



Government of the Republic of Trinidad and Tobago
MINISTRY OF ENERGY AND ENERGY AFFAIRS

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Dear Stakeholder,

I refer to previous communication on the 2010 Competitive Bid Round for Shallow and Average Water Depths which was due to close on August 11, 2010. In the interim the Ministry conducted a review of the proposed Production Sharing Contract.

Arising from the review it was determined that under the PSC, which was based on the new concept where Government's share would be in lieu of taxes and imposition, that there was uncertainty with respect to the receipt of tax credits by the Contractors. In the circumstances it was agreed to revert to the concept under 1995/1996 model PSC where Government through its profit share met the tax liability and impositions on behalf of the Contractor, except Withholding Tax and Stamp Duty. This concept assures that the Contractor would be entitled to tax credits.

Based on this review, the Government agreed to the following recommendations:

Production Sharing Contract

The 2010 Model Production Sharing Contract (PSC) which was submitted for industry comments is revised to include the following salient changes that have been adopted from the 1995/1996 Model PSC:

- 1) Contractor will retain liability for Petroleum Profits Tax (PPT), Supplemental Petroleum Tax (SPT), Unemployment Levy (UL), Royalty, Petroleum Impost, Petroleum Levy, Green Fund Levy and any other taxes or impositions whatsoever measured upon income or profits arising directly from petroleum operations;
- 2) The Minister shall pay on behalf of the Contractor out of the Government's Share of Profit Petroleum referred to in Article 18 the Contractor's liability for PPT, SPT, UL, Royalty, Petroleum Impost, Petroleum Levy, Green Fund Levy and any other taxes or

impositions whatsoever measured upon income or profits arising directly from petroleum operations; and

- 3) A gross-up mechanism will be applied for the determination of the tax liabilities for PPT and UL.

These changes are reflected in Article 21 and Article 13, Annex C of the attached PSC.

All other terms and conditions as provided for under the 2010 model PSC will remain unchanged. In this regard, companies are asked to note the following:

- 1) Contractor will be liable for the payment of Withholding Tax and Stamp Duty;
- 2) Cost recovery is limited for the respective blocks as follows:
 - a. Shallow - 50%;
 - b. Average - 55%;
 - c. Deep - 60%.
- 3) The open matrices and windfall feature for the Government's Share of Profit Petroleum at the stated price and production tiers are outlined as follows:
 - a. Shallow water blocks - Attachments 1 & 1A;
 - b. Average water blocks - Attachments 2 & 2A; and
 - c. Deep water blocks - Attachments 3 & 3A.
- 4) Fiscal Stability Provision under Article 21 of the PSC;
- 5) Assignment and Transfer Provision, Article 31;
- 6) Abandonment Provision, Article 37; and
- 7) Fixed Financial Obligations under Article 21 of the PSC and as stated in Attachment 4.

Petroleum Tax Legislation

Appropriate amendments shall be made to the existing petroleum tax legislation to give effect to the revised Model PSC. In addition, further incentives have been approved for deep water blocks as follows:

1. The definition for "deep water block" is extended to include acreages with water depths greater than 400 metres, and
2. The tax rate for PPT, for deep water blocks is to be changed to 35%. Unemployment Levy remains at 5%. The tax rate for PPT for shallow water blocks remains at 50% and Unemployment Levy remains at 5%.

Scheduling of 2010 Competitive Bid Round

Consequent on these changes, the competitive bid round which was scheduled to close on 11th August 2010 has been extended to 8th September 2010 to provide companies and investors time to assimilate and analyze the impact on the economic viability of proposed bids. The appropriate amendments will be made to the 2010 Competitive Bid Order to reflect the above changes.

We look forward to your participation in this competitive bid round and thank you for your continued interest in this country's development.

Sincerely,



Permanent Secretary

Attachment 1

SHALLOW WATER DEPTHS

Government's Share of Profit Crude Oil (%)

The Government's share of Profit Crude Oil shall be determined each Month based on each of the percentages in the table below.

<u>Production Tier</u>	<u>Crude Oil Price Class</u>			
	A	B	C	D
Production up to 6,000 B/D	x	x	x	x
Production in excess of 6,000 B/D and up to 20,000 B/D	x	x	x	x
Production in excess of 20,000 B/D and up to 50,000 B/D	x	x	x	x
Production in excess of 50,000 B/D and up to 75,000 B/D	x	x	x	x
Production in excess of 75,000 B/D	x	x	x	x

Where:

Price Class A refers to Government's share for a Crude Oil price less than or equal to US \$40.00 per Barrel.

