

LAW

AMENDING AND SUPPLEMENTING A NUMBER OF ARTICLES OF THE
PETROLEUM LAW

Pursuant to the 1992 Constitution of the Socialist Republic of Vietnam, which was amended and supplemented under Resolution No. 51/2001/QH10; The National Assembly promulgates the Law Amending and Supplementing a Number of Articles of 1993 the Petroleum Law, which was amended and supplemented under Law No. 19/2000/QH10 Amending and Supplementing a Number of Articles of the Petroleum Law.

Article 1. To amend and supplement a number of articles of the Petroleum Law:

1. To amend and supplement Clause 1, Article 3 as follows:

"1. Oil and gas comprise crude oil, natural gas and natural hydrocarbon in the gaseous, liquid, solid or semi-solid form, including coal gas, sulfur and similar substances associated with hydrocarbon, but excluding coal, shale, bitumen or other minerals from which oil can be extracted."

2. To amend and supplement Clause 12, Article 3 as follows:

"12. Encouraged oil and gas investment project means a project which carries out oil and gas activities in deep water and offshore areas, areas with especially difficult geographical conditions and complicated geological conditions and other areas on the list of lots decided by the Prime Minister; or a project on coal gas exploration, prospecting and exploitation."

3. To supplement Clause 13, Article 3 as follows:

"13. Coal gas means hydrocarbon whose main element is methane in the gaseous or liquid form, contained in coal seams or other adjacent seams."

4. To supplement Clause 14, Article 3 as follows:

"14. Fixed work means a work which is built or installed permanently for use in oil and gas activities."

5. To supplement Clause 15, Article 3 as follows:

"15. Equipment means a complex of mechanic, electric, electronic and other components which is installed and used for oil and gas activities."

6. To amend and supplement Article 8 as follows:

"Article 8.-

The area for exploration and prospecting under an oil and gas contract shall be determined based on the lots decided by the Prime Minister."

7. To amend and supplement Article 13 as follows:

"Article 13.-

In the course of carrying out oil and gas activities, after completing a work step, a work phase or an entire oil and gas contract, organizations and individuals carrying out oil and gas activities shall clear up fixed works, equipment and means for oil and gas activities no longer in use and restore the environment according to law."

8. To amend and supplement Article 14 as follows:

"Article 14.-

Vietnam Oil and Gas Group is the international transaction name of Tap doan Dau khi Viet Nam - Cong ty me, referred to as PetroVietnam and abbreviated to PVN. Vietnam Oil and Gas Group is a state company which may carry out oil and gas activities and conclude oil and gas contracts with organizations and individuals carrying out oil and gas activities according to law."

9. To amend and supplement Article 17 as follows:

"Article 17.-

1. The term of an oil and gas contract must not exceed twenty five years, of which the exploration and prospecting period must not exceed five years.

For encouraged oil and gas investment projects and projects on natural gas exploration, prospecting and exploitation, the term of an oil and gas contract must not exceed thirty years, of which the exploration and prospecting period must not exceed seven years.

2. The term of an oil and gas contract may be extended, but for no more than five years; the term of the exploration and prospecting period may be extended but for no more than two years.

In special cases, the Prime Minister may consider and decide to permit the extension of the exploration and prospecting period or the term of an oil and gas contract.

3. A contractor, who has announced a commercial discovery, but has neither found sale outlets nor had suitable pipelines and processing equipment may retain its discovered gas area. The time limit for retaining such area is five years and may be extended for two subsequent years in

special cases. Pending the time to find out sale outlets and secure suitable pipelines and processing equipment the contractor shall perform its jobs as committed under the oil and gas contract.

4. In force majeure circumstances or other special cases, parties to an oil and gas contract may negotiate to suspend the execution of a number of rights and obligations under the contract. The suspension caused by force majeure events may last until the force majeure event ends. The suspension time limit in other special cases shall be decided by the Prime Minister, but must not exceed three years.

5. The extended time of the exploration and prospecting period, the period of retaining the discovered gas area which has been announced commercially viable, and the period of suspending the execution of a number of rights and obligations under an oil and gas contract in force majeure cases or other special cases is not included in the term of an oil and gas contract.

6. An oil and gas contract may terminate ahead of its term provided that the contractor must complete its committed obligations and such termination is agreed upon by the contractual parties.

7. The Government shall prescribe conditions for suspending the execution of a number of rights and obligations under an oil and gas contract in special cases; and conditions and procedures for extending exploration and prospecting period or the term of an oil and gas contract."

10. To amend and supplement Article 23 as follows:

"Article 23.-

An oil and gas contract must be approved by the Prime Minister and takes effect as prescribed in the investment certificate."

11. To amend and supplement Article 24 as follows:

"Article 24.-

1. The transfer of part or whole of an oil and gas contract by the contractual parties must satisfy the following conditions.

a/ The transferee undertakes to implement contents of the oil and gas contract concluded by the transferor,

b/To satisfy the conditions on transfer of capital and projects according to the investment law.

The transfer of part or whole of an oil and gas contract must be approved by the Prime Minister and takes effect as prescribed in the modified investment certificate.

