indicate the receipt of the application for a petroleum exploration licence;
- (b) contain a description of the nature and location of the proposed undertaking;
- (c) inform members of the public that the application may, within the limits of commercial confidentiality, be inspected at the offices of the Minister;
- (d) invite directly affected parties and local authorities in areas affected by the project who object to the granting of the licence, whether on personal, environmental or other grounds, to lodge with the Minister an objection within a specified time, being not less than thirty days from the notice.

56. Objection to proposed petroleum exploration activity

(1) A party affected by a proposed exploration activity may lodge with the Minister an objection to the grant of a petroleum exploration licence, setting out the grounds of the objection.

(2) The Minister shall consider the objection raised under subsection (1) and make a decision within fourteen days.

(3) Where the Minister upholds the objection, the petroleum exploration licence shall not be granted.

(4) Where the Minister dismisses the objection, the Minister may grant the petroleum exploration licence.

(5) A person aggrieved by the decision of the Minister under subsection (2), may appeal against the decision to the High Court within thirty days.

57. Application for petroleum exploration licence

(1) A person intending to carry out petroleum exploration activities shall apply to the Minister for a petroleum exploration licence in response to announcement under section 53 or as a direct application under section 54.

(2) An application for a petroleum exploration licence shall be in writing and shall be accompanied by the prescribed fee.

(3) An application for a petroleum exploration licence shall—

(a) give in respect of the applicant or, if there is more than one applicant, of each applicant, making the application—

(i) in the case of an individual, his or her full name and nationality;

- (ii) in the case of a body corporate, its name and place of incorporation, the names and nationality of the directors or equivalent officers and, if the body corporate has share capital, the name of any person who is the beneficial owner of more than five percent of the issued share capital;
- (b) identify the block or blocks in respect of which it is made;
- (c) subject to subsection (4), be in respect of not more than ten blocks;
- (d) give or be accompanied by a statement giving particulars of work and the minimum expenditure proposed for the block or blocks over which the licence is sought;
- (e) give information on the financial status and the technical and industrial competence and experience of the applicant;
- (f) give or be accompanied by a statement giving particulars of the applicant's proposals with respect to the employment and training of citizens of Uganda, and may set out any other matter which the applicant wishes the Minister to consider.

(4) The Minister may consider an application in respect of more than ten blocks but not more than twenty blocks where the Minister is satisfied that special circumstances exist for doing so.

(5) Where an application relates to more than one block, the blocks identified in the application—

- (a) shall be so situated as to form a single area; and
- (b) shall be such that each block in the area has a side in common with at least one other block in the area.

(6) The Minister shall, within sixty days after receipt of an application for a petroleum exploration licence, confirm in writing to the applicant that the application is complete in all aspects.

(7) Where the application is incomplete, the Minister shall inform the applicant accordingly—

- (a) where there was a bidding round, the application will be rejected by the Minister; and
- (b) where there was no bidding, the applicant may re-submit the application.

(8) The Minister shall require an applicant—

- (a) to make arrangements as may be satisfactory to the Minister for the execution of a bond or other form of security for the performance and observance of the conditions to which the licence may be subject; and
- (b) to take the necessary insurance policies to protect against liabilities that may arise as a result of activities done under the petroleum exploration licence.

58. Duration for processing of application for petroleum exploration licence

The Minister shall in consultation with the Authority, process all applications for exploration licence expeditiously and in any case not later than one hundred and eighty days after receipt of the application.

59. Grant of petroleum exploration licence

(1) Subject to the provisions of this Act, the Minister may in consultation with the Authority and with the approval of Cabinet, on an application duly made, grant, on such conditions as he or she may determine, a petroleum exploration licence in respect of any block or blocks.

(2) A petroleum exploration licence shall not be granted in respect of a block which is, comprised in a licence already granted.

60. Contents of petroleum exploration licence

(1) A petroleum exploration licence shall state—

- (a) the date of grant of the licence;
- (b) the exploration area to which the licence relates; and
- (c) the conditions on which the licence is granted.

(2) There may be included in a petroleum exploration licence, a provision with respect to the exercise by the Government, or a person identified in the licence, of an option to acquire on stipulated terms, or on terms to be agreed, an interest in any venture for the production of petroleum which may be carried on in any block or blocks to which the licence relates.

61. Rights conferred by petroleum exploration licence.

A petroleum exploration licence, while it remains in force, shall confer on the licensee, subject to the provisions of this Act and to the conditions specified in the licence or to which the licence is otherwise subject, the exclusive right to explore for petroleum, and to carry on such operations and execute such works as may be necessary for that purpose, in the exploration area.

62. Duration of petroleum exploration licence

Subject to this Act, a petroleum exploration licence unless otherwise determined by surrender or cancellation under sections 86 and 87 shall remain in force—

- (a) for the period stipulated in the licence but not exceeding two years after the date of the grant of the licence;

- (b) for a period not exceeding two years where the licence is renewed under section 65 except that the licence shall not be renewed more than twice;
- (c) for any period to the term of the licence under section 186(3).

63. Application for renewal of petroleum exploration licence.

(1) The holder of a petroleum exploration licence may apply for renewal of the licence.

(2) An application for the renewal of a petroleum exploration licence shall be made not later than ninety days before the day on which the licence is due to expire; but the Minister may, where he or she deems fit, accept an application for the renewal of a petroleum exploration licence made later than ninety days before, but not in any case after, the date of expiry of the licence.

(3) An application for the renewal of a petroleum exploration licence shall be accompanied by—

- (a) particulars of the work carried out in and the amount expended in respect of the exploration area during the term of the licence up to and including a date that is not earlier than fourteen days prior to the date of the application, or where the application is for a second renewal of the licence, during the period of the first renewal of the licence up to and including a date that is not earlier than fourteen days prior to the date of the application;
- (b) the applicant's proposals for minimum work programmes and expenditure in respect of the licence area specified in the application and, in particular, details of the programme to be carried out in the first year of the renewal period being applied for; and

- (c) any other information that the applicant wants the Minister to consider.

64. Relinquishment of areas

(1) Subject to any modification contained in a petroleum agreement, the number of blocks in respect of which an application for renewal of a petroleum exploration licence may be made shall not exceed the number which is the sum of—

- (a) the number of blocks, if any, that at the date when the licence would expire if not renewed, constitute a discovery area; and
- (b) not more than one-half of the number of blocks in respect of which the licence was first granted or, as the case may be, last renewed.

(2) Subject to any modification contained in a petroleum agreement, the blocks specified in an application for the renewal of a petroleum exploration licence shall—

- (a) constitute not more than three discrete areas; and
- (b) be selected so that each block in each area has a border in common with at least one other block in that area.

(3) Nothing in this section shall be construed as requiring the relinquishment of any block in which a discovery area or any other part of the discovery area is located.

65. Renewal of petroleum exploration licence

(1) Subject to subsection (2), on application duly made for the renewal of a petroleum exploration licence, the Minister may, in consultation with the Authority grant a renewal of the licence.

(2) The Minister shall, in consultation with the Authority, not renew a petroleum exploration licence where the licensee has violated the provisions of this Act or a condition of the licence.

(3) The area in respect of which an application for renewal of a petroleum exploration licence may be made shall be one half of the number of blocks in respect of which the licence was first granted or, as the case may be, last renewed.

(4) The Minister shall not grant a renewal of a petroleum exploration licence if the licensee is in default unless the Minister considers that special circumstances exist which justify the granting of the renewal, notwithstanding the default.

(5) The Minister shall not refuse to grant a renewal of a petroleum exploration licence on the ground that the application for renewal does not meet the requirements of section 63(3) unless—

- (a) he or she has notified the licensee of his or her intention to do so, specifying the respects in which the application fails to meet those requirements; and
- (b) he or she has given the licensee an opportunity, within such reasonable time as the Minister may specify, to amend the application or to submit a fresh application.

(6) Nothing in this section shall be construed as requiring the relinquishment of any block in which a discovery area or any other part of the discovery area is located.

(7) Where a licensee has relinquished part of the licence area, the Minister shall, when renewing the licence, stipulate what part of the licence area the licence applies to.

66. Exploration for petroleum

A petroleum exploration licensee shall—

- (a) commit to a minimum work programme in both the primary exploration term and any subsequent extension;
- (b) explore the licensed area, using geological, geophysical and any other acceptable methods of exploration for the purpose of identifying prospects;
- (c) in accordance with the work programme, commence seismic surveying which shall continue until the licence area has been fully surveyed; and
- (d) drill exploration wells as the basis for the data acquired from the activities referred to in paragraphs (b) and (c).

67. Notification of discovery of petroleum.

(1) Where a discovery of petroleum is made by the licensee in an exploration area, the licensee shall—

- (a) immediately inform the Authority of the discovery;
- (b) within a period of thirty days after the date of the discovery, submit to the Authority particulars in writing of the discovery;
- (c) promptly run tests in respect of the discovery and undertake a technical evaluation of the discovery; and
- (d) submit the technical evaluation to the Authority as soon as it is complete.

(2) The licensee shall, within two years take all steps that are reasonable, in the circumstances relating to the discovery, draw up and carry out an appraisal programme for the purpose of delineating the reservoir to which that discovery relates in terms of thickness and lateral extent and estimating the quantity of recoverable petroleum in the reservoir.

(3) The Minister may extend the appraisal period referred to in sub-section (2) for a period not exceeding two years.

(4) The licensee shall submit the programme for the appraisal in subsection (2) to the Authority for approval.

(5) Notwithstanding subsection (2), the licensee shall not be under any obligation to appraise a discovery if, within thirty days from the date on which a technical evaluation of the test results has been submitted to the Authority, the licensee has, by notice in writing, informed the Minister that the discovery is of no commercial interest and no potential commercial interest.

(6) The Authority may require particulars where petroleum is discovered in an exploration area, from time to time, by notice in writing served on the licensee, direct the licensee to submit in writing, within the period specified in the notice—

- (a) the chemical composition and physical properties of the petroleum;
- (b) the stratigraphical position and depth of the discovery; and
- (c) any other matters relating to the discovery specified by the Authority in the notice.

68. Direction that discovery area ceases to be part of exploration area.

(1) Where, following the discovery of petroleum in a petroleum exploration area, the holder of the petroleum exploration licence—

- (a) has informed the Minister, by notice in writing, for the purpose of section 67(2), that the discovery is of no commercial interest and no potential commercial interest; or

- (b) does not within the period specified in section 67(2) apply, in respect of that discovery, for a petroleum production licence,

the Minister may, subject to any applicable terms and conditions set out in a petroleum agreement, by notice in writing to the licensee, direct that the discovery area in which that discovery is located shall cease to form part of the petroleum exploration area.

(2) A direction by the Minister under subsection (1) shall be given—

- (a) in the case referred to in subsection (1)(a), not later than six months after the date on which the licensee gives the notice in writing to the Minister;
- (b) in the case referred to in subsection (1) (b), not later than six months after the date on which the period referred to expires.

Petroleum Production Licence

69. Application for petroleum production licence

(1) The holder of a petroleum exploration licence who has made a discovery of petroleum in his or her exploration area shall have exclusive right to apply for the grant of a petroleum production licence over any block or blocks in that area which, following appraisal, have been shown to contain a petroleum reservoir or part of a petroleum reservoir.

(2) An application under subsection (1) shall be made within two years after the date on which the technical evaluation of the test results was submitted to the Minister or within such longer period as the Minister may allow or as may be stipulated in the petroleum agreement.

(3) Notwithstanding subsection (1), a person may apply for a production licence under this section in respect of an exploration area which he or she satisfies the Minister contains a petroleum reservoir or part of a petroleum reservoir notwithstanding that he or she does not hold a petroleum exploration licence in respect of the exploration area.

(4) An application under subsection (3) shall be made after the Minister has made an announcement in accordance with section 70.

(5) An application for a petroleum production licence shall be made to the Minister in the manner prescribed by regulations and shall be accompanied by the prescribed fee.

70. Announcement of areas for petroleum production licensing

(1) Where the holder of a petroleum exploration licence does not apply for a production licence under section 69(1), the Minister may announce that the areas are open for bidding for a petroleum production licence and the areas may be stratigraphically divided.

(2) The announcement referred to in subsection (1) shall be published in the *Gazette* and in newspapers of national and international circulation and in other electronic print media; and shall—

- (a) stipulate a period of not less than three months for making applications; and
- (b) contain such information as the Minister may consider necessary.

(3) The Minister may, in the announcement, stipulate, as a condition for granting a petroleum production licence, that the licensee shall enter into agreements with other licensees on terms specified under this Act or in the licence.

71. Report on reservoir and field development plan

(1) An application for the grant of a petroleum production licence under section 69(1) shall be accompanied by—

- (a) a report on the petroleum reservoir;
- (b) a field development plan;
- (c) any relevant information that the Minister may reasonably require, including information relating to alternative proposals for development and production not included in the development plan; and
- (d) any other information that the applicant may deem necessary.

(2) The report on the petroleum reservoir referred to in subsection (1) (a) shall contain particulars of—

- (a) the chemical composition, physical properties and quality of the petroleum;
- (b) the thickness and extent of the production strata;
- (c) the petrophysical properties of the petroleum reservoir formation;
- (d) the petroleum reservoir's productivity indices for the wells tested at various rates of flow;
- (e) the permeability and porosity of the petroleum reservoir formation;
- (f) an estimate of the production capacity of the petroleum reservoir;

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- (g) an evaluation of the petroleum reservoir and adjoining areas; and
- (h) any additional geological, geophysical and geochemical data and other relevant information relating to the petroleum reservoir.

(3) The field development plan referred to in subsection (1) (b) shall contain particulars of—

- (a) the applicant's proposals for the development and production of the reservoir, including the method for the disposal of associated gas;
- (b) the manner in which the development and production of the reservoir is to be financed;
- (c) the applicant's proposals relating to the spacing, drilling and completion of wells and , the facilities required for the production of petroleum including—
 - (i) the estimated number, size and production capacity of production platforms, if any;
 - (ii) the estimated number of production wells;
 - (iii) the particulars of production equipment and facilities;
 - (iv) the particulars of feasible alternatives for transportation of petroleum including pipelines;
 - (v) the particulars of onshore installations required, including the type and specifications or size of those installations; and

- (vi) the particulars of other technical equipment required for the operations;
- (d) the estimated production profiles for crude oil and natural gas from the petroleum reservoirs;
- (e) the cost estimates of capital and recurrent expenditures of the project;
- (f) the economic feasibility studies carried out by or for the licensee in respect of the discovery, taking into account—
 - (i) the location;
 - (ii) the water depth (where applicable);
 - (iii) the meteorological conditions;
 - (iv) the cost estimates of capital and recurrent expenditures of the feasibility study; and
 - (v) any other relevant data and evaluation of that data;
- (g) the safety measures to be adopted in the course of the development and production of petroleum, including measures to deal with emergencies;
- (h) the necessary measures to be taken for the protection of the environment;
- (i) the applicant's proposals for the employment and training of citizens of Uganda;
- (j) the applicant's proposals with respect to the procurement of goods and services from Uganda;
- (k) the estimate of the time required to complete each phase of the development plan; and
- (l) the effects on land use.

72. Duration for processing application or bids for petroleum production licence

The Minister shall process all applications or bids for a petroleum production licence expeditiously and in any case not later than one hundred and eighty days after the Minister receives the application.

73. Criteria for granting petroleum production licence

(1) A petroleum production licence applied for under section 69 (1) shall be granted on the basis of—

- (a) the technical competence and capacity, experience and financial strength of the applicant;
- (b) the applicant's demonstrated understanding of the petroleum reservoir of the field;
- (c) presentation of a detailed field development plan and petroleum reservoir report; and
- (d) other conditions as determined by the Minister.

(2) A petroleum production licence applied for under section 69 (3) shall be granted on the basis of—

- (a) the technical competence and capacity, experience and financial strength of the applicant;
- (b) a condition that the applicant will submit an acceptable field development plan and petroleum reservoir report to the Minister within a specified period after approval by the Authority; and
- (c) other conditions as determined by the Minister.

74. Restrictions on grant of petroleum production licence

(1) A petroleum production licence shall not be granted to an applicant unless—

- (a) the development plan of the applicant demonstrates that the applicant shall ensure the most efficient, beneficial and use of the petroleum resources concerned timely;
- (b) the development plan of the applicant takes proper account of best petroleum industry practices and safety factors;
- (c) the applicant has adequate financial resources and technical and industrial competence and experience to carry on effective production operations;
- (d) the applicant is able and willing to comply with the conditions on which a licence is granted;
- (e) the applicant's proposals for the employment and training of citizens of Uganda are satisfactory;
- (f) the applicant's proposals with respect to the procurement of goods and services available in Uganda are satisfactory; and
- (g) any relevant option given under section 75(2) has been properly exercised and given effect to or arrangements satisfactory to the Minister have been made for that purpose.

(2) A petroleum production licence shall not be granted to an applicant in respect of a block which is comprised in a licence already granted to a person other than the applicant.

(3) A petroleum production licence shall not be granted to an applicant who is in default of this section, unless the Minister on the advice of the Authority, considers that special circumstances which justify the grant of the licence exist notwithstanding the default.

(4) The applicant who is dissatisfied with the decision of the Minister under this section may request the Minister to give reasons for the refusal to grant a petroleum production licence.

75. Grant of petroleum production licence

(1) Subject to section 74, the Minister may in consultation with the Authority and upon the approval of Cabinet, on application duly made for a petroleum production licence, grant to the applicant a petroleum production licence, in such manner and on such conditions as the Minister may determine.

(2) A petroleum production licence may be granted jointly to the applicant and the National Oil Company in accordance with this Act.

(3) A petroleum production licence may be granted jointly to two or more persons as determined by the Minister.

(4) The Minister may limit the grant of a petroleum production licence to individual reservoirs or stages of development in the reservoir.

76. Content of petroleum production licence

(1) A petroleum production licence—

- (a) shall state the date of the grant of the licence;
- (b) shall identify the geographical areas to which the licence relates;
- (c) state the conditions on which the licence is granted;
- (d) may contain such other matters as the Minister may determine for the purposes of subsections (2) or (3);
- (e) state the operator; and

- (f) require the licensee to carry out an environmental impact assessment.

(2) There may be included in a petroleum production licence, a provision with respect to the duty, and the extent of the duty, of the licensee to supply petroleum or petroleum products to meet the requirements of the local market.

(3) There may be included in a petroleum production licence, conditions with respect to the refining, disposal or sale of petroleum which may be recovered in the development area.

77. Duration of petroleum production licence

(1) A petroleum production licence shall continue in force-

- (a) for the period for which the application has been made but not exceeding twenty years after the date of the grant of the licence;
- (b) for any period for which the licence is renewed under section 80(6); and
- (c) for any period added under section 186(3) to the term of the licence.

(2) Where the holder of a petroleum production licence has applied for renewal of the licence, the licence shall not, by reason of anything contained in subsection (1), cease to be in force in respect of any block subject to the licence to which the application relates -

- (a) until the application is finally dealt with by the grant or refusal to grant the renewal; or
- (b) until the application has lapsed.

78. Rights conferred by petroleum production licence.

A petroleum production licence, while it remains in force, confers on the licensee, subject to this Act, and to the conditions specified in regulations and the petroleum production licence or to which the licence is otherwise subject, exclusive rights—

- (a) to carry on petroleum activities in the licence area;
- (b) to sell or otherwise dispose of the licensee's share of petroleum recovered in accordance with the field development plan; and
- (c) to carry on operations and execute works in the development area necessary for or in connection with any matter referred to in paragraphs (a) and (b).

79. Duties of petroleum production licensee

(1) A petroleum production licensee shall carry out activities in accordance with the licence, this Act, regulations and directions issued under this Act.

(2) Subject to subsections (3) and (4), a licensee shall in relation to the licence area meet the requirements with respect to work programmes and expenditure set out in the licence and in a petroleum agreement.

(3) A licensee shall—

- (a) not later than one month before the anniversary in any year of the grant of a petroleum production licence; or
- (b) one month before such other date as may be agreed between the Minister and the licensee,

submit to the Minister, in detail, an adequate programme with respect to work and expenditure to be carried out or made in the year of the term of the licence immediately following that anniversary or agreed date.

(4) A licensee may, with the approval of the Minister and in consultation with the Authority, amend the details of the programme with respect to work and expenditure submitted under subsection (3), but the amendment shall not have effect so as to reduce the minimum requirements relating to work and expenditure set out in the licence or petroleum agreement.

80. Renewal of petroleum production licence

(1) The holder of a petroleum production licence may apply for the renewal of the licence.

(2) An application for the renewal of a petroleum production licence shall be made not later than twelve months before the day on which the licence is due to expire; but the Minister may where he or she deems fit, accept an application for the renewal of a petroleum production licence made later than twelve months before, but not in any case, after the date of expiry of the licence.

(3) An application for the renewal of a petroleum production licence shall be accompanied by—

- (a) particulars of the work carried out, the petroleum recovered and the amounts expended and received in respect of the production area up to and including a date not earlier than three months immediately preceding the date of the application;
- (b) adequate proposals for work programme and minimum expenditure in respect of the production area during the renewal period being applied for; and
- (c) any other information that the applicant wishes the Minister to consider.

(4) Subject to subsection (5), on application duly made for the renewal of a petroleum production licence, the Minister in consultation with the Authority, may grant the renewal of the licence and where the licensee has relinquished part of the licence area, the licence shall stipulate what part of the licence area the licence applies to.

(5) The Minister shall not renew a petroleum production licence where the licensee has contravened any provisions of this Act or a condition of the licence.

(6) A petroleum production licence shall be renewed for five years.

(7) The Minister may, upon application by the licensee, extend the renewal of a production licence for another period on such conditions as the Minister may determine.

General Provisions Relating to Licences, Permits and Approvals

81. Disclosure of co-operation agreements by applicants

(1) Where two or more applicants enter into a co-operation agreement with a view of applying for a petroleum exploration licence or a petroleum production licence, the co-operation agreement shall be submitted to the Minister and the Minister may require alterations to be made in the agreements as a condition for granting of the licence.

(2) Subsection (1) applies similarly when, in the case of several petroleum reservoirs, joint petroleum activities are more efficient.

82. Variations or alterations in field development plan

(1) The licensee shall inform the Minister of any significant deviation or alteration of the terms and preconditions on which a field development plan has been submitted or approved and any significant alteration of facilities or use of facilities.

(2) The Minister may, on receipt of information under subsection (1), and on the recommendation of the Authority, approve the deviation or alteration of the terms and preconditions on which a plan has been submitted or approved and any significant alteration of facilities, or may require a new or amended plan to be submitted for approval.

83. Operator

(1) There shall be appointed for each petroleum exploration licence or a petroleum production licence, an operator nominated by the licensee and approved by the Minister.

(2) A licensee may, with the approval of the Minister, change an operator.

(3) Notwithstanding subsection (2), the Minister may in exceptional circumstances prescribed in regulations, change an operator.

(4) An operator shall, as a general rule, be one of the licensees, except in special circumstances as may be determined by the Minister.

(5) Where special circumstances referred to in subsection (4) arise, the licensees shall propose an operator who is not a licensee for the approval of the Minister.

(6) An operator must be qualified to be granted or assigned a participating interest in the petroleum production licence in respect of which the entity is appointed to be the operator.

84. Transfer of licence

(1) A licence issued under this Act shall not be transferred without the written consent of the Minister in consultation with the Authority.

(2) A licensee may apply to the Minister, in the prescribed form and manner, for the transfer of a licence and shall fulfill any other financial obligations under the laws of Uganda.

(3) The Minister shall satisfy himself or herself of the legal and technical capacity, competence and financial strength of the person to whom the licence is to be transferred.

(4) Subject to subsections (2) and (3), the Minister shall not unreasonably withhold consent to an application to transfer a licence unless he or she has reason to believe that the public interest or safety is likely to be prejudiced by the transfer.

(5) In this section—

“transfer of licence” includes the acquisition of control by the person to whom a licence under this Act is transferred; and

“control” in relation to any person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management by that person, whether through the ownership of shares, voting, securities, partnership or other ownership or participation interests, agreements or otherwise.

(6) This section applies to any direct or indirect transfer of interest or participation in the licence, including, *inter alia*, assignment of shareholdings and other ownership shares which may provide decisive control of a licensee possessing a participating interest in a licence.

(7) The transfer of a group of licensees’ right of ownership to fixed facilities is subject to the approval of the Minister.

(8) Subsection (7) applies to the mortgaging of a facility which, in accordance with a licence under this Act, is subject to private property rights.

85. Work practices for licensees

(1) A licensee shall carry out petroleum activities in the licence area in a proper and safe manner and in accordance with the requirements of the applicable law, regulations and conditions stipulated by lawful authorities and best petroleum industry practices.

(2) Notwithstanding the general effect of subsection (1), a licensee shall take all reasonable steps necessary to secure the safety, health, environment and welfare of personnel engaged in petroleum activities in the licence area including—

- (a) controlling the flow, and preventing the waste or discharge, into the surrounding environment, of petroleum, gas which is not petroleum or water;
- (b) preventing the escape of any mixture of water or drilling fluid, and petroleum or any other matter;
- (c) preventing damage to petroleum bearing strata in any area not covered by the licence;
- (d) keeping separate, in a manner as the Authority may by notice in writing served on the licensee direct—
 - (i) each reservoir discovered in the licence area; and
 - (ii) any source of water discovered in the licence area;
- (e) preventing water or any other matter entering any reservoir through the wells, except when in accordance with properly approved plans and best petroleum industry practices;
- (f) preventing the pollution of any water well, spring, stream, river, lake or reservoir by the escape of petroleum, water, drilling fluid, chemical additive, gas not being petroleum or any other waste product or effluent;
- (g) where pollution occurs, treating or dispersing it in an environmentally acceptable manner; and
- (h) warning persons who may, from time to time find themselves within the safety zone of any structure, equipment or other property, of the presence of the structure, equipment or other property and the possible hazards resulting from the petroleum activities of the licensee.

(3) Subject to section 97(1), nothing in this section shall operate to prevent a licensee from flaring natural gas in accordance with the terms of the instrument of consent.

(4) A licensee who fails or neglects to comply with a requirement of this section commits an offence and is liable on conviction to a fine not exceeding one hundred thousand currency points.

86. Surrender of licence

(1) A licensee who wishes to surrender all or any of the blocks subject to the licence shall apply to the Minister for a certificate of surrender—

- (a) in the case of a petroleum exploration licence, not less than ninety days before the date on which he or she wishes the surrender to have effect; and
- (b) in the case of a petroleum production licence, not less than one year before the date on which he or she wishes the surrender to have effect.

(2) An application for a certificate of surrender shall—

- (a) state the date on which the applicant intends the surrender to have effect;
- (b) identify the blocks to be surrendered;
- (c) give particulars of the petroleum activities carried out since the licence was granted or last renewed, whichever is the latter, in respect of the blocks to be surrendered; and
- (d) be supported by such records and reports in relation to those activities as the Minister may require.

(3) Subject to subsection (4), on application duly made under subsection (1), the Minister shall issue a certificate of surrender in respect of the blocks to which the application relates, either unconditionally or subject to such conditions relating to safety and the observance of accepted best petroleum industry practices as may be specified in the certificate.

(4) The Minister shall not issue a certificate of surrender—

- (a) to an applicant who is in default;
- (b) to an applicant who fails to comply with any reasonable requirement of the Minister for the purposes of subsection (2)(d); or
- (c) if the Minister is not satisfied that the applicant will leave the blocks to be surrendered in a condition which is safe and which accords with best petroleum industry practices.

(5) Where a certificate of surrender is issued, the Minister shall—

- (a) if not all of the blocks subject to the licence are surrendered, amend the licence accordingly; and
- (b) in any other case, cancel the licence, and in either case, the Minister shall give to the applicant for the certificate of surrender, notice of the amendment or, as the case may be, the cancellation, and of the issue of the certificate of surrender.

(6) Any block in respect of which a certificate of surrender is issued shall be treated as having been surrendered with effect from the date on which notice of the surrender is given to the applicant under subsection (5).

(7) The surrender of any block shall not affect any liability of the licensee incurred before the date on which the surrender has effect in respect of that block, and any legal proceedings that might have been commenced or continued in respect of the liability may be commenced or continued against that licensee.

(8) The licensee may, during the period of a licence, after giving three months notice to the Minister, surrender a licence in its entirety.

(9) The Minister shall require the obligations stipulated in a licence, including decommissioning costs and the conditions on which it has been granted, to be fulfilled up to the time of surrender.

87. Suspension or cancellation of a licence.

(1) Where a licensee is in default, the Minister may, in consultation with the Authority and with the approval of Cabinet, by notice in writing served on the licensee, suspend or cancel the licence.

(2) For the purposes of subsection (1), the licensee shall not be treated as in default unless the Minister has served on the licensee a notice in writing giving the particulars of any default complained of and the licensee has not within a reasonable time specified in the notice remedied the default, or where the default cannot be remedied, offered to the Minister in respect of the default, adequate compensation.

(3) The Minister may cancel the licence—

- (a) if the licensee is adjudged bankrupt or enters into any agreement or scheme of composition with his or her creditors or takes advantage of any law for the benefit of debtors; or
- (b) where the licensee is a body corporate, an order is made or a resolution is passed winding up the affairs of the body corporate; except where the winding up is for the purpose of—

- (i) amalgamation and the Minister has consented to the amalgamation; or
- (ii) reconstruction and the Minister has been given notice of the reconstruction.

(4) Where the licence is held by two or more persons, the Minister shall not, cancel the licence under subsection (3), where one of the licensees satisfies the Minister that he or she is willing and able to carry out the duties and obligations under the licence.

(5) Where the holder of a petroleum production licence is a body corporate or where a body corporate is included among the persons who together constitute the licensee, and the body corporate either—

- (a) registers the transfer of any equity share or shares in the body corporate to any person or his or her nominee; or
- (b) enters into an agreement, arrangement, or understanding, whether or not having legal or equitable force with any person, and the effect of doing so is to give to that person, or any other person, control of the body corporate,

the Minister, may, if he or she considers that the public interest would be prejudiced by the change of control, serve a written notice on the licensee stating that the Minister proposes to cancel the licence under this section unless a change in the control of the body corporate as is specified in the notice takes place within a period of three months beginning with the date of service of the notice.

(6) Where the change specified in the notice served by the Minister under subsection (5) does not take place within three months, the Minister may cancel the licence.

