

OVERVIEW OF JDA ACTIVITIES

I: OPERATIONAL LEGISLATIONS

- (i) The treaty between the Federal Republic of Nigeria and Democratic Republic of Sao Tome and Principe on the Joint development of Petroleum and other Resources in the areas of the Exclusive Economic Zone of the two states, (Referred to as "Ratification and Enforcement" Act 2005 in Nigeria; and as DRSTP.
- (ii) Headquarters Agreement between the Nigeria Sao Tome and Principe Joint Development Authority and the Government of the Federal Republic of Nigeria
- (iii) Headquarters Agreement between the Nigeria Sao Tome and Principe Joint Development Authority and the Government of the Democratic Republic of Sao Tome and Principe
- (iv) Abuja Joint Declaration regarding Transparency and governance in the Joint development Zone.

II: STATUTORY BODIES/OFFICES

(A) JOINT MINISTERIAL COUNCIL (JMB)

The Joint Ministerial Council (JMC or Council) has responsibility over the Joint Development Zone (JDZ) and supervise the operations of the Joint Development Authority (JDA). Its specific functions and power are contained in Article 7 of the Treaty.

It consist of twelve (12) members, six (6) appointed by the Nigerian President and six (6) appointed by the Head of State of the DRSTP.

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The present composition of the JDA Board as appointed by the two Heads of State is as:-

S/N	NAMES	DESIGNATIONS	STATE PARTY
1	Hon. Dr. Almajiri Geidam	Executive Director Finance & Administration (F&A)	Nigeria
2	Mr. Adraino Almeda	Executive Director Non- Hydrocarbon Resource (NHR)	Sao Tome & Principe STP
3	Dr. Jack Lorvde Ibiwari	Executive Director Monitoring and Inspection (M&I)	Nigeria
4	Mr. eugenio Tenjua	Executive Director Commercial and investment (C&I)	Sao Tome & Principe STP

The table below shows the past Board members covering the year under review 2016/2017

S/N	NAMES	DESIGNATIONS	STATE PARTY
1	Mr. Kashim Tumsah	Executive Director Finance & Administration (F&A)	Nigeria
2	Mr. Eugenio Nascimento	Executive Director Non- Hydrocarbon Resource (NHR)	Sao Tome & Principe STP
3	-Vacant-	Executive Director Monitoring and Inspection (M&I)	Nigeria
4	Mr, L, Prazeres	Executive Director Commercial and investment (C&I)	Sao Tome & Principe STP

The Treaty at Article 9(a) provides for one of the ED's to act as the Chairman of Board, and at Article 13(1) for one of the ED's to serve as Secretary to the Board and Council.. By practice the two position are rotationally held between the two state parties



(i) **NIGERIA**

S/N	MEMBERS	DESIGNATIONS
1	Minister of State for Foreign Affairs	Leader of Delegation
2	Minister of State for Petroleum	Member
3	Minister of State for Agriculture	Member
4	Permanent Secretary Ministry of Defence	Member
5	Nigeria Ambassador to Sao Tome & Principe	Member
6	Director General National Boundary Commission	Member

(ii) **DRSTP**

S/N	MEMBERS	DESIGNATIONS
1	Minister of Foreign Affairs and Communities	Leader of Delegation
2	Minister of Infrastructures, Natural Resources and Environment	Member
3	Minister of Finance, Commerce & Blue Economy	Member
4	Minister of Defence and Home Affairs	Member
5	Adviser to the President Democratic Republic of Sao Tome & Principe for Economic affairs	Member
6	Director of OS National Agency	Member

(B) **JOINT DEVELOPMENT AUTHORITY (JDA)**

In accordance with the provision of the Treaty, the JDA is charged with the responsibility of managing the activities relating to exploration for and exploitation of the resources in the JDA. The JDA which serves as the Board also have specific functions and powers as contained in the Article of the Treaty.

