

BARBADOS 2008 OFFSHORE LICENSING ROUND

CALL FOR TENDERS

1

1. Invitation for applications for exploration licenses

The Minister for Finance, Economic Affairs and Energy (“the Minister”) invites applications for exploration licenses (“Licenses”), to be granted under the Offshore Petroleum Act, 2007, to explore hydrocarbons in the blocks listed in the schedule to this Notice and shown on the attached map.

Applications for Licenses must be received by the Ministry of Finance, Economic Affairs and Energy (“the Ministry”) not later than 12 noon on 30 September 2008.

Any License granted on the basis of an application pursuant to this Notice will be subject to the Offshore Petroleum Act (2007) and Offshore Petroleum Taxation Act (2007) Law and Offshore Petroleum Regulations (2008) together with the provisions detailed in this Notice.

2 Specific Terms for Offshore License Applications

2.1 Pre-Qualification

All parties listed in an application have to be qualified before submitting an application. One of the parties to the application must be qualified as an operator. Qualification must be in accordance with the License Application Qualification Criteria.

2.2 Area of License Application

The blocks available are specified in the attached schedule (Attachment I). The area made available for licensing in the Barbados 2008 Offshore Licensing Round and the designated blocks are shown on the attached map (Attachment II). License applications should comprise areas that are equivalent to one block.

2.3 Duration of License

Licenses will be valid for a period of eight years divided into two or three phases as follows:-

Good prospectivity, good data

First phase - Years 1 to 3 – 50% relinquishment

Second phase - Years 4 to 6 – 50% relinquishment

Third phase - Years 7 to 8

Good prospectivity, limited data

First phase - Years 1 to 4 – 50% relinquishment

Second phase - Years 5 to 8

Unknown prospectivity, limited data

First phase - Years 1 to 4 – 50% relinquishment

Second phase - Years 5 to 8

A Licensee may apply for an extension to the license to complete activities specified in an appraisal plan approved by the Minister or to locate a market for a discovery of non-associated gas.

A Licensee who has a commercial discovery during the period of the License (including any extensions to the License) may apply for a production license in respect of the discovery.

2.4 Exploration Obligations

Each License shall be subject to the following exploration obligations:-

(a) During the first phase of the License, the licensee must undertake in respect of the whole licensed area, a work programme which shall be agreed with the Minister before the issue of the License.

Where exploration drilling is not included in the work programme for this phase, licensee will be required to commence logistical planning for drilling, as soon as practicable.

(b) During the second and, where applicable, the third phases of the License, the licensee must undertake a minimum work programme which shall be agreed with the Minister before the issue of the License.

(c) In all phases, the licensee will be required to undertake reasonable site-specific environmental studies as specified in the Offshore Petroleum Regulations.

1 (d) In all phases, the licensee will incur an obligation to rapidly and prudently appraise any potentially commercial discovery as specified in the Offshore Petroleum Regulations.

2 (e) In all phases, the licensee will incur an obligation to respect the health and safety requirements as specified in the Offshore Petroleum Regulations.

3 (f) In all phases, the licensee will incur an obligation to respect the training and hiring of Barbadian nationals as specified in the Offshore Petroleum Regulations

2.5 Relinquishment of Acreage

(a) At the end of the first phase, the licensee will be required to relinquish 50% of the licensed acreage.

(b) At the end of the second phase (of a License consisting of three phases), the licensee will be required to relinquish 50% of the then licensed acreage.

(c) By the end of the final phase of the License the remaining licensed acreage which is not subject to a production license must be relinquished (subject to extension rights).

(d) Provided that the licensee has observed all obligations and discharged all liabilities imposed by or incurred under the terms and conditions of the Licence, the licensee may with the approval of the Minister, surrender interest in any specified part of the licensed area or surrender the Licence.

3. Information to be submitted with application

3.1 An applicant for a License shall submit the following information to the Ministry:

(a) the block to which the application relates;

(b) the name of the person to be the operator under the license;

(c) the offer of the applicant in respect of:

(i) the work programme to be undertaken by the applicant during each phase of the exploration period;

(ii) a minimum annual training expenditure;

(iv) a minimum annual coastal and marine environment research fee;

and

(v) a signature bonus; and

NB: The minimum biddable Annual Training Expenditure is B\$200,000

NB: The minimum biddable annual coastal and marine environment research fee is B\$100,000.