(7) For the purposes of this section—

- (a) a person is deemed to have control of a body corporate—

- (i) if the person or his or her nominee holds, or the person and his or her nominee hold, a total of 20 percent or more of the issued equity shares in the body corporate;
 - (ii) if the person is entitled to appoint, or prevent the appointment of half, or more than half, of the directors of the body corporate; or
 - (iii) if the person is entitled to exercise, or control the exercise of, the right to cast votes in respect of not less than two fifths of the total number of votes in respect of issued equity shares in the body corporate;
- (b) “equity shares in relation to a body corporate” means shares in the body corporate carrying voting rights in all circumstances at a general meeting of the body corporate, and includes preference shares, other than preference shares which do not have voting rights;
- “preference shares” means shares which carry the right to payment of a dividend of a fixed amount, or not exceeding a fixed amount, in priority to payment of the dividend on another class or other classes of shares, whether with or without other rights; and
- (c) the reference in paragraph (a)(iii) to the entitlement to control the exercise of the right to cast votes shall be read as including an entitlement to control the exercise of that right directly or indirectly, and includes control that is exercisable as a result of or by means of trusts.

(8) On the cancellation of a licence, the rights of the holder of the licence under the licence shall cease, but the cancellation shall not affect any liability incurred before the cancellation, and any legal proceedings that might have been commenced or continued against the former holder of the licence may be commenced or continued against him or her.

88. Consequences of cancellation, surrender of rights or lapse for other reasons

(1) Revocation of a licence, surrender of rights or lapse of rights for other reasons do not discharge the licensee from the financial obligations under this Act, regulations issued under this Act or specific conditions attached to the licence.

(2) Where a work obligation or other obligation including decommissioning has not been fulfilled, the licensee shall pay the amount which fulfillment of the obligation would have cost the licensee if the work had been completed.

(3) The amount payable under subsection (2) shall be prescribed in the petroleum agreement made under section 7.

89. Register of licences

The Minister shall cause to be kept, a register of all licences issued under this Act called the Petroleum Register, in accordance with regulations made under this Act.

Drilling and Designation of Wells

90. Permit to operate drilling rig

(1) A licensee shall not operate a drilling rig without a valid permit issued by the Authority in accordance with terms and conditions specified in regulations issued by the Authority.

(2) The procedure for application for a permit to operate a drilling rig shall be prescribed in regulations.

91. Approval to drill a well

(1) An operator shall not drill a well without the written approval of the Authority.

(2) An operator shall carry out drilling operations in accordance with regulations made under this Act.

(3) An operator shall before the drilling of any well, submit to the Authority, a detailed report on the technique to be employed, an estimate of the time to be spent, the material to be used and the safety measures to be employed, in the drilling of the well.

(4) An operator shall submit to the Authority, reasonable notice of the operator's intention to abandon any well.

(5) The closure or plugging of a well shall be carried out only with the prior written consent of the Authority in a manner approved by the Authority.

92. Designation of wells

(1) The designation of a well shall be stipulated by regulations made under this Act and shall consist of the name of the prospect, reservoir or field in which the well is to be drilled, followed by the serial number which indicates the chronological order in the drilling sequence for the prospect or field.

(2) Every well shall be identified by a unique designation for which the licensee shall obtain the prior written approval of the Authority.

PART V—DEVELOPMENT AND PRODUCTION OF PETROLEUM

93. Production permit

(1) The Minister shall, in consultation with the Authority, before or concurrently with a petroleum production licensee approve the production schedule contained in the field development plan and issue an annual production permit to the licensee.

(2) The Minister may, in consultation with the Authority, upon application from the licensee, approve for a fixed period of time, the quantity of the petroleum which may be produced or injected at all times.

(3) An application under subsection (2) shall be submitted in a form at such times and shall have such contents as prescribed by regulations.

(4) The Minister may, in consultation with the Authority, stipulate that the production shall be increased or reduced in relation to the approved production plan and shall apportion the increase or reduction proportionately between the relevant reservoirs and give special consideration to long-term agreements for the supply of natural gas.

(5) The Minister shall, in consultation with the Authority, upon application made by the licensee, approve test production of a reservoir, and the duration, quantity and other conditions for the test production.

(6) The Minister, shall in consultation with the Authority require a licensee to produce a report on field related matters, including alternative schemes for production and, if applicable, for injection and the total recovery factor for various petroleum production schedules.

94. Production of petroleum

(1) The production of petroleum shall be done in such a manner that as much as possible of the petroleum in each individual reservoir, or in several reservoirs in combination, will be produced.

(2) The production of petroleum shall take place in accordance with prudent technical and sound economic principles and in such a manner that waste of petroleum or reservoir pressure is avoided.

(3) A licensee shall carry out continuous evaluation of the production strategy and technology and shall take the necessary measures to improve on the production efficiency.

95. Measurement of petroleum recovered

(1) The Minister shall, by regulations, stipulate the equipment, methods and standards to be applied for measurement recovered of petroleum for resource management, operational economic and fiscal purposes.

(2) A licensee shall measure or weigh, by a method or methods customarily used in best petroleum industry practices, and from time to time approved by the Authority, all petroleum recovered from a licence area.

(3) A licensee shall not make any alteration in the method or methods of measurement or weighing used in any appliances used for that purpose without the written consent of the Authority, and the Authority may in any case require that no alteration shall be made except in the presence of a person authorised by the Authority.

(4) The Authority may, from time to time, direct that any weighing or measuring appliance be tested or examined in a manner, upon occasions or at intervals, and by means specified in the direction.

(5) Where Authority, after considering any representations in writing made by the licensee concerned, determines that any measuring or weighing appliance is, upon any test or examination under subsection (4), found to be false or unjust—

- (a) the appliance shall be deemed to have existed in that condition during a period presented by half of the period from the last occasion on which the appliance was tested or examined under subsection (3), to the date when the appliance was found to be false or unjust; and
- (b) any royalty payable under the licence for that period shall be adjusted accordingly.

96. Methods and practices for storage of petroleum

(1) A licensee shall use approved methods and practices acceptable to the Authority for storing of the petroleum recovered from the relevant area in tanks, gasholders, pipes, pipelines or other receptacles constructed for that purpose.

(2) Petroleum shall only be placed or kept in an earthen reservoir as a temporary measure during an emergency, or for test purposes in a remote area, for which the prior consent of the Authority has been obtained.

97. Restrictions on flaring and gas venting

(1) A licensee shall not flare or vent petroleum in excess of the quantities needed for normal operational safety without the approval of the Minister on the advice of the Authority.

(2) All facilities shall be planned and constructed so as to avoid gas venting or flaring under normal operating conditions.

(3) Disposal of gas by flaring or gas venting for normal operational safety under subsection (1) shall require the written consent of the Authority where—

- (a) it is necessary in the interests of the safety of the petroleum activities; or
- (b) it is necessary in order to comply with a requirement imposed by or under any law in Uganda.

(4) In the case of an emergency, the licensee may gas vent or flare without the consent of the Authority under subsection (3).

(5) Where a licensee gas vents or flares under subsection (4), the licensee shall—

- (a) ensure that the gas venting or flaring is kept at the lowest possible level; and
- (b) submit to the Authority a technical report detailing the nature and circumstances that caused the emergency situation.

(6) A person who contravenes subsection (5) commits an offence and on conviction shall be liable to pay a fine not exceeding one hundred thousand currency points.

98. Restriction on removal of petroleum

(1) Petroleum shall not be removed from the development area from which it has been recovered to any other area, or disposed of in any manner, except—

- (a) by a licensee, with the written consent of the Authority, for the purpose of sampling or analysis;
- (b) by a licensee in accordance with the conditions of his or her licence; or
- (c) as otherwise permitted by this Act.

(2) A person who contravenes subsection (1) commits an offence and is liable on conviction—

- (a) in the case of an individual, to a fine not exceeding two hundred thousand currency points or imprisonment not exceeding ten years or both;
- (b) in the case of a body corporate, to a fine not exceeding five hundred thousand currency points.

99. Directions for recovery of petroleum

(1) Where petroleum is not being recovered in a development area in which the Authority is satisfied that there is recoverable petroleum the Authority may direct the licensee to take all necessary and practicable steps to recover that petroleum in accordance with this Act.

(2) Where the Authority is not satisfied with the steps taken by a licensee to whom a direction has been given under subsection (1), the Authority may, by notice in writing served on the licensee, give to the licensee such directions, specified in the notice, as the Authority considers necessary for or in relation to the recovery of petroleum in the development area, and the licensee shall comply with the directions.

(3) Where petroleum is being recovered in a development area, the Authority may, by notice in writing served on the licensee, direct the licensee to take all necessary and practicable steps to increase the rate at which the petroleum is being recovered to a rate not exceeding the capacity of existing production facilities, as the Authority may specify in the notice.

(4) Where the Authority is not satisfied with the steps taken by a licensee to whom a direction has been given under subsection (3), the Authority may, by notice in writing served on the licensee, give to the licensee such directions, specified in the notice, as the Authority thinks necessary for or in relation to the increase of the rate at which petroleum is being recovered in the development area, and the licensee shall comply with the directions.

(5) Nothing in this section, or in any direction given under this section, shall be construed as requiring the licensee to do anything which is not in accordance with best petroleum industry practices.

100. Postponement of development or production

(1) The Minister may, in consultation with the Authority and the licensee, postpone petroleum development or production of a field.

(2) Where development or production is postponed under subsection (1), the provisions relating to extension of the licence, extension of the time limit set for implementing the work obligation and payment of area fee during the extension period shall apply accordingly.

101. Coordination of activities across licence boundaries

(1) Where a reservoir extends over more than one licence area with different licensees, the licenses shall agree on the most efficient co-ordination of the petroleum activities in connection with the reservoir, as well as on the apportionment of the petroleum reservoir.

(2) Where consensus on agreements is not reached within a reasonable time, the Authority may determine how joint petroleum activities shall be conducted, including the apportionment of the reservoir.

(3) Agreements on joint exploration drilling shall be submitted to the Minister for approval.

(4) Agreements on joint production, transportation and cessation of petroleum activities shall be submitted to the Minister for approval.

102. Unit development

(1) A licensee may, from time to time, enter into an agreement in writing with another person for or in relation to the unit development of a reservoir.

(2) In this section, "unit development", in relation to a reservoir, means the coordination of operations for the recovery of petroleum being carried out or to be carried out in a development area in which there is part of the reservoir, with other operations for the recovery of petroleum being carried out or to be carried out in any other development area in which there is part of the same reservoir.

(3) The agreement referred to in subsection (1) shall be entered into within the period specified by the Authority in the direction and the agreement shall be submitted to the Authority for approval.

(4) Where—

- (a) a licensee fails to enter into an agreement for or in relation to the unit development of a reservoir within the specified period in subsection (3); or
- (b) a licensee fails to submit the agreement entered to the Authority in accordance with subsection (3), the Authority may, by notice in writing served on the licensee, direct the licensee to submit to the Authority, within the period specified in the notice, a scheme for or in relation to the unit development of the reservoir.

103. Natural resources other than petroleum resources

A petroleum production licence shall not preclude the granting to a person other than the licensee, the right to undertake exploration for and production of natural resources other than petroleum and scientific research, provided it does not cause unreasonable inconvenience to the petroleum activities conducted by a licensee under the petroleum production licence.

104. Inspection and sampling of petroleum

The Authority may, by notice in the *Gazette*, authorise any officer by name or by virtue of office to enter any place where petroleum activities are carried out and inspect or take samples for testing of any petroleum found in that place.

105. Reporting requirement

The licensee shall submit to the Authority information pertaining to—

- (a) the volume of petroleum produced and on the composition of the petroleum including test production and the recovery of petroleum in connection with formation testing;
- (b) the use, injection, gas venting and flaring of petroleum and the information shall, as far as possible, be based on metering; and
- (c) the volumes and other results of monitoring as well as monitoring procedure.

106. Testing of petroleum

The Authority shall designate an officer who shall be responsible for testing the petroleum samples taken under this Act, or which may have been submitted to the officer for testing by the licensee.

107. Manner of testing

All tests of petroleum done under this Act shall be conducted with approved test apparatus in a manner prescribed by regulations.

108. Certificate of testing

An officer who conducts a test on petroleum shall issue a certificate in the prescribed form.

PART VI—CESSATION OF PETROLEUM ACTIVITIES

109. Decommissioning Plan

(1) A licensee shall submit a decommissioning plan to the Authority—

- (a) before a petroleum production licence or a specific licence to install and operate facilities expires or is surrendered; or
- (b) before the use of a facility is terminated permanently.

(2) The plan referred to in subsection (1) shall contain proposals for continued production or shut down of production, decommissioning of facilities and any other information prescribed by regulations.

(3) The decommissioning of facilities referred to in subsection (2) may constitute further use of the facilities in the petroleum activities, other uses, complete or part removal and disposal or abandonment.

(4) The plan shall contain the information and evaluations deemed necessary in order to make a direction under section 112(1).

(5) The Authority may on receipt of the plan require further information and evaluations, or may require a new or amended decommissioning plan.

(6) The licensee shall update the decommissioning plan—

- (a) in conjunction with any subsequent application for a permit, to make additions or substantial changes to the facilities;
- (b) whenever the expected method or costs of carrying out the decommissioning work have changed significantly as a result of new techniques for the work becoming available;
- (c) where the previously assumed techniques are no longer permissible or considered adequate;
- (d) when requested by the Authority, within a reasonable time limit specified in the request.

(7) Unless the Authority consents to or directs otherwise, the decommissioning plan shall be submitted at the earliest four years, but at the latest two years before the time when the use of a facility is expected to be terminated permanently.

110. Decommissioning fund

(1) There shall be established a decommissioning fund for each development area or for other facilities operated in relation to a licence or permit under this Act for the purpose of costs related to the implementation of a decommissioning plan.

(2) The decommissioning fund shall be applied to the implementation of activities approved in the decommissioning plan.

(3) Payments into the decommissioning fund shall commence from the calendar quarter in whichever of the following situations occurs—

- (a) the petroleum production has reached fifty percent of the aggregate recoverable reserves as determined in an approved development plan and any successive reappraisal of such initial recoverable reserves;
- (b) five years before the expiry of the licence; or
- (c) on notice of surrender.

(4) For every subsequent calendar quarter in which petroleum is produced or a facility operated, the Authority shall charge the licensee a portion of the estimated future cost for decommissioning of facilities to be deposited in the fund.

(5) The amount deposited in the decommissioning fund shall be charged as operating costs subject to the cost recovery limitations stipulated in the petroleum agreements or as may be provided by Regulations.

(6) Where the decommissioning fund is not sufficient to cover the implementation of the decommissioning plan, the licensee, and where applicable, the owner of the facilities shall cover the costs and expenses.

(7) Where any amount remains in the decommissioning fund after the decommissioning plan has been implemented, such funds shall accrue to the Government.

(8) The management of the decommissioning fund shall be done by a committee consisting of representatives of the Government and the licensee, in a manner prescribed by regulations.

111. Notification of termination of use

The licensee shall notify the Authority of the time of termination of a facility if the use of the facility is expected to terminate permanently before the expiry of the licence.

112. Disposal of decommissioned facilities

(1) The Authority may issue directions relating to the disposal of decommissioned facilities and shall stipulate a time limit for the implementation of the directions.

(2) Directions issued under subsection (1) shall be based, among other factors, on technical, safety, environmental and economic aspects as well as on consideration for other users.

(3) The Authority may stipulate specific conditions in connection with the directions.