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III. JOA OPERATIONAL REGULATIONS AND GUIDELINES

- i. JMC Resolution
- ii. Board Resolution
- iii. Accounting Policy and Procedures Manual
- iv. JDA Staff Regulations and Condition of Service
- v. Audit Manual
- vi. Environmental Regulations
- vii. Non-Petroleum Development Activities Regulation
- viii. Tax regulations for Non-Petroleum Development Activities
- ix. Petroleum Regulations
- x. Petroleum Tax Regulations
- xi. JDA Model Production Sharing Contract (PSC)
- xii. Guidelines for investors in the JDZ
- xiii. JDZ Local Content Regulations

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JOZ : 5 STOCKS IN THE JOINT DEVELOPMENT ZONE (JDZ)

JDZ BLOCK	OPERATOR	PARTNERS	STATUS
Block 1	PAPIS Energy Solutions Limited (31.81 %)	Nakudu Nigeria Limited (41%); A.A. Rano Nigeria Limited (15%); Equator Hydrocarbons Limited (10%); JOZ International Limited (2.19%).	Active
Block 2	Oranto Petroleum (65%)	ERHC (30%); Foby Engineering (5%)	Parties could not execute the JOA
Block 3	Nil	ERHC (20%) Broadlink (4%)	The block is Inactive. JOA currently making efforts to get suitable partners into the Block.
Block 4	Nil	ERHC (25%)	Inactive. JOA currently making efforts to get suitable partners into the Block.
Block 5	Oranto Petroleum (100%)	Nil	Active
Block 6	Nil	Nil	The block is Inactive. 2012 PSC negotiations inconclusive.
Block 7	Nil	Nil	Discussions ongoing with an International Oil Company.
Block 8	Nil	Nil	Discussions ongoing with an International Oil Company.
Block 9	Nil	Nil	Vacant
Block 10	Nil	Nil	Vacant
Block 11	Nil	Nil	Discussions ongoing with an International Oil Company.

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tiCENSING PROCESS (RECENT UPDATES)

JDZ BLOCK -1

A.A RANO was allocated 15% equity out of the 17.19% originally held by JDZ International Limited (JDZIL), on a farm-in arrangement.

JDZ BLOCK -2

ICCJORANTO was allocated 65% equity in JDZ block-2, after payment of all relevant fees.

CURRENT OIL OPERATIONS STATUS IN THE JOINT DEVELOPMENT ZONE

It is expected that with the renewed efforts of the JDA and partners in JDZ Block 2, activities have picked up especially with regards to further exploration activities on the Obo-I well which was discovered in 2006. It is also pertinent to state that additional wells are expected to be drilled in Block-1 to appraise the 080-1 well and other previously drilled wells i.e Entimi and Obo-2.

It is our hope that with the approval to deploy the non-conventional technology in Block-1, production of crude oil and Gas will commence in 2018.

Also similar arrangements are being made as regards to Block-5, the operator (ICCJORANTO) is making frantic efforts to proceed with full scale exploration activities. Similarly wells such as Bomu well (JDZ Block -2), Lemba well (JDZ Block-3), Malanza well and Oki East well (JDZ Block-4) all have valuable information which would assist any new investor that might require relevant past drilling data.

Also, 2D seismic data on all blocks is equally available for purchase from western Geco/Schlumberger. In addition to this, 3D Seismic data as well as integrated 3D seismic and well-data are available for purchase from PGS.

JDA ANNUAL BUDGET FOR 2016/2017 (PROPOSED FIGURES)

- Amount Budgeted is \$7,907,357.07 (2016)
- Amount Budgeted is \$4,649,703.33 (2017)

The approved and used amounts are not available because the JMC has not been constituted since 2014.

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Legal Framework and Fiscal Regime

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The Joint Development Zone Treaty

The JDZ Treaty defines the Joint Development Zone (JDZ), it is an area of overlapping maritime boundary claims that will be joint developed by the two countries. It establishes the Nigeria-Sao Tome and Principe Joint Development Authority (Authority) to manage the development of petroleum resources and non-hydrocarbon resources within the JDZ. The Treaty outlines the governing principles for Joint Development as well as the general regime for petroleum related activities.

