

**ACT**  
**ON THE EXPLORATION AND PRODUCTION OF OIL AND GAS**  
**IN THE FEDERATION OF BOSNIA AND HERZEGOVINA**

**I GENERAL PROVISIONS**

Article 1  
(Subject of the Act)

- (1) This Act governs the conditions, methods and procedures for allocating contracts and executing exploration and exploitation of oil and gas on the territory of the Federation of Bosnia and Herzegovina (hereinafter: the Federation) based on the principles of sustainable development of the Federation energy sector.
- (2) The principles of sustainable development of the Federation energy sector from paragraph 1 of this Article refer to:
  - a. the obligation of the Government of the Federation of Bosnia and Herzegovina (hereinafter: the Federation Government) and canton governments to stimulate and support oil and gas exploration for the benefit of the current and future generations;
  - b. determination of oil and gas reserves and quality as a basis for planning and construction of modern energy facilities and infrastructure with a high degree of energy efficiency;
  - c. implementation of legal provisions relating to the exploration and exploitation of oil and gas, taking into account the implementation of the legal provisions relating to environmental protection and management and land use, so that the exploration and exploitation of oil and gas are performed with minimal negative impact on the environment;
  - d. preparation of development programs and environmental protection projects and economic effects of oil and gas exploration and exploitation so as to anticipate the potential impact on the environment, without preventing or limiting the development of exploration and exploitation of oil and gas;
  - e. amendment of adopted public policies to allow the exploration and exploitation/production of oil and gas in an economically and environmentally friendly manner;
  - f. encourage recycling of oil fields with waste by-products in order to allow the reuse, reduction or recycling of their by-products;
  - g. obligation of restoration and rehabilitation of the land area that was damaged during the exploration and exploitation phase;
  - h. application of advanced scientific and technological methods of exploration and exploitation/production of oil and gas in order to improve productivity, deposit

efficiency and competitiveness of the oil and gas industry and to prevent or minimize adverse impacts on the environment.

Article 2  
(Application of the Act)

- (1) The Act shall apply to all activities performed within the defined oil and gas exploration areas and exploitation fields on the territory of the Federation.
- (2) Activities under paragraph 1 of this Article refer to:
  - a. Negotiations on the allocation of concession contracts for exploration and exploitation of oil and gas when the concession contract is declared a strategic contract of interest for the Federation;
  - b. Definition of blocks for the exploration and exploitation of oil and gas;
  - c. Execution of geologic exploration of oil and gas;
  - d. Determining oil and gas reserves and quality;
  - e. Preparation for production/development of deposits (drilling, work over drilling and abandonment of boreholes, construction of plants, facilities and production reservoirs);
  - f. Exploitation/primary production (hereinafter: exploitation) of oil and gas;
  - g. Restoration and rehabilitation of exploration areas and exploitation fields;
  - h. Concession fees and
  - i. Distribution of concession income.

Article 3  
(Exclusion of the application of provisions of other laws)

- (1) The issues of allocating concessions for the exploration and exploitation of oil and gas which are regulated by this Act and the regulations passed based on this Act have the character of a special law in relation to the provisions of the regulations governing the allocation of concessions in the territory of the Federation, as a general law.
- (2) The provisions of the regulations governing the allocation of concessions in the territory of the Federation, as a general law, shall not apply to the issues of the procedure of allocating concessions for the exploration and exploitation of oil and gas in case the concession contract is declared a strategic contract of interest for the Federation.
- (3) The provisions of the regulations governing the allocation of concessions in the territory of the Federation, as a general law, shall not apply to the issues of defining the concession fee and the distribution of concession income.

Article 4  
(Application of other laws)

- (1) The provisions of the regulations governing the allocation of concessions in the territory of the Federation, as a general law, shall apply to the issues of allocation concessions for the

exploration and exploitation/production of oil and gas which are not regulated by this Act and the regulations passed based on this Act.

- (2) The provisions of the regulations governing physical planning and land use at the level of the Federation shall apply to the issues of planning and using land for the purpose of exploration and exploitation of oil and gas which are not regulated by this Act and the regulations passed based on this Act.
- (3) The provisions of the laws and regulations governing environmental protection shall apply to the issues of environmental protection which are not regulated by this Act and the regulations passed based on this Act.
- (4) The provisions of the regulations governing the right of access to information shall apply to the issues of the right of access to information which are not regulated by this Act and the regulations passed based on this Act.

#### Article 5

##### (Ownership rights over oil and gas)

- (1) Oil and gas are a natural resource of interest to the Federation and are owned by the Federation.
- (2) Protection of the oil and gas deposit area is ensured by drafting and implementing planning documents of interest for the Federation.
- (3) Oil and gas shall be explored and exploited under the conditions and in the manner stipulated by this Act.

#### Article 6

##### (Exploration and exploitation of oil and gas within the meaning of this Act)

- (1) Exploration and exploitation of oil and gas includes activities relating to the geological exploration for the purpose of prospecting oil and gas deposit reserves in the exploration area, preparation for production of deposits/development of deposits; exploitation/production of oil and gas from the deposit; construction of mining facilities; use, dismantling and removal of facilities and devices, restoration and rehabilitation of exploration and exploitation fields.

#### Article 7

##### (Definitions)

The terms used in this Act shall have the following definitions:

- 1) "oil and gas" are hydrocarbons which, in their natural state, are normally located beneath the ground surface or in the seabed, in either liquid or gas form, as well as crude oil, natural petroleum, natural gases and other substances that can be extracted from the deposit therewith;
- 2) "oil" is a hydrocarbon which, following its extraction from the deposit, remains liquid at

- normal atmospheric pressure and temperature;
- 3) "gas" is a hydrocarbon which is an associated or non-associated natural gas in its natural form in the Earth's crust;
  - 4) a "deposit" is the elementary and independent accumulation of oil and gas in the Earth's core, as determined by exploration and limited by structural and stratigraphical boundaries;
  - 5) "block" is a part of the land or sea as determined by the geographical coordinates intended for exploration and production;
  - 6) "planning" is planned management, use and protection of the territory of the Federation as a particularly valuable and limited space;
  - 7) "exploitation" is the operation of producing oil and gas from the deposit, their separation and initial processing, preparation of the produced oil or gas for transport and storage, as well as delivery of oil and gas to the terminal, not including oil refining or liquidation of gas;
  - 8) "exploration area" is the area where projected geological exploration of oil and gas is carried out, defined by topographically based boundaries that pass through contour points with precisely defined coordinates and extending into the depths of the Earth between the vertical planes laid through the marked area of the exploration area defined by the specific allocation of a concession contract;
  - 9) "exploitation field" is a part of the land or underwater covering the deposit within the boundaries of a particular area as determined by the allocation of a concession contract;
  - 10) "exploration" is the employment of geological and geophysical testing, exploratory drilling or other forms of detailed testing of the Earth's core, by application of the appropriate methods with the goal of determining the characteristics of the deposit, existence, location and form of oil and gas deposit, quality and quantity, as well as deposit exploitation conditions;
  - 11) "discovery" constitutes evidence of the presence of an oil and gas deposit that has not been hitherto registered;
  - 12) "boreholes" are the channels created beneath the Earth's surface by drilling, for the purpose of penetrating the layers containing the hydrocarbons, or for exploitation purposes, apart from shallow drilling for the purposes of seismic calibration;
  - 13) "concession contract" is a contract concluded in writing between the grantor and the concessionaire by which mutual rights and obligations are determined for the exploration and exploitation of oil and gas;
  - 14) "exploitation borehole" is a mining object where mining works are carried out for exploiting liquid and gas mineral resources;
  - 15) "mining facility, plant and device" is the facility, plant, machinery and equipment on oil and gas fields which are directly linked to the technological process of exploration, exploitation, separation, preparation and transportation of oil and gas;
  - 16) "concessionaire" is a company or legal entity that has acquired the rights to exploration and exploitation according to a concession contract, in accordance with

this Act;