(4) The licensee and the owner of a facility shall ensure that a direction relating to disposal is carried out, unless otherwise directed by the Authority.

(5) The obligation to carry out the direction relating to disposal applies even where the direction is made or is to be implemented after the expiry of the licence.

(6) Where the ownership of a facility has been transferred in accordance with this Act, the licensee and the owners shall jointly ensure that a direction relating to disposal is carried out, unless otherwise directed by the Authority.

(7) Where the direction is to the effect that the facility shall continue to be used in the petroleum activities or for other purposes, the licensee, owner and user are jointly obliged to ensure that future directions on disposal are carried out, unless otherwise directed by the Authority.

(8) Where a direction relating to disposal of a facility is not carried out within the stipulated time, the Authority may take the necessary measures on behalf of the licensee or other responsible parties.

(9) Where the Authority takes any measures under subsection (8) on behalf of a licensee or other responsible parties, any risks or costs incurred arising out of that measure, shall be borne by the licensee or other responsible party.

113. Removal of property by licensee

(1) Where a licence has been surrendered or has expired, or has by reason of relinquishment ceased to comprise any area subject to the licence, the Minister, may by notice in writing served on the person who is or was the licensee, direct that person, within the period specified in the notice—

- (a) to remove or cause to be removed from the area which was, but no longer is, subject to the licence all property brought into that area by any person engaged or concerned in the operations authorised by the licence, or to make arrangements that are satisfactory to the Authority with respect to that property;
- (b) to plug or close off, to the satisfaction of the Authority, all wells made in that area by any person engaged or concerned in those operations; and
- (c) to make provision, to the satisfaction of the Authority, for the conservation and protection of the natural resources in that area.

(2) A direction given under subsection (1) shall be consistent with best petroleum industry practices, and nothing in this section or in any direction shall be construed as requiring any person who is or was the licensee to do anything which is not in accordance with best petroleum practices.

(3) A person to whom a direction under subsection (1) is given who refuses or fails to comply with the direction within the period specified in the notice, commits an offence and is liable on conviction to a fine not exceeding one thousand currency points.

114. Removal and sale of property

(1) Subject to section 117 and to the approval of the Minister, where a direction given under section 112(1) or 113(1) has not been complied with, the Authority may—

- (a) do or cause to be done all or any of the things required by the direction to be done;
- (b) remove or cause to be removed, in such manner as the Authority deems fit, all or any of the property from the area concerned;
- (c) dispose of, in such manner as the Authority deems fit, all or any of the property from the area concerned; and
- (d) if the Authority has served a copy of the notice by which the direction was given on a person to whom the Authority is satisfied to be an owner of the property or part of the property, sell or cause to be sold by public auction or otherwise as the Authority deems fit, all or any of the property referred to in this section that belongs, or that the Authority believes, belongs to that person.

(2) The Authority may deduct from the proceeds of a sale of property under subsection (1)—

- (a) the costs and expenses incurred by the Authority under that subsection in relation to that property;

- (b) the costs and expenses incurred by the Authority in relation to the doing of any act required by a direction under section 112(1) or 113(1) to be done by the person, notwithstanding that the person has been convicted of an offence under section 113(3); and
- (c) the fees or amounts due and payable by the person under this Act for a licence.

(3) The costs and expenses incurred by the Authority under subsection (1)—

- (a) where incurred in relation to the removal, disposal or sale of property, is a debt due by the owner of the property to the Government; and
- (b) if incurred in relation to the doing of anything required by a direction under section 112(1) to be done by a person who is or was a licensee, is a debt due by that person to the Government, and to the extent to which they are not recovered under subsection (2), may be recovered in a court of competent jurisdiction.

(4) Subject to subsection (3), no action shall lie in respect of the removal, disposal or sale of property under this section.

115. Liability for damages for disposal of decommissioned facility

(1) A person under obligation to implement a decision relating to disposal of a decommissioned facility under section 112 is liable for damage or inconvenience caused in connection with the disposal of the facility or other implementation of the decision.

(2) Where the licensee or owner abandons a facility, the licensee or owner is liable for damage caused in connection with the abandoned facility.

(3) Where there is more than one party liable under subsection (1) or (2), they shall be jointly and severally liable for all financial obligations.

(4) Where it is decided to abandon the facility, it may be agreed among the licensees and the owners and the Government, that future maintenance, responsibility and liability shall be taken over by the State, based on an agreed financial compensation.

116. Encumbrances

(1) Where the Government requires the removal of a facility, any lien, charge or encumbrance on the facility shall lapse.

(2) Subsection (1) applies where the Government takes over the facility under section 117, except that in any such case, any right of use established with the consent of the Minister shall remain in force.

117. Takeover of facilities by Government

(1) The Government may take over the facilities of the licensee when—

- (a) a licence expires;
- (b) a licence is surrendered or cancelled;
- (c) the licensee's costs have been fully recovered; or
- (d) the use of the facility has been terminated permanently.

(2) In the event of takeover of a facility subject to private property rights, compensation shall be paid where required by law and in accordance with the procedure prescribed by regulations.

(3) Where the Government takes over a facility, the facility with its accessories shall be kept in such condition as adequate maintenance to ensure functional capability for operation would require.

(4) Any dispute regarding subsection (2) and, where applicable, regarding the compensation to be paid to the Government for lack of maintenance, shall be determined by the Chief Government Valuer.

(5) Where the Government takes over a facility under this section, the licensee may continue operating the facility upon payment of the prescribed fee where the licensee is not in default.

(6) The takeover of facilities under this section shall not apply to properties or facilities that do not belong to the licensee.

PART VII—SUPPLIES AND PRICING

118. Supplies to cover Uganda requirements

(1) The Minister may direct the licensee to make deliveries from licensee's production to cover Uganda requirements and may further direct to whom such petroleum shall be delivered.

(2) Where the Minister directs the licensee to make deliveries under subsection (1), the Minister shall give the licensee forty five days notice before the delivery is made.

(3) The price paid for the petroleum delivered under this section shall be determined in accordance with section 120, with the addition of transportation costs.

119. Supplies in case of war, threat of war or other crisis, etc

(1) In case of war, threat of war, natural disaster or other extraordinary crisis, the Minister may, with the approval of Cabinet, direct a licensee to place petroleum at the disposal of the State.

(2) Section 120 shall apply to the pricing of petroleum supplied under subsection (1) unless the particular situation warrants otherwise.

(3) In case a situation under subsection (2) occurs, the Minister shall, in consultation with the Minister responsible for finance and the licensee, determine the price.

120. Pricing of petroleum

The pricing of petroleum shall be in accordance with the method prescribed by regulations or stipulated in the petroleum agreement.

PART VIII—STATE PARTICIPATION AND NATIONAL CONTENT

121. State participation in petroleum activities

(1) The Government may participate in petroleum activities under this Act through a specified participating interest of a licence, or contract granted under this Act and in the joint venture established by a joint operating agreement in accordance with the licence and this Act.

(2) The Minister shall, with the approval of Cabinet, specify the Government share under subsection (1).

122. Provision of goods and services by Uganda entrepreneurs

(1) The licensee and its contractors and subcontractors shall give preference to goods which are produced or available in Uganda and services which are rendered by Ugandan citizens and companies, unless the goods and services are offered on terms which are not equal to or better than imported goods and services with regard to quality and availability at the time and in quantities required.

(2) The licensee and its contractors and subcontractors shall ensure that the entities referred to in subsection (1) are—

- (a) notified of the quality, health, safety and environment standards required by the licensee; and
- (b) notified of the upcoming contracts as early as practicable.

(3) The entities referred to in subsection (1) shall—

- (a) have capacity to add value to meet the health, safety and environment standards of the petroleum activities carried out by the licensee; and
- (b) be approved in accordance with criteria prescribed by the Minister by regulations.

(4) Within sixty days after the end of each calendar year, the licensee shall provide the Authority with a report of its achievements and its contractors and sub contractors' achievement in utilising Ugandan goods and services during that calendar year.

123. Training and employment of Ugandans

(1) The licensee shall, within twelve months after the grant of a licence, and on each subsequent anniversary of that grant, submit to the Authority for approval, a detailed programme for recruitment and training of Ugandans.

(2) The programme shall provide for the training of Ugandans in all phases of petroleum activities.

(3) Where a programme or a scholarship proposed to be awarded under this section has been approved by the Authority, it shall not be varied without the permission of the Authority.

(4) The licensee shall submit to the Authority a report on the execution of the programme under this section.

124. Training and technology transfer

(1) A licence shall include a clearly defined training programme for the Ugandan employees of the licensee, which may be carried out in or outside Uganda and may include scholarships and other financial support for education.

(2) A licence shall include a commitment by the licensee to maximise knowledge transfer to Ugandans and to establish in Uganda, management and technical capabilities and any necessary facilities for technical work, including the interpretation of data.

(3) Regulations made under section 180 shall prescribe the requirements for technology transfer of knowledge and skills relating to petroleum industry to Ugandans to be employed by the licensees.

(4) The technology transfer required under sub section (2) shall be a shared responsibility between the Government and the licensee.

PART IX—USE OF LICENCE AS SECURITY

125. Use of licence as security

(1) The Minister may, in consultation with the Authority, consent to the use of a licence by a licensee under this Act as security of his or her share of the licence as part of the financing of the activities associated with the licence in a manner prescribed by regulations.

(2) The Minister may, in special circumstances, permit the financing to include activities not related to the licence.

PART X—LIABILITY FOR DAMAGE DUE TO POLLUTION

126. Pollution damage

(1) In this Part—

“pollution” means any direct or indirect alteration of the physical, thermal, chemical, biological or radioactive properties of any part of the environment by discharging, emitting or depositing wastes so as to affect any beneficial use adversely, to cause a condition which is hazardous or potentially hazardous to public health, safety or welfare, or to animals, birds, wildlife, fish or aquatic life, or to plants or to cause a contravention of any condition, limitation or restriction which is subject to a licence under this Act; and

“pollution damage” means damage or loss caused by pollution as a consequence of effluence or discharge of petroleum from a facility, including a well.

(2) This Part applies to liability for pollution damage from a facility when the damage occurs in Uganda or affects a Ugandan vessel or a Ugandan facility in adjacent areas.

(3) The Minister may, notwithstanding the provisions of this Act, by agreement with a foreign state, issue rules relating to liability for pollution damage caused by petroleum activities under this Act.

(4) Rules made under subsection (3) shall not restrict the right to compensation according to this Act in respect of any injured party under Ugandan jurisdiction.

127. Liability of licensee for pollution damage

(1) A licensee is liable for pollution damage without regard to fault.

(2) Where it is demonstrated that an inevitable event of nature, act of war, exercise of public authority or a similar force majeure event has contributed to a considerable degree to the damage or its extent under circumstances which are beyond the control of the licensee, the liability may be reduced to the extent it is reasonable, with particular consideration to—

- (a) the scope of the activity;
- (b) the situation of the party that has sustained the damage; and
- (c) the opportunity for taking out insurance on both sides.

128. Liability for pollution damage caused without a licence

(1) Where pollution damage occurs during a petroleum activity and the activity has been conducted without a licence, the party that conducted the petroleum activity is liable for the damage, regardless of fault.

(2) The same liability rests on any other person who has taken part in the petroleum activity, and who knew, or should have known, that the activity was conducted without a licence.

129. Claiming of damages

(1) The liability of a licensee for pollution damage may only be claimed in accordance with this Act.

(2) Liability for pollution damage may not be claimed against—

- (a) any person who by agreement with a licensee or his or her contractors has performed tasks or work in connection with petroleum activities;
- (b) any person who has manufactured or delivered equipment to be used in petroleum activities;
- (c) any person who undertakes measures to avert or limit pollution damage, or to save life or rescue values which have been endangered in connection with the petroleum activities, unless the measures are performed in conflict with prohibitions imposed by a public authority or are performed by a person other than a public authority regardless of express prohibition by the operator or the owner of the values threatened;
- (d) any person employed by a licensee or by a person referred to in paragraph (a), (b) or (c).

(3) Where a licensee has been ordered by court to pay compensation for pollution damage, but fails to pay within the time stipulated by the judgment, the party that has sustained damage may bring an action against the party that has caused the damage to the same extent as the licensee may bring an action for recourse against the party causing the damage.

(4) A licensee may claim compensation from the party causing pollution damage to the licensee to the same extent as the licensee may bring action for recourse against the party causing the damage.

130. Recourse for pollution damage

(1) A licensee may not claim compensation for pollution damage against a person exempted from liability under section 129 (2) unless that person in question or a person in his or her service has acted willfully or by gross negligence.

(2) Recourse liability may be mitigated to the extent that it is considered reasonable in view of manifested conduct, economic ability and the circumstances in general.

(3) Any agreement on further recourse in respect of persons against whom liability cannot be claimed under section 129 (2) contrary to that section is invalid.

131. Jurisdiction

Legal action for compensation for pollution damage shall be brought before a competent court in the area where the effluence or discharge of petroleum takes place or where damage is caused.

PART XI—RESTRICTIONS AND SURFACE RIGHTS

132. Restrictions and rights of others

(1) A licensee shall not exercise any right under a licence—

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- (a) without the written consent of the relevant authority, upon any land dedicated or set apart for a public purpose or for a place of burial, or upon land over which a mining lease, an exploration licence or a right to cultural site has been granted;
- (b) without the written consent of the land owner—
 - (i) upon any land which is the site of or which is within two hundred meters of any inhabited, occupied or temporarily unoccupied house or building;
 - (ii) within fifty metres of any land which has been cleared or ploughed or otherwise *bona fide* prepared for the growing of agricultural crops or on which agricultural crops are growing;
 - (iii) upon any land from which, during the year immediately preceding, agricultural crops have been reaped; or
 - (iv) upon any land which is the site of or which is within one hundred metres of a cattle dip-tank, dam or water used by human beings or cattle.
- (c) in a national park or wildlife reserve without the written authority of the Uganda Wildlife Authority;
- (d) in a forest reserve without the written consent of the National Forestry Authority;
- (e) upon any land reserved for the purposes of a railway track or within fifty meters of any railway track, without the written consent of the railway administration concerned;
- (f) upon any land within two hundred metres of, the boundaries of any township, without the written consent of the local council concerned;

- (g) upon any street, road, public place or aerodrome without the written consent of the Minister or other authority having control of the street, road, public place or aerodrome; or
- (h) in a fish breeding area without the written consent of the department responsible for fisheries.

(2) Where the consent of the land owner is unreasonably withheld, the Minister may authorise the licensee to exercise all or any of the rights under the licence on the land subject to such conditions as the Minister may deem fit.

(3) A person exercising any right under a licence shall produce evidence of the possession of the licence to the land owner of any land upon which the right is to be exercised upon being asked for it.

(4) Where a person does not produce the evidence under subsection (3), he or she may be treated as a trespasser.

133. Right to surface activities

(1) A land owner of an exploration or development area shall retain the right to graze stock upon or to cultivate the surface of the land insofar as the grazing or cultivation does not interfere with petroleum activities or safety zones in the area.

(2) In the case of a development area, the land owner within the area shall not erect any building or structure on the land without the written consent of the licensee or, if the consent is unreasonably withheld, the written consent of the Minister.

(3) The rights conferred by a licence shall be exercised reasonably and so as to affect as little as possible the interests of any lessee or land owner to which the rights are exercised, and petroleum activities shall be carried out in a proper manner.

