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**Decision of the State Council on Amending the Regulations of the People's  
Republic of China on Exploitation of Offshore Petroleum Resources in  
Cooperation with Foreign Enterprises**

(Adopted at the 173rd Executive Meeting of the State Council on September 21, 2011,  
promulgated by Decree No. 607 of the State Council of the People's Republic of China  
on September 30, 2011, and effective as of November 1, 2011)

The State Council decides to amend the Regulations of the People's Republic of China on Exploitation of Offshore Petroleum Resources in Cooperation with Foreign Enterprises as follows:

Article 10 is amended to read: "All Chinese enterprises and foreign enterprises participating in the cooperative exploitation of offshore petroleum resources shall pay taxes in accordance with law."

This Decision shall be effective as of November 1, 2011. The Provisions on Payment of Mining Royalties for Exploitation of Offshore Petroleum Resources, promulgated by the Ministry of Finance with approval of the State Council on January 1, 1989, shall be repealed simultaneously.

As of the effective date of this Decision, Chinese enterprises and foreign enterprises engaging in Chinese-foreign cooperative exploitation of offshore petroleum resources shall pay resources tax in accordance with law and no longer pay mining royalties. However, during the stipulated term of a contract on Chinese-foreign cooperative exploitation of offshore petroleum resources that is concluded in accordance with law before the effective date of this Decision, mining royalties, instead of resources tax, shall continue to be paid in accordance with the relevant provisions of the State then prevailing and resources tax shall not be paid in accordance with law until the contract expires.

In addition, certain wording is changed.

The Regulations of the People's Republic of China on Exploitation of Offshore Petroleum Resources in Cooperation with Foreign Enterprises shall be amended

correspondingly in accordance with this Decision and shall be re-promulgated.

**Regulations of the People's Republic of China on Exploitation of Offshore  
Petroleum Resources in Cooperation with Foreign Enterprises**

(Promulgated by the State Council on January 30, 1982, revised for the first time in accordance with the Decision of the State Council on Amending the Regulations of the People's Republic of China on Exploitation of Offshore Petroleum Resources in Cooperation with Foreign Enterprises on September 23, 2001, revised for the second time in accordance with the Decision of the State Council on Annuling and Amending Certain Administrative Regulations on January 8, 2011, and revised for the third time in accordance with the Decision of the State Council on Amending the Regulations of the People's Republic of China on Exploitation of Offshore Petroleum Resources in Cooperation with Foreign Enterprises on September 30, 2011)

**Chapter I General Provisions**

**Article 1** These Regulations are formulated for the purpose of promoting development of the national economy, expanding international economic and technological cooperation, and permitting foreign enterprises to participate in the cooperative exploitation of offshore petroleum resources of the People's Republic of China on the premise of maintaining national sovereignty and economic interests.

**Article 2** All petroleum resources in the internal waters, territorial sea and continental shelf of the People's Republic of China and other sea areas within the limits of national jurisdiction over the maritime resources of the People's Republic of China are owned by the People's Republic of China.

In the sea areas referred to in the preceding paragraph, all buildings and structures set up and vessels operating to exploit petroleum, as well as the corresponding onshore oil (gas) terminals and bases, shall be under the jurisdiction of the People's Republic of China.

**Article 3** The Government of China shall protect, in accordance with law, the investments of foreign enterprises participating in the cooperative exploitation of offshore petroleum resources, the profits due to them and their other lawful rights and interests, and shall protect, in accordance with law, the cooperative exploitation activities of foreign enterprises.

All activities for the cooperative exploitation of offshore petroleum resources within the scope of these Regulations shall comply with the laws and decrees of the People's Republic of China and relevant provisions of the State; all persons and enterprises taking part in petroleum operations shall be bound by the laws of China and shall be subject to inspection and supervision by the relevant competent departments of the Government of China.

**Article 4** The State will not expropriate the investments and earnings of foreign enterprises participating in the cooperative exploitation of offshore petroleum resources. Under special circumstances, based on the social or public interests, the State may expropriate part or all of the petroleum due to the foreign enterprises in connection with cooperative exploitation according to legal procedures and give appropriate compensation.

**Article 5** The department designated by the State Council shall determine the forms of cooperation and demarcate areas of cooperation in accordance with the zones and the surface areas of cooperation designated by the State, work out a plan for the exploitation of offshore petroleum resources in cooperation with the foreign enterprises in accordance with the provisions of the State, formulate operation and management policies for the cooperative exploitation of offshore petroleum resources and examine and approve the overall development programs for offshore oil (gas) fields.