(d) in respect of the petroleum operations to be conducted in the block

(i) a health and safety plan;

3.2 Health and Safety Plan

The applicant shall ensure that the health and safety plan of the applicant is based on the health and safety management system of the applicant.

The applicant shall include in the plan in respect of

(a) safety, training and accident response

(i) the safety measures and procedures to be used by the applicant during the conduct of petroleum operations;

(ii) the training programmes, frequency of training and safety manuals to be provided to personnel by the applicant or third party subcontractors during the conduct of petroleum operations;

(iii) the accident response facilities to be used and supervisory staff to be responsible for investigations to be performed by the applicant in the event of a major health and safety incident during the conduct of petroleum operations; and

(iv) a list of the names, positions or job descriptions, addresses including electronic mail addresses, and telephone and facsimile numbers, where applicable, of the persons responsible for matters of safety including safety training and emergency response;

(b) hazardous substances, a description of emergency response measures to be organised or performed by the applicant in the event of

(i) a spill or escape of hazardous substances; or

(ii) a fire, explosion or other circumstance which involves hazardous substances, during the conduct of petroleum operations; and

(c) a petroleum facility, a general description of

(i) the plans for the periodical medical examination of personnel and details of all medical and first aid equipment;

(ii) the safety equipment and documents; and

(iii) the personal protection equipment, to be kept at the petroleum facility.

4. Work Programme

4.1 Licenses will be awarded on the relative strength of the work programmes offered, with particular emphasis on a programme's appropriateness for evaluating hydrocarbon prospectivity and preparing the acreage for exploration drilling.

4.2 Information on work programme to accompany applications

Each application should include:

(a) A statement describing the block to which the application applies;

(b) Information as to the geological, geophysical and other data upon which the application is based, accompanied by a comprehensive technical assessment of this data;

(c) A detailed description of the work programme which the applicant proposes to carry out for the first phase of the License, including

(i) The minimum investment in United States dollars and timelines;

(ii) The obligations with respect to local content

(iii) The Health and Safety Plan

(d) A detailed description of the work programme for the second phase of the license, including minimum investment in United States dollars and details of how this plan would be financed, along with an outline description of evaluation programmes that would be conducted for an exploration well/wells;

(e) A detailed description of the work programme for the third phase (where applicable) of the license, including minimum investment in United States dollars and details of how this plan would be financed, along with an outline description of evaluation programmes that would be conducted for an exploration well/wells;

5. Award Criteria

5.1 A block will be awarded to the applicant submitting the highest bid marks, assuming all elements of the application meet the requirements of this Call for Tender. In considering an application, the Minister will take the following into account:

(a) The financial commitment of the applicant – 75 marks broken down as follows:

(i) The cumulative financial commitment in United States dollars specified in 4.2 (c) (i), (d) and (e) (where applicable), made by the applicant – 35 Marks.

(ii) The amount in United States dollars of the signature bonus offered – 30 Marks

(iii) The amount in Barbados dollars of other fees for training and environment – 10 Marks

(b) The proposed Work Programme – 25 marks broken down as follows:

i) The obligations with respect to local content as identified in 4.2 (c) (ii) – 10 marks

ii) The information required in 4.2 (b) above – 10 marks

iii) The content of the proposed health and safety plan as identified in 4.2 (c) (iii) – 5 marks

If the proposed work programme submitted by the applicant with the highest bid marks is considered to not be suited to the specific requirements of the block for which the

application is being made, the Minister reserves the right to either request the applicant resubmit a more appropriate work program with a cumulative financial commitment equivalent to or greater than the original bid or disqualify the bid.

5.2 Application Evaluation

- (i) The financial commitment will be evaluated as follows:
 - The bid(s) with the highest financial commitment for a reasonable programme will be awarded 35 Marks. All other bidders will be awarded marks proportional to the value of the financial commitment. For example, a financial commitment for a reasonable programme of US\$12.5 million will receive 17.5 Marks when the highest financial commitment is US\$25 million.