134. Rights to subsurface activities

A land owner or licensee with a different licence other than one under this Act shall, with regard to an exploration or development area, retain the right to movement and other activities where the subsurface activities do not interfere with an exclusive right, or with petroleum activities in the area.

135. Acquisition of exclusive rights

(1) Subject to section 132 and to any written law relating to the acquisition of land, a holder of a petroleum production licence may, if he or she requires the exclusive use of the whole or any part of a block in a development area, and shall, if requested by the lessor of any part of that area, obtain a lease of the land or other right to use it upon such terms as to the rent to be paid for the land, the duration or the extent or area of the land to which the lease or other right of the lease shall relate as may be agreed between the holder of a licence and the lessor.

(2) Where the holder of a licence and the lessor under subsection (1) fail to agree, the matter shall be referred to the Chief Government Valuer for determination.

(3) In assessing any rent payable under this section—

- (a) account shall be taken of any compensation necessary for the termination of any lawful occupancy in accordance with any other written law for the time being in force;
- (b) an expert referred to in subsection (2) shall determine the matter in relation to values applicable at the time of determination of the matter in the area to which the development licence relates for land of a similar nature to the land concerned but without taking into account any enhanced value due to the presence of petroleum.

136. Compensation for disturbance of rights, etc

(1) A licensee shall, on demand being made by a land owner, pay the land owner fair and reasonable compensation for any disturbance of his or her rights and for any damage done to the surface of the land due to petroleum activities, and shall, at the demand of the owner of any crops, trees, buildings or works damaged during the course of the activities, pay compensation for the damage; but—

- (a) payment of rent to or compensation to a land owner for termination of his or her lawful occupancy shall be deemed to be adequate compensation for deprivation of the use of the land to which the rent or compensation relates;
- (b) in assessing compensation payable under this section, account shall be taken of any improvements effected by the licensee or by the licensee's predecessor in title, the benefit of which has or will accrue to the land owner; and
- (c) the basis upon which compensation shall be payable for damage to the surface of any land shall be the extent to which the market value of the land for which purpose it shall be deemed saleable upon which the damage occurred has been reduced by reason of the damage, but without taking into account any enhanced value due to the presence of petroleum.

(2) Where the licensee fails to pay compensation under this section, or if the land owner of any land is dissatisfied with any compensation offered, the dispute shall be determined by the Chief Government Valuer.

(3) A claim for compensation under subsection (1) shall be made within four years from the date when the claim accrued failing which, notwithstanding any provision of any other written law, the claim shall not be enforceable.

PART XII—HEALTH AND SAFETY

137. Safety

(1) Petroleum activities shall be conducted in such a manner as to enable a high level of safety to be maintained and further developed in accordance with technological developments and laws relating to health and safety.

(2) A licensee shall—

- (a) identify the hazards and evaluate the risks associated with any work performed in the course of petroleum activities carried out under the licence which constitute a hazard to the health of persons employed for the purposes of that work and the steps that need to be taken to comply with the provisions of this Act and regulations made under this Act; and
- (b) as far as reasonably practicable, prevent the exposure of the persons referred to in paragraph (a) to the hazards.

138. Safety precautions

An operator—

- (a) shall take such precautions as are necessary to-
 - (i) ensure the safety of any person employed or otherwise present at or in the vicinity of any installation; and
 - (ii) protect the environment and natural resources, including taking precautions to prevent pollution; and
- (b) ensure that the persons referred to in paragraph (a) (i) are duly informed of those precautions.

139. General requirements for emergency preparedness

(1) A licensee and any other participant in petroleum activities shall, at all times maintain efficient emergency preparedness with a view to dealing with accidents and emergencies which may lead to loss of life or personal injury, pollution or major damage to property.

(2) The licensee shall ensure that necessary measures are taken to prevent or reduce harmful effects, including the measures required in order, to the extent possible, to return the environment to the condition it had been in before the accident occurred.

(3) The Minister may issue directions for the implementation of the measures referred to in subsection (1).

140. Emergency preparedness against deliberate attacks

(1) The licensee shall initiate and maintain security measures to contribute to avoiding attacks against facilities and shall at all times have contingency plans to deal with such attacks.

(2) The licensee shall place facilities at the disposal of the relevant authorities for emergency and security drills and shall, where necessary, participate in such drills.

(3) The Minister may direct the implementation of the measures referred to in subsections (1) and (2).

141. Safety zones

(1) There shall be a safety zone surrounding every facility carrying out petroleum activities, unless otherwise determined by the Authority.

(2) The Authority may, in cases of accidents and emergencies, establish or extend the safety zones under subsection (1).

(3) The extent of the safety zones referred to in subsections (1) and (2) shall be determined by the Authority; except that where a safety zone extends across the border line with another state, the Authority shall consult the Minister.

(4) The Authority may direct that—

- (a) a zone corresponding to the safety zone shall be established in reasonable time before the placing of facilities as mentioned in subsection (1); or
- (b) there shall be a safety zone around and above abandoned or dumped facilities, or parts of the facilities.

(5) A person shall not carry out unauthorized activity in the safety zones.

142. Suspension of petroleum activities, etc

(1) Where an accident or an emergency referred to in section 140 occurs, the licensee or other person responsible for the operation and use of the facility shall, to the extent necessary, suspend the petroleum activities for as long as the requirement of prudent operations warrants.

(2) Where special circumstances exist, the Minister may order that petroleum activities be suspended to the extent necessary, or may impose particular conditions to allow continuation of the activities.

(3) Where the Minister makes an order under subsection (2) based on circumstances not caused by the licensee, the Minister may, upon application, extend the period of time for which the licence applies and, to a reasonable extent, mitigate the obligations of the licensee.

143. Qualifications

(1) The licensee and other persons engaged in petroleum activities shall be persons who possess the necessary qualifications to perform the work in a prudent manner.

(2) The licensee shall ensure that any person carrying out work for the licensee complies with subsection (1).

144. Commission of inquiry

(1) Where an accident occurs which the Minister considers to be serious, in connection with petroleum activities to which this Act applies, the Minister may appoint a commission of inquiry in accordance with the Commissions of Inquiry Act to inquire into the accident.

(2) Subsection (1) applies to incidents in the activities which have led to serious danger including loss of life or major damage to property or pollution of the environment.

PART XIII—INFORMATION AND DOCUMENTATION

145. Information, data, reports etc

(1) All petroleum data generated under this Act shall be owned by the State except—

(a) data acquired under a reconnaissance permit; or

(b) data not generated under a cost recovery regime provided for in this Act.

(2) The licensee shall give copies of data generated under subsection (1) (a) and (b) to the Authority free of charge.

(3) The licensee shall not export any core, cuttings, rock samples or fluid samples without the written authorisation of the Authority.

(4) The Minister shall establish a National Oil and Gas Resource Data Bank for the storage of petroleum data generated under this Act.

(5) The licensee shall keep at the address referred to in section 146(1), accurate geological maps and plans, geophysical records, and interpretations relating to the licence area.

(6) The licensee shall submit to the Authority, in such form as the Authority may require—

- (a) at half-yearly intervals commencing six months after the grant of the licence—
 - (i) a summary of all geological, geochemical and geophysical work carried out;
 - (ii) a summary of all drilling activity and results obtained;
 - (iii) copies of maps, tapes or reports of other geological, geochemical and geophysical data prepared for the licensee, in or in respect of, the period concerned;
- (b) within sixty days after the end of each year of the term of the licence—
 - (i) a record describing the results of all petroleum activities carried out by the licensee in the year to which the licence relates;
 - (ii) estimates, if any, of economically recoverable petroleum in the form of crude oil and natural gas at the end of the year to which the licence relates; and
- (c) summaries of wells drilled, including lithological groups, classification boundaries and hydrocarbon zones, within three months after the completion of drilling or, in the case of information that cannot reasonably be obtained in that period, as soon as possible after the completion of drilling.

(7) The licensee shall disclose to the Government, the technology necessary for the evaluation and understanding of any raw data, processed data or interpreted data resulting from the licensee's work in the licence area.

146. Records to be kept

A licensee shall keep at an address in Uganda notified to the Authority, complete and accurate records containing full particulars of—

- (a) the drilling, operation, plugging or abandonment of wells;
- (b) the strata and subsoil through which wells are drilled;
- (c) the casing inserted in wells and any alteration to the casing;
- (d) any petroleum, water and minerals or dangerous substances encountered and any significant discovery of any mineral;
- (e) the areas in which any geological, geophysical or geochemical work has been carried out;
- (f) the quality of any crude oil and the composition of natural gas produced;
- (g) the quantities of—
 - (i) crude oil;
 - (ii) natural gas; and
 - (iii) sulphur, in any form, or any other minerals in any form or any other gases, liquids or solids, disposed of by way of sale or otherwise, the consideration received, the quantity disposed of and the name of the person to whom any such quantity was disposed;
- (h) the quantity of petroleum injected into the formation for enhanced recovery purposes or disposal;

- (i) the quantity of petroleum consumed during petroleum activities, other than quantities reported under paragraph (h), and consumed in pumping to field storage and refineries in Uganda;
- (j) the quantity of natural gas processed in Uganda by the licensee or on behalf of the licensee for the removal of liquids and liquefied petroleum, and the quantity of any other gases or solids recovered from it; and
- (k) the quantity of natural gas flared or vented.

147. Duties on termination of licence

Where a licence is terminated or revoked or expires, the person who was the licensee immediately before the termination, revocation or expiration of the licence shall immediately deliver to the Authority in a format acceptable to the Authority—

- (a) all records with respect to the licence;
- (b) all plans or maps of the licence area which were prepared by or on the instructions of the licensee;
- (c) all tapes, diagrams, profiles and charts which were prepared by the licensee; and
- (d) other documents as the Authority, may, by notice given to the licensee, require him or her to deliver.

148. Availability of information to the public

(1) The Minister may, subject to confidentiality of the data and commercial interests, and in accordance with the Access to Information Act, 2005, make available to the public—

- (a) details of all agreements, licences and any amendments to the licences or agreements whether or not terminated or valid;

- (b) details of exemptions from, or variations or suspensions of, the conditions of a licence;
- (c) approved field development plan; and
- (d) all assignments and other approved arrangements in respect of a licence.

(2) The information referred to in subsection (1) shall be available to any person upon payment of the prescribed fee.

149. Confidentiality of data

(1) Except as provided under this Act and the Access to Information Act, 2005, all data submitted to the Minister by a licensee shall be kept confidential and shall not be reproduced or disclosed to third parties by any party under this Act except—

- (a) in the case of disclosure by the licensee, with the prior written consent of the Minister; or
- (b) in the case of disclosure by the Authority prior to the relinquishment of the area to which they relate, with the prior written consent of the licensee.

(2) Consent under subsection (1) (a) or (b) shall not be unreasonably withheld or delayed.

(3) The provisions of subsection (1) shall not prevent disclosure—

- (a) by the Minister upon fifteen days prior written notice to the licensee identifying the parties to which disclosure will be made—
 - (i) to an agency of the Government;
 - (ii) to a financial institution or person acting as a consultant or professional adviser to the Authority;

- (iii) to arbitrators and experts appointed under this Act or under an agreement made under this Act;
- (iv) for statistical purposes; or
- (v) in connection with the award of new acreage;
- (b) by the licensee or one or more of the subsidiaries of the licensees to—
 - (i) a licensee affiliated company, its home Government or any department or, agency or as required by any law;
 - (ii) a recognised stock exchange on which shares of the licensee or its affiliated companies are traded;
 - (iii) financial institutions and professional advisers and arbitrators and experts appointed under this Act;
 - (iv) *bona fide* prospective assignees of a participating interest;
 - (v) a corporation with which the licensee is conducting *bona fide* negotiations directed towards a merger or consolidation.

(4) All data disclosed to third parties shall be disclosed on terms, which to the extent possible ensure that they are treated as confidential by the recipient for so long as the data remains subject to the confidentiality undertakings.

150. Prohibition against disclosure of information

(1) Information furnished, or information in a report submitted under this Act by a licensee shall not be disclosed to any person who is not a Minister or an officer in the public service except with the consent of the licensee.

(2) Nothing in subsection (1) operates to prevent the disclosure of information when the disclosure is made—

- (a) after the licence concerned has ceased to have effect, or has ceased to have effect over the land to which the disclosure relates;
- (b) for and in connection with the implementation of this Act;
- (c) for the purpose of or in connection with any legal proceedings;
- (d) to any consultant employed to advise the Government on matters relating to petroleum;
- (e) for or in connection with the preparation by or on behalf of the Government of statistics in relation to petroleum activities;
- (f) to a financial institution for or in connection with financial arrangements or advice in relation to petroleum activities;
- (g) for or in connection with the determination of any liability of the licensee to make any payment to the Government; or
- (h) for or in connection with any matter, or for any purpose, prescribed in a petroleum agreement.

(3) A person shall not while still in the public service in the petroleum industry or when he or she ceases to be public servant disclose any information which he or she may have obtained in the course of his or her employment for a period of ten years.

(4) Any person who contravenes subsection (1) or (3) commits an offence and is liable on conviction to a fine not exceeding five hundred currency points or imprisonment not exceeding five years or both.

(5) In proceedings on a prosecution for an offence under this section, it shall be a sufficient defence if the person charged proves that the information disclosed and to which the prosecution relates was, without that disclosure, generally known to the public.

PART XIV—PAYMENTS

151. Royalty on petroleum

(1) Subject to this Act, the licensee shall pay royalty to Government on petroleum recovered at the well head as stipulated in the petroleum agreement.

(2) A petroleum production agreement may include a provision for the payment of royalty in kind.

(3) Where the licensee fails to pay any royalty payable by the licensee, on or before the due date or during any extension period allowed by the Authority, the Authority may, by notice in writing served on the licensee, prohibit the removal of, or any dealings in or with, any petroleum from the development area concerned, or from any other development area subject to a licence held by that licensee, or from both, until all outstanding royalty has been paid or until an arrangement has been made and accepted by the Authority for the payment of the royalty; and the licensee shall comply with the order of the Authority.

(4) A certificate of the Authority certifying that a specified amount of money is payable by a person specified in the certificate shall, in any proceedings instituted against that person for the recovery of any royalty, be received as evidence of that fact, but without prejudice to the right to adduce evidence in rebuttal.

(5) The Authority shall in each financial year prepare an annual financial statement stating all the monies received from royalties paid in accordance with this Act.

(6) A copy of the financial statement prepared under subsection (5) shall be submitted to Parliament not later than three months after the end of the financial year to which the statement relates.

152. Annual fees

(1) The holder of a petroleum exploration or production licence shall pay annual fees in respect of the licence as may be prescribed by regulations.

(2) The annual fees referred to under subsection (1) include—

(a) surface rental; and

(b) training and research fees.

(3) The annual fees payable under subsection (1) shall be payable on the grant of a licence and thereafter annually on the anniversary of the grant until the termination of the licence.

(4) Where the licensee fails to pay the annual fees prescribed under subsection (1), his or her licence shall be cancelled.

153. Signature bonus

(1) Where the licensee has been granted a petroleum exploration or production licence under this Act, the licensee shall pay to the Government a signature bonus as may be prescribed by regulations.

(2) In this section, "signature bonus" means a single, non-recoverable lump sum payment by the licensee to the Government upon the granting of the petroleum exploration or production licence.

154. Payment terms

(1) All payments under this Act shall, unless stated otherwise, be in an international and freely convertible currency through a bank designated by the party receiving the payment.

