

No. 10610

**FRANCE
and
ALGERIA**

Agreement concerning the settlement of questions relating to hydrocarbons and the industrial development of Algeria (with protocol, annexes and exchange of letters). Signed at Algiers on 29 July 1965

Authentic text: French.

Registered by France on 31 July 1970.

**FRANCE
et
ALGÉRIE**

Accord concernant le règlement de questions touchant les hydrocarbures et le développement industriel de l'Algérie (avec protocole, annexes et échange de lettres). Signé à Alger le 29 juillet 1965

Texte authentique: français.

Enregistré par la France le 31 juillet 1970.

[TRANSLATION — TRADUCTION]

AGREEMENT¹ BETWEEN THE FRENCH REPUBLIC AND
THE DEMOCRATIC AND POPULAR REPUBLIC OF
ALGERIA CONCERNING THE SETTLEMENT OF
QUESTIONS RELATING TO HYDROCARBONS AND
THE INDUSTRIAL DEVELOPMENT OF ALGERIA

The President of the French Republic and

The President of the Revolutionary Council, President of the Council of
Ministers of the Democratic and Popular Republic of Algeria,

Desiring to give fresh impetus to co-operation between France and Algeria
in the exploration and exploitation of liquid and gaseous hydrocarbons;

Wishing to develop, within the framework of Algerian sovereignty, the
efforts already undertaken to ensure the exploitation of the hydrocarbon wealth
of the subsoil and to increase the resources of the Algerian conceding Power
deriving from the various operations of the petroleum industry;

Wishing to ensure the satisfactory distribution of the assets accruing from
such activities between the economies of the two countries;

Considering that it is advisable, in order to take account of the development
taking place in Algeria, to make certain changes and adjustments in the
provisions agreed upon by France and Algeria in 1962;²

Desiring, for the purpose of the new activities to be undertaken, to adopt
by mutual agreement a new approach to the exploitation of hydrocarbons;

Recognizing that such an agreed approach will promote Algeria's technical,
industrial, economic and social development and will help to ensure France's
supply of hydrocarbons; and that it will therefore be in accordance with the
interests of both countries and ensure them comparable benefits;

Noting that, in view of the desire of the Democratic and Popular Republic
of Algeria to formulate its petroleum and gas policy along diversified lines, this
Agreement will define a field of activities for co-operation between the French
State and the Algerian State;

¹ Came into force on 30 December 1965, thirty days after the exchange of the instruments of
ratification, which took place at Paris on 30 November 1965, in accordance with article 53.

² United Nations, *Treaty Series*, vol. 507, p. 25.

Recognizing that the exploitation of Algeria's gas resources will promote its industrial development;

Taking note of Algeria's desire to develop its industrialization swiftly and of the French Government's expressed intention to assist in this industrialization;

Recalling the Declarations of Principles of 18 March 1962,¹ in particular the principles affirmed in the General Declaration concerning the sovereignty of Algeria both internally and externally² and the Declaration of Principles on Co-operation for the Exploitation of the Wealth of the Saharan Subsoil,³ and the Conventions of 28 August 1962;

Have appointed as plenipotentiaries :

The President of the French Republic : Mr. Jean de Broglie, Secretary of State for Algerian Affairs to the Prime Minister, and Mr. Oliver Wormser, Minister Plenipotentiary;

The President of the Revolutionary Council, President of the Council of Ministers of the Democratic and Popular Republic of Algeria : Mr. Abdel Azziz Bouteflika, Minister for Foreign Affairs, and Mr. Belaid Abdesselam, Minister of Industry and Energy,

Who, having exