

DECREE No.84-CP OF DECEMBER 17, 1996 OF THE GOVERNMENT DETAILING THE IMPLEMENTATION OF THE PETROLEUM LAW

THE GOVERNMENT

Pursuant to the Law on Organization of the Government of September 30, 1992;

Pursuant to the Petroleum Law of July 6, 1993,

DECREES:

Chapter I

GENERAL PROVISIONS

Article 1.- This Decree provides details for the implementation of the Petroleum Law passed by the IXth National Assembly of the Socialist Republic of Vietnam on July 6, 1993.

Article 2.- This Decree shall apply to activities of prospecting and exploring oil and gas; developing oil and gas fields; exploiting oil and gas, including processing, gathering, storing and transporting oil and gas from the exploitation area to the place of oil and gas delivery and disposal.

Article 3.- The organizations and individuals encouraged by the State of Vietnam to conduct oil and gas activities include:

1. State enterprises.
2. Enterprises established under the Corporate Law.
3. Private enterprises established under the Law on Private Enterprises.
4. Cooperatives.
5. Foreign organizations and individuals directly investing in Vietnam.
6. Foreign-invested enterprises.

Article 4.- The terms defined in Article 3 of the Petroleum Law shall apply in this Decree. Besides, the following terms shall be construed as follows:

1. "Fixed works" are works constructed and installed firmly for use in service of oil and gas activities.
2. "Contractual area" is the area defined on the basis of lots to be prospected and explored as agreed in the petroleum contract or the remaining area after the contract expires.
3. "Place of delivery" is the place accepted by the Vietnam Oil and Gas Corporation where crude oil or natural gas shall be delivered from oil containers or other containing means into vessels and other oil receiving means or to oil and gas pipelines.
4. "Disposal of oil and gas" is the transfer of the ownership right over oil and gas, including the sale and exchange of oil and gas.
5. "Fair transaction contract" is a transaction contract between the buyer and the seller in the common market relationship, excluding purchase and sale contracts within a company, between governments, between governmental organizations or any type of transaction or exchange affected by irregular commercial relations.
6. "Associated gas" is the natural gas separated during the exploitation and processing of crude oil.
7. "Contractual year" is a period of 12 solar months counting from the date when the petroleum contract takes effect or from the completion of a full year.
8. "Development of oil and gas fields" is the process of preparing for and investing in project construction, drilling and installing equipment for the exploitation of oil and gas fields since such fields are declared to have commercial value.
9. "Net oil and gas output" is the remaining output of the oil and gas exploited from the contractual area and measured at the place of delivery.

Chapter II

OIL AND GAS ACTIVITIES

Article 5.- Before conducting prospection and exploitation activities, the Contractor shall have to draw up master and detailed projects and the annual working program, corresponding to each period and complying with the terms agreed upon in the petroleum contract on the time limit, work load and finance, and send them to the Vietnam Oil and Gas Corporation for consideration and approval.

If the approved plan or annual working program is changed, there must be consent from the Vietnam Oil and Gas Corporation.

The time limit for consideration and approval shall not exceed 90 days for the master plan, and 30 days for the detailed plan and the annual working program counting from the date of receipt of the dossier.

Article 6.- In cases where the Vietnam Oil and Gas Corporation conducts the prospection, exploration and development of oil and gas fields and exploitation of oil and gas by itself, it shall have to submit the plans and working program to the competent State management agency for ratification.

Article 7.- Organizations and/or individuals conducting oil and gas activities shall apply the Vietnamese criteria on safety, environment, techniques and technologies.

In cases where such criteria of Vietnam are not available, organizations and/or individuals conducting oil and gas activities shall be entitled to apply criteria defined in the international treaties which Vietnam has signed or acceded to.

The application of other criteria must be permitted by the Ministry of Science, Technology and Environment.

Article 8.- Before conducting oil and gas activities, an organization and/or an individual shall have to work out and submit to the competent agency the following documents:

- A report on the evaluation of environmental impacts;
- A program on safety management and risk evaluation together with measures to minimize the risk.
- A plan for contingencies and accidents, including technical measures and the use of facilities, equipment and tools to overcome such incidents.