(2) The discharge of a licensee's obligation with respect to royalty, income tax, the nominee of the Government's participating interest of production and the Government's production share shall be made in accordance with the licence.

155. Penalty for late payments

Where the liability of a person under this Act or under a licence to pay an amount is not discharged on or before the time when the amount is payable, there shall be payable by that person an additional amount as prescribed by regulations, to be computed from the time that the amount became payable, until it is paid.

156. Recovery of payments under this Act

Payments under this Act are a debt due to the Government and may be recovered in a court of competent jurisdiction.

PART XV—OFFENCES

157. Obstruction of an authorised officer

A person who—

- (a) without reasonable excuse, obstructs, molests or hinders an authorised officer in the exercise of his or her powers under this Act; or
- (b) knowingly or recklessly makes a statement or produces a document that is false or misleading in a material particular to an authorised officer engaged in carrying out his or her duties and functions under this Act,

commits an offence and is liable on conviction to a fine not exceeding one hundred thousand currency points or imprisonment not exceeding ten years or both.

158. Obstruction of licensee

A person who, without reasonable excuse, obstructs, molests, hinders or prevents a licensee in or from undertaking any activity which the licensee is authorised to do by this Act or by his or her licence, commits an offence and is liable on conviction to a fine not exceeding one thousand currency points or imprisonment not exceeding five years or both.

159. Conflict of interest

(1) An officer in the public service, engaged in the implementation of this Act shall not, in his or her private capacity, knowingly, directly or indirectly, acquire, attempt to acquire or hold—

- (a) a licence or an interest in a licence for petroleum activities;
- (b) a direct or indirect economic interest, participation interest or share in an entity that is authorised under this Act to carry out petroleum activities in Uganda; or
- (c) a direct or indirect economic interest, participation interest or share in a body corporate that is providing goods or services to a licensee under this Act.

(2) A person who contravenes subsection (1) commits an offence and is liable on conviction to a fine not exceeding two hundred thousand currency points or imprisonment not exceeding ten years or both.

(3) In proceedings for a prosecution for an offence under this section of acquiring or maintaining an interest of a kind referred to in subsection (1), it shall be a sufficient defence if the person charged proves that—

- (a) the interest was acquired by operation of law; and

- (b) all reasonable steps necessary to dispose of the interest have been and are continuing to be taken.

160. Offences committed by body corporate

(1) Where an offence committed by a body corporate is proved to have been committed with the consent or connivance of, or to be attributable to any neglect on the part of a director, manager, secretary or other similar officer of the body corporate or any person who was purporting to act in any such capacity, he or she, as well as the body corporate, commits that offence and is liable to be prosecuted and punished accordingly.

(2) An individual who commits an offence under subsection (1), is liable on conviction either in substitution for or in addition to the fine prescribed by the relevant section to imprisonment not exceeding the equivalent of imprisonment to the fine prescribed by the relevant section calculated on the basis of two currency points being equivalent to imprisonment for one month.

161. Order for forfeiture

(1) Where a person is convicted of an offence under this Act, the court may, in addition to any other penalty imposed, make—

- (a) an order for the forfeiture of any funds, money instruments, documents, facilities, vehicles, crafts, vessels or equipment used in the commission of the offence; and
- (b) an order—
 - (i) for the forfeiture of petroleum obtained or recovered in the course of the commission of the offence;
 - (ii) for the payment by that person to the Government of an amount equal to the proceeds received of the sale of petroleum so obtained or recovered; or

- (iii) for the payment by that person to the Government of the value at the wellhead, assessed by the court in respect of the quantity recovered or for the payment of such a part of that amount as the court, having regard to all the circumstances, deems fit.

(2) Where the court is satisfied that an order made under subsection (1)(b)(i) cannot for any reason be enforced, the court may, upon the application of the person by whom the proceedings were brought, set aside the order and make an order referred to in subsection (1)(b)(ii) or (iii).

(3) The court may, before making an order under this section, require notice to be given to, and to hear any person as the court deems fit.

162. Contravention of decisions and orders issued under this Act

A person who willfully or negligently contravenes any directive issued under this Act commits an offence and is liable on conviction—

- (a) in the case of an individual, to a fine not exceeding two hundred thousand currency points or imprisonment not exceeding ten years or both; or
- (b) in the case of a body corporate, to a fine not exceeding five hundred thousand currency points.

163. Miscellaneous offences

A person who—

- (a) in, or in connection with, any application under this Act or under a licence, or in response to any invitation or requirement of the Minister or Authority under this Act, knowingly or recklessly gives or permits to be given information which is false or misleading in a material particular;

- (b) in any report, return or affidavit submitted in accordance with this Act or a licence, knowingly or recklessly includes, or permits to be included, any information which is false or misleading in a material particular; or
- (c) places or deposits, or is accessory to the placing or depositing of, any petroleum or substance in any place with the intention of misleading any other person as to the possibility of a reservoir existing in that place, commits an offence and is liable on conviction—
 - (i) in the case of an individual, to a fine not exceeding five hundred currency points or imprisonment not exceeding five years or both; or
 - (ii) in the case of a body corporate, to a fine not exceeding five thousand currency points.

PART XVI—MISCELLANEOUS

164. Use of spare capacity of a facility

(1) A person requiring the use of spare capacity of a facility owned by another party shall, on objective and non-discriminatory conditions have a right to the use of that facility in accordance with this Act.

(2) An agreement relating to the use of a facility of another party shall be based on the principle that profits from production shall be earned by the producing field and the owner's incentives to maintain the capacity of the facilities and to make investments in additional capacity shall be ensured.

(3) Negotiations between owner and user concerning the use of a facility shall be organised and conducted in a spirit of integrity and good faith, in accordance with good corporate governance and in such a way that the negotiations do not provide one party with an

unreasonable advantage at the expense of the other party; and the licensee shall participate in negotiations on the side on which the greatest economic interests of the licensee lie.

(4) While negotiations are ongoing, the parties shall exchange updated information on the user's needs and capacities available, with a view to determining, at the earliest stage possible, the conditions that are to govern the required use.

(5) Any agreement relating to the use of facilities referred to in subsection (2) shall be submitted to the Authority for approval.

(6) The Authority may, on approving an agreement according to subsection (2), or in the event that no agreement is reached within a reasonable period of time, stipulate tariffs and other conditions or subsequently amend the conditions that have been approved or stipulated, in order to ensure that implementation of projects is carried out with due regard to considerations relating to resource management.

(7) The Authority may direct that facilities be used by others if so warranted by considerations for efficiency, resource management or for the benefit of society, and that the use would not constitute any unreasonable detriment to the licensee's own requirements or those of someone who has already been assured the right of use.

165. Requirements for management of petroleum activities

(1) The licensee shall maintain a company registered in Uganda which is authorised and capable of independently managing petroleum activities subject to Ugandan jurisdiction.

(2) Specific requirements in respect of the company referred to in subsection (1), including its capital may be stipulated in regulations or in invitations for application for licences under this Act.

(3) The licensee shall ensure that trade union activities take place among his or her own employees and the personnel of contractors and the sub-contractors in accordance with the laws of Uganda.

(4) Petroleum activities shall be conducted from a base in Uganda and the licensee may be directed to use bases designated by the Authority except as otherwise prescribed by the Authority.

166. Regulatory supervision of petroleum activities

(1) The Authority shall carry out regulatory supervision to ensure that this Act is complied with by all persons carrying out petroleum activities under this Act.

(2) The Minister may issue orders necessary for the implementation of this Act.

167. Survey of wells and facilities

(1) The Authority may, at any time, by notice in writing served on a licensee, direct the licensee—

- (a) to carry out a survey of the position of any well or facility specified in the notice;
- (b) to submit promptly to the Authority, a report in writing of the survey.

(2) Where the Authority is not satisfied with a report of a survey submitted by a licensee under subsection (1) (b) the Authority may, by notice in writing served on the licensee, direct the licensee to promptly submit further information in writing in connection with the survey.

(3) Where a licensee to whom a direction is given under subsection (1) fails or neglects to comply with the direction, the Authority may cause to be carried out, any survey specified in the notice containing the direction.

(4) The costs and expenses incurred under subsection (3) in carrying out a survey are a debt due to the Government and shall be recoverable in a court of competent jurisdiction notwithstanding that the licensee concerned is convicted of an offence under subsection (5).

(5) A person to whom a direction is given under subsection (1) or (2) who fails or neglects to comply with the direction commits an offence and is liable on conviction to a fine not exceeding one hundred currency points or imprisonment not exceeding one year or both.

168. Maintenance of property

(1) A licensee shall—

(a) maintain in good condition and repair, all structures, equipment and other property in the licence area and used in connection with the operations in which the licensee is engaged; and

(b) remove from the licence area, all structures, equipment and other property that are not either used or to be used in connection with those operations.

(2) Subsection (1) shall not apply in relation to any structure, equipment or other property that was not brought into the area subject to a licence by or with the authority of the licensee.

(3) A licensee who contravenes subsection (1) commits an offence and is liable on conviction to a fine not exceeding two thousand currency points.

169. Agreements between affiliated companies

(1) The Minister may, where particular reasons warrant, consent to the licensee entering into an agreement, authorising a parent company or a company with which the licensee is affiliated in a similar manner, to undertake the activities on behalf of the licensee.

(2) It shall be a condition for the consent referred to in subsection (1), that the arrangement will not result in less tax revenues to Uganda.

170. Security for fulfilment of obligations

(1) The Minister—

- (a) shall require an applicant to make arrangements as may be satisfactory to the Minister for the execution of a bond or other form of security for the performance and observance of the conditions to which the licence may be subject; and
- (b) shall require the applicant to take the necessary insurance policies to protect against liabilities that may arise as a result of petroleum.

171. Responsibility for commitments

Parties who jointly hold a licence are jointly and severally responsible to the State for financial and other obligations arising out of petroleum activities under the licence.

172. Liability for damage caused

Where liability in respect of a third party is incurred by any person who undertakes tasks for a licensee, the licensee is liable for damages to the same extent as the third party.

173. Information required by Minister

(1) Where the Minister is satisfied that a person is in possession of any information or data relating to petroleum activities or to petroleum recovered or to the value of the petroleum, the Minister may, by notice in writing, require that person—

- (a) to provide the Minister with that information or data within the period, and in the manner specified in the notice;

- (b) to attend before the Minister or a person identified in the notice at such time and place as may be specified and to answer questions relating to those petroleum activities or the petroleum recovered or to the value of the petroleum; or
- (c) to provide to a person identified in the notice at such time and place as is so specified, the information or data in his or her custody or power relating to those activities or the petroleum recovered or to the value of the petroleum.

(2) A person shall not be excused from providing information or data, or answering a question when required to do so under this section on the ground that the information or data so furnished or the answer to the question might tend to incriminate him or her to make him or her liable to a penalty.

(3) Any information or data provided under subsection (2) or any answer to a question shall not be admissible in evidence against the person submitting it in any proceedings other than proceedings for an offence against this section.

(4) Any person who—

- (a) refuses or fails to comply with the requirement in a notice under subsection (1) to the extent to which he or she is capable of complying with it;
- (b) in purported compliance with any requirement referred to in subsection (1), knowingly or recklessly makes a statement or furnishes any information or data that is false or misleading in a material particular;

commits an offence and is liable on conviction to a fine not exceeding one thousand currency points or to imprisonment not exceeding five years or both.

174. Powers of Authority

(1) For the purposes of this Act, an authorised officer may, at all reasonable times—

- (a) with respect to the health and safety of persons employed by a licensee in or in connection with any petroleum activity, issue directions to and impose restrictions on the licensee or any persons so employed, by instrument in writing;
- (b) order, by instrument in writing—
 - (i) the suspension of petroleum activities and the withdrawal of all persons from any structure or building that is being used in connection with any petroleum activities; or
 - (ii) the discontinuance of the use of any machinery or equipment which the authorised officer considers unsafe, until such action as is necessary for safety and specified in the instrument is taken and completed; and
- (c) make such examinations and inquiries as may be necessary to ensure that the provisions of this Act, and any directions issued, conditions imposed or orders made under this Act, are being complied with.

(2) An authorised officer shall, before exercising any powers under subsection (1) identify himself or herself to any person who is or appears to be in charge of the area, structure, vehicle, vessel, aircraft, building, machinery, equipment or matter or thing in respect of which the power is about to be exercised, and to any person to whom he or she is about to give the order or direction.

(3) Any person who is aggrieved by a decision, direction or order of an authorised officer made under this section may appeal in writing to the Minister, who shall, as soon as is practicable dispose of the appeal, but the bringing of the appeal shall not affect the operation of the decision, direction or order appealed from pending the disposition of the appeal.

(4) On appeal being made under subsection (3), the Minister may rescind or affirm the decision, direction or order appealed from or may make a new decision, direction or order in substitution therefore, and that decision, direction or order shall be final.

(5) In the exercise of powers under subsection (1), an authorised officer may be accompanied by any person whom the authorised officer, as the case may be, believes has special or expert knowledge of any matter being inspected, tested or examined.

175. Certificate of evidence

(1) The Minister may give a certificate stating—

- (a) that a licence was granted, cancelled or transferred on, or with effect from, a date specified in the certificate;
- (b) that any block or facility identified in the certificate is, or was on a date specified in the certificate, subject to a licence;
- (c) that a condition specified in the certificate is a condition on which any consent or approval specified in the certificate was given;
- (d) that a person named in the certificate is, or was on a date specified in the certificate, the licensee; or

- (e) that a direction specified in the certificate was, on a date so specified, given to the person named in the certificate, and the certificate shall be received in proceedings before any court or tribunal as evidence of that fact, but without prejudice to the right to adduce evidence in rebuttal.

(2) The power under subsection (1) to give a certificate stating that any matter referred to in paragraph (a) to (e) is or was the case, includes a power to state that any such matter is not or was not the case.

176. Scientific investigation

(1) Notwithstanding subsection (2), the Authority with the approval of the Minister may, by instrument in writing, consent to the carrying on by any person of geoscientific investigations in Uganda.

(2) An instrument of consent under subsection (1) shall authorise the person to whom it is issued to carry on geoscientific investigations specified in the instrument in the area and subject to any condition specified in the instrument, in the course of the scientific investigation.

(3) An authorised officer may, for the purpose of collecting information on the geology and petroleum resources of Uganda, enter on any land in Uganda and may for that purpose, carry on any scientific investigation.

177. Service of documents

(1) A document or notice required or permitted to be served on or given to a person under this Act or for the purposes of this Act, may be served—

- (a) in the case of an individual, other than the Minister, by serving it personally upon the individual or by sending it by post to him or her at his or her usual or last known place of abode or business;

- (b) in the case of the Minister, in such manner as may be prescribed by regulations;
- (c) in the case of a body corporate—
 - (i) by leaving it at the registered or principal office of the body corporate;
 - (ii) by sending it by post to the body corporate at the registered or principal office of the body corporate; or
 - (iii) by delivering it to an individual in the employment or acting on behalf of the body corporate that is authorised by the body corporate to accept service of or to receive the document.

(2) For the purposes of subsection (1)(c), the principal office of a body corporate incorporated outside Uganda is its place of business established under the Companies Act.

(3) Any notice or document may be served on the Authority by delivering it at the office of the Authority, or by sending it by registered post to the office of the Authority.