- 17) the "grantor" is the Federation Government;
- 18) "contract authority/competent authority" is the Federal ministry of energy, mining and industry;
- 19) "federal minister" is the minister of the Federal ministry of energy, mining and industry;
- 20) the "territory of the Federation" is the land up to the final boundary of the Earth's core and the underwater territory within the border of Bosnia and Herzegovina in accordance with international law;
- 21) "underwater" includes the inland waters, territorial sea, economic zone and the epicontinental belt of the Federation, and it extends from the seabed to the lower boundary of the Earth's core, and in the other zone in accordance with international law;
- 22) "installations" are floating, fixed or movable boats, vehicles, vessels, devices, facilities, plant or equipment for the exploration and production of oil or gas excluding any pipeline, boat, vehicle or vessel that is used for the purposes of transport of oil or gas in bulk;
- 23) "facilities" are one or several installations of machines, facilities, devices, pipelines or lines that are used for the exploration or production of oil and gas or transport and storage in connection with production;
- 24) "the operator" is a legal entity that directly performs operations with oil and gas;
- 25) "upstream pipeline network" is a pipeline or network of pipelines that functions or is built for the function of the exploitation of oil and gas or is used for transport from one or more production plants to the processing plants, terminals or end terminal to which the hydrocarbons are delivered, with the exception of any parts of the plant that are used for local production from the deposit at the place where the oil and gas are extracted;
- 26) the "operator for natural gas" is a legal entity that performs operations of exploitation, transfer, distribution, supply, trade or storage of gas in accordance with this Act;
- 27) "upstream" presents operations pertaining to the extraction of oil and gas from the deposit, and construction or use of the facility for the purposes of exploitation and delivery of oil and gas, including exploration, drilling boreholes, production, transport and use of oil and gas for the purposes of exploitation, except the transport of oil or gas on large trains, aircraft, road vehicles or vessels except gas liquification;
- 28) "deinstallation" is the planning, preparation and execution of works and/or activities necessary for the conclusion of operations, including the deinstallation and removal of plant.

## **II ALLOCATION OF CONCESSIONS FOR THE EXPLORATION AND EXPLOITATION OF OIL AND GAS**

Article 8  
(Preparatory activities)

- (1) In order to ensure a sure supply of sufficient quantities of oil and gas for the Federation energy market and in order to ensure commercial quantities of oil and gas, based on the "Strategic Plan and Program of the Energy Sector of the Federation of Bosnia and Herzegovina", the Federal Ministry of Energy, Mining and Industry (hereinafter: the "competent ministry") shall prepare a proposal on initiating activities for allocating concessions for oil and gas exploration and exploitation on the territory of the Federation.
- (2) Upon the proposal of the competent ministry, the Federation Government shall pass a decision on initiating activities for allocating concessions for oil and gas exploration and exploitation on the territory of the Federation.

Article 9  
(Allocation of concessions)

- (1) The allocation of oil and gas exploration and exploitation concessions to a legal entity in the territory of the Federation shall be done based on this Act and the act governing the allocation of concessions on the territory of the Federation.
- (2) The procedure of the allocation of concessions for oil and gas exploration and exploitation on the territory of the Federation when the concession contract is declared a strategic contract of interest for the Federation through a Federation Government decision is stipulated by this Act and carried out based on this Act.
- (3) The procedure of the allocation of concessions for oil and gas exploration and exploitation on the territory of the Federation when the concession contract is not declared a strategic contract of interest for the Federation through a Federation Government decision is carried out based on the law governing the allocation of concessions on the territory of the Federation.
- (4) The allocation of concessions for oil and gas exploration and exploitation on the territory of the Federation is done by the Federation Government through the competent ministry as the contract authority.
- (5) This Act governs the jurisdiction for allocating concessions for oil and gas exploration and exploitation, the general conditions, methods and procedures for conducting oil and gas exploration and exploitation, as well as other issues of significance in the exploration and production of oil and gas.

Article 10

(Procedure of allocating concession contracts for oil and gas exploration and exploitation as a strategic contract of interest for the Federation)

- (1) In case the concession contract is declared a strategic contract of interest for the Federation through a Federation Government decision, the Federation Government as the grantor, with the approval of the Federation of Bosnia and Herzegovina Parliament, may sign a concession allocation contract for oil and gas exploration and exploitation without using the selection procedure from the law governing the allocation of concessions on the territory of the Federation.
- (2) In the case referred to in paragraph 1 of this Article, on the proposal of the competent ministry, the Federation Government shall pass a decision approving the procedure for granting the concession contract for oil and gas exploration and exploitation of interest for the Federation through direct negotiations in the manner stipulated in this Article.
- (3) The Federation Government shall engage a legal entity as an expert consultant for the provision of consultancy services in the negotiation process, in conducting the negotiations and drafting contractual modalities. The expert consultant should possess experience in international negotiations and drafting of oil and gas exploration and exploitation contracts.
- (4) Upon the Federation Government proposal, the Parliament of the Federation of Bosnia and Herzegovina shall appoint an expert commission to monitor the process of negotiations and drafting contracts on oil and gas exploration and exploitation.
- (5) The expert commission under paragraph 4 shall be appointed from members with expertise in the field of energy, law and economics and shall have seven (7) members of whom three (3) members from each House of the Parliament of the Federation of Bosnia and Herzegovina and one (1) member from the Federation Government.
- (6) The commission referred to in paragraph 4 of this Article is obliged to ensure that negotiations bring optimum benefit to the Federation.
- (7) The Commission referred to in paragraph 4 of this Article shall submit to the Federation Government a report on the negotiations, on the basis of which the Government shall prepare and at its session define a draft decision on the allocation of concession contracts with the proposal to grant the concession.
- (8) The Federation Government shall submit to the Parliament of the Federation of Bosnia and Herzegovina for adoption the draft decision with the commission's report and concession contract proposal.
- (9) The expert consultant referred to in paragraph 3 of this Article shall be entitled to compensation for the provision of services referred to in paragraph 3 of this Article, as defined by the contract concluded between the expert consultant and the Federation Government.
- (10) The fee for the services rendered under paragraph 9 of this Article shall be paid out of the annual concession contract resources referred to in Article 43 paragraph 1.
- (11) The Federation Government shall publish the name of the concessionaire, the approved exploration block, the exploration and exploitation deadline defined by the

concession contract in the Official Gazette of the Federation of Bosnia and Herzegovina within 30 days of signing the concession contract.

