

Salient Features of the Bangladesh Offshore Model PSC 2023

CONTRACT FEATURES	DESCRIPTION
1. Exploration Period	Total Exploration Period 9 years (Initial Exploration Period 6 years + Subsequent Exploration Period 3 years) Initial Exploration Period (IEP) is divided into two phases: If work program consists of only Geological and Geophysical survey, the IEP will be 4 years. If the contractor wishes to continue, the contractor has to commit drilling of a well for the remaining 2 years of the IEP.
2. Mandatory Work Program	Seismic only.
3. Biddable Work Program	2D/3D Seismic, Drilling etc.
4. Bank Guarantee	a. For Geological and Geophysical survey during the first 4 years of the IEP - US\$ 3,000,000 b. For Drilling during the last 2 years of the IEP- US\$ 20,000,000 c. For Subsequent Exploration period of 3 years - US\$ 20,000,000
5. Cost Recovery	100% cost recovery with a yearly cap of 75% for both Shallow and Deep Sea blocks.
6. Profit Split (Govt. Share)	a. R-factor (Sliding Scale) based. <div style="text-align: center;"> $\text{R-factor} = \frac{\text{Cumulative Net Revenue}}{\text{Cumulative Costs}}$ </div> b. R-factor = $\frac{\text{Cumulative Net Revenue}}{\text{Cumulative Costs}}$ c. Shallow Sea Blocks: 40% to 65% (Biddable upper & lower limits). d. Deep Sea Blocks: 35% to 60% (Biddable upper & lower limits).
7. Carried Interest	Carried stake of ten percent (10%) for BAPEX. (For Shallow Sea blocks only)
8. Import Duty on Equipment	No duty for equipment and machinery imported for petroleum operations during exploration, production and development phases.
9. Corporate Income Tax	Contractor's Corporate Income Tax liability will be borne by Petrobangla.
10. Gas Price	Uncapped attractive gas price linked with international marker.
11. Oil Price	Oil price will be determined on the basis of the fair market value prevailing in South and South East Asia.

12. Third Party Gas Sales	Contractor has the option to sell Contractor's share of Natural Gas produced from offshore blocks, in the domestic market to a third party, at a negotiated price, subject to Petrobangla's right of first refusal.
13. Gas Export	Contractor shall have the right to export any marketable Natural Gas subject to Petrobangla's right of first refusal and non-availability of a domestic buyer.
14. Pipeline & Tariff	No pipeline tariff is applicable for both Shallow & Deep Sea blocks. Contractor shall have the right to construct & operate the pipeline and recover the cost.
15. Expropriation and Stabilization	Protection of investment through stabilization and expropriation provisions.
16. Fees and Bonus	
a) Commercial Discovery of Oil & Gas in Contract Area	a) US\$ 3,000,000
b) Production Bonus for Gas	b) US\$500,000 to US\$ 6,000,000 on the basis of Production level
c) Production Bonus for Oil	c. US\$500,000 to US\$ 4,000,000 on the basis of Production level
d) Research & Development	d) US cents 10 per bbl of profit Oil/NGL/Condensate and US cent 0.4 per MCF of Profit Natural Gas
e) Contract Service Fee	e) US\$ 200,000 during exploration and development period on each anniversary of the Effective Date and US\$ 300,000 during production period on each Calendar Year
17. Training Grant	US\$ 150,000 during exploration and development period and US\$ 200,000 during production period on each Contract Year.
18. Extension of Production Period	Production Period is 25 years for gas field and 20 years for oil field. If commercial production continues then provision for additional 10 years of extension.