- (ii) The signature bonus will be evaluated as follows:
 - The bid(s) with the highest proposed signature bonus will be awarded 30 Marks. All other bidders will be awarded marks proportional to the value of the proposed signature bonus. For example, a proposed signature bonus of US\$1 million will receive 15 Marks when the highest proposed signature bonus is US\$2 million.

- (iii) The Other fees for training and environment will be evaluated as follows:
 - The bid(s) with the highest proposed combined annual training expenditure and annual coastal and marine environment research fee will be awarded 10 Marks. All other bidders will be awarded marks proportional to the value of the proposed signature bonus. For example, a proposed combined annual training expenditure and annual coastal and marine environment research fee of B\$0.5 million will receive 5 Marks when the highest proposed combined annual training expenditure and annual coastal and marine environment research fee is B\$1 million.

- (iv) The local content obligations of the work programme will be evaluated as follows:
 - The bid(s) with the highest proposed local content obligation will be awarded 10 marks. All other bidders will be awarded marks proportional to the extent of the obligation. For example, a proposed obligation for as much as 5% negotiated local

content provision of goods and services will receive 5 marks when the highest local content obligation is 10%.

(v) The submission of geological, geophysical and other data will be evaluated as follows:

- The bid(s) with the most thorough information as to the geological, geophysical and other data will be awarded 10 marks. All other bidders will be awarded marks proportional to the quality of the submitted data.

(vi) The content of the proposed health and safety plan will be evaluated as follows:

- The bid with the health and safety plan which is best articulated relating to the format at 3.2 will be awarded 5 marks. All other bidders will be awarded marks proportional to the content of the health and safety plan.

5.3 Failed Application by Highest Bidder

Should, for any reason, the applicant submitting the highest bid fail to be awarded a License, the applicant scoring the second highest bid marks will be awarded the block, assuming all elements of the application meet the requirements of this Call For Tender. Should, for any reason, the applicant submitting the second highest bid fails to be awarded a License, the block will be removed from the Licensing Round.

5.4 Competing Applications

Where competing applications of an acceptable quality are received for the same block, the Minister reserves the right to suggest that the two applicants come together to perform a single work programme to be agreed with the Minister with one applicant or member of a group of applicants being nominated as operator and the other applicant(s) as participant(s). Should the Minister so decide or if an agreement not be reached between the competing applicants, the competing applicants will be invited to resubmit bids that must be equivalent to or greater than the financial commitment proposed in their initial bids.

Should, for any reason, neither applicant submitting competing applications for the same block fail to be awarded a License, the block will be removed from the Licensing Round.

5.5 Timelines

Applicants may be called for interview by the Department to clarify their proposals, prior to any decision to award Licenses. Interviews will commence on the week beginning 20th

October 2008. It is intended that the Minister announces the successful applicants by 20th November 2008.

5.6 Application delivery

1 Applications should be marked ‘Barbados 2008 Offshore Licensing Round’ and should be addressed to:

Permanent Secretary
Ministry of Finance, Economic Affairs and Energy
Government Headquarters,
Bay Street,
St. Michael,
Barbados

1 The receipt of an application will not create an obligation on the part of the Minister to grant a License in respect of part or all of the area that is the subject of the application.

6 Information on applicants to be supplied with application

6.1 An application shall provide (in the case of an application made by a group of companies, in respect of each participant):

- (a) The name, address and contact details of the applicant including details of the person who will serve as liaison with the Barbadian authorities;
- (b) The name of the applicant that will act as operator of the license, if awarded.

6.2 Signature of the application

The application shall be signed by the legal representative of the applicant or of each applicant making up a group application.

7. General Provisions

All applicants are required to (in the case of an application made by a group of companies, in respect of each participant):

- (a) Have submitted all information required for the pre-qualification process at least 45 days before the bid deadline;
- (b) Have been officially notified in writing by the Permanent Secretary of the applicants pre-qualification to bid in the licensing round;
- (c) Include a non-refundable fee of B\$5,000 with each application for a License.

1 8. State participation

8.1 The carried interest by the state, as defined in the Regulations, will be either 10%, 15% or 20%, as listed in Attachment 3.

8.2 The State will have the option to assume all or part of its interests in a Production License as of start up of production.

