



Terms of Reference for Proposals on eight free blocks in the Republic of Cameroon

I. Introduction

Within its mandate to promote and valorise hydrocarbon resources in the oil and gas domain of the Republic of Cameroon, the **National Hydrocarbons Corporation (SNH)** announces to the Oil and Gas industry, that proposals can be submitted for any of **eight free blocks** namely, Ndian River, Bolongo Exploration and Bakassi in the hydrocarbons rich Rio del Rey (**RDR**) Basin, and Etinde Exploration, Ntem, Elombo, Bomono and Kombe/N'sepe, in the highly prospective Douala/Kribi-Campo (**DKC**) Basin.

Proposals shall be received throughout 2022, on the basis of the first come, first served option, leading to possible direct negotiations.

International Oil & Gas Companies are hereby invited to submit proposals for one or more blocks, on the basis of these Terms of Reference.

II. Purpose

The purpose is for the State and Petroleum Companies to negotiate and conclude **Production Sharing Contracts (PSCs)** over one or several free blocks, in accordance with the provisions of the Law no. 2019/008 of April 25, 2019 instituting the Petroleum Code, a copy of which is accessible from the SNH website www.snh.cm, along with these Terms of Reference.

III. Data packages and blocks on offer

The 2022 Promotion procedure is supported by improved commercial terms and enhanced workstation ready 2D and 3D seismic and well data packages for the RDR and DKC basins which are accessible from CGG Services (UK) Limited, Llandudno, North Wales, LL30 1SA, United Kingdom (Robertson GeoSpec International Ltd). Please contact geospec.sales@cgg.com.

The blocks concerned are:

Blocks	Basins	Surface area (km ²)	Location*
Ndian River	RDR	2,530	TZ/Onshore
Bolongo Exploration	RDR	390	Offshore (WD<70 m)
Bakassi	RDR	736	TZ/Onshore
Etinde Exploration	DKC	1,698	Offshore/SW
Elombo	DKC	2,405	Offshore/SW
Ntem	DKC	2,319	Offshore (WD >500 m)
Kombe-Nsepe	DKC	3,026	TZ/Onshore
Bomono	DKC	2,371.4	TZ/Onshore

WD: Water Depth; SW : Shallow Water; TZ : Transition Zone

*Bomono, Bolongo Exploration, Etinde Exploration and Elombo blocks are close to Oil & Gas producing fields and installations.



IV. Content of the proposals

Any proposal submitted shall contain the following main Sections:

a. Pertinent documentation on the Company or Group of Companies submitting the proposal, and in particular, on the Petroleum Company which shall act as Operator in the PSC, including its organisation, technical and financial capabilities. The required documentation shall include:

- ◇ Audited, certified balance-sheets for the past three (3) calendar years;
- ◇ Names and experiences of the members of the exploration and production staff, as well as geoscience capabilities of the Company(ies);
- ◇ Names and activities of each Company's shareholders;
- ◇ Company's portfolio of assets in the petroleum industry, especially in the upstream;
- ◇ Evidence of Company's capabilities, expertise and experience in environmental impact management and protection, notably in areas similar to those of the blocks of interest in Cameroon;
- ◇ Company's practices and references in Local Content development and fulfilments in Africa;
- ◇ Track record on exploration drilling activities and discoveries during the last five years.

b. Technical evaluation(s) report, elaborated on the basis of up to date data, including the SNH/CGG newly enhanced and/or reprocessed data set addressing the regional geology and the prospectivity of the blocks; and an outline of the Company exploration strategy and targets;

c. Work programme and corresponding budget for the first period of the Exploration Phase which is normally three years, extensible to a maximum of five years for the Special Petroleum Operations Zone, as defined by Section 2.49 of the Law no. 2019/008 of April 25, 2019 instituting the Petroleum Code. Company to give indications on how the work programme will be financed;

d. Work programme and corresponding budgets for the two possible renewal periods of up to two years each, and indications on how the work programme will be financed;

e. Proposed Contractual Terms as indicated in Section V below.