Price Class B refers to Government's share for a Crude Oil price greater than US \$40.00 per barrel but less than or equal to US \$55.00 per Barrel.

Price Class C refers to Government's share for a Crude Oil price greater than US \$55.00 per barrel but less than or equal to US \$70.00 per Barrel.

Price Class D, Crude Oil Price greater than US\$70.00 per Barrel, the Government's share of Profit Crude Oil is equal to:

$$BR + 70\% [P - US\$70] / P] (1-BR)$$

where: BR refers to the Base Rates set out in Price Class D, and
P is the Crude Oil price

Attachment 1A

SHALLOW WATER DEPTHS

Government's Share of Profit Natural Gas (%)

The Government's share of Profit Natural Gas shall be determined each Month based on each of the percentages in the table below.

<u>Production Tier</u>	<u>Natural Gas Price Class</u>			
	A	B	C	D
Production up to 60 MMcfd	x	x	x	x
Production in excess Of 60 MMcfd and to 150 MMcfd	x	x	x	x
Production in excess of 150 MMcfd and up to 300 MMcfd	x	x	x	x
Production in excess of 300 MMcfd and up to 450 MMcfd	x	x	x	x
Production in excess of 450 MMcfd	x	x	x	x

Where:

Price Class A refers to Government's share for a Natural Gas price less than or equal to US \$3.00 per Mcf.

Price Class B refers to Government's share for a Natural Gas price greater than US \$3.00 per Mcf but less than or equal to US\$4.50 per Mcf.

Price Class C refers to Government's share for a Natural Gas price greater than US \$4.50 per Mcf but less than or equal to US \$6.00 per Mcf.

Price Class D, Natural Gas price greater than US\$6.00 per Mcf, the Government's share of Profit Natural Gas is equal to:

$$BR + 70\% [(P - US\$6.00) / P] (1 - BR)$$

where: BR refers to the Base Rates set out in Price Class D, and P is the Natural Gas price.

Attachment 2

AVERAGE WATER DEPTHS

Government's share of Profit Crude Oil (percent %)

The Government's share of Profit Crude Oil shall be determined each Month based on each of the percentages in the table below.

<u>Production Tier</u>	<u>Crude Oil Price Class</u>			
	A	B	C	D
Production up to 10,000 B/D	x	x	x	x
Production in excess of 10,000 B/D and up to 25,000 B/D	x	x	x	x
Production in excess of 25,000 B/D and up to 50,000 B/D	x	x	x	x
Production in excess of 50,000 B/D and up to 75,000 B/D	x	x	x	x
Production greater than 75,000 B/D	x	x	x	x

Where:

Price Class A refers to Government's share for a Crude Oil price less than or equal to US \$40.00 per Barrel.

Price Class B refers to Government's share for a Crude Oil price greater than US \$40.00 per barrel but less than or equal to US \$60.00 per Barrel.

Price Class C refers to Government's share for a Crude Oil price greater than US \$60.00 per barrel but less than or equal to US \$80.00 per Barrel.

Price Class D, Crude Oil Price greater than US\$80.00 per Barrel, the Government's share of Profit Crude Oil is equal to:

$$BR + 70\% [P - US\$80] / P] (1-BR)$$

where: BR refers to the Base Rates set out in Price Class D, and
P is the Crude Oil price

Attachment 2A

AVERAGE WATER DEPTHS

Government's share of Profit Natural Gas (percent %)

The Government's share of Profit Natural Gas shall be determined each Month based on each of the percentages in the table below.

<u>Production Tier</u>	<u>Natural Gas Price Class</u>			
	A	B	C	D
Production up to 60 MMcfd	x	x	x	x
Production in excess Of 60 MMcfd and to 150 MMcfd	x	x	x	x
Production in excess of 150 MMcfd and up to 300 MMcfd	x	x	x	x
Production in excess of 300 MMcfd and up to 450 MMcfd	x	x	x	x
Production in excess of 450 MMcfd	x	x	x	x

Where:

Price Class A refers to Government's share for a Natural Gas price less than or equal to US\$4.00 per Mcf.

Price Class B refers to Government's share for a Natural Gas price greater than US \$4.00 per Mcf but less than or equal to US\$5.50 per Mcf.

Price Class C refers to Government's share for a Natural Gas price greater than US \$5.50 per Mcf but less than or equal to US \$7.00 per Mcf.