Article 9.- Organizations and/or individuals conducting oil and gas activities shall have to perform the following tasks regarding the protection of environment and safety:

1. To set up a safety zone for oil and gas projects, machinery and equipment in accordance with the provisions of Article 12 of this Decree.
2. To take measures to ensure safety in accordance with the ratified safety management program.
3. To carry out program on the observation of environmental changes, the environment protection plan and measures to prevent pollution and overcome consequences of environmental pollution in accordance with the provisions of the Law on Environmental Protection.
4. To minimize the impacts that adversely affect or cause bad consequences for the environment, such as the pollution of land, water, forests and air or harm the floral and fauna or cause ecological imbalance or badly affect the people's living environment.
5. To update data and complete reports on the evaluation of risks as well as the implementation of the plan for emergency cases.
6. To record all incidents and accidents.
7. To issue emergency notices and immediately apply measures to overcome consequences of such incidents or accidents.
8. To apply measures to ensure labor safety, working conditions and safe environment for laborers.

Article 10.- An organizations and/or individual conducting oil and gas activities shall take responsibility before law for the damage caused to the population, properties and the environment, including the purification and restoration of the original status of the environment directly or indirectly affected by oil and gas activities such as oil spillover, wanton discharge of industrial or daily life wastes.

Article 11.- An organization and/or individual conducting oil and gas activities shall have to preserve natural resources, oil and gas resources and achieve the maximum recovery of oil and gas in accordance with international practice in the oil and gas industry.

Article 12.- Depending on the geographical and social conditions of the place where oil and gas activities are conducted, the oil and gas State management agency shall determine the sizes of the safety zones surrounding the works in service of inland oil and gas prospection and exploration.

The distance of the safety zone for a sea construction shall be 500 m from the outermost margin of the construction outwards or from the anchorage of other floating means, except for special cases specified by the oil and gas State management agency. Within two nautical miles from the outermost margin of the construction, means and vessels are not allowed to anchor.

Except for special cases specified by the oil and gas State management agency, nobody without related responsibility shall be allowed to enter and operate in the safety zone.

Article 13.- When conducting a drilling, an organization and/or individual shall have to observe the following provisions:

1. Drilling must comply with the design or the amended design which has been approved.
2. Refraining from drilling outside the petroleum contractual area.
3. Keeping all documents and specimen collected in the process of drilling and submit them to the Vietnam Oil and Gas Corporation.
4. Promptly informing the Vietnam Oil and Gas Corporation of other resources discovered in the process of drilling.

The organization and/or individual that conducts drilling activities shall also have to comply with other stipulations of the current Regulations.

Article 14.- An organizations and/or individual conducting oil and gas exploitation shall have to abide by the stipulations of the Exploitation Regulation currently in force and strictly comply with the contents of the approved overall plans and plans for the development of oil and gas fields; apply technical measures and use advanced equipment to recover oil and gas at the maximum level but must not harm the earth's substrata, ecological environment and the safety of the field.

The measuring equipment must be lawful and up to the standards specified by the measurement State management agency.

An organizations and/or individual conducting oil and gas exploitation shall have a survey program for the well or wells and periodically take specimen for the analysis of characteristics and composition of oil, gas and water of each specific object; to make monthly, quarterly and annual reports on the analysis of the oil and gas exploitation from each well, each separate seam as well as the whole field and on other norms to the Vietnam Oil and Gas Corporation.

Article 15.- The Vietnamese Government shall have the right to use equipment and tools in service of oil and gas activities, including pipelines and stores which are managed and used by an organization and/or individual conducting oil and gas activities, but must not obstruct oil and gas activities.

Article 16.- The Contractor shall have to work out programs and plans for the dismantlement of immovable works and submit them to the

Vietnam Oil and Gas Corporation for approval. All costs for the dismantlement shall be borne by the Contractor and shall be accounted for in the costs for the recovery of oil and gas.

In cases where the Vietnam Oil and Gas Corporation conducts oil and gas activities by itself, it shall have to work out programs and plans for the dismantlement of the immovable works and submit them to the State management agency for approval.

The competent State management agency may request the concerned organization and/or individual to dismantle the whole or part of the immovable works.

Article 17.- An organization and/or individual conducting oil and gas activities shall have to buy insurance in accordance with the provisions of Vietnamese law and international practice regarding the oil and gas industry, especially the insurance for works in service of oil and gas activities, environmental pollution, life, properties and civil liability of the third party.

Priority shall be given to the purchase of insurance of Vietnamese insurance companies but insurance can also be bought from other insurance companies.