178. Indemnity of the Republic of Uganda

A licensee shall, at all times, keep the Government indemnified against all actions, claims and demands that may be brought or made against the Government by reason of anything done by the licensee in the exercise or purported exercise of the rights of the licensee under this Act or the licence.

179. Right to place facilities, etc

(1) A licensee shall allow the laying of pipelines, cables or wires of various kinds, or the placing of other facilities on, in or above the area covered by the petroleum exploration and production licence.

(2) Subsection (1) applies correspondingly to necessary route and soil surveys prior to the placement referred to in subsection (1).

(3) The facilities referred to in subsection (1) must not cause unreasonable inconvenience to the licensee.

180. Regulations

(1) The Minister may, by statutory instrument, make regulations generally for giving effect to the provisions of this Act and for its due administration.

(2) Without limiting the general effect of subsection (1), the Minister may make regulations relating to—

- (a) the application for licences under this Act;
- (b) confidentiality;
- (c) the licensee's obligation to make information on the activities under this Act available to the public;
- (d) the exploration for petroleum and the carrying on of operations and the execution of works for that purpose;
- (e) the production of petroleum and the carrying on of operations, and the execution of works for that purpose;
- (f) the conservation and prevention of the waste of natural resources, whether petroleum or otherwise, and the carrying out of environmental impact assessments for that purpose;
- (g) the form and content of, and conditions with respect to applications for the grant and renewal of licences;
- (h) the construction, erection, maintenance, operation or use of installations or equipment;

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- (i) drilling operations;
- (j) the prevention and control of, and the liability for petroleum pollution;
- (k) the pressure maintenance in, or the re-pressuring of a reservoir and recycling of petroleum;
- (l) the secondary or tertiary recovery of petroleum from a reservoir and the methods to be used in the recovery;
- (m) the use of wells and the use of the subsurface for the disposal of petroleum, water and other substances produced in association with the exploration for or the recovery of petroleum;
- (n) the rates, or the method of setting the rates, at which petroleum and water may be recovered from any well or reservoir;
- (o) the methods to be used for the measurements of petroleum, water and other substances from a well;
- (p) minimum working stocks for a refinery or storage facility;
- (q) tariff structures for pipelines and storage facilities;
- (r) the making, preserving and providing to the Authority of cores, cuttings and samples of petroleum and water;
- (s) the testing of any form of petroleum which is viscous or solid or contains sediment or thickening ingredients; and the apparatus for testing;
- (t) the production to the Authority of reports, returns and other information;

- (u) the transfer of licences or interests in licences;
- (v) the manner in which the Petroleum Register will be arranged and kept, the obligation for notification of transfers and other alterations in connection with the licence, and other aspects of registration;
- (w) the procedures for handling of administrative appeals;
- (x) the criteria for approval of competent entities owned by Ugandans for the provision of goods and services;
- (y) emergency preparedness, including the ordering of co-operation between several licensees in matters of emergency preparedness;
- (z) access to facilities and determining the extent of safety zones;
- (aa) the laying of pipelines, cables or wires and the placing of other facilities on, in or above a licensed area;
- (ab) the annual charges and fees payable under this Act;
- (ac) the procedure of approval of work programmes and budgets and costs for exploration, appraisal, development and production activities;
- (ad) reporting requirements of any gas venting or flaring;
- (ae) decommissioning of facilities and works to be carried out during decommissioning;
- (af) management and operation of the decommissioning fund;and

(ag) generally for the better carrying out of the purposes of this Act and the prescription of anything required or authorised to be prescribed under this Act.

(3) Regulations made under subsection (1) may, in respect of any contravention of any of the regulations—

- (a) prescribe a penalty of a fine not exceeding five thousand currency points or imprisonment not exceeding ten years, or both;
- (b) in the case of a continuing contravention, prescribe an additional penalty not exceeding five hundred currency points in respect of each day on which the offence continues;
- (c) prescribe a higher penalty not exceeding five thousand five hundred currency points or imprisonment not exceeding twelve years or both in respect of a second or subsequent contravention;
- (d) provide for forfeiture of anything used in the commission of the offence.

181. Codes of practice

The Minister may issue codes of practice for the purposes of setting or endorsing standards or specifications concerning the design, construction, installation and importation of petroleum facilities.

182. Amendment of Schedules

(1) The Minister may, with the approval of Cabinet, by statutory instrument, amend Schedule 1.

(2) The Minister may, by statutory instrument, amend Schedule 2 and Schedule 3.

183. Obligation to comply with this Act

(1) A licensee and any other person engaged in petroleum activities under this Act is obliged to comply with the Act, regulations, decisions and directions issued under this Act.

(2) A licensee shall ensure that any person working for the licensee, either personally, through employees or through contractors or subcontractors, complies with this Act.

184. Supremacy of this Act

This Act shall take precedence over all existing Acts relating to petroleum activities in Uganda and where there is a conflict between the provisions of this Act and any other written law, the provisions of this Act shall prevail.

185. Compliance with conditions of licence

(1) Where the Authority is satisfied that the licensee is contravening a condition of a licence or a requirement under this Act or regulations, codes or standards made under this Act, the Authority shall direct the licensee to comply with that condition or requirement.

(2) A directive requiring a licensee to comply under subsection (1) shall be sent to the licensee and to other directly affected parties and shall—

- (a) contain the relevant condition of the licence or requirement of the Act or regulations to which the breach relates;
- (b) contain the acts, omissions or other facts which, in the opinion of the Authority, constitute a contravention of the condition or requirement;
- (c) specify a period, not exceeding sixty days from the date of receiving the notice, within which representations or objections may be made by the licensee or directly affected parties; and

- (d) specify the period within which the licensee may rectify the breach or contravention.

(3) The Authority shall take into consideration all representations made before notifying the licensee and directly affected parties of the decision of the Authority either to—

- (a) uphold the order of compliance;
- (b) vary the original order of compliance; or
- (c) withdraw the order of compliance.

186. Force majeure

(1) Any failure on the part of a licensee or Government to fulfill any of the conditions of a licence or to meet any requirement of this Act or of a petroleum agreement shall not constitute a breach of the licence or of this Act or the agreement, insofar as the failure results from an act of war, hostility, insurrection, storm, flood, earthquake or such other natural phenomenon beyond the reasonable control of the licensee, or from any other cause prescribed in the licence or the petroleum agreement as constituting force majeure.

(2) Where a licensee fails to fulfill any of the conditions of a licence because of the occurrence of circumstances referred to in subsection (1), the licensee shall immediately notify the Minister, giving particulars of the failure and its cause.

(3) Where a licensee is prevented from exercising any of the rights or discharging any obligations under the licence for any period because of the occurrence of circumstances of a kind referred to in subsection (1), then that period shall be added to the period during which the licensee would otherwise have been obliged to discharge those obligations.

(4) This section does not apply with respect to any requirement under a licence or this Act to make any payment of royalty, annual charges, rent or fees.

187. Repeal and savings

(1) The Petroleum Exploration and Production Act, Cap.150 is repealed.

(2) Any statutory instrument made under the Petroleum Exploration and Production Act, Cap 150 repealed under subsection (1) and which is in force immediately before the commencement of this Act, shall remain in force, so far as it is not inconsistent with this Act, until it is revoked by a statutory instrument made under this Act and until that revocation, shall be deemed to have been made under this Act.

PART XVII—TRANSITIONAL PROVISIONS

188. Continuation of licences

(1) A licence issued under the Petroleum Exploration and Production Act, Cap 150, repealed by section 187 and which is in force immediately before the commencement of this Act—

- (a) shall have effect from the commencement of this Act as if granted under this Act; and
- (b) in the case of a licence or permit for a specified period, shall remain in force, subject to this Act, for so much of that period as falls after the commencement of this Act.

(2) The terms and conditions including the rights and obligations under a licence or petroleum agreement in force immediately before the commencement of this Act, shall not be less favourable than those that applied immediately before the commencement of this Act.

189. Continuation of office of Commissioner and other officers

(1) Notwithstanding the repeal of the Petroleum Exploration and Production Act, Cap 150 the office of the Commissioner and other officers in existence immediately before the commencement of this Act are continued in existence, subject to this Act.

(2) All persons who, immediately before the commencement of this Act were employed in the Department of Petroleum Exploration and Production, shall continue to be employed in that office.

(3) There is no break or interruption in the employment of the persons referred to in subsection (2) because of the enactment of this Act.

SCHEDULES

SCHEDULE 1

Sections 3 and 182(1)

CURRENCY POINT

A currency point is equivalent to twenty thousand shillings.

SCHEDULE 2

Sections 24, 182(2)

MEETINGS OF THE BOARD

1. Meetings of the Board

(1) The Chairperson shall convene every meeting of the Board at times and places as the Board may determine, and the Board shall meet for the discharge of business at least once in every three months.

(2) The Chairperson may, at any time, convene a special meeting of the Board and shall also call a meeting within fourteen days, if requested to do so in writing by at least five members of the Board.

(3) Notice of a Board meeting shall be given in writing to each member at least fourteen working days before the day of the meeting.

(4) The Chairperson shall preside at every meeting of the Board and in the absence of the Chairperson; the members present shall appoint a member from among themselves to preside at that meeting.

2. Quorum

(1) The quorum for a meeting of the Board is 4 members.

(2) All decisions at a meeting of the Board shall be by a majority of the votes of the members present and voting and in the case of an equality of votes, the person presiding at the meeting shall have a casting vote in addition to his or her deliberative vote.

3. Minutes of meetings.

(1) The Board shall cause to be recorded and kept, minutes of all meetings of the Board in a form approved by the Board.

(2) The minutes recorded under this paragraph shall be submitted to the Board for confirmation at its next meeting following that to which the minutes relate and when so confirmed, shall be signed by the Chairperson, in the presence of the members present at the latter meeting.

4. Power to co-opt

(1) The Board may invite any person who, in the opinion of the Board, has expert knowledge concerning the functions of the Board, to attend and take part in the proceedings of the Board.

(2) A person attending a meeting of the Board under subparagraph (1) may take part in any discussion at the meeting on which his or her advice is required but shall not have any right to vote.

5. Validity of proceedings not affected by vacancy

The validity of any proceedings of the Board shall not be affected by a vacancy in its membership or by any defect in the appointment or qualification of a member or by reason that a person not entitled, took part in its proceedings.

6. Disclosure of interest of members

(1) A member of the Board who is in any way directly or indirectly interested in a contract made or proposed to be made by the Board, or in any other matter which falls to be considered by the Board, shall disclose the nature of his or her interest at a meeting of the Board.

(2) A disclosure made under subparagraph (1) shall be recorded in the minutes of that meeting.

(3) A member who makes a disclosure under subparagraph (1) shall not—

- (a) be present during any deliberation of the Board with respect to that matter; or
- (b) take part in any decision of the Board with respect to that matter.

(4) For purposes of determining whether there is a quorum, a member withdrawing from a meeting or who is not taking part in a meeting under subparagraph (3) shall be treated as being present.

7. Board may regulate its procedure

Subject to this Act, the Board may regulate its own procedure or any other matter relating to its meetings.

SCHEDULE 3

Section 8 and 182(2)

GRATICULATION OF THE SURFACE OF THE EARTH

1. Reference map

(1) The Minister shall cause to be prepared a reference map showing the geographical area of land in Uganda, divided into blocks constituted as provided in this Schedule.

(2) For the purpose of the preparation of the reference map, the surface of the earth shall be deemed to be divided into blocks—

- (a) by the meridian of Greenwich and by meridians that are at a distance from that meridian of five minute of longitude or a multiple of five minute of longitude; and
- (b) by the Equator and by parallels of latitude that are at a distance from the Equator of five minute of latitude or a multiple of five minute of latitude, each of the blocks being bounded by portions of—
 - (i) two of those meridians that are at a distance from each other of five minute of longitude; and
 - (ii) two of those parallels of latitude that are at a distance from each other of five minute of latitude.

(3) Where any block as constituted would be partly inside and partly outside the geographical area of land in Uganda, the block shall be treated as being constituted by the part that is inside that area.

(4) Each block on the reference map shall be given on the map, a number or a letter or both, for the purpose of identification.

(5) The manner of the depiction of the geoid for the purpose of the division shall be determined, from time to time, by the Minister, by notice published in the *Gazette*.

2. Map to be deposited and taken as evidence

(1) The reference map prepared under paragraph 1 shall be deposited at the office of the Minister and any other office as may, from time to time, be determined by the Minister by notice published in the *Gazette*.

(2) The Minister may, from time to time, certify a map to be a true copy of the reference map prepared under paragraph 1, and any such copy shall be received in proceedings before any court or tribunal as evidence of the contents of the reference map.

3. References in licences to identified block

Any reference in a petroleum exploration licence or in a petroleum production licence to an identified block shall be treated as a reference to the block so identified on the reference map.

Cross References

Access to Information Act, 2005, Act No. 6 of 2005

Commissions of Inquiry Act, Cap. 166

Companies Act, Cap. 110

Constitution of the Republic of Uganda, 1995

Land Act, Cap. 227

Mining Act, Cap. 148.

National Audit Act, 2008, Act No.7 of 2008

National Environment Act Cap. 153

Public Procurement and Disposal of Public Assets Act 2003, Act
No.1 of 2003

Uganda National Bureau of Standards Act, Cap. 327

Occupational Health and Safety Act, 2006, Act No. 9 of 2006

BILLS SUPPLEMENT

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Bill No. 1 *Petroleum (Exploration, Development and
Production) Bill* **2012**

**THE PETROLEUM (EXPLORATION, DEVELOPMENT AND
PRODUCTION) BILL, 2012**

MEMORANDUM

1. Policy and principles of the Bill.

In 2008 the Government of Uganda published a National Oil and Gas policy for Uganda.

The policy goal as stated in the policy was to use Uganda's oil and gas resources to contribute to early achievement of poverty eradication and to create lasting value to society.

Out of and for the purposes of the published policy, the Government has found it necessary that two Bills should be prepared to be passed by Parliament to give effect to the policy.

The two Bills are- the Petroleum (Exploration, Development and Production) Bill, 2012 and the Petroleum (Refining, Gas Processing, Conversion, Transportation and Storage) Bill, 2012.

The objects and principles of the Petroleum (Exploration, Development and Production) Bill, 2012 are- to give effect to article 244 of the Constitution; to regulate petroleum exploration, development and production; to establish the Petroleum Authority of Uganda; to provide for the National Oil Company; to regulate the licensing and participation of commercial entities in petroleum

activities; to provide for an open, transparent and competitive process of licensing; to create a conducive environment for the promotion and exploration of Uganda's petroleum potential; to provide for efficient and safe petroleum activities; to provide for the cessation of petroleum activities and decommissioning of infrastructure; to provide for the payment arising from petroleum activities; to provide for the conditions for the restoration of derelict lands; to repeal the Petroleum (Exploration and Production) Act, Cap 150; and for related matters.

2. Defects in the existing law

The legal framework that currently governs the activities of the petroleum industry includes- the Petroleum Exploration and Production Act Cap 150 and the Petroleum Supply Act, 2003, No.13 of 2003. The Petroleum Exploration and Production Act, Cap 150 spans a period of more than two decades, is now obsolete and is no longer adequate to handle the sector, given the new and emerging challenges created by the discovery of commercial petroleum resources in Uganda. In addition, the Oil and Gas Policy of Uganda, 2008 requires new legislative action to be taken in order to operationalise the policy measures. Thus the need for this Bill to overhaul the existing laws to facilitate the effective handling of petroleum activities.