The Abuja Declaration (2004)

The Abuja Declaration of 20 June 2004 on transparency and governance in the JDZ between Nigeria and Sao Tome and Principe. The Abuja Declaration mandates that "All payments to the Authority by oil companies shall be made public on an individual company basis, quarterly and annually.

It also stipulates that the PSCs or third party agreements including procurement contracts and all financial information related to such agreements be made public. The declaration recognises the importance of engaging civil society in monitoring the implementation of the declarations.

Guidelines for Investors in the Joint Development Zone (2015)

These guidelines provide information for prospective Investors on the legal framework of the JDZ, highlighting key regulatory issues and licensing parameters.

The Model PSC Contract (2015)

The main parameters of the 2015 Model PSC Contract are:

Signature Bonus - The Signature Bonus is payable in one tranche and not cost recoverable and non-tax deductible.

Production Bonus - The Production Bonus shall be paid within one month upon reaching the stated production threshold.

Minimum Work Obligation - The Work Programme Commitment is for a maximum of 10 years phased into three exploration sub-periods.



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Ring Fencing - Ring fencing of individual developments for cost recovery and profit share and on a PSC basis for taxation.

Cost Recovery Ceiling - There shall be cost recovery ceiling to a maximum of 70% for oil and 75% for natural gas.

Profit Sharing - Profit Sharing is based on the profit oil scale.

Operatorship - The Authority appoints or approves an operator and approves a change of operator.. An Operator must be a party to the PSC having an interest in the Block and would cease to be the Operator if its interests terminates or expires.

JDZ Petroleum Regulations (2015)

The 2015 Petroleum Regulations manages the following areas:

The conditions for granting licenses, leases and contracts in the JDZ. It provides that the PSCs shall be subject to a process of competitive bidding in licensing rounds. It stipulates the fees, rents and royalties applicable.

The petroleum regulations set out the rights and obligations of licensees and contractors operating in the JDZ with respect to fishing rights, safety of navigation, structures and employees. It also provides for protection of environment, prevention of pollution, exploration, drilling and abandonment.

JDZ Petroleum Tax Regulations (2015)

The JDZ Petroleum Tax Regulations provides for the taxation of the profits of companies engaged in petroleum operations and activities in the Joint Development Zone. It defines the chargeable profits, allowable deductions and persons chargeable. It sets the timeframe within which tax payments are made and the penalty for non-payment of tax.

JDZ Non-Petroleum Development Activities Regulations (2012)

It regulates the exploration and exploitation of non-hydrocarbon resources within the JDZ. It provides that no services, fisheries, solid mineral, non-hydrocarbon development and other related activities shall be undertaken in the JDZ except in accordance with the provisions of registration, leasing, licensing and permits in the Regulation. The ownership and control of mineral resources within the JDZ is vested in the States Parties.

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The Regulation provides fiscal incentives for solid mineral mining operations and a royalty payment at a rate prescribed by the Authority. It provides for licensing and validity of licenses for fishing vessels operating within the JDZ, the conservation measures on fishing activities and enforcement of regulatory compliances on fishing activities.

JDZ Non-Petroleum Development Activities Tax Regulations (2012)

These regulations establish the parameters for taxation of the profits of companies engaged in non-hydrocarbon development activities in the JDZ, these include: imposition of tax and profit chargeability, ascertainment of profits, ascertainment of assessable profits, ascertainment of total profit, incentives available to the downstream gas operations, the applicable tax rates chargeable on the total profit and available reliefs, the persons chargeable, the collection, recovery and repayment of tax

JOZ Local Content Regulations (2015)

These regulations are aimed at providing a systematic and harmonized approach for the effective and equitable implementation of local content policies enshrined in the Treaty, Petroleum Regulations and Respective PSCs as well as harmonize the development, execution and regulation of Local Content Programmes in the JDZ.