Article 18.- The Vietnam Oil and Gas Corporation shall have to submit to the oil and gas State management agency the following major reports on:

1. Projects and long-term and annual plans on oil and gas activities.
2. Annual and quarterly sum-ups of the implementation of such projects and plans and results of oil and gas activities.
3. Details of the economic and technical projects for oil and gas activities.
4. Important events and incidents relating to oil and gas activities which have been addressed or need to be addressed immediately.
5. Other reports as requested by the oil and gas State management agency.

The time limit and contents of each kind of report shall be specified by the oil and gas State management agency.

Article 19.- The Contractor shall have to provide full information, data and reports on oil and gas activities to the Vietnam Oil and Gas Corporation.

The competent agencies may request the Contractor to provide information and reports when necessary and in accordance with their State management functions.

Article 20.- All reports and information must be kept secret in accordance with the provisions of law.

An organization and/or individual conducting oil and gas activities shall have to record original documents, specimen and reports in Vietnam; be allowed to export and re-import those documents and specimen in accordance with the regulations of the oil and gas State management agency and the Vietnam Oil and Gas Corporation.

Chapter III

PETROLEUM CONTRACT

Article 21.- The model contract described in Article 15 of the Petroleum Law includes only basic contents. Depending on the form of petroleum contract and other conditions, the signatories to the contract shall work out concrete provisions on the rights and obligations of the parties to the contract as well as responsibilities of each party before the State of Vietnam in conformity with the provisions of Vietnamese law.

Article 22.- The Vietnam Oil and Gas Corporation and its partner(s) shall be entitled to choose a suitable form of contract in accordance with the provisions of Article 15 of the Petroleum Law, including the contract on geophysical survey or other forms.

In cases where the petroleum contract is signed in the form of a joint venture contract, the joint venture enterprise shall be entitled to the same rights and interests and subject to the same obligations as the Contractor.

The contents of a petroleum contract may include all activities relating to the prospection, exploration and development of oil and gas fields and exploitation of oil and gas or only one or several specific activities.

Article 23.- The Vietnam Oil and Gas Corporation shall have to organize biddings in accordance with the bidding procedures provided for in Article 16 of the Petroleum Law.

With permission from the Vietnamese Government, the Vietnam Oil and Gas Corporation may sign petroleum contracts under a selected form or according to a bilateral agreement.

Article 24.- In the bidding notice, the Vietnam Oil and Gas Corporation shall have to supply the following information:

1. Contents of the bid.
2. Bidding conditions.
3. Bidding fee.
4. Other details on the bidding procedures.

Article 25.- An organization and/or individual wishing to join a bid shall have to submit a dossier, including: an application, a certificate of their legal person status, reports on financial and technical capabilities and bidding commitments.

In cases where an organization is a consortium or joint venture, it must submit a detailed report on the relations, responsibilities, capital contributions or shares of its members.

Article 26.- The organization and/or individual that wins the bid or is selected to be a partner shall be entitled to sign a petroleum contract with the Vietnam Oil and Gas Corporation.

The Vietnam Oil and Gas Corporation shall have the responsibility to inform the organization and/or individual that won the bid or the selected partner(s) of the time and place for the signing of the petroleum contract. If the organization and/or individual that won the bid or the selected partner(s) fail to come for signing the petroleum contract on schedule, the decision on the bid winning or the decision on the selection of partner(s) may be canceled.

Article 27.- The prospection and exploration period stipulated in Article 17 of the Petroleum Law may be phased out. The duration of each phase shall be agreed upon by the signatories to the petroleum contract.

Article 28.- The contractor shall have to return the prospected and explored area in accordance with the following provisions:

1. No less than 20% of the initial contractual area at the end of each phase.
2. All the remaining contractual area after the completion of the prospection and exploration period, excluding the areas reserved for the development of oil and gas fields, exploitation of oil and gas and areas which are being assessed.

The contractor may of his own free will return the area at any time in the prospection and exploration period. The areas which have been returned voluntarily shall be deducted from those to be obligatorily returned. However, the voluntary return of areas shall not reduce the contractor's obligations written in the petroleum contract.

The returned areas must form simple geometrical figures.

Fixed works must be dismantled from the returned areas in accordance with provisions of Article 16 of this Decree.

Article 29.- The contractor and the Vietnam Oil and Gas Corporation shall have to reach an agreement on a working program for the prospection and exploration period with minimum commitments on the amount of geophysical survey, the volume of wells, other general studies as well as commitments on training, recruitment and transfer of technologies.