#### Article 11

##### (Right to exploration and exploitation)

- (1) The concessionaire for oil and gas exploration and exploitation can be a legal entity with successful experience in the oil and gas exploration and exploitation and financial and technical capabilities for oil and gas exploration and exploitation, with headquarters or a branch office in the Federation registered with the competent court to perform these activities.
- (2) Notwithstanding the provisions of paragraph 1 of this Article, a concessionaire for oil and gas exploration and exploitation can be a legal entity with successful experience in oil and gas exploration and exploitation and the financial and technical capabilities for oil and gas exploration and exploitation, with headquarters in another country, registered to perform these activities with the competent authority of the country where the legal entity is headquartered.
- (3) The concession for oil and gas exploration and exploitation may be allocated to a foreign legal entity under the conditions stipulated by this Act and the law governing the allocation of concessions on the territory of the Federation.
- (4) The concession for oil and gas exploration and exploitation can be given to one or more legal entities based on concession contracts concluded in accordance with this Act and the law governing the allocation of concessions on the territory of the Federation.
- (5) A legal entity shall perform oil and gas exploration and exploitation on the basis of the concluded concession contract.
- (6) The drilling of exploration and exploitation/production boreholes shall be carried out with the prior urban planning approval and approval for the construction of oil and gas exploration and exploitation/production facilities in accordance with the law governing physical planning and land use at the level of the Federation.
- (7) The drilling of exploration and exploitation/production boreholes shall be carried out with the prior environmental permit in accordance with the law governing environmental protection at the level of the Federation.
- (8) Provisions referred to in paragraphs 5, 6 and 7 of this Article are also applicable towards the plant operator, or any upstream pipeline network (hereinafter: the "operator").

#### Article 12

##### (Administrative and professional tasks within oil and gas exploration and exploitation)

- (1) The administrative and professional duties within the exploration and production of oil and gas as performed by the competent ministry include the following:
  - a. preparation of the professional basis for adopting the regulations for the application of this Act;



- b. Preparation of the decision approving the procedure for granting the concession;
- c. Allocation of the concession for the exploration and exploitation of oil and gas;
- d. Giving approval to the deposit exploration project documentation,
- e. Giving decisions on the verified quantity and quality of oil and gas,
- f. Giving approval for exploitation project documentation, for the plan to stop exploitation activities and uninstall the facility;
- g. keeping records of concluded concession contracts;
- h. gathering and managing information and documentation in connection with the exploration and exploitation of oil and gas;
- i. calculation of the exploration concession fee;
- j. calculation of the oil and gas exploitation concession fee;
- k. determination of the fulfilment of conditions for performing works in accordance with the obligatory exploration project, the development and production programme and the deinstallation plan;
- l. determining the fulfilment of conditions of the oil and gas exploration and exploitation plant and approval of their use;
- m. performing supervisory enforcement of all commitments undertaken through the concession contract
- n. and other operations in accordance with this Act.

(2) The professional duties of the Federal Institute for Geology (hereinafter : the "Institute") are:

- a. Keeping a database and preparing technical documentation on oil and gas exploration for the activities stipulated by this Act and the Concessions Act,
- b. Control of the implementation of concession contracts in the exploration, verification, deposit preparation/development, restoration and rehabilitation of exploration areas and other duties in accordance with their jurisdiction.
- c. The joint tasks of the competent ministry and the Institute are defining blocks for exploration and exploitation of oil and gas and preparation of technical documentation for the activities regulated by this Act.

### **III BLOCKS FOR THE EXPLORATION AND PRODUCTION OF OIL AND GAS**

#### Article 13

(Division of space into blocks)

- (1) Division of space into exploration and exploitation blocks is performed based on an analysis of the results from the previous studies and an assessment of an environmental impact study of oil and gas exploration and production, in accordance with the viability study of the concession allocation and physical planning possibilities.

- (2) An exploration and exploitation/production block is determined by the shape covered by the General geological map of Bosnia and Herzegovina, at a ratio of 1:1000000, and it may not exceed an area of 1440 km<sup>2</sup>.

Article 14  
(Definition of blocks)

- (1) Definition of oil and gas exploration and exploitation blocks is performed by the competent ministry and the Institute with the obtained opinion of the Federal ministry for physical planning.
- (2) Upon the proposal of the competent ministry, the Federation Government shall pass a decision defining the oil and gas exploration and exploitation blocks.

Article 15  
(Relinquishment of blocks)

- (1) The concessionaire shall relinquish part of the allocated block area during the exploration phase prior to the beginning of the oil and gas exploitation phase, in accordance with this Act and the exploration and exploitation concession contract.
- (2) More detailed requirements, deadlines and methods of relinquishment for the area referred to in paragraph 1 of this Article shall be determined by the concession allocation contract.

#### **IV OIL AND GAS ACTIVITIES**

Article 16  
(Project documentation required for oil and gas exploration)

- (1) Oil and gas exploration is performed based on geological exploration programs and detailed geological exploration projects.
- (2) The geological exploration program shall define the scope and structure of geological works required for the purpose of determining the existence of oil and gas deposits, the scope of geological, geochemical, geophysical and seismic works and obtaining the first data on discovered deposits in the exploration area. The competent ministry shall approve the execution of exploration works in accordance with the exploration program.
- (3) The detailed geological exploration project shall define the scope and structure of the works required for the purpose of defining all of the relevant oil and gas deposit characteristics, as well as the oil and gas in the exploration block. The competent ministry shall approve the execution of exploration works in accordance with the exploration project.

- (4) The result of the executed exploration shall be presented in a study of the classification, categorization and oil and gas reserves estimated in the exploration area. The study shall contain an analysis and synthesis of data gathered in the exploration phase of the geological structure and deposit characteristics and the defined geological and oil and gas reserves balance in the exploration area.
- (5) The contents, drafting and revision of the documentation referred to in paragraphs 1, 2, 3 and 4 of this Article and the conditions which the legal entities must fulfil for the drafting of the documentation shall be defined by an ordinance passed by the federal minister of energy, mining and industry (hereinafter: "federal minister").

#### Article 17

(Project documentation required for oil and gas exploitation)

- (1) The exploitation of the discovered oil and gas deposits shall be carried out according to a field development plan:
  - a. The principal field development plan shall be drafted for developing and exploiting a new oil and gas deposit.
  - b. An additional field development plan shall be drafted for developing an existing oil and gas deposit, the application of new technologies, additional exploitation methods and change of the deposit purpose.
  - c. A simplified field development plan shall be drafted as an adjustment project for deep boreholes during oil and gas exploitation executed according to the principal and/or additional development plan.
- (2) The content of the field development plan referred to in paragraph 1 of this Article and the conditions which the legal entities must fulfil for the drafting of the mining project documentation and the conditions for the requirements for designers and auditors and the mining project documentation audit process shall be regulated by an ordinance issued by the federal minister.

#### Article 18

(Mandatory plans and maps during oil and gas exploitation)

- (1) After the final exploration phase and before the oil and gas exploitation phase, the concessionaire must have the following:
  - a. Site plan of the exploitation field indicating all exploration and exploitation boreholes and other equipment;
  - b. Geological map of the exploitation field and its environmental and characteristic geological profiles;
  - c. Maps of the edge water line;

- d. data and reports on drilling and electrical borehole logs, piping, perforation, obtaining and measuring dynamic and static pressure, gas factor and all other physical and chemical analyses of the collector and the fluid; and
- e. Exploitation field plan with terrain settlement data.