2. Vietnam Oil and Gas Group has the preemptive right to buy part or whole of an oil and gas

contract to be transferred.

3. The transferor shall pay taxes and fees according to the law on taxes, fees and charges."

12. To amend and supplement Article 26 as follows:

"Article 26.-

Contractors may conclude oil and gas service contracts, but must give priority to Vietnamese organizations and individuals in concluding these contracts.

The bidding and conclusion of oil and gas service provision contracts directly related to oil and gas exploration, prospecting, field development and exploitation comply with separate regulations promulgated by the Government.

Vietnam shall take responsibility for providing flight operation services on its own or conclude joint venture contracts with foreign parties to provide flight operation services for oil and gas activities."

13. To amend and supplement Point e, Clause 1, Article 28 as follows:

"e/ To be exempted from import and export taxes under the Law on Import tax and Export Tax."

14. To amend and supplement Point g, Clause 1 Article 28 as follows:

"g/ To export its oil and gas share as agreed in the oil and gas; contract without having to apply for an export permit, except the case specified in Clause 9, Article 30 of this Law."

15. To amend and supplement Article 29 as follows:

"Article 29.-

Subcontractors enjoy the rights specified at Points a, c and e, Clause 1, Article 28 of this Law.

A subcontractor that is a foreign organization or individual may transfer abroad expenses recovered and profits earned from its oil and gas service operations."

16. To amend and supplement Clause 9, Article 30 as follows:

"9. At the Government's request, to sell on the Vietnamese market:

a/ Natural gas under its ownership on basis of agreements under gas exploitation and development projects;

b/ Crude oil under its ownership at internationally competitive prices."

17. To amend and supplement Article 32 as follows:

"Article 32.-

1. Organizations and individuals carrying out oil and gas activities, foreigners and Vietnamese working for oil and gas contractors, oil and gas joint venture enterprises and subcontractors shall pay taxes according to the tax law.
2. A reasonable part of Vietnam Oil and Gas Group's post-enterprise income tax revenues from its oil and gas activities shall be allocated from the state budget to the Group for investment in the development of oil and gas projects according to law."

18. To amend and supplement Article 38 as follows:

"Article 38.-

1. The Government shall perform the unified state management of oil and gas activities.
2. The Ministry of Industry and Trade shall take responsibility before the Government for its state management of oil and gas activities prescribed below:
 - a/ To promulgate according to its, competence or submit to competent state agencies for promulgation legal documents, strategies, master plans and plans on development of the oil and gas industry;
 - b/ To assume the prime responsibility for submitting to the Prime Minister for approval oil and gas contracts and oil and gas investment projects according to the investment law, reporting on reserves, overall plans and plans on field development, results of oil and gas lot and contract biddings and foreign cooperation schemes for oil and gas activities in overlapping areas with foreign countries, extending the oil and gas exploration and prospecting periods or the terms of oil and gas contracts, and the time of suspension of oil and gas contracts in force majeure circumstances and special cases;
 - c/To organize the formulation of, and submit to the Prime Minister for promulgation, lists of lots and divisions and adjustments of lot limits;
 - d/ To review, monitor and report on the development and results on exploration, prospecting, exploitation and domestic sale and export of oil and gas;
 - e/ To approve programs and plans on early exploitation in areas under contract; to approve plans on and examine and handle violations in the clearing up of fixed works, equipment and means for oil and gas activities no longer in use and the environmental restoration according to law;
 - f/ To permit the burning of associated gas; withdraw fields if contractors fail to develop fields and exploit oil and gas according to schedules under approved field development plans;

g/ To manage the training, retraining and development of human resources for oil and gas activities; to formulate appropriate mechanisms and policies to attract human resources for oil and gas activities;

h/To carry out international cooperation on oil and gas;

i/ To propagate, disseminate and educate the law on oil and gas;

j/ To examine, inspect, handle violations and settle complaints and denunciations about, oil and gas activities;

k/ To perform other tasks regarding the state management of oil and gas activities according to law.

3. Ministries and ministerial-level agencies shall, within the ambit of their tasks and powers, perform the state management of oil and gas activities according to law.

4. People's Committees of provinces and centrally run cities shall, within the ambit of their tasks and powers, perform the state management of oil and gas activities in their localities according to law."

19. To replace the phrase "Vietnam Oil and Gas Corporation" with the phrase "Vietnam Oil and Gas Group" in Clause 5, Article 3; Clause 9, Article 15; Articles 20, 21, 22 and 25; and Clause 6, Article 30 of the 1993 Petroleum Law, which was amended and supplemented under Law No. 19/2000/QH10 Amending and Supplementing a Number of Articles of the Petroleum Law.

20. To annul Articles 33, 34, 35, 36, 37 and 39 of the 1993 Petroleum Law, which was amended and supplemented under Law No. 19/2000/QH10 Amending and Supplementing a Number of Articles of the Petroleum Law.

Article 2.- This Law takes effect on January 1, 2009.

This Law was passed on June 03, 2008, by the 12th National Assembly of the Socialist Republic of Vietnam at its 3rd session.

**THE NATIONAL
ASSEMBLY
CHAIRMAN**

(signed)

Nguyen Phu Trong