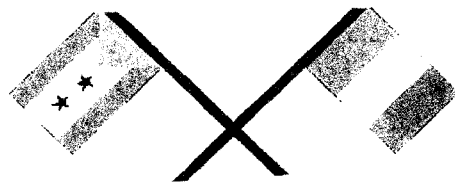
Environmental Regulations (2015)

These regulations codify the environmental laws and any such other regulations that are applicable to the JDZ including:

- i. General requirements Environmental Impact Assessment plans (EIAs)
- ii. Regulations for Oil & Gas Prospecting within the JDZ
- iii. Regulations for oil spill pollution and response plans for facilities.

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**AUTORIDADE CONJUNTA
NIGÉRIA- SÃO TOMÉ E PRÍNCIPE**

REPORT TO BE COMPLETED ON A CASH BASIS (RECEIPTS/PAYMENTS)

	Cash Receipts (STSD)	Cash Receipts (SIISD)	Comments
	2016	2017	

I. Receipts (Operational)

i) BONHIS		487,975.00	
ii) (iii) Prospecting License Fee			
iii) Annual Arcu Rental	185,470	174,102.50	
iv) Trustee Fees			
v) Sales of Seismic Data		202,596.10	
vi) Other significant payments and material benefits	297,500*	588,500.00	
Total Receipts	482,970	1,453,173.60	

	Fees and other revenues retained for Administrative Cost	Fees and other revenues retained for Administrative Cost	Comments
	2016	2017	

Fees and other revenues retained for Administrative Cost	482,970	1,453,173.60	
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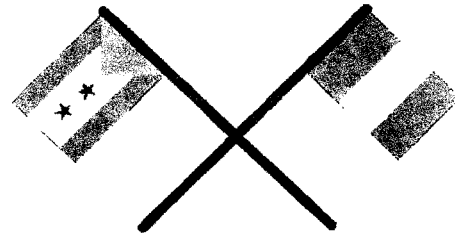
* \$ 297,500 was the total received for Social Project and Scholarship.

* \$ 188,500 was the total received for Social Project, Scholarship and Block 1 Assignment Fee.

REPÚBLICA DE SÃO TOMÉ E PRÍNCIPE
 Autoridade Conjunta Nigéria-São Tomé e Príncipe
 Relatório de Receitas e Pagamentos em Base de Caixa (Relatório de Receitas/Pagamentos em Base de Caixa)
 Relatório de Receitas e Pagamentos em Base de Caixa (Relatório de Receitas/Pagamentos em Base de Caixa)

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**AUTORIDADE CONJUNTA
NIGÉRIA- SÃO TOMÉ E PRÍNCIPE**

	Cash Payments(SUSD) 2016	Cash Payments(SUSD) 2017	Comments
z. Payments to Oil National Account			
i) Oil Prospecting Licenses	NIL	NIL	
ii) Annual Area Rental	NIL	NIL	
iii) Transfer Fees	NIL	NIL	
iv) Sales of Seismic Data	NIL	NIL	
v) Other significant payments and unusual benefits	NIL	NIL	
Total Payments		NIL	

	Cash Payments(SUSD) 2016	Cash Payments(SUSD) 2017	Comments
z. Payments to the Accountant of the Federation of Nigeria			
i) Oil Prospecting Licenses Fee	NIL	NIL	
ii) Annual Area Rental	NIL	NIL	
iii) Transfer Fees	NIL	NIL	
iv) Sdk- operations	NIL	NIL	
v) Other significant payments and unusual benefits	NIL	NIL	
Total Payments	NIL	NIL	

Ministério das Finanças e Administração Pública
 Ministério das Finanças e Administração Pública - São Tomé e Príncipe
 Ministério das Finanças e Administração Pública - www.mafp.gov.st

Autoridade Conjunta TIOM/ST: J(ON) III:VF:III-III-ZUNI
 Recebidos dos Recipientes relacionados com o J(ON) III:VF:III-III-ZUNI
 Recebidos dos Recipientes relacionados com o J(ON) III:VF:III-III-ZUNI

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