The estimated cost for the fulfillment of the minimum work mentioned above shall be considered the minimum financial commitment. The contractor shall be considered having completed the minimum financial commitment only when the minimum work commitments have been fulfilled.

In cases where the contractor requests for the termination of the contract before the minimum commitments are fulfilled, he/she shall have to pay the Vietnam Oil and Gas Corporation a sum of money corresponding to the workload pledged but not yet done.

Article 30.- During the prospection and exploration period, if the contractor plans to develop oil and gas fields and exploit oil and gas, he/she shall have to submit such plan to the oil and gas State management agency for approval in accordance with the provisions of the Petroleum Law and this Decree.

Article 31.- When discovering oil and gas, the contractor shall have to promptly inform and report the result of research, evaluation and related documents to the competent State management agency and the Vietnam Oil and Gas Corporation.

The contractor shall have to work out a program on the evaluation of oil and gas fields and submit it to the Vietnam Oil and Gas Corporation for ratification.

The contractor shall have to inform the assessment results to the Vietnam Oil and Gas Corporation. If the assessment results show that the fields have commercial value, the Contractor shall have to announce such commercial discovery.

The Contractor shall have to submit to the competent State management agency and the Vietnam Oil and Gas Corporation a report on oil and gas reserves, the general plan and plan for the development of oil and gas fields.

The Vietnam Oil and Gas Corporation and the Contractor shall have to reach an agreement in the petroleum contract on the terms regarding the basis for determining commercial oil and gas fields, the time limit for the submission of the field assessment program, the general plan and plan for development of the oil and gas field.

The project on the development and exploitation of the oil and gas field shall be carried out only when it has been ratified by the competent State management agency.

After the project has been ratified by the competent State management agency, if the Contractor fails to deploy work at the oil and gas field and to exploit oil and gas on schedule as specified in the approved document, the competent State management agency shall have the right to recover the field.

Article 32.- During the oil and gas exploitation period, the contractor is entitled to use the oil and gas produced from the contractual area for the exploitation activities according to the norms of technological waste accepted by the Ministry of Science, Technology and Environment and in accordance with international practice in the oil and gas industry.

Article 33.- In the process of oil and gas exploitation, the Contractor is required to submit reports on the exploitation output, composition and density of the exploited oil and gas of each field and each object of the exploitation.

Such reports must include information on the volume of oil and gas used for the exploitation as well as the volume of the lost or burnt oil and gas.

Article 34.- The Contractor may use associated gas exploited from the contractual area as fuel to serve oil and gas activities at the field or to pump it back to the field.

The Vietnamese Government shall be entitled to use without payment the associated gas which the Contractor intends to burn provided that this does not obstruct the Contractor's activities. In that case, the Contractor shall have to create favorable conditions for the smooth operation.

The associated gas shall be burnt only when it is so permitted by the oil and gas State management agency.

Article 35.- In cases where the area of an oil and gas field exceeds the area provided for in the petroleum contract, the Vietnam Oil and Gas Corporation and the Contractor shall have to draw a plan for cooperation to tap the entire field, which shall be submitted to the Vietnamese Government for consideration and approval.

Article 36.- In cases where the oil and gas field in the contractual area stretches to and overlaps the area covered by another petroleum contract, the contractors and joint venture partners shall have to reach agreement for joint exploitation.

All commitments between the contractors and joint venture partners on the development of oil and gas fields and the joint exploitation shall have to be submitted to the Vietnamese Government for consideration and approval.

Article 37.- The Vietnam Oil and Gas Corporation shall conduct the inspection and supervision over oil and gas activities of the Contractor according to the provisions of the petroleum contract.

Managing agencies of the State of Vietnam shall within their managerial functions exercise the right to inspect, examine and supervise the Vietnam Oil and Gas Corporation and the Contractors.

Chapter IV

RIGHTS AND OBLIGATIONS OF ORGANIZATIONS AND INDIVIDUALS CONDUCTING OIL AND GAS ACTIVITIES

Article 38.- An organization and/or individual conducting oil and gas activities shall be entitled to sign contracts for the purchase of materials and equipment or oil and gas service contracts with the Sub-contractor(s). The Sub-contractor(s) shall be entitled to sign contracts on the supply of materials and equipment and services with other organizations and/or individuals.

Basing itself on the capability of sub-contractor(s) and the concrete conditions of the contract(s) signed between the contractor and the sub-contractor(s), the Vietnam Oil and Gas Corporation shall reserve for itself the right to accept or reject those contracts.