**Article 6** The China National Offshore Oil Corporation shall be responsible for the overall business of exploiting offshore petroleum resources in the People's Republic of China in cooperation with foreign enterprises.

The China National Offshore Oil Corporation is a State-owned corporation with the status of a legal person and has the exclusive right to explore for, develop, produce and market the petroleum within the zones of cooperation with foreign enterprises.

The China National Offshore Oil Corporation may, as the work requires, establish regional corporations, specialized corporations and overseas representative offices to carry out the tasks set by the head office.

**Article 7** In respect of the zones, surface areas and areas of the cooperation with foreign enterprises for the exploitation of petroleum resources, the China National Offshore Oil Corporation shall, by means of inviting bids and signing petroleum contracts, cooperate with foreign enterprises to exploit petroleum resources.

The petroleum contracts referred to in the preceding paragraph shall come into force upon approval by the Ministry of Commerce of the People's Republic of China.

All the documents signed by the China National Offshore Oil Corporation for other forms of cooperative exploitation of petroleum resources utilizing technology and funds provided by foreign enterprises shall also be subject to approval by the Ministry of Commerce of the People's Republic of China.

## **Chapter II Rights and Obligations of the Parties to Petroleum Contracts**

**Article 8** The China National Offshore Oil Corporation shall cooperate with foreign enterprises to exploit offshore petroleum resources by means of entering into petroleum contracts, and, unless otherwise specified by laws and administrative regulations or in a petroleum contract, the foreign enterprise party to the petroleum contract (hereinafter referred to as the "foreign contractor") shall provide the investment to carry out exploration, be responsible for exploration operations and bear all exploration risks; after a commercial oil (gas) field is discovered, both the foreign contractor and the China National Offshore Oil Corporation shall provide the investment for its cooperative development, and the foreign contractor shall be responsible for the development operations and production operations until the China National Offshore Oil Corporation takes over the production operations when conditions permit as provided in the petroleum contract. The foreign contractor may, in accordance with the stipulations of the petroleum contract, recover its investment and expenses and receive remuneration out of the petroleum produced.

**Article 9** The foreign contractor may export the petroleum due to it and the petroleum it purchases, and may also, in accordance with law, remit abroad the investment it recovers, its profits and its other legitimate income.

**Article 10** All Chinese enterprises and foreign enterprises participating in the cooperative exploitation of offshore petroleum resources shall pay taxes in accordance with law.

**Article 11** The equipment and materials imported for carrying out the petroleum contract shall be given tax reduction, or tax exemption, or preference-tax treatment in accordance with the provisions of the State.

**Article 12** Where foreign contractors open foreign exchange accounts and handle other matters related to foreign exchanges, they shall abide by the Regulations of the People's Republic of China on Foreign Exchange Administration and other provisions of the State on foreign exchange administration.

**Article 13** The personnel required for petroleum operations may be stipulated in petroleum contracts and the operators may give preference to the employment of Chinese citizens.

**Article 14** In the process of carrying out the petroleum contract and conducting development and production operations, the foreign contractor must promptly and accurately report to the China National Offshore Oil Corporation on the situation of petroleum operations; and must acquire complete and accurate data, records, samples, vouchers and other original data with respect to the various aspects of the petroleum operations, and regularly submit to the China National Offshore Oil Corporation the necessary data and samples as well as various technological, economic, financial and accounting, and administrative reports.

**Article 15** The foreign contractor who conducts development and production operations for carrying out the petroleum contract shall establish a branch or subsidiary or representative office within the territory of the People's Republic of China and go through registration formalities in accordance with law.

The domicile of the offices referred to in the preceding paragraph shall be determined through consultation with the China National Offshore Oil Corporation.

**Article 16** The provisions of Articles 3, 9, 10, 11 and 15 of these Regulations shall, by analogy, apply to foreign subcontractors that render services in connection with the petroleum operations.

### **Chapter III Petroleum Operations**

**Article 17** In order to achieve the highest possible oil recovery factor, the operator must, in accordance with these Regulations and the provisions of the State on the exploitation of petroleum resources and with reference to international practice, formulate an overall development program for the oil (gas) field and carry out production operations.

**Article 18** The foreign contractor who conducts the development and production operations for carrying out the petroleum contract shall use the existing bases within the territory of the People's Republic of China, and, if new bases are needed, they must be established within the territory of the People's Republic of China.

