

GES proposal to Congressman Mohamed Kabbani, the Chairman of the Energy Committee at the House of Representatives in Lebanon, to help establish the National Oil & Gas Company (NOGCL).



NOGCL

NATIONAL OIL AND GAS
COMPANY OF LEBANON

- CONTENT -

A. CONFIDENTIALITY

B. Acknowledgement

C. The Role, Objectives and Characteristics of National Oil Companies (NOCs) in the international market(s).

D. The Establishment of the National Oil & Gas Company of Lebanon (NOGCL):

- i. NOGCL recommended Logo and Domain
- ii. The Authors/CVs
- iii. NOGCL recommended Organizational Chart & Key Personnel/Qualifications and Compensation
- iv. Abstract

v. Executive Summary

1. Premise
2. Key Institutional and Regulatory Structure
 - 2.1 The Petroleum Law
 - 2.1.1 Petroleum Regulations (REGS)
 - 2.2 The Ministry of Oil & Natural Gas
 - 2.2.1 State Participation (Government Take)
 - 2.3 The Petroleum Administration (PA)
 - 2.4 The National Oil & Gas Company (NOGCL)
 - 2.4.1 Evolution of National Oil Companies (NOCs)
 - 2.4.2 Relationship(s) between the NOCs and the IOCs.
 - 2.5 Licensing Regime
 - 2.5.1 Exploration License
 - 2.5.2 Production License
 - 2.6 Contracts & Fiscal Regime
 - 2.6.1 Tax & Royalty/Working Interest System
 - 2.6.2 Production Sharing Agreement (PSA)
 - 2.6.3 Risk Service Contract (RSC)
 - 2.6.4 Income Tax
 - 2.7 Local Content Requirements
 - 2.7.1 Procurement
 - 2.8 Transfer of Interest
 - 2.9 International Arbitration
3. NOGCL's Initial Funding
4. NOGCL's first project
5. NOGCL's, a. Scope of Work; and, b. future Vertical Integration
6. List of NOCs from around the world.

NOGCL's Legal frame work (To be provided by Obeid Law Firm)



A. CONFIDENTIALITY.

This report is the intellectual property of the authors and has been divided into two groups:

1. **Part One:** Corporate, Technical and Administrative Frame Work
By Global Exploration Services/GES & PetroServ International

And

2. **Part Two:** Legal Frame Work (To be provided) by Ziad Obeid,
Attorney-At-Law / Obeid Law Firm & Partners.

The conceptual mechanics, Company's Name, Domain and Logo have been trade-marked and this report is intended for the private use by the parties herewith to advise the government of Lebanon and certain private Investors on the establishment and operation of the National Oil & Gas Company of Lebanon (NOGCL). This service will be rendered to the parties on exclusive basis. The information provided herewith is confidential and is intended for the use by the recipient(s) only. Therefore, any copying, disclosure, further dissemination, distribution or reproduction by any means is prohibited.

B. Acknowledgement

The contribution that makes this dissertation possible is attributed to:

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C. The Role, Objectives, and Characteristics of National Oil Companies (NOCs)

The major private or publicly traded International Oil Companies (IOCs) are mainly based in the United States of America and Europe. However, when some of them companies are the largest in the World and do have better access to advanced technology, the majority of large Oil Companies are state-owned, National Oil Companies. By definition, National Oil Companies hold the majority of petroleum reserves and happen to produce the majority of the world's supply of crude oil and natural gas.

Since the NOCs generally hold the exclusive rights to exploration and development of petroleum resources within the home country, they also can decide on the level of participation of the IOC in those activities.

By nature and because they enjoy close ties to the national government, the National Oil Companies may not strictly operate on the basis of market principles. Consequently, the NOCs objectives might include wealth re-distribution, jobs creation, general economic development, economic and energy security, and vertical integration. However, as much as these objectives are desirable by the local government, they would not be the equivalent to the maximization of commercial interest and shareholder value, which are the main objectives of the private international oil companies.

The particular characteristics and outcomes of the National Oil Companies from being not profit-oriented would lead them to be inefficient and with relatively low investment rates. They tend to

exploit Oil & Gas reserves for short-term gain, possibly damaging the bottom-hole pressure of oil or gas fields, thus, reducing the potential of longer term production. And many NOCs have limited access to international capital markets because of poor business practice, opacity and/or corruption.

The business attitude by the National Oil Companies (NOCs) will have little or no negative consequences on the reserves and production if they operate like the private international oil companies (IOCs) and the government ownership would only be a matter of attending board meetings to oversee its share in the National Oil Company.