Price Class D, Natural Gas price greater than US\$7.00 per Mcf, the Government's share of Profit Natural Gas is equal to:

$$BR + 70\% [(P - US\$7.00) / P] (1-BR)$$

where: BR refers to the Base Rates set out in Price Class D, and
P is the Natural Gas price.

Attachment 3

DEEP WATER DEPTHS

Government's share of Profit Crude Oil (percent %)

The Government's share of Profit Crude Oil shall be determined each Month based on each of the percentages in the table below.

<u>Production Tier</u>	<u>Crude Oil Price Class</u>			
	A	B	C	D
Production up to 75,000 B/D	x	x	x	x
Production in excess of 75,000 B/D and up to 100,000 B/D	x	x	x	x
Production in excess of 100,000 B/D and up to 150,000 B/D	x	x	x	x
Production in excess of 150,000 B/D and up to 200,000 B/D	x	x	x	x
Production greater than 200,000 B/D	x	x	x	x

Where:

Price Class A refers to Government's share for a Crude Oil price less than or equal to US \$50.00 per Barrel.

Price Class B refers to Government's share for a Crude Oil price greater than US \$50.00 per barrel but less than or equal to US \$75.00 per Barrel.

Price Class C refers to Government's share for a Crude Oil price greater than US \$75.00 per barrel but less than or equal to US \$100.00 per Barrel.

Price Class D, Crude Oil Price greater than US\$100.00 per Barrel, the Government's share of Profit Crude Oil is equal to:

$$BR + 70\% [P - US\$100] / P] (1 - BR)$$

where: BR refers to the Base Rates set out in Price Class D, and P is the Crude Oil price

Attachment 3A

DEEP WATER DEPTHS

Government's share of Profit Natural Gas (%)

The Government's share of Profit Natural Gas shall be determined each Month based on each of the percentages in the table below.

<u>Production Tier</u>	<u>Natural Gas Price Class</u>			
	A	B	C	D
Production up to 200 MMcfd	x	x	x	x
Production in excess of 200 MMcfd and to 350 MMcfd	x	x	x	x
Production in excess of 350 MMcfd and up to 500 MMcfd	x	x	x	x
Production in excess of 500 MMcfd and up to 750 MMcfd	x	x	x	x
Production in excess of 750 MMcfd and up to 1,000 MMcfd	x	x	x	x
Production in excess Of 1,000 MMcfd	x	x	x	x

Where:

Price Class A refers to Government's share for a Natural Gas price less than or equal to US \$4.00 per Mcf.

Price Class B refers to Government's share for a Natural Gas price greater than US \$4.00 per Mcf but less than or equal to US\$6.50 per Mcf.

Price Class C refers to Government's share for a Natural Gas price greater than US \$6.50 per Mcf but less than or equal to US \$8.00 per Mcf.

Price Class D, Natural Gas greater than US\$9.00 per Mcf, the Government's share of Profit Natural Gas is equal to:

$$BR + 70\% [(P - US\$9.00) / P] (1-BR)$$

where: BR refers to the Base Rates set out in Price Class D, and
P is the Natural Gas price.

Attachment 4

Financial Obligations

Financial Obligations	Shallow & Average	Deep
Minimum Payment	US\$5.50/hectare, increasing by 50c/year of exploration and by 6% thereafter	US\$5.50/hectare, increasing by 50c/year of exploration and by 6% thereafter
Administration Charge	US\$300,000 incr. by 4% /yr thereafter	US\$300,000 incr. by 4% /yr thereafter
Training Contribution	a. Pre commerciality: US\$100,000 incr by 4%/yr b. Post Commerciality: US\$120,000 incr by 4%/yr c. First Prod: 0.25% of Contractor's Share of Profit Petroleum	Pre Commerciality: US\$120,000 incr by 4%/yr Post Commerciality: US\$150,000 incr by 4%/yr First Prod: 0.25% of Contractor's Share of Profit Petroleum
Research & Development	a. Pre Commerciality: US\$100,000 incr by 4%/yr b. Post Commerciality: US\$120,000 incr by 4%/yr c. First Prod: 0.25% of Contractor's Share of Profit Petroleum	a. Pre Commerciality: US\$120,000 incr by 4%/yr b. Post Commerciality: US\$150,000 incr by 4%/yr c. First Prod: 0.25% of Contractor's Share of Profit Petroleum
Scholarships	US\$100,000 incr. by 4% /yr thereafter	US\$100,000 incr. by 4% /yr thereafter
Technical Equipment	US\$200,000	US\$300,000
Signature Bonuses	Where identified in CBO	Not required
Production Bonuses	Fixed in PSC	Fixed in PSC