

Based on Article 10 paragraph 2, Article 42 paragraph 3, Article 43 paragraph 4 and Article 49 paragraph 6 of the Law on Exploration and Production of Hydrocarbons (Official Gazette of Montenegro, 41/10), the Government of Montenegro at its meeting held on 7 November 2013 adopted the

DECREE ON THE METHOD OF RELINQUISHMENT OF BLOCKS AND THIRD PARTY ACCESS TO UPSTREAM FACILITIES

(Official Gazette of Montenegro, 40/11 of 8 August 2011, 56/13 of 6 December 2013)

Article 1

This Decree regulates detailed conditions, deadlines and manner of relinquishment of a part of awarded block acreage, method and conditions for third party access to facilities and upstream pipeline network, as well as functioning of upstream pipeline network and conditions for production termination and decommissioning of facilities.

Conditions and Methods for Relinquishment of a Part of the Block

Article 2

(1) A part of awarded block acreage shall be relinquished during the exploration phase upon the fulfilment of obligations under the accepted work programme in the percentage amount determined in the Concession Contract.

(2) The acreage referred to in paragraph 1 of this Article shall be relinquished on bi-annual basis, with the exception of the block acreage intended for production according to the hydrocarbons development and production programme.

(3) A part of awarded block acreage may be relinquished after the acreage subject to relinquishment is reinstated to as it was before the commencement of the exploration.

Article 3

(1) A part of the awarded block acreage shall be relinquished based on the notice to be submitted within no later than 90 days prior to the expiry of the deadline referred to in Article 2 paragraph 2 of this Decree.

(2) Along with the notice referred to in paragraph 1 of this Article, the evidence of fulfilment of the obligations under the Concession Contract related to the subject part of the awarded block acreage with the borders of the area subject to relinquishment shall be submitted as well as a map showing parts of the blocks that are to be relinquished together with the coordinates and other documents and information related to the relinquished area, relevant for the Concession Production Contract.

Article 4

(1) The awarded areas that are subject to relinquishment must be adjacent and bordered by longitudes and latitudes expressed in whole minutes and degrees.

(2) A part of the awarded block acreage may also be relinquished based on horizontal division in accordance with the Concession Contract.

Third party access to upstream facilities

Article 5

(1) Third party access to upstream facilities must be based on the principles of equality and non-discrimination subject to technical capacities and reasonable economic conditions.

(2) The Concessionaire – owner of the upstream facilities (hereinafter referred to as the Concessionaire) shall post on his website and deliver if requested by third parties the information related to available capacities of a specific facility or a system of facilities, including technical requirements.

(3) Access and use of the facilities referred to in paragraph 1 of this Article shall be subject to payment of the fee in accordance with the contract on access to upstream facilities.

Article 6

(1) Upstream facilities shall be accessed based on the request to be submitted to the Concessionaire.

(2) The request referred to in paragraph 1 of this Article shall include, but not be limited to:

- 1) service type;
- 2) technical information relevant for access; and
- 3) deposit properties with a plan of envisaged production.

(3) Concessionaire shall be obliged to make the decision with regard to the request referred to in paragraph 1 of this Article within 30 days from the day of receipt of the request.

(4) The decision referred to in paragraph 3 of this Article shall include but not be limited to the following information:

- 1) service type;
- 2) free capacities on the facilities with access priorities;
- 3) access conditions;
- 4) technical specifications to be fulfilled by hydrocarbons when facilities are used, and
- 5) other information relevant for access and use of facilities.

Conditions for access and functioning of upstream pipeline network

Article 7

Third party access to upstream pipeline network must be based on the principles of equality and non-discrimination subject to technical capacities provided that:

- 1) there is sufficient free capacity in the upstream pipeline network;
- 2) there are no technical restrictions that might deny the access
- 3) it has no adverse effect on the upstream operations of the Concessionaire.

Article 8

- (1) Upstream pipeline network shall be accessed based on the request for access to upstream pipeline network.
- (2) The request referred to in paragraph 1 of this Article shall be submitted to the upstream pipeline network operator that manages the upstream pipeline network.
- (3) The operator referred to in paragraph 2 of this Article shall be obliged to make the decision with regard to the access request within 90 days from the day of submission of the request.
- (4) The decision referred to in paragraph 3 of this Article shall include the conditions for access to upstream pipeline network.
- (5) The contract on access to the upstream pipeline network shall regulate mutual rights and obligations and the amount of the fee for transport of the hydrocarbon through the upstream pipeline network of third parties.

Article 9

- (1) Upstream pipeline network operator managing the upstream pipeline network shall be responsible for proper functioning of the system and its maintenance.
- (2) The operator referred to in paragraph 1 of this Article shall be obliged to post on its website the data on free capacities for access to the upstream pipeline network.

Production termination and decommissioning

Article 10

- (1) Production shall be terminated and facilities decommissioned in line with the plan of production termination and decommissioning of facilities to be produced by the Concessionaire two years prior to the production termination.
- (2) The plan referred to in paragraph 1 of this Article shall ensure that the decommissioning should be carried out in a prudential way, with the application of the best international practice, standards and procedures of the hydrocarbon industry.
- (3) If in the period from the day of submission of the production termination plan to the production termination and commencement of decommissioning of facilities changes arise that may affect the quality of decommissioning of facilities, the Concessionaire shall be obliged to update the plan in line with the changes and submit the same to the competent administration authority no later than three months before the production termination.
- (4) In case of termination of the Concession Contract, the Concessionaire shall produce a plan for production termination and decommissioning of the facilities and deliver it to the competent administration authority within the shortest period possible, but no later than six months after the termination of the contract.

Article 10a

- (1) In case that the production from the production field terminates before the planned production termination, the Concessionaire shall provide the plan including preparation activities and measures for decommissioning of the facilities for such production field to the

competent administration authority for approval within the shortest period possible but no later than 30 days following the termination of production.

(2) The preparation activities and measures referred to in paragraph 1 of this Article shall be carried out until the approval of the plan for production termination and decommissioning of facilities has been obtained.

(3) As of the issuance of the approval to the plan for production termination and decommissioning of the facilities, the preparation activities and measures referred to in paragraph 1 of this Article shall become an integrated part of such plan.

Article 11

The plan of production termination and decommissioning of facilities referred to in Article 49 of the Law on Hydrocarbon Exploration and Production shall be submitted along with the following:

- 1) information on potential alternatives for continuation of production in the production field,
 - 1a) data chronology regarding the production field, facility, deposit and production;
 - 1b) technical information related to the facility including the location, depth, use of materials, etc.;
- 2) description of the method of removing facilities including the list of equipment items to be used for removal of facilities;
- 3) description of the method of closing and abandoning of production wells,
- 4) description of the method of remediation of the production area where the equipment has been located,
- 5) inventory of hazardous matters and chemicals contained in facilities and a plan for treatment of such matters in line with the law,
- 6) safety measures to be undertaken during the decommissioning,
- 7) estimate of financial resources required for decommissioning operations and facilities removal costs, and
- 8) environmental impact assessment in line with the law regulating this area,
- 9) time schedule for termination of production and economic threshold for production termination;
- 10) information on alternative solutions for decommissioning, including the impact of the plan on other activities carried out in the area where the production takes place;
- 11) potential recommendations of the Concessionaire ;
- 12) time required for implementation of the activities from the plan;
- 13) engineering and feasibility studies required for implementation of the plan.

Final provision Article 12

This Decree shall enter into force on the eighth day after its publication in the Official Gazette of Montenegro.

Number: 03-6458
Podgorica, 30 June 2011

Government of Montenegro
Prime Minister
Igor Lukšić