It is also necessary to give full effect to article 244 of the Constitution which in clause (2) provides as follows—

“(2) Subject to this article, Parliament shall make laws regulating—

- (a) the exploitation of minerals and petroleum;
- (b) the sharing of royalties arising from mineral and petroleum exploitation;

- (c) the conditions for payment of indemnities arising out of exploration of minerals and petroleum; and
- (d) the conditions regarding the restoration of derelict lands.”

3. Remedies

The Bill will establish the necessary institutions and a conducive environment for the development of petroleum in Uganda through effective and efficient resource management.

The proposed legislation will enable Uganda to develop the petroleum industry in a sustainable manner. It will create a predictable environment for investment and streamline operations and responsibilities among the petroleum industry stakeholders and Government institutions. Furthermore, the law will institute a high degree of confidence among Ugandans and the world at large that the newly discovered oil and gas resources will be well managed in order to create lasting value to society.

4. Provisions of the Bill

The Bill consists of seventeen Parts and three Schedules.

PART I—PRELIMINARY

This Part deals with preliminary matters relating to the commencement of the Act, purpose of the Act, interpretation of the words and phrases used in the Bill and environmental principles.

PART II—PETROLEUM RIGHTS

Clauses 5-8 deal with, among other things the rights related to petroleum discovered and produced in Uganda. The Part prohibits any dealing in petroleum activities without authorization. The Part also empowers the Government to enter into agreements relating to petroleum activities with any person. It further provides for the graticulation of the earth’s surface into blocks. Graticulation is the division of the earth’s surface into blocks for petroleum activities as defined in clause 3 of the Bill.

PART III—INSTITUTIONAL ARRANGEMENTS

Clause 9 provides for the functions of the Minister which include the granting and revoking of licences, among others.

Clauses 10-17 provide for the Petroleum Authority of Uganda.

Clause 10 establishes the Petroleum Authority of Uganda as a body corporate with capacity to sue and be sued. The Authority's major function under clause 11 is to monitor and regulate petroleum activities in Uganda. Clause 12 provides that the Authority shall perform its functions and exercise its powers in a transparent manner.

Clause 13 provides for the seal of the Authority. Clause 14 empowers the Minister to give written directions to the Authority in respect of policy which the Authority is to comply with and the Minister is required to publish in the Gazette and Clause 15 provides for the independence of the Authority subject to Clause 14.

The Authority has power to give directions to the licensees and licensees must comply with the directions as required by clauses 16 and 17.

Clauses 18-27 provide for the Board of Directors of the Authority.

Clause 18 provides for the Board of directors as the governing body of the Authority consisting of seven persons of high moral character and proven integrity appointed by the Minister with the approval of Cabinet.

Clause 19 provides for the grounds for disqualification for appointment to the board such as being a shareholder of any entity operating in the petroleum sector or being an employee or member of the board of a licensee, among others. Clause 20 proposes that a member of the Board shall hold office for five years and shall be eligible for reappointment for one more term. Clause 21 prescribes the grounds for removal from office of a member of the Board including, incompetence, misbehaviour, bankruptcy, etc.

Clause 22 provides that the remuneration of the Board members is to be determined by the Minister with approval of Cabinet. Clause 23 gives the Minister power to fill vacancies on the Board.

Clause 24 provides that meetings of the Board shall be in accordance with Schedule 2.

The Board may, under clause 25 appoint committees for effective implementation of its functions.

Clause 26 provides that the Board shall be responsible for the general supervision and direction of the Authority and under clause 27, the Board may delegate its powers, duties and functions to the chairperson or a member of the Board or an official of the Authority.

Clauses 28-33 provide for the staff of the Authority.

Clause 28 provides for the office of the Executive Director who shall be appointed by the Minister on the recommendation of the Board and who is the accounting officer and the chief executive officer of the Authority. Clause 29 prescribes the functions of the Executive Director such as initiating and implementing the policies and programmes of the Authority, managing the staff of the Authority, etc. Clause 30 provides that the Executive Director shall hold office for five years and shall be eligible for reappointment for one more term. The Executive Director may be removed on grounds of abuse of office, misbehaviour or incompetence, among others. Clause 31 gives the Board powers, on the advice of the Executive Director to appoint other staff and officers of the Authority.

Clause 32 provides for protection from liability of members of the Board and officers of the Authority for acts done or omitted to be done in good faith.

Clause 33 provides for the duty on the part of the members of the Board and staff of the Authority not to disclose information obtained during and after the employment.

Clauses 34-42 deal with finances of the Authority

Clauses 34-42 deal with the funds of the Authority, the duty to operate on sound financial principles, power to open and operate bank accounts, power to borrow, the estimates of income and expenditure, the financial year of the Authority, accounts, audits and annual reports.

Clauses 43-47 deal with establishment of the National Oil Company. Clause 43 provides that a National Oil Company shall be incorporated under the Companies Act to manage the commercial aspects of petroleum activities and the participating interests of the state. Clause 44 gives the functions of the National Oil Company which include handling the state's commercial interests in the petroleum sector and ensuring state participation in petroleum activities, among others. The Board of directors must submit audited accounts of the revenues and expenditures in respect of the state's participation including a resource account to the annual general meeting of the company. Clause 47 provides that the Minister may issue instructions to the National Oil Company in respect of its execution of management tasks under the Act.

PART IV—LICENSING

Clause 48 provides for opening up of new areas for petroleum activities by the Minister after carrying out an impact assessment of the petroleum activities on trade, industry and the environment.

Clauses 49 and 50 provide that a person shall not carry out reconnaissance surveys without a reconnaissance permit issued by the Minister.

Reconnaissance is a preliminary survey or examination of the geological characteristics of the region.

Clauses 51 and 52 state that a reconnaissance permit may apply to a particular type of survey and may permit shallow drilling for data calibration purposes and shall remain in force for eighteen months.

Clauses 53 -68 provide for petroleum exploration licences.

Clause 53 provides for the Minister, with the approval of Cabinet to announce areas open for bidding for a petroleum exploration licence.

Clause 54 gives the Minister power to receive direct applications for a petroleum exploration licence in exceptional circumstances such as where there are no applications received or promotion of national interest. Clause 55 provides that the Minister shall publish a notice of a direct application in the Gazette and at least one newspaper with wide circulation in Uganda.

Clause 56 gives a right to a party affected by a proposed exploration activity to lodge an objection with the Minister.

Clause 57 provides that a person intending to carry out petroleum activities shall apply to the Minister for a petroleum exploration licence and the Minister shall under Clause 58 process the licence expeditiously, in any case not later than one hundred and eighty days.

Clause 59 the Minister may in consultation with the Authority and with the approval of Cabinet grant a petroleum exploration licence on such terms as he or she may determine.

Clauses 60-63 deal with contents of the petroleum exploration licence, such as the date of the grant, exploration area, the exclusive right to explore for petroleum conferred by the licence, the duration of the licence and application for renewal of the licence.

Clause 64 provides for relinquishment of areas. Relinquishment of areas refers to a situation where a licensee gives up areas it does not wish to continue using for petroleum activities.

Clauses 65-68 require a petroleum exploration licensee to explore the licensed area using acceptable methods of exploration for the purpose of identifying prospects. Where there is a discovery of petroleum, the licensee must immediately inform the Authority and furnish the Authority with the particulars of the discovery within thirty days. The Minister may direct that a discovery area ceases to be part of a

petroleum exploration area where he or she is informed in writing that that discovery is of no commercial interest or where the licensee does not apply for a petroleum production licence within two years from the date of a discovery.

Clauses 69-80 deal with petroleum production licences.

Clause 69 provides that a holder of a petroleum exploration licence who has made a discovery shall have exclusive rights to apply for a petroleum production licence.

Clause 70 empowers the Minister to announce areas for applications for petroleum production licences where a holder of a petroleum exploration licence does not apply for a petroleum production licence.

Clause 71 provides that an application for grant of a petroleum production licence shall be accompanied by among others a report on the petroleum reservoir, a field development plan, etc.

Clauses 72-74 deal with duration for processing application or bids for production licence which is not later than one hundred and eighty days after application, the criteria for granting the petroleum production licence and the restrictions on grant of petroleum production licences.

Clauses 75-80 deal with the grant of a petroleum production licence by the Minister, content of the licence, duration of the petroleum production licence, exclusive rights to carry out production activities conferred by the licence and renewal of petroleum production licences.

Clauses 81-89 deal with the general provisions relating to licences, permits and approvals such as the disclosure of cooperation agreements by applicants, the approval of variations or alterations of field development plans by the Minister, approval of appointment of operators by the Minister, transfer of licences with the written consent of the Minister, licensee to carry out activities in a safe and proper

manner, a holder of a licence wishing to surrender all or any of the blocks to apply to the Minister for a certificate of surrender, the consequences of cancellation, surrender of rights and a requirement to keep a register of all licences issued by the Minister.

Clauses 90-92 deal with drilling and designation of wells.

Clause 90 provides that a licensee shall not operate a drilling rig without a valid permit issued by the Authority.

Clause 91 provides that an operator shall not drill a well without the written approval of the Authority.

Clause 92 deals with the designation of wells.

PART V—DEVELOPMENT AND PRODUCTION OF PETROLEUM

Clause 93 provides for the issue by the Minister of a production permit and provides that production of petroleum shall be done with prudent technical and sound economic principles and according to the best petroleum industry practices. The methods of storage of the petroleum recovered shall be acceptable to the Authority.

Clause 97 provides that a licensee shall not flare or vent petroleum in excess of the quantities needed for normal operational safety without the approval of the Minister.

Clauses 98 and 99 restrict removal of petroleum from the development area without the consent of the Authority and the direction by the Authority for recovery of petroleum which is recoverable from an area where it is not being produced.

Clause 100 gives the Minister the power, in consultation with the Authority, to postpone petroleum development or production of a field.

Clauses 101 and 102 provide for unitization where two or more adjacent petroleum production licence areas cover the same reservoir. The reservoir shall be developed as a single unit by agreement of the licensees.

Clause 103 deals with natural resources other than petroleum resources. A petroleum production licence shall not preclude the granting to another person of a right to undertake exploration or production of other natural resources in the area covered by a petroleum production licence.

Clauses 104 – 108 deal with inspection and sampling of petroleum by a person authorised by the Authority, reporting requirements by the licensee and testing of petroleum.

PART VI—CESSATION OF PETROLEUM ACTIVITIES

Clause 109 provides that a licensee shall submit a decommissioning plan to the Authority before the expiry of a petroleum production licence detailing how the affected land will be restored to remove causes of damage or danger to the environment.

Clause 110 provides for establishment of a decommissioning fund for the purpose of costs related to the implementation of a decommissioning plan.

Clauses 111-117 deal with notification of termination of use of a facility by a licensee, disposal of decommissioned facilities, removal of property by a licensee, liability for damage for disposal of a decommissioned facility and take over of facilities by the Government where the licence expires, is surrendered or cancelled.

PART VII—SUPPLIES AND PRICING

Clauses 118-120 deal with the Minister's power to direct the licensee to make deliveries to cover Uganda's requirements. In case of war, threat of war or other crisis, the Minister may direct a licensee to place petroleum at the disposal of the State. The pricing of petroleum shall be in accordance with a method prescribed by regulations or as stipulated in the petroleum agreement.

PART VIII—STATE PARTICIPATION AND NATIONAL CONTENT

Clauses 121-124 provide for state participation in petroleum activities. The Licensees, operators and sub-contractors shall give preference to goods which are produced or available in Uganda and services which are rendered by Ugandan citizens and companies. Licensees shall train Ugandan employees in petroleum activities.

PART IX—USE OF LICENCE AS SECURITY

Clause 125 provides for use of licence as security for financing with the consent of the Minister.

PART X—LIABILITY FOR DAMAGE DUE TO POLLUTION

Clauses 126-131 deal with pollution.

A licensee or any person who carries out petroleum activities without a licence is liable for damage caused by pollution regardless of fault.

Clause 129 specifies the circumstances in which pollution damage may not be claimed.

Clause 130-under this clause a licensee may not claim compensation for pollution damage against a person exempted from liability under clause 129 unless the damage was willful or by gross negligence.

Under clause (130)(2) an agreement on further recourse in respect of persons against whom compensation can be claimed under clause 129(2) contrary to that section is invalid.

Clause 131 provides that legal action for compensation for pollution damage shall be brought in a court in the area where the effluence or discharge of petroleum takes place or in which damage is caused.

XI—RESTRICTIONS AND SURFACE RIGHTS

Clause 132 provides that a licensee shall not exercise any rights under a licence without the consent of the relevant authority or land owner. Clauses 133 and 134 allow the land owner to use the surface or subsurface of his or her land in an exploration or development area as long as he or she does not interfere with the petroleum activities within the safety zones.

Clauses 135 and 136 provide for private agreements between the land owner and the licensee in respect of the land affected by the petroleum activities and for compensation by the licensee in case of any damage caused by the petroleum activities of the licensee to the landowner.

PART XII—HEALTH AND SAFETY

Clauses 137-141 deal with conducting petroleum activities in a manner that enables a high level of safety to be maintained, precautions to ensure safety of employees and people within the vicinity of any installation, maintenance of efficient emergency and security measures and maintenance of safety zones.

Clause 142 provides for suspension of petroleum activities where a serious accident occurs.

Clause 144 empowers the Minister to appoint a commission of inquiry where a serious accident occurs.

PART XIII—INFORMATION AND DOCUMENTATION

Clause 145 provides that all petroleum data generated under the Act belongs to the State except the data acquired under a reconnaissance permit and data which is not under a cost recovery regime.

Clauses 146-148 provide that the licensee shall keep accurate records in Uganda and on termination of the licence, shall deliver the records in an acceptable format to the Authority. The Minister may make the records public.

Clauses 149 and 150 deal with confidentiality of data submitted to the Minister by the licensee which shall not be disclosed to third parties without the consent of the licensee, subject to the Access to Information Act, 2005.

PART XIV—PAYMENTS

Clauses 151-155 provide for payments to be made by licensees to the Government. The payments include royalty, annual fees and signature bonus. Penalties are required for late payments. Payments may be made in international and freely convertible currency. Payments are a debt due to the Government and may be recovered in a court of competent jurisdiction.

PART XV—OFFENCES

Clauses 157-163 deal with offences such as obstructing an authorised officer, obstruction of a licensee, conflict of interest, offences by bodies corporate, contravention of decisions or orders under this Act and other miscellaneous offences.

PART XVI—MISCELLANEOUS

This Part deals with miscellaneous matters, including use of spare capacity of a facility, requirements for management of petroleum activities, regulatory supervision of petroleum activities by the Authority, survey of wells and facilities, maintenance of property, agreements between affiliated companies, security for fulfillment of obligations, information required by the Minister, power of the Minister to make regulations and to amend schedules, repeal and saving provisions.

PART XVII—TRANSITIONAL PROVISIONS

Clauses 188 and 189 provide for the continuance of acts done under the Petroleum Exploration and Development Act Cap 150 and continuance of the office of Commissioner and other related offices.

SCHEDULES

Schedule 1 provides for the value of a currency point which is equivalent to twenty thousand shillings.

Schedule 2 provides for meetings of the Board.

Schedule 3 provides for graticulation of the surface of the earth.

HON. IRENE MULONI (MP),
Minister of Energy and Mineral Development.