The specific locations of the new bases referred to in the preceding paragraph, and other measures needed under special circumstances, must all be subject to the written approval of the China National Offshore Oil Corporation.

**Article 19** The China National Offshore Oil Corporation shall have the right to send personnel to participate in the master designs and engineering designs for carrying out the petroleum contract undertaken by the foreign operator.

**Article 20** The ownership of all assets purchased or built by the foreign contractor to carry out the petroleum contract in accordance with the plan and budget, excluding equipment leased from a third party, shall belong to the China National Offshore Oil Corporation after the foreign contractor's investment has been compensated as provided for, and, during the term of the contract, the foreign contractor may continue to use those assets in accordance with the stipulations of the contract.

**Article 21** The China National Offshore Oil Corporation shall have the ownership of all of the data, records, samples, vouchers and other original data with

respect to the petroleum operations obtained in carrying out the petroleum contract.

The utilization and transfer, donation, exchange, sale and publication of the previously mentioned data, records, samples, vouchers and other original data and their export and transmission from the People's Republic of China must all be conducted in accordance with the relevant provisions of the State.

**Article 22** In the course of petroleum operations, the operators and subcontractors shall abide by the laws and provisions on environment protection and safety of the People's Republic of China, and shall, with reference to international practice, protect fishery resources and other natural resources and prevent the environment, including the air, seas, rivers, lakes and land, from being polluted or damaged, when conducting operations.

**Article 23** The petroleum produced within the petroleum contract area shall be landed in the People's Republic of China or may be exported from oil (gas) metering points on offshore terminals. If such petroleum needs to be landed at a point outside the People's Republic of China, the approval of the department designated by the State Council must be obtained.

#### **Chapter IV Supplementary Provisions**

**Article 24** Any dispute arising between foreign and Chinese enterprises during the cooperative exploitation of offshore petroleum resources shall be settled through friendly consultations. If it cannot be resolved through consultation, mediation and arbitration may be conducted by an arbitration institution of the People's Republic of China, or the parties to the contract may agree upon arbitration by another arbitration institution.

**Article 25** Where an operator or subcontractor violates the provisions of these Regulations in conducting petroleum operations, the department designated by the State Council shall, according to its functions and powers, order the violator to make corrections in a prescribed time limit and impose a warning. If no corrections are made at the expiration of the prescribed time limit, the said department may order a



suspension of petroleum operations. All economic losses arising therefrom shall be borne by the party responsible.

**Article 26** The terms used in these Regulations are defined as follows:

(1) "Petroleum" means crude oil or natural gas deposited underground, currently being extracted or already extracted.

(2) "Exploitation" means, in general, the exploration for and development, production and marketing of petroleum, as well as other related activities.

(3) "Petroleum contract" means a contract signed, in accordance with law, between the China National Offshore Oil Corporation and foreign enterprises for the cooperative exploitation of offshore petroleum resources of the People's Republic of China, including the exploration for and development and production of petroleum.

(4) "Contract area" means a surface area designated within a sea area demarcated by geographical coordinates in the petroleum contract for the cooperative exploitation of petroleum resources.

(5) "Petroleum operations" means all exploration, development and production operations and other related activities conducted in carrying out the petroleum contract.

(6) "Exploration operations" means all work done to locate the petroleum-bearing traps by means of geological, geophysical and geochemical methods and including drilling exploratory wells, etc., and all work done to determine the commercial value of discovered petroleum traps, including appraisal drilling, feasibility studies and preparation of the overall development program for an oil (gas) field.

(7) "Development operations" means projects, such as those for designing, construction, installation and drilling, and corresponding research work, conducted from the date of the approval of the overall development program for an oil (gas) field by the department designated by the State Council, in order to bring about petroleum production, including production activities carried out before the commencement of commercial production.

(8) "Production operations" means all operations for producing petroleum conducted after the date of commencement of the commercial production of an oil (gas) field and related activities, such as extraction, injection, production stimulation,

processing, storage and transportation, and lifting of petroleum and other operations.

(9) “Foreign contractor” means a foreign enterprise that signs a petroleum contract with the China National Offshore Oil Corporation. The foreign enterprises may be a corporation or a consortium of corporations.

(10) “Operator” means an entity that is responsible for implementing the operations pursuant to the provisions of the petroleum contract.

(11) “Subcontractor” means an entity that renders services to the operator.

**Article 27** These Regulations shall be effective as of the date of promulgation.

本译本仅供参考，若有歧义，请以中文版本为准。

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