During the Exploration Phase, the Holder of a Petroleum Contract shall commit to fulfil a Work Programme whose minimal requirements are set out in the Contractual Terms below, **it is being understood that fulfilment of the exploration work programmes takes precedence over announced exploration expenditures amounts.**

V. Contractual terms

The following **Terms** shall be considered in the proposal:

Work programme (*biddable*):

Minimum requirements per block for the initial period of Exploration Phase are:

- the reprocessing and interpretation of existing seismic data, and/or acquisition, processing and interpretation of new seismic data, and/or interpretation of the newly enhanced or reprocessed SNH/CGG seismic data set;
- the drilling of one exploration well on a newly defined undrilled prospect in the block; and
- a description of the plan to appraise and/or develop of any pre-existing discovery (ies) in the block if any and if relevant.

Flexibility is provided to Bidders interested in either Bakassi, Ndian River, Bomono or Kombe-Nsepe blocks, for an option to replace the “drilling of one exploration well” in the Minimum Work Programme of the first Period of the Exploration Phase, with an additional seismic commitment of “2D or 3D seismic acquisition and processing”, if the duration of the first period is three years.



Signature bonus: *facultative*

Production bonus (*fixed*):

Production bonuses shall be paid to the State according to the following cumulative production threshold values below:

Type of production	Cumulative production threshold	Production bonus (Million US dollars)
Oil / Condensates	25 million barrels	3.0
	50 million barrels	5.0
	100 million barrels	10.0
Natural gas	200 billion cubic feet	3.0
	500 billion cubic feet	5.0
	1 000 billion cubic feet	10.0

- **Company tax:** 35% (*fixed*)
- **State participation:** up to 25% (*biddable*)
- **Minimum training budget amounts** (*fixed*):
 - ◊ USD 50 000 per year during the Exploration Phase, and
 - ◊ USD 100 000 per year during the Development/Exploitation Phase (both budgets are funded by the bidding company(ies) alone)
- **Cost stop for gas:** 85% (*fixed*)
- **Cost stop for oil:** 70% (*fixed*)
- **Profit Oil/Profit Gas splits** are *biddable* for both liquids and gas, as provided in the tables below:

Table applicable for the sharing of Profit Oil:

Values of "R" Factor	Contractor's share	State's share
$R \leq 1.00$	85%	15%
$1.00 < R \leq 1.50$	Biddable and negotiable	
$1.50 < R \leq 2.00$	Biddable and negotiable	
$2.00 < R \leq 2.50$	Biddable and negotiable	
$R > 2.50$	Biddable and negotiable	

Table applicable for the sharing of Profit Gas:

Values of "R" Factor	Contractor's share	State's share
$R \leq 1.00$	90%	10%
$1.00 < R \leq 1.50$	Biddable and negotiable	
$1.50 < R \leq 2.00$	Biddable and negotiable	
$2.00 < R \leq 2.50$	Biddable and negotiable	
$R > 2.50$	Biddable and negotiable	



For a given calendar year, “**R**” factor refers to the ratio of “**Net Cumulative Revenue**” over “**Cumulative Investments**”, calculated at the close of the preceding year.

*“**Net Cumulative Revenue**” means the sum, from the Effective Date up until the end of the preceding Calendar Year, of the Contractor’s gross revenues, less the sum of the Exploitation Costs and the amount of the company tax pertaining to Petroleum Operations paid to the State by the entities comprising the Contractor (excluding the State) in the Republic of Cameroon for all fiscal years prior to the current Fiscal Year.*

*“**Cumulative investments**” means the sum, from the Effective Date up until the end of the preceding Calendar Year, of the total Exploration and Development Costs. Neither the recovery nor the amortisation of such Costs shall be taken into consideration for the calculation of the costs referred to in this definition.*

Local Content (biddable):

Proposals should be submitted pursuant to Sections 87, 88 and 89 of the Law no. 2019/008 of 25 April 2019 instituting the Petroleum Code.