8.3 The state will be carried through to first production and assume full responsibility for future work under the Production License proportional to this interest.

8.4 Exploration costs, excluding dry hole costs, will be reimbursed out of the State's share in production at no more than 25% per year.

2 9. Request for clarification

Prospective applicants may request clarification on aspects of this invitation by email to abrathwaite@energy.gov.bb and copied to info@energy.gov.bb.

A copy of all questions asked and the Ministry's responses will be posted on the Ministry's website www.energy.gov.bb on a weekly basis commencing on 16th June 2008. Details of the party seeking the clarification will not be posted on the website.

10. Freedom of Information

Applicants are advised that commercially sensitive information included with applications such as financial forecasts and proprietary data, will be treated in strictest confidence by the Ministry.

11. Public Disclosure

All bids submitted will be disclosed to the public within 28 days of their submission. This disclosure will consist of the information described in Section 5. Award Criteria and Section 4.2 Information on Work Programme to Accompany Applications Subsections (c), (d) and (e).

NB: Should there be any conflict between the Barbados 2008 Offshore Licensing Round Call for Tenders and the Laws and Regulations, the Offshore Petroleum Laws and Offshore Petroleum Regulations take precedence.

Attachment I: Block Listing for 2007 Offshore Licensing Round

Available for licensing:	24 Blocks
Total area:	65,248 sq km
Av. size	2,719 sq km
Max size	5,025 sq km
Min size	790 sq km

<u>Block name</u>	<u>sq km</u>
-------------------	--------------

Good prospectivity, good data

Da-II Black Belly	2,479
Cb-II Carlisle Bay	2,498
Bb-I, Cb-III Flying Fish	2,772
Cb-IV Bimshire	2,506
Bb-II Steel Donkey	1,694