The contractor and sub-contractor(s) shall have to give priority to the purchase of materials and equipment manufactured or supplied by Vietnam; as well as to the signing of service contracts, including services for geological surveys, drilling, diving, hiring of vessels and land bases with enterprises of corresponding fields on Vietnamese territory on the principle of ensuring the competitiveness of the price and quality.

Article 39.- The Contractor shall have to elaborate labor regulations, salary scale, bonuses and allowances and other regimes regarding Vietnamese and foreign laborers in accordance with the provisions of Vietnamese law and international practice in the oil and gas industry; they shall also have to draw up annual personnel employment, labor recruitment and training plans.

The said-above documents must be examined by the Vietnam Oil and Gas Corporation before the registration in accordance with the provisions of the Labor Code.

Article 40.- A foreign organization and/or individual conducting oil and gas activities shall have to use as much Vietnamese labor as possible and shall be entitled to employ foreigners only at the posts which Vietnamese are not yet able to assume provided that they have funds and programs to train Vietnamese people for early replacement of foreigners.

The recruitment of Vietnamese laborers must be conducted through employment service organizations as prescribed in Articles 18 and 132 of the Labor Code. The recruitment of foreign laborers must be permitted by the Ministry of Labor, War Invalids and Social Affairs in accordance with the stipulations of Item 1, Article 132 of the Labor Code.

A foreign organization and/or individual conducting oil and gas activities shall be entitled to directly recruit and sign labor contracts with laborers who have work permits. With regard to technicians and managers, the recruitment must be adopted by the Vietnam Oil and Gas Corporation.

The Vietnam Oil and Gas Corporation shall assume the main responsibility in managing the number of Vietnamese laborers working for foreign organizations and/or individuals and in supervising the implementation of the signed labor contracts.

Article 41.- Organizations and/or individuals conducting oil and gas activities shall be exempt from import tax, temporary import and re-export taxes imposed on equipment and materials needed for oil and gas activities.

In cases where such materials and equipment are transferred or sold in Vietnam not for the purpose of servicing oil and gas activities, permission from the Ministry of Trade must be obtained and import and other taxes must be paid as prescribed by the Vietnamese law.

In cases where the assignment of such materials and equipment is aimed at servicing oil and gas activities, they shall be exempt from import tax but must pay other taxes as prescribed by the Vietnamese law.

A contractor that transfers the ownership of such materials and equipment to the Vietnam Oil and Gas Corporation under the agreements in the petroleum contract, shall be exempt from import tax and other taxes. The Vietnam Oil and Gas Corporation shall have to report to the Ministry of Finance such transfer so as to complete procedures for receiving additional capital and paying taxes relating to the transfer of the property ownership.

The Ministry of Trade, The Ministry of Finance, the General Department of Customs and the Vietnam Oil and Gas Corporation shall coordinate with each other in determining a list of materials and equipment to be exempt from import tax, temporary import tax and re-export tax.

Article 42.- Foreign organizations and/or individuals that sign service contracts with Contractor(s) and sub-contractor(s) shall be entitled to open offices or headquarters at the places of providing services on the principle of observing the regulations of Vietnam on operation registration, residence registration, labor hire and house renting for offices and fulfilling all obligations prescribed by the Vietnamese law.

Chapter V

NATURAL RESOURCES TAX

Article 43.- An organization and/or individual exploiting oil shall have to pay natural resources tax. The natural resources tax for crude oil shall be calculated on a partial progressive basis from the net crude oil output exploited in each tax payment period, depending on the average daily output of crude oil exploited in the whole contractual area at the following tax rates:

Exploited Inland and At a depth

output at a depth of of more up to 200m than 200m

- Below 50,000

barrels/day: 8% 6%

- From 50,001

to 75,000 barrels/day: 10% 8%

- From 75,001

to 100,000 barrels/day: 15% 10%

- From 100,001

to 150,000 barrels/day: 20% 15%

- Over 150,000

barrels/day: 25% 0%

In special cases, depending on geographical, economic and technical conditions of the field, the natural resources tax rates for crude oil may be higher or equivalent to a fixed tax rate decided by the Vietnamese Government.

Article 44.- An organization and/or individual exploiting natural gas shall have to pay natural resources tax.