#### Article 19

##### (Connection of mining measurements)

The site plan of the exploitation field and mining measurements based on which mining works are executed, the drafted mining plans and projects must be executed in the state coordinate system, in order to enable the use of GIS and connect to the national geodetic basis with the obligation to update the data every two years.

#### Article 20

##### (Measurement logs)

The concessionaire shall keep measurement logs of all executed measurements, to be verified according to the regulations on the verification of business records.

#### Article 21

##### (Permit for the use of mining facilities, plants, devices and installations)

The use of mining facilities, plants, devices and installations built based on the development plans referred to in Article 17 of this Act shall be permitted after obtaining the permit for their use from the competent ministry.

#### Article 22

##### (Activities phase)

- (1) Oil and gas activities include all necessary works on the exploration, exploitation, processing and transport of oil and gas.
- (2) Activities from paragraph 1 of this Article shall be performed in specific phases:
  - a. Deposit exploration phase
  - b. Phase of verification of reserves
  - c. Deposit preparation/development phase
  - d. Exploitation phase
  - e. Phase of the restoration and rehabilitation of the exploration area and exploitation fields.

#### Article 23

##### (Deposit exploration phase)

- (1) The execution of geological, geochemical, geophysical works, ensuring seismic data and drilling exploration boreholes are mandatory during the exploration phase.
- (2) The type and scope of seismic works, the number and depth of exploration boreholes for each approved exploration block shall be defined based on the activities planned in the exploration project.
- (3) The execution of exploration works, the supervision of the execution and drafting of project documentation may be done by a legal entity with a licence/approval for performing the registered activity in oil and gas exploration, and/or a legal entity with headquarters in another country, registered to perform these activities with the competent authority of the country where the legal entity is headquartered.
- (4) The conditions for performing the registered activity in the field of oil and gas exploration shall be determined by an ordinance passed by the competent ministry.
- (5) The exploration phase may last a maximum of six years from the date of signing the concession contract.

#### Article 24

##### (Delivery of reports on exploration)

- (1) The concessionaire is obligated to deliver a detailed annual report to the competent ministry concerning the exploration thus far undertaken including results of the exploration, in accordance with the dynamics as prescribed by the concession contract. Exploration of oil and gas is performed according to projects as approved by the competent ministry.
- (2) The concessionaire is obligated to, within a deadline of six months from the termination of the exploration phase and the deposit verification phase, deliver a summary of the results of the executed exploration to the competent ministry along with data interpretation and analysis of results and documentation containing the source data and information received over the course of the exploration.
- (3) The study must contain information from Article 23, paragraph 1 and 2 of this Act and is subject to a mandatory revision of an expert commission appointed by the competent ministry.
- (4) The expert commission referred to in paragraph 3 of this Article shall be entitled to compensation for its work in the commission.
- (5) After the completed revision, the competent ministry shall pass a decision on the confirmed quantities and quality of oil and gas in the exploration area.
- (6) More detailed contents of the study referred to in paragraph 2 of this Article, the revision procedure, appointment of the expert commission, compensation for work referred to in

paragraphs 3 and 4 of this Article and the content of the decision on the verified oil and gas resources referred to in paragraph 5 of this Article shall be defined by an ordinance passed by the competent ministry.

#### Article 25

##### (Extension of the exploration phase)

- (1) On the basis of a the explanatory request of the concessionaire, the Federation Government may extend the deadline determined by the concession contract for the phase of exploration by up to two years, provided that:
  - a. the concessionaire requires further time for additional explorations that are necessary for the discovery to be declared commercially viable, and that they have performed all obligations towards the exploration project;
  - b. the concessionaire has been unable to perform the obligations from the project due to technical problems arising during the exploratory phase, which could not be envisioned, avoided or surmounted.
- (2) The application referred to in paragraph 1 of this Article, with an additional exploration project, is to be submitted to the competent minister, at least six months prior to the final deadline prescribed by the concession contract.

#### Article 26

##### (Termination of the exploration phase)

- (1) The exploration phase shall be terminated with the execution of all works specified in Article 23 of this Act unless otherwise envisaged by the concession contract.
- (2) The concessionaire is obligated to inform the competent ministry in writing about the termination of the exploration phase.
- (3) Following the termination of the exploration phase and the analysis of the results obtained during the exploration within a maximum of 12 months, the concessionaire may continue or withdraw from the contracted obligations, perform the relinquishment of the part of the allocated block, or terminate the concession contract, in accordance with this Act and the concession contract.

#### Article 27

##### (Discovery of oil and gas)

- (1) If the concessionaire, by means of an exploration borehole, determines the existence of oil and gas, they are obligated to inform the competent ministry in writing without delay, at the latest within 15 days from the discovery, regarding the location and nature of the discovery,

with a mandatory submission of data connected with the obtained exploration results at their disposal.

- (2) An exploration borehole under paragraph 1 of this Article is considered to be a borehole that is created to confirm exploration results and determine the presence of oil and gas.

#### Article 28

##### (Phase of verification of reserves)

- (1) The phase of the verification of oil and gas reserves may last up to a maximum of five years and includes operations necessary for the contouring of the deposit, including the drilling of development and geochemical exploratory boreholes for the purpose of determining the commercial viability of the oil and gas discovery.
- (2) Prior to the commencement of the verification phase for oil and gas reserves, the concessionaire is obligated to deliver a detailed verification project of oil and gas reserves to the competent ministry, with a request for the commencement of the phase of verifying the reserves.
- (3) The competent ministry is obligated to reach a decision regarding the granting of consent for the project under paragraph 2 of this Article within a deadline of 30 days from the date of receipt of the request for commencement of the verification phase.
- (4) The phase of verification of oil and gas reserves commences with the delivery date of the decision from paragraph 3 of this Article to the concessionaire, by which consent is granted for the detailed project of the verification of reserves, and approval for commencement of the phase of verification of oil and gas reserves.

#### Article 29

##### (Notification about the commercial viability of the deposit)

- (1) The concessionaire is obligated to notify the competent ministry within a deadline of eight days from the date of determining the commercial viability of the deposit, in writing.
- (2) The concessionaire is obligated to deliver information about the estimated oil and gas reserves to the competent ministry in accordance with the law, at the latest within a deadline of 60 days from the date of drilling the last development borehole.

#### Article 30

##### (Exploitation field)

- (1) The concessionaire may keep the exploration/production field throughout the production phase, in accordance with the concession contract, which must not be any larger than 150 square kilometres per discovery.

- (2) Notwithstanding paragraph 1 of this Article, a deposit of a specific shape and dimensions and when for commercial reasons the exploitation is performed from a larger number of smaller deposits, the total area that the concessionaire can keep for exploitation in accordance with the concession contract must not exceed 300 square kilometres per discovery.
- (3) The principal field development plan shall define the size of the exploitation field on an area within the production field under paragraph 1 of this Article.
- (4) Within the limits of the exploitation field, the construction of facilities is allowed on the surface of the land and exploration and exploitation of other mineral resources in accordance with the Physical Planning and Land Use Act at the level of the Federation of Bosnia and Herzegovina, the Geological Exploration Act of the Federation of Bosnia and Herzegovina and the Mining Act of the Federation of Bosnia and Herzegovina.