Incentives:

The Contractual Terms above in this Section V set a basis for competition in the selection of the Petroleum Company for negotiation of a PSC in the course of which justified incentives under Part VIII of the Petroleum Code may be considered, if applicable, and as the case may be, for the block(s), environments, water depth, plays types and minimum work programme proposals in question.

These incentives consist in readjusting fiscal or economic terms of the Petroleum Contract to speed up the recovery of investments and improve profitability. Depending on the circumstances, the STATE, through SNH, may provide the appropriate incentives which could include one or more of the following:

- waiver from paying the Signature Bonus;
- exemption from payment of Corporate Tax for up to five years (for liquid hydrocarbons) and seven years (for natural gas);
- adjustment of economics parameters, notably:
 - reduction of State Participation in Exploitation Phase;
 - modification of the “Profit Oil” and/or “Cost Oil” for PSC’s;
 - reduction of the rate of Royalty proposal to the production for Concession Contracts;
 - possibility to recover from production, in any other area, **the seismic acquisition and dry exploration expenses** incurred in other contractual area operated by applicant;
 - tax consolidation of exploration expenses.

VI. Acceptance of proposal(s)

The conditions for the acceptance of proposals are set in accordance with Sections 2 and 8 of the Law no. 2019/008 of April 25, 2019 instituting the Petroleum Code, and are as follows:

- The proposal should be submitted by a Petroleum Company, or by a group of Commercial Companies among which, at least one is a Petroleum Company with relevant financial and technical capabilities demonstrated by the documentation required under Section IV a) above;
- In case the bid is submitted by a Consortium of companies with only one of them being a Petroleum Company, the said Petroleum Company should own the majority of the interest shares in the Consortium, and act as Operator. Otherwise, the Petroleum Companies in the Consortium shall determine which amongst them shall act as Operator;
- Full compliance with the Terms outlined in Section V of the present Terms of Reference.

Fulfilment of the conditions on the technical and financial capabilities of the Bidder, is a prerequisite for consideration by SNH of the applications received.



VII. Submission of proposal - contacts

The proposals should be submitted in three original hard copies and digital media in separate sealed packages addressed to the SNH Head office in Yaoundé, at the following address:

National Hydrocarbons Corporation (SNH)
P.O. Box 955 Yaoundé - Cameroon
Tel : (+237) 222 201 910 / 222 209 864
Fax: (+237) 222 209 869 / 222 204 651
ATTN.: Mr. Adolphe MOUDIKI, Executive General Manager

The sealed packages shall be clearly labelled as: **“PROPOSAL FOR.....(block name)....BLOCK IN CAMEROON : TO BE OPENED ONLY BY THE EVALUATION COMMITTEE”**.

Any enquiries or requests for clarifications on these Terms of Reference should be addressed in writing to SNH at the above address, or by contacting its Adviser No.2, **Mr. Jean-Jacques KOUM** (jean-jacques.koum@snh.cm) or its Exploration Manager, **Mr. Christophe ATANGANA NDEDE** (christophe.atangana@snh.cm).

Any enquiries, requests for clarifications or comments on the enhanced exploration data packages should be addressed to **CGG**, c/o Robertson GeoSpec International Limited, Llandudno, North Wales, LL30 1SA, UK. Please contact via geospec.sales@cgg.com (Attn: Mr. **Phil BAXTER**).

Supplemental information availability

Visit the section Hydrocarbons in Cameroon/Regulations of our Website (www.snh.cm) for documents related to :

- Cameroon Petroleum Code (Law no. 2019/008 of April 25 2019);
- Cameroon Gas Code (Law no. 2012/006 of April 19, 2012) and its enabling act;
- Cameroon Law on the Development of Associated Gas (Law no. 2011/025 of December 14, 2011) and its enabling act;
- Cameroon Model Production Sharing Contract;
- Promotional Brochure of free blocks.