The natural resources tax imposed on natural gas shall be calculated on a partial progressive basis from the total net output exploited in each tax payment period, depending on the average daily output of gas exploited in the whole contractual area at the following tax rates:

Exploited Inland and At a depth

output at a depth of of more up to 200m than 200m

- Below 5 million

m3/day: 0% 0%

- From 5 to 10

million m3/day: 5% 3%

- Over 10 million

m3/day: 10% 6%

In special cases, depending on specific geographical, economic and technical conditions of the field, the natural resource tax rate for natural gas may be equivalent to a fixed tax rate decided by the Vietnamese Government.

Article 45.- If the Vietnam Oil and Gas Corporation conducts oil and gas activities by itself, it shall be the tax payer.

If the contractor conducts oil and gas activities by itself, such contractor shall be the tax payer.

Article 46.- The natural resources tax may be paid in oil or gas or money or partly in money and partly in oil or gas as may be determined by the tax agency.

The tax agency shall have to inform the organization and/or individual conducting oil and gas activities of their tax payment in oil or gas or money 6 months in advance.

If the natural resources tax is collected in money, the pecuniary tax payment shall be made in US dollar or any other convertible currencies accepted by the Ministry of Finance. In cases where oil and gas are sold in Vietnamese Dong, the natural resources tax shall be paid in Vietnamese Dong.

Article 47.- The price for calculating natural resources tax on crude oil shall be the FOB price at the place of delivery, according to the price announced by the agency mandated by the Vietnamese Government after consulting international prices.

In cases where the price announcement is not available, the price for calculating natural resources tax for crude oil shall be the geometric mean of the FOB prices of crude oil sold at the place of delivery in accordance with the fair buy-and-sell contract in the tax payment period.

In cases where there is no FOB price in the fair transaction contract, the price for calculating natural resources tax on crude oil shall be based on the FOB price in the fair market of international trade applied to that type of crude oil in the tax payment period, taking into account the selling price of a suitable combination of 3 similar types of oil from South-East Asian countries with reasonable readjustments according to the quality, place and other related factors.

The price for calculating natural resources tax on natural gas shall be the price at the place of delivery according to the price announcement issued by the agency mandated by the Vietnamese Government with account taken of international prices.

Article 48.- The natural resources tax shall be temporarily paid monthly on the basis of the oil and gas output of the previous month and shall be paid every quarter.

Article 49.- If the natural resources tax is paid in oil or gas, the place of tax payment shall be the place of delivery.

In cases where the tax agency requests the tax payment at other places, the tax payer shall be entitled to deduct from the to-be-paid tax amount the transportation and other direct costs arising from the change of places.

Chapter VI

PROFIT TAX, OTHER TAXES AND FEES

Article 50.- Organizations and/or individuals conducting oil and gas activities shall have to pay profit tax in accordance with the provisions of the Petroleum Law and this Decree.

If the Vietnam Oil and Gas Corporation conducts oil and gas activities by itself, it shall be the tax payer.

If oil and gas activities are conducted by the contractor, such contractor shall be the tax payer.

Article 51.- The profit tax payer conducting oil and gas prospection, exploration and exploitation under difficult geographical, economic and technical conditions shall be considered for profit tax reduction or exemption in accordance with the stipulations of Article 33 of the Petroleum Law.

Article 52.- The basis for the profit tax calculation shall be the total taxable interest in the tax payment period and the tax rates stipulated in Article 33 of the Petroleum Law.

The total taxable interest is the difference between the total income and the value of oil and gas after the payment of natural resources tax, other taxes and fees outside the profit tax and other regular expenditures allowed to be retrieved in the tax payment period.

Article 53.- The total income subject to the calculation of the taxable interest is the total value of the already sold or disposed oil and gas and all other incomes related to oil and gas activities.

The value of the sold oil and gas is the value of oil and gas sold under fair contracts at the FOB price at the place of delivery.

In cases where oil and gas are not sold under a fair contract or the total oil and gas amount are divided among the parties in kind, the value of the sold oil and gas, the value of the after-tax oil and gas, the value of oil and gas for capital recovery and the value of oil and gas profit subject to the tax on profit remittance to home countries shall be calculated by multiplying the corresponding amount of oil and gas by the price of a unit of product in accordance with the price bracket provided for in Article 47 of this Decree.