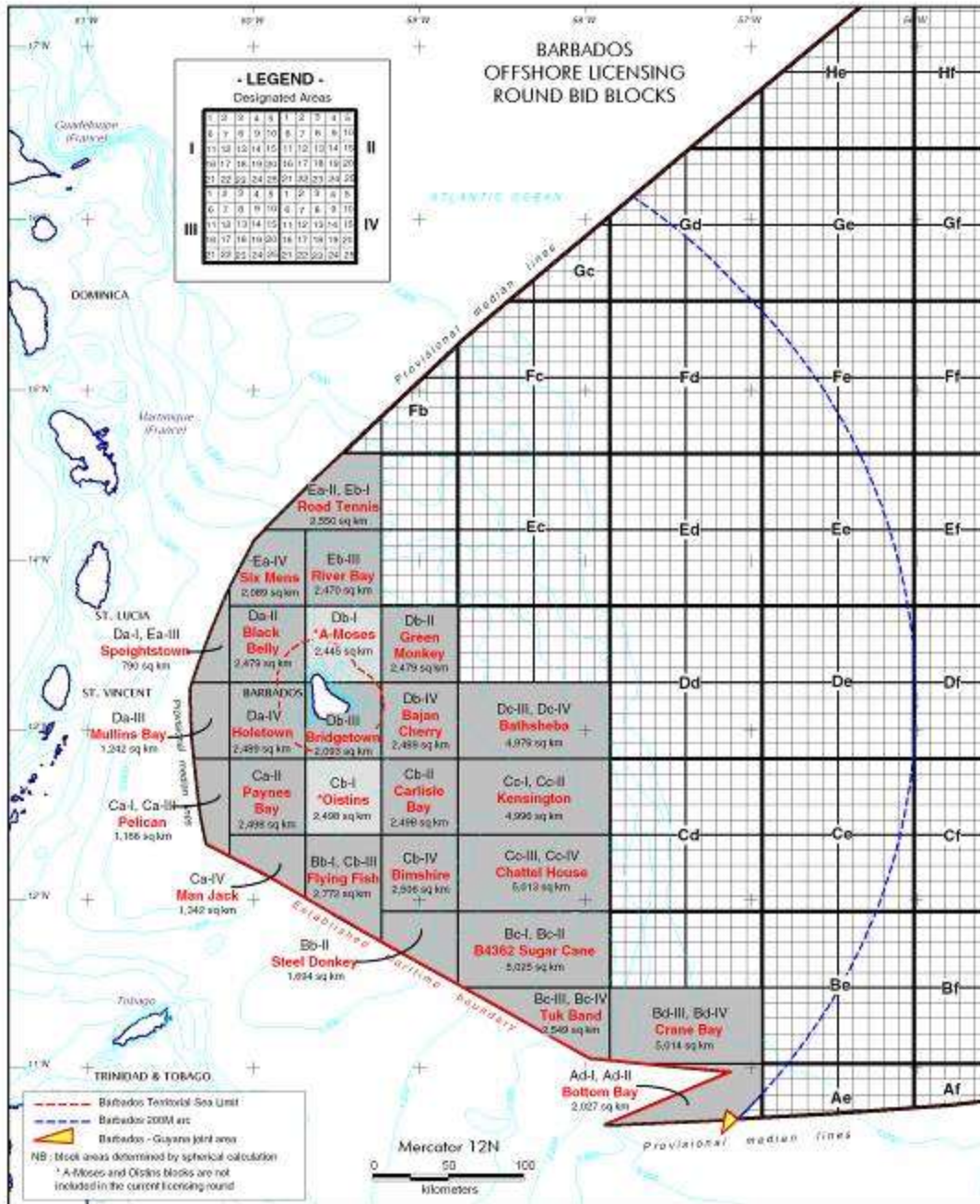
Good prospectivity, limited data

Ea-IV Six Mens	2,089
Da-I, Ea III Speightstown	790
Da-III Mullins Bay	1,242
Da-IV Holetown	2,489
Db-III Bridgetown	2,093
Ca-I, Ca-III Pelican	1,166
Ca-II Paynes Bay	2,498
Ca-IV Man Jack	1,342

Unknown prospectivity, limited data

Ea-II, Eb-I Road Tennis	2,550
Eb-III River Bay	2,470
Db-II Green Monkey	2,479
Db-IV Bajan Cherry	2,489
Ed-III, Ed-IV Bathsheba	4,978
Cc-I, Cc-II Kensington	4,996
Cc-III, Cc-IV Chattel House	5,013
Bc-I, Bc-II B 4362 Sugar Cane	5,025
Bc-III, Bc-IV Tuk Band	2,549
Bd-III, Bd-IV Crane Bay	5,014
Ad-I, Ad-II Bottom Bay	2,027

Attachment II: Map of 2007 Offshore Licensing Round Blocks and Grid



Attachment III: State participation

Good prospectivity, good data

The government will have the option to take a 20% interest after production start up in the following blocks:

Da-II Black Belly	2,479 sq. km.
Cb-II Carlisle Bay	2,498 sq. km.
Bb-I, Cb-III Flying Fish	2,772 sq. km.
Cb-IV Bimshire	2,506 sq. km.
Bb-II Steel Donkey	1,694 sq. km.

Good prospectivity, limited data

The government will have the option to take a 15% interest after production start up in the following blocks:

Ea-IV Six Mens	2,089 sq. km.
Da-I, Ea III Speightstown	790 sq. km.
Da-III Mullins Bay	1,242 sq. km.
Da-IV Holetown	2,489 sq. km.
Db-III Bridgetown	2,093 sq. km.
Ca-I, Ca-III Pelican	1,166 sq. km.
Ca-II Paynes Bay	2,498 sq. km.
Ca-IV Man Jack	1,342 sq. km.

Unknown prospectivity, limited data

The government will have the option to take a 10% interest after production start up in the following blocks:

Ea-II, Eb-I Road Tennis	2,550 sq. km.
Eb-III River Bay	2,470 sq. km.
Db-II Green Monkey	2,479 sq. km.
Db-IV Bajan Cherry	2,489 sq. km.
Ed-III, Ed-IV Bathsheba	4,978 sq. km.
Cc-I, Cc-II Kensington	4,996 sq. km.
Cc-III, Cc-IV Chattel House	5,013 sq. km.
Bc-I, Bc-II B 4362 Sugar Cane	5,025 sq. km.
Bc-III, Bc-IV Tuk Band	2,549 sq. km.
Bd-III, Bd-IV Crane Bay	5,014 sq. km.
Ad-I, Ad-II Bottom Bay	2,027 sq. km.