Because of the specific goal of maximizing the shareholders interest, the private International oil companies have the motivation to achieve productive efficiency to hold down costs to enhance the profitability of any given revenue level. This could be realized through managing production, exploration and development activities to sustain the function of its industry in the marketplace. For the company to grow, it must have the ability to expand production and sales to meet demand growth.

NOCs may be involved in redistributing the Oil & Gas wealth of the nation to the society in general. This can be accomplished through welfare, training, employment policies, and other forms of social programs.

National Oil Companies can provide the tools in the overall process of the national economic development. The Petroleum industry could be the nation's largest economic sector through which many other sectors could benefit as well as to supply subsidized fuels to industries in the nation's development programs.

One of the main benefits of being an Oil & Gas producing country is the self-reliance on Energy. The NOC's chief objective is to secure the broad-base source of fuel to satisfy the local demand and not allow the importation of such products which are critical to the nation's economy. Nevertheless, best of all is the opportunity of the nation to

use its NOC as a venue to enhance its foreign policy and to achieve strong ties with other NOCs. This could lead to strategic alliance between the NOCs on regional scale.

The motivation and performance by the NOC may differ from that by its counterpart, the IOC. This may be a concern in the market as the NOC may become an impediment, an obstacle, to the relatively smooth nature of the world oil industry. Therefore, it is highly recommended that the NOC would need to be governed as a private company to strength its efficiency and to maximize its portfolio generating the revenues. In the process, many National Oil companies have considered vertical integration to include upstream and downstream activities which would allow the NOC to capture even a greater value for the state and its shareholders.



D. ***THE ESTABLISHMENT OF
THE NATIONAL OIL & GAS COMPANY
OF LEBANON (NOGCL)***

i. ***www.nogcl.com***



A Proposal presented to:

**The Chairman of the Parliamentary Committee on Oil & Gas
The Parliament, Beirut – Lebanon**

Private & Confidential

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PART ONE

Administrative, Corporate and Technical Frame Work

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v. ABSTRACT

As we say in the industry: Wrong does wrong is...

That means anything and all things commence in the wrong direction would most likely stay and ends up wrong!

Every Oil & Gas producing country, worldwide, has its own National Oil & Gas Company (NOC). It is a matter of national pride... Why not in Lebanon?

Because the NOC is one of the three key petroleum institutions required by the industry of any Oil & Gas producing country, it would need to be formed in parallel with and when the Petroleum Administration (or Directorate) was formed, without any delays. In Lebanon, the establishment of the National Oil & Gas company is two years late!

The NOC needs to operate independently from the Ministry and the PA as it would be most efficient process to secure its long term survival and success to enable it protect the national interest. Even though it has favourable ties to the State, the NOC needs have the characteristics of and managed as a private company with clear objectives and that is to protect the shareholder and the state value of Revenues.

Furthermore, the governing body on board will have to be properly selected to oversee the appropriation and management of the NOC. And, in a country like Lebanon, the National Oil Company's team members will have to be well-prepared, highly experienced in the Oil & Gas Industry, dignified and untainted individuals.

The procedure to establish a National Oil & Gas Company in Lebanon quickly is attainable. Though, it would need swift action by the Parliament by means of an "urgent Bill" and proper funding.



iv. Executive Summary

Appropriate and relevant legal, contractual and commercial frameworks must be established by the interim or new government of Lebanon to provide the basis for exploration, development and production of potential oil and gas resources expected to be discovered offshore Lebanon.

The **Petroleum Law** – presumed to be available – is the legislative instrument under which the **Ministry of Oil & Natural Gas** (or, as an alternative, the **Ministry of Petroleum and Minerals**), the **Petroleum Administration (PA)** and the **National Oil & Gas Company of Lebanon (NOGCL)** are the key institutions with the mandate to carry out and supervise petroleum sector activities and operations in the state.

The Government/Ministry of Oil & Natural Gas set broad sector policy; the Petroleum Administration administers it, and the National Oil & Gas Company of Lebanon oversees the shareholder and the state's interest in petroleum contracts.

To maximise its commercial potential, the National Oil Company of Lebanon should operate as an independent enterprise, free from political interference but with minimum government participation.

Performance records of National Oil Companies (NOCs) world-wide clearly indicate that profitability and productivity growth rates increase significantly with decreasing government ownership, when NOCs focus on purely business considerations/objectives, unencumbered by non-commercial obligations and special-interest groups, and not affected by geopolitical and strategic aims dictated by government policy.