Article 54.- Expenses not allowed to be included in the to-be retrieved expenditures:

1. The expenses arising before the petroleum contract takes effect, except in cases already agreed upon in the petroleum contract or accepted by the oil and gas State management agency.
2. Different types of oil and gas commission and commitments on non-retrieval of expenditures agreed upon in the petroleum contract.
3. The interest of the borrowed capital for investment in oil and gas prospection, exploration and exploitation.
4. Fines, damage compensations and losses caused by those organizations and/or individuals themselves.
5. Profit tax payment in Vietnam and abroad.
6. Damage already compensated for by the insurance service.
7. Donations for social and charity purposes and expenses on gifts.
8. The unreasonable, inappropriate expenses detected by the Vietnam Oil and Gas Corporation and competent Vietnamese organizations in the process of auditing, tax accounts settlement and inspection.

Article 55.- The profit tax shall be paid in money; the currency to be used for the tax payment shall be the US dollar or any other convertible currencies accepted by the Ministry Finance. In cases where oil and gas are sold in Vietnamese Dong, the currency used for the profit tax payment shall be the Vietnamese Dong. The profit tax shall be paid temporarily every quarter and settled annually.

Article 56.- A foreign organization and/or individual conducting oil and gas activities shall have to pay taxes, fees and other charges prescribed by the Vietnamese law, except otherwise provided for by the Petroleum Law.

Chapter VII

STATE MANAGEMENT OVER OIL AND GAS ACTIVITIES

Article 57.- The Vietnamese Government shall exercise unified State management over oil and gas activities.

Basing itself on policies for the development of oil and gas industry, the oil and gas State management agency shall propose to the Vietnamese Government for decision the national reserve areas; areas to be prospected, explored and exploited by the Vietnam Oil and Gas Corporation; areas for cooperation with contractors; and areas encouraged for investment under preferential treatment conditions.

The oil and gas State management agency shall submit to the Vietnamese Government projects on international cooperation in oil and gas prospection, exploration and exploitation.

Article 58.- The oil and gas State management agency shall decide the delimitation and readjustment of the boundaries of lots for oil and gas prospection and exploration. The Vietnamese Government shall decide issues related to cooperation in oil and gas activities in areas where overlappings with foreign countries occur.

Article 59.- The oil and gas State management agency shall consider and submit to the Vietnamese Government for ratification petroleum contracts, permission on the transfer of the rights and obligations written in the petroleum contracts signed between the Vietnam Oil and Gas Corporation and the contractors.

With regard to petroleum contracts signed between the Vietnam Oil and Gas Corporation and foreign contractors, the Vietnamese Government shall assign to the Ministry of Planning and Investment the competence to grant investment licenses in accordance with the provisions of the Law on Foreign Investment in Vietnam.

Article 60.- The oil and gas State management agency shall, within the ambit of its powers, issue guiding documents, regulations, technical criteria on oil and gas prospection, exploration and exploitation.

Article 61.- The oil and gas State management agency shall decide the following issues:

1. Examining and inspecting oil and gas activities.
2. Submitting to the Vietnamese Government recommendations for promotion or restriction of oil and gas export.
3. Requesting the contractors to sell part of the exploited oil and gas to Vietnam.
4. Other important issues related to oil and gas activities.

Article 62.- The oil and gas State management agency shall coordinate with, guide and inspect branches and localities in matters related to oil and gas activities.

Article 63.- To ensure oil and gas activities, the concerned Ministries, branches and People's Committees of the provinces and cities directly under the Central Government shall have to closely coordinate with each other in the allotment of land, rational use of water areas, especially those related to national security, aquacultural areas, vacation resorts or tourist spots.

Chapter VIII

INSPECTION OF OIL AND GAS ACTIVITIES

Article 64.- The inspection of oil and gas activities is the specialized inspection aimed at ensuring the observance of the Petroleum Law and other legal documents related to oil and gas activities. The oil and gas State management agency shall organize the performance of the function of the oil and gas specialized inspection and issue decisions on the inspection of oil and gas activities.

An inspection decision shall include the following major contents:

1. The composition of the inspection team.
2. Objects of the inspection.
3. Contents of the inspection.
4. Place of inspection.
5. Time limit of the inspection.
6. Requirements for the organization and/or individual conducting oil and gas activities and subject to the inspection.

Article 65.- To perform its tasks, the inspection team shall have the following powers:

1. To be given favorable conditions to conduct the inspection.
2. To bring along technical equipment necessary for the inspection activities.
3. To request the persons under inspection to provide necessary documents within a certain time limit.