#### Article 31

##### (Deposit preparation/development phase)

- (1) The concessionaire is obligated to perform the development and production of deposits and oil and gas exploitation in such a way as to supply the highest rate of deposit utilisation, or the optimal production of oil and gas from the deposit or combined deposits.
- (2) The deposit preparation/development and exploitation phase includes operations with the purpose of preparation and improvements to the extraction of oil and gas, as well as drilling boreholes, construction and putting the plant or equipment necessary for exploration into operation, exploitation, transport and storage of oil or gas.
- (3) The concessionaire is obligated to, within a deadline determined by the concession contract, make and deliver to the competent ministry a project of preparation/development and exploitation of oil and gas for the purpose of obtaining consent.
- (4) The preparation/development and exploitation plan of oil and gas under paragraph 3 of this Article shall propose several alternative solutions concerning the method of development and exploitation with environmental protection measures in accordance with the law.
- (5) The preparation/development and exploitation plan, according to proposals under paragraph 4 of this Article, shall in particular contain the following: resource, economic, technical, safety, commercial aspects and environmental impact with data and information about the methods of transport, deinstallation and disposal methods of plants following the conclusion of exploitation.



- (6) The preparation/development and exploitation phase shall commence with the given approval for the development and exploitation plan and shall last until the beginning of the exploitation phase.

Article 32  
(Exploitation phase)

- (1) The exploitation phase shall begin on the date of the commencement of the first commercial extraction of oil and gas from the deposit, and shall continue until the final deadline as determined by the concession contract, or the date of the concessionaire notifying the competent ministry that further exploitation from the deposit is not commercially viable.
- (2) The concessionaire is obligated to inform in writing the competent ministry of the date of commencement of exploitation of oil and gas from the deposit.**

Article 33  
(Duration of the exploitation phase)

- (1) The exploitation phase may not exceed 25 years from the date of the commencement of exploitation referred to in Article 32 of this Act.

Article 34  
(Extension of the exploitation phase)

- (1) The exploitation phase from Article 33 of this Act may be, at the request of the concessionaire, extended by a maximum of half of the period of the exploitation phase as prescribed by the concession contract.
- (2) The extension request shall be submitted to the Federation Government for decision, at the latest two years prior to the expiry of the concession contract.

Article 35  
(Oil and gas exploitation)

- (1) Oil and gas exploitation must be performed in accordance with the technical regulations, standards and best practice, along with the undertaking of necessary measures for increasing the level of utilization and prevention of loss of oil or gas or energy from the deposit reservoir.
- (2) The concessionaire is obligated to continuously implement, monitor and perform evaluations of the applied technical solutions for the purpose of improving the levels of utilisation of oil and gas from the deposit.

- (3) The manner of recording the exploited quantities of oil and gas, the technical regulations, norms and practices under paragraph 1 of this Article, as well as the more detailed contents of the oil and gas development and exploitation plan shall be determined by the competent ministry.

Article 36  
(Transport of oil and gas)

- (1) The transport of oil and gas, in the context of this Act, is considered to be the transport of oil and gas through a pipeline network from the production plants to the end terminal destination (the upstream pipeline network).

Article 37  
(Planning, construction and maintenance of the pipeline and plant)

- (1) The planning, construction and maintenance of the pipeline or plant for storage shall be performed in accordance with the valid **law governing physical planning and land use on the territory of the Federation**, provisions of the valid law governing environmental protection, the law governing occupational safety, as well as regulations regarding fire protection and other technical regulations.

Article 38  
(Third party access)

- (1) The concessionaire is obligated to allow access to third parties, including operators for natural gas and qualified buyers in accordance with the law that regulates this sector and the oil and gas development and exploitation program, to one or several plants, or an upstream pipeline network in the ownership of the concessionaire, if by shared use a more efficient and economically cost-effective operational performance may be ensured for the oil and gas, on the condition that through shared use the operational performance of the concessionaire and legal and private entities that have already acquired the rights of access is in no way interrupted.
- (2) The rights and obligations to access under paragraph 1 of this Article shall be determined by a contract.
- (3) The method and conditions of access by third parties to plants and the upstream pipeline network shall be determined by competent ministry regulations.
- (4) The contract of shared use of the plant under paragraph 1 of this Article is to be delivered to the competent ministry for approval.
- (5) If the contract under paragraph 2 of this Article is not concluded within a deadline of 90 days from the date of submitting the request of the third party for access to plants and the upstream pipeline network, the competent ministry shall instruct the concessionaire to allow access to the third party and determine the conditions and amount of compensation

for access, taking into consideration the scope and risk of investment and real acquisition of profits through the compensation.

#### Article 39

##### (Operator of the upstream pipeline network)

- (1) The upstream pipeline network is managed by the concessionaire or operator of the upstream pipeline network.
- (2) The Government may appoint one or several operators of the upstream pipeline network for coordination and to facilitate the functioning of the total upstream network.
- (3) The operator referred to in paragraphs 1 and 2 of this Article is obligated to ensure, in a transparent and non-discriminatory way, the proper functioning of the upstream pipeline network and connected plants in accordance with technical conditions and economic principles.
- (4) The conditions for the access and functioning of the upstream pipeline network and connected plants under paragraphs 1 and 2 of this Article are determined by Federation Government regulations.
- (5) The operator referred to in paragraphs 1 and 2 of this Article may instruct the owners and the users of the upstream pipeline network and connected plants and concessionaires according to the concession contracts to work in such a way as to ensure the efficient functioning of the upstream pipeline network and the proper management of resources.

#### Article 40

##### (Mutual exploitation/production in neighbouring areas)

- (1) For any deposit that extends beyond the boundaries of the block allocated under the concession contract and which enters into an area allocated to other concessionaires, the competent ministry may instruct the concessionaires to prepare and deliver for approval a shared oil and gas exploration, development and production project, as well as mutual use of the plant, for the purpose of ensuring a greater level of utilization of the deposit or reducing development and production costs.
- (2) The concessionaires shall fulfil the request under paragraph 1 of this Article and submit it to the competent ministry within four months from giving the instructions.

#### Article 41

##### (The suspension of deadlines from the concession contract)

- (1) From the date of giving the instructions under Article 40, paragraph 1 of this Act, the deadlines determined by the concession contract may be frozen until approval of the

shared development and exploitation/production programme, to a maximum of up to one year.

#### Article 42

(The operations of the competent ministry)

- (1) If the project under Article 40, paragraph 1 of this Act is not delivered within the envisaged deadline, or if the competent ministry does not approve it, the competent ministry shall prepare a new one, or change the delivered development and exploitation/production project and it the same to the concessionaires.
- (2) If within a deadline of 30 days from the date of the receipt of the shared project from paragraph 1 of this Article the concessionaire fails to submit an appeal for the project, the delivered project shall be considered accepted.
- (3) If the concessionaire submits an appeal against the project delivered by the competent ministry, the disputed questions shall be resolved by consensus.
- (4) If agreement is not reached regarding the disputed issues under paragraph 3 of this Article, the competent ministry shall adjudicate regarding the appeal within 30 days.

## **V CONCESSION FEE AND DISTRIBUTION OF INCOME**

#### Article 43

(Concession contract fee)

- (1) The concessionaire is obligated to pay a monetary concession fee for the exploration area in the exploration phase and a concession fee for the produced oil and gas in the oil and gas exploitation phase.
- (2) In the oil and gas exploration phase, the concessionaire is obligated to pay a yearly fee for the exploration area used on the basis of the concession contract, calculated on the basis of the defined surface area for exploration, according to the criteria prescribed by the concession contract.
- (3) The fee under paragraph 2 of this Article is payable for the benefit of the Federation budget.
- (4) In the oil and gas exploitation phase, the concessionaire is obligated to pay a fee for the oil and gas produced monthly, in an amount proportionate to the produced and delivered oil and gas in accordance with the concession contract.

- (5) The concessionaire shall pay the fee under paragraph 4 of this Article as a pecuniary amount or in equivalent oil and gas quantities, in the amount and manner specified by the concession contract.
- (6) The fee referred to in paragraph 5 of this Article shall be distributed in accordance with Article 44 of this Act.
- (7) A more detailed method of control of produced oil and gas quantities, calculation and payment of the fee under paragraphs 2 and 4 of this Article shall be defined by an ordinance passed by the Government.

#### Article 44

##### (Distribution of the oil and gas exploitation concession fee)

- (1) The concession fee shall be paid for the benefit of the grantor's budget.
- (2) The concession fees from the grantor's budget for oil and gas exploitation of interest for the Federation shall be distributed in the following ratios:
  - a. 18% for the budget of the municipality where the area of the concession is located
  - b. 19% for the budget of the canton where the area of the concession is located
  - c. 23% for the Federation budget,
  - d. 15% for the budgets of all other Federation cantons, distributed in equal amounts
  - e. 23% for the budgets of all other Federation municipalities, distributed in equal amounts
  - f. 2% for the oil and gas exploration fund on the territory of the Federation.

## **VI OBLIGATIONS OF THE CONCESSIONAIRE**

#### Article 45

##### (Protection measures)

- (1) In order to ensure protection measures during oil exploration and exploitation, the concessionaire shall do the following:
  - a. take all necessary measures to prevent losses or waste of oil and gas or pressure during drilling, exploitation/production, transport or storage;
  - b. undertake all necessary measures for prevention of damaging penetration of water into the hydrocarbon layers for the duration of the drilling operation,
  - c. carefully locate, protect and store all disclosed resources of drinking water for future use;
  - d. undertake all necessary preventative measures as well as according to the instructions of the competent authority to rectify any malfunctions in the equipment or plants that might endanger the life and health of persons, cause damage or loss of property or cause pollution or other damages to the environment;

- e. notify the competent authority without delay regarding the occurrence of any circumstances, incidents or accidents that might endanger the health and safety of employees, cause damage or loss of property, pollute the environment and endanger the life or health of people or animals in the area covered by the concession contract, as well as at the plants or in areas adjacent to the area in which they have the rights to exploration and exploitation/production.

#### Article 46

(Phase of the restoration and rehabilitation of the exploration area)

- (1) Following the conclusion of the exploration phase or the withdrawal from exploration activities, the concessionaire is obligated to, within a deadline determined by the concession contract, which can be no longer than 1 year, to do the following:
  - a. remove any plants used during exploration, unless these are necessary for the development phase or exploitation/production phase;
  - b. conserve any boreholes and return the entire area into the state that existed before the commencement of the exploration activities;
  - c. observe any other legal obligations concerning environmental protection in accordance with the Environmental Protection Act, Nature Conservation Act, Agricultural Land Act, Forests Act.

#### Article 47

(Phase of the restoration and rehabilitation of the exploitation field)

- (1) The concessionaire is obligated to make a termination plan to cover exploitation and plant deinstallation activities (dismantling and removal of the plant), exploration field restoration and rehabilitation.
- (2) The plan referred to in paragraph 1 of this Article specifically includes a plan of execution of works necessary for termination of the exploitation process, including the deinstallation and removal of production plants with a timeline of their execution and returning the exploitation field into the state prior to the beginning of the oil and gas development and exploitation phase.
- (3) Consent is given by the competent ministry for the plan referred to under paragraph 1 of this Article.
- (4) If, during the procedure of giving consent under paragraph 3 of this Article, the competent ministry determines that the suggested conditions, deadlines, method of ending production and deinstallation fails to facilitate the full restoration of the area into the state prior to the start of the development and exploitation phase, it may instruct the concessionaire to amend the plan within a stated deadline, or prepare a plan at the expense of the concessionaire on the basis of which the concessionaire is obligated to perform the termination of the production activities and deinstallation of the plant.

- (5) After the termination of the exploitation phase the concessionaire is, in accordance with the approved plan from paragraph 1 of this Article, obligated to:
  - a. conserve all production boreholes and isolate all known water-bearing layers;
  - b. uninstall and remove all plants that are in their ownership, and/or which they used during exploitation;
  - c. bring the entire production area into the state from before commencement of the development and exploitation phase.
- (6) The conditions and deadlines for the termination of exploitation and deinstallation and methods of distribution of costs among the concessionaires shall be determined by Federation Government regulations.

#### Article 48

(Obligations of the concessionaire following the conclusion of the exploitation phase)

- (1) If the concessionaire fails to perform the obligations in accordance with the contract and plan from Article 47 of this Act, and fails to bring the area into the state prior to the commencement of the development and exploitation phase, they shall be obligated to pay all expenses incurred in implementing the plan and bringing the area into its previous condition in accordance with the concession contract.

#### Article 49

(Insurance)

- (1) The concessionaire is obligated to deliver evidence to the administrative authority of insurance (an insurance policy) for the period of the duration of the contract in accordance with the concession contract and best international practice in the upstream industry of oil and gas.
- (2) Insurance shall be specifically required for:
  - a. Loss or damage to plants, equipment or other property in connection with rights, obligations or operations from the concession contract;
  - b. Possible environmental contamination in connection with rights, obligations or operations from the concession contract;
  - c. Loss or damage of property or injury suffered by third parties, employees or negotiators in relation to rights, obligation or operations from the concession contract.
  - d. Through a contract, the concessionaire shall oblige their contractors and subcontractors to insure themselves in accordance with best international practices.

#### Article 50

(Compensation of damages)

- (1) The concessionaire is obligated to compensate the damages they incur during the execution of the concession contract on the property of the grantor or third parties, or damages resulting in injuries or death of employees or third parties.
- (2) The concessionaire is obligated to compensate the damages resulting in environmental pollution, damages that occur in fisheries, agriculture or forestry, water supply, as well as other damages incurred during the execution of the concession contract.

#### Article 51

##### (Contractors and sub-contractors)

- (1) The concessionaire may engage contractors and the contractors, subcontractors in the manner defined by the concession contract for the **fulfilment of the concession contract for operations with oil and gas**.
- (2) The concessionaire may commence operations with oil and gas after obtaining the prescribed approvals, permits and consent.
- (3) The competent ministry is obligated to decide concerning the granting of approval, permits and consent from paragraph 2 of this Article within a deadline of 30 days from the date of submitting the request.
- (4) The competent ministry may refuse the granting of approvals, permits and consent from paragraph 2 of this Article on the grounds of the protection of safety and respecting any obligations arising through international public law.
- (5) The concessionaire is obligated to deliver, at the request of the competent ministry, copies of contracts concluded with any contractors, or contracts concluded between contractors and sub-contractors.
- (6) The concessionaire, or the contractor or sub-contractor who are engaged in the realisation of the concession contract, are under obligation to implement the prescribed measures for occupational safety, undertaking due measures for the safety of citizens, traffic, neighbouring facilities, movable items, as well as measures for environmental protection, in accordance with the law.

#### Article 52

##### (The right of priority for purchase of oil and gas)

- (1) **At the request of the Federation Government**, the concessionaire is obligated to sell the Federation Government 30% of the oil and gas quantities produced in the Federation under the following conditions:
  - a. Raw oil must be sold and delivered according to the prices valid for the same quality and quantity on the international transport market;



- b. Gas must be sold under the condition that it is sold without a reduction in the agreed contract price in the long-term gas sales contract, which is agreed for the rest of the production, or that the Federation government sends a request to the concessionaire prior to binding the concessionaire of these quantities through a long-term gas sales contract.

#### Article 53

##### (Ownership of produced oil and gas)

- (1) The concessionaire acquires ownership of the extracted amounts of oil and gas in accordance with this Act and the concession contract
- (2) If the concession contract for production defines the fee for the produced oil or gas to be paid by delivery of oil and gas, the Federation shall assume ownership of the part of the produced amount of oil and gas corresponding to the volume and/or the fee amount for the produced oil or gas from the moment of delivery.
- (3) The produced oil and gas under paragraph 2 of this Article shall be delivered to the Federation and/or at the last destination terminal, at the concessionaire's cost.

#### Article 54

##### (Documentation and information about exploration and production)

- (1) The concessionaire is obligated to deliver free of charge to the competent ministry all documentation, results of exploration, samples and other information received or acquired during exploration and exploitation/production within the deadline determined by the contract.
- (2) The documentation and information from paragraph 1 of this Article remain in the ownership of the Federation.
- (3) The data and information received in accordance with this Act may not be published without the consent of the owner of the information.
- (4) The concessionaire shall, at the request of the competent ministry, in addition to the documentation and data under paragraph 1 of this Article, deliver other information related to operations with oil and gas.
- (5) The data and information from paragraph 1 of this Article that the concessionaire obtains while performing operations with oil and gas, and any associated deadlines, which are considered as confidential, shall be determined as such by the concession contract.

Article 55  
(Takeover and storage of documentation)

The competent ministry is obligated to provide permanent storage of received documentation and information under Article 54, paragraph 1 of this Act in such a way and under conditions that guarantee their protection from unauthorized use and destruction.

Article 56  
(Safety of persons and protection of property)

- (1) The concessionaire is obligated to perform operations with oil and gas in such a way as to ensure the protection of persons and property, in accordance with the law and any corresponding technical regulations or standards.
- (2) The concessionaire shall perform the operations with oil and gas in such a way that does not disturb any land, air or sea traffic, as well as other activities in the area.
- (3) The concessionaire shall perform operations with oil and gas in such a way that does not pose any threat to cables, pipelines or other installations or devices.
- (4) The technical regulations and standards from paragraph 1 of this Article shall be determined by the competent ministry.

Article 57  
(Environmental protection)

- (1) The concessionaire is obligated to undertake all measures with the goal of preventing any negative impact on the individual segments of the environment: air, atmosphere, land, water resources and sea, as well as wildlife.
- (2) The concessionaire is obligated to undertake all measures with the goal of the protection and preservation of historic and cultural assets.
- (3) The concessionaire is obligated to implement environmental protection measures during operations with oil and gas and control environmental parameter measures, in accordance with the law, for the purpose of prevention or reduction of damaging effects and their consequences towards the environment.

- (4) Detailed conditions for the protection of the environment under paragraphs 1, 2 and 3 of this Article shall be defined by an ordinance of the Federation authority competent for environmental protection.

Article 58  
(Preventing oil and gas wastage)

- (1) It is prohibited to discharge or incinerate oil, or burn or release gas, release the pressure of the deposit or discharge water except in cases of removal of immediate danger to the life and health of people and property.
- (2) Notwithstanding paragraph 1 of this Article, any discharge or combustion of oil and gas from the production plant for the needs of testing the plant, executing protection measures or during the phase of installing equipment, on the condition that volumes of burnt or discharged oil and gas are minimal, may be performed only in such a way and under conditions determined by the approval of the competent ministry.
- (3) Approval from paragraph 2 of this Article is issued upon the previously acquired opinion of the ministry competent for environmental protection, in accordance with the valid regulations.

Article 59  
(Protection zone)

- (1) The protection zone around and above the plant for oil and gas exploration and production shall be defined by the competent ministry for the environment, in accordance with the valid regulations.
- (2) In the event of any proclamation of war or extreme conditions, the competent authority from paragraph 1 of this Article may expand the protection zone for safety reasons.
- (3) The competent authority from paragraph 1 of this Article determines the protection zone at the latest within a deadline of 90 days before the installation of the plant.
- (4) The competent authority from paragraph 1 of this Article may determine the protection zone above and around the deserted plants or parts of the plants.
- (5) The presence of unauthorized persons and vehicles is not permitted inside the protection zone.

Article 60  
(Suspension of activities)

- (1) In the event of proclamation of war or extreme conditions, the concessionaire is obligated, at the request of the competent ministry, to suspend oil and gas exploration or exploitation for a period to be determined at the request of the state administration authority competent for defence affairs and/or protection and rescue.
- (2) After proclamation of termination of war or extreme conditions which lead to suspension of oil and gas exploration or exploitation activities, the concessionaire shall with the approval of the competent ministry continue operations in accordance with the concession contract.
- (3) In the event of any immediate danger to the health or safety of persons, serious risks or damages to one or several plants or third party property or serious environmental pollution, the concessionaire is obligated to, at the request of the competent ministry, suspend operations with oil and gas to the extent and for the duration necessary for the prevention or removal of the cause and reduction of any consequences.

#### Article 61

##### (Managing operations with oil and gas)

- (1) The concessionaire, the owner or the operator of the plant or upstream pipeline network is required to establish a branch office in the Federation for the purpose of managing the operations with oil and gas on the basis of the concession contract or licence that is issued in accordance with the law.

#### Article 62

##### (Liability)

- (1) The concessionaire that has concluded the concession contract is indefinitely and jointly responsible for the fulfilment of all obligations determined by the concession contract.
- (2) Liabilities under paragraph 1 of this Article shall also apply to the owner or operator of the plan or upstream pipeline network.
- (3) The concessionaire, owner or operator of the plant or upstream pipeline network is liable for all obligations towards third parties or private or legal entities that they engaged for the realisation of the concession contract.

#### Article 63

##### (Transfer of ownership rights)

- (1) The transfer of ownership or other rights of the concessionaire to another legal entity may only be performed based on the grantor's consent with prior approval of the Parliament of the Federation of Bosnia and Herzegovina.
- (2) The provision of paragraph 1 of this Article is also applicable to the transfer of shares in the company, stocks, bonds or other papers of value that can enable control over the legal party that manages or has an ownership share, in accordance with the concession contract, of the plants or upstream pipeline network.

Article 64  
(Training of local staff)

- (3) The concessionaire is obligated to provide training for the technical staff directly involved in operations with oil and gas in the territory of the Federation.
- (4) The type and manner of implementing the training under paragraph 1 of this Article shall be defined by a production concession contract.

## **VII ADMINISTRATIVE AND INSPECTION SUPERVISION**

Article 65  
(Implementation of administrative supervision)

- (1) Administrative supervision over the implementation of this Act and regulations passed pursuant to this Act, and the legality of the operations and actions of the competent administrative authorities and persons who have public authority in them, the administrative and other professional tasks entrusted to them pertaining to the area of geological exploration and exploitation of oil and gas, shall be carried out by the competent ministry.
- (2) The administrative supervision shall be carried out by the official of the ministry in charge authorized by the minister.

Article 66  
(Inspection supervision)

- (1) Inspection supervision of the implementation of this Act shall be carried out by a federal inspection in charge of exploration and exploitation of mineral resources, organized in the Federal administration for inspection affairs (hereinafter: "inspection").

- (2) The inspection referred to in paragraph 1 of this Article shall carry out supervision based on this Act, applicable law governing inspection supervision, applicable law governing geological research in the Federation, applicable law governing mining in the Federation and the regulations adopted based on these, technical regulations, regulations on fire protection in the execution of mining works, regulations on technical standards on occupational safety and health of employees and other regulations in exploration and exploitation of mineral resources.

#### Article 67

##### (Cancellation and repeal upon supervision)

- (1) If in the course of administrative supervision and/or supervision conducted by the inspection it is determined that an approval, consent or a decision which is final in the administrative procedure violates a material provision of the law or regulations issued pursuant to the law governing the geological exploration and exploitation of oil and gas, the competent ministry shall repeal such a solution by right of supervision.
- (3) If in the course of administrative supervision and/or supervision conducted by the inspection it is determined that an approval, consent or a decision which is final in the administrative procedure violates a material provision of this Act, the competent ministry shall repeal such a solution by right of supervision.
- (4) If in the course of supervision it is determined that the supervision decision which is final in an administrative procedure violates a material provision of this Act, the competent ministry shall repeal such a solution by right of supervision.
- (5) The decision to cancel or repeal by right of supervision can be passed within a year from the act that is annulled or repealed becoming final.

#### Article 68

##### (Inspection control)

- (1) In the implementation of inspection supervision, the following are to be particularly controlled:
- a. Whether the exploration and exploitation are carried out in accordance with the law;
  - b. Whether the concessionaire is delivering detailed annual reports, including the results of exploration;
  - c. Whether the concessionaire has executed the relinquishment of the territory;
  - d. Whether the concessionaire has informed the administrative authority regarding the commercial viability of the deposit;

- e. Whether the concessionaire has delivered the study with information and data regarding the estimated reserves of oil and gas to the administrative authority within the prescribed deadline;
- f. Whether measures for protecting people, property and the environment are being taken during the course of oil exploration and exploitation
- g. Whether a protection zone has been established surrounding and above the exploration and production plant;
- h. Whether prohibition is observed of the discharge or burning-off of oil or combustion or release of gas;
- i. Whether the concessionaire has suspended activities at the request of the competent ministry;
- j. Whether the concessionaire has adequate insurance.

#### Article 69

##### (Control of the concession contract)

- (1) Control of the implementation of the concession contract in the exploration, verification, deposit preparation/development, restoration and rehabilitation of exploration areas shall be conducted by the Institute.
- (2) Control of the concession contract in the oil and gas exploitation phase shall be conducted by an agency established by a special decision by the Federation Government in the deposit preparation/development phase, prior to the oil and gas exploitation phase.
- (3) The manner of establishing and organizing the operations of the agency shall be defined by the Federation Government through its special decision referred to in paragraph 2 of this Article.
- (4) Financing of the agency operations shall be done from the income from concession fees from the oil and gas exploration fund under Article 44, paragraph 2.f.
- (5) The working procedures, rights and obligations under paragraph 1 and 2 of this Article shall be regulated by an ordinance approved by the Government.

### **VIII PENALTY PROVISIONS**

#### Article 70

##### (Monetary penalties)

- (1) A legal person shall be fined between KM 5000 and 15,000 for breaches if:
  - a. Within six months from the completion of the exploration phase they do not submit to the administrative authority the study on the results of the conducted exploration under Article 24, paragraph 2;
  - b. Within the time period specified in the concession contract they do not remove the facilities used during the exploration period, unless they are necessary for further development phase and does not conserve the borehole and bring the entire exploration area into the state prior to the start of exploration activities referred to in Article 46, paragraphs a and b.

- (2) The responsible person in the legal entity shall be penalized for breach under paragraph 1 of this Article with the minimal monetary penalty of at least KM 1000 to 2000.

#### Article 71

##### (Prohibition of conducting exploration and exploitation)

- (1) A legal entity shall be punished by a protective measure of prohibition of conducting exploration and exploitation for a committed breach if:
- a. They perform oil and gas exploration and/or exploitation without the approval of the competent authority in accordance with this Act;
  - b. They do not perform exploration in accordance with the schedule defined by the concession contract out of unjustified reasons and do not submit reports and the study in accordance with Article 24, paragraphs 1 and 2;
  - c. Within 15 days from the discovery they do not inform the administrative authority in writing regarding the location and nature of the discovery, and disclose all information at their disposal, under Article 27, paragraph 1;
  - d. Within eight days from the date of determining commercial viability they do not inform in writing the administrative authority under Article 29, paragraph 1;
  - e. Within 60 days from the date of submitting the notification on the commercial viability of the deposit they do not submit to the administrative authority data on the estimated oil and gas reserves under Article 29, paragraph 2;
  - f. They do not take all necessary measures to prevent losses or waste of oil and gas or pressure during drilling, exploitation, transport or storage under Article 45;
  - g. They do not take measures for protecting people, property and the environment during the course of oil exploration and exploitation under Article 45;
  - h. They do not submit to the administrative authority proof of insurance under Article 49, paragraph 1;
  - i. They do not provide training for the local technical staff under Article 64, paragraph 1;
  - j. They do not submit to the administrative authority all documentation, results of exploration, samples and other information received or acquired during exploration and exploitation under Article 54, paragraph 1.

#### Article 72

##### (Protective measure – confiscation of equipment)

- (1) A legal entity shall be punished for breach by the protective measure of confiscation of equipment if, after the completion of the exploitation phase they do not conserve all production boreholes and isolate all known water-bearing strata or uninstall and remove all plants or return the entire production area into the state prior to the beginning of the development and exploitation phase under Article 46 and Article 47.

## **IX TRANSFER AND FINAL PROVISIONS**

#### Article 73

##### (Deadline for passing the regulations)



- (1) The regulations for implementing this Act shall be passed within six months of this Act entering into force.

Article 74

(Existing laws)

- (1) If the provisions of other laws are contrary to the provisions of this Act, the provisions of this Act shall supersede the provisions of all other existing laws.

Article 75

(Application of existing laws)

- (1) Pending the adoption of all regulations for the implementation of this Act, the Rules on the classification and categorization of reserves of oil, condensate and natural gas and keeping their records (Official Gazette of SFRY, 80/87) shall apply.

Article 76

(Entry into force of the Act)

- (1) This Act enters into force on the eighth day upon its publication in the "Official Gazette of the Federation of Bosnia and Herzegovina".