Upon the expiry of such time limit, if the request of the inspection team is not met, the inspection team shall decide the application of other necessary measures to gather documents in accordance with the provisions of Vietnamese law.

4. To issue decisions on the temporary suspension of oil and gas activities likely to cause accidents and serious losses to the population, properties and environment.

The time limit for the temporary suspension shall not exceed 15 days. Within 24 hours from the moment when the decision is issued, the inspection shall have to make the decision known to the competent State management agency and propose measures of settlement. Within 15 days, the competent State agency shall have to issue a relevant decision.

5. To coordinate with the Ministry of Planning and Investment in inspecting foreign invested units that conduct oil and gas activities.
6. To propose the competent State management agencies to handle acts of violation of the oil and gas legislation.

Article 66.- The decision of the inspection team shall be communicated to objects of the inspection and state clearly the conclusions and recommendations of the inspection team.

If the objects of the inspection disagree with the decision of the inspection team, they shall within 15 days be entitled to complain with the competent State management agency.

Within 30 days from the date of receiving the complaint, the competent State management agency shall have to reply.

Pending the settlement of the complaint, the object of the inspection shall have to abide by the decision of the inspection team.

Article 67.- If the decision of the inspection team is not willingly implemented by the object of the inspection, administrative coercive measures shall be applied in accordance with the legislation on administrative sanctions.

Article 68.- While conducting the inspection, the inspection team shall have to observe the provisions of law and take responsibility before law for its decision.

Chapter IX

HANDLING OF VIOLATIONS

Article 69.- Levels of sanction against violations prescribed in Article 43 of the Petroleum Law are detailed as follows:

1. Unlawful oil and gas activities shall be fined up to 100,000 USD or equivalent.
2. Failure to observe the regulations prescribed in Article 60 of this Decree, thus causing damage to the oil and gas resources or the environment or damaging the State's or individuals' properties shall be subjected to compensation and be fined up to 100,000 USD or equivalent.
3. Conducting oil and gas prospection, exploration and exploitation beyond the contractual area without permission from the competent State agency shall be fined up to 50,000 USD.
4. Making false statement, evading natural resources tax, profit tax and other taxes shall, in addition to the full payment of the taxes due, be fined for false statement and tax evasion as prescribed by the Vietnamese law.
5. Failure to inform the competent oil and gas State management agency and the Vietnam Oil and Gas Corporation of other minerals besides oil

and gas or of antiques or valuable properties which have been discovered in the contractual area shall be fined up to 10,000 USD or the equivalent. The antiques or properties shall be confiscated.

6. Acts of obstructing inspection activities shall be fined up to 10,000 USD or equivalent.

In addition to the said-above sanctions, an organization or individual committing other administrative violations shall be handled in accordance with the provisions of the Ordinance on the Handling of Administrative Violations.

Article 70.- The competent oil and gas State management agency shall issue decisions on the handling of violations and sanctions as provided for in Article 69 of this Decree.

Article 71.- Competence to handle the above-said violations:

1. The competent oil and gas State management agency shall handle violations and decide the levels of fine in accordance with the provisions of Points 1, 2, 3, 4 and 5 of Article 69 of this Decree.
2. The Head of the inspection team shall handle violations and decide the levels of fine in accordance with the provisions of Point 6, Article 69 of this Decree.

Chapter X

IMPLEMENTATION PROVISIONS

Article 72.- The parties to the agreement on the establishment of the Vietsopetro Oil and Gas Joint Venture and the petroleum contracts signed before the promulgation of the Petroleum Law and this Decree are entitled to continue benefiting from economic rights and interests regarding tax rates, the mode of tax payment, the oil and gas profit dividends and the amount of oil and gas to be used for the recovery of expenditures already agreed upon in the agreement and contracts.

Article 73.- The State management agencies, within the ambit of their functions and powers, shall be responsible for guiding the implementation of this Decree.

Article 74.- This Decree takes effect from the date of its signing. The earlier stipulations on oil and gas activities which are contrary to this Decree are now annulled.

Article 75.- The Minister-Director of the Office of the Government, the Ministers, the Heads of the ministerial-level agencies, the Heads of the agencies attached to the Government, the Presidents of the People's Committees of the provinces and cities directly under the Central Government, the Vietnam Oil and Gas Corporation and the organizations and individuals conducting oil and gas activities shall have to implement this Decree.

On behalf of the Government

The Prime Minister

VO VAN KIET

THE GOVERNMENT

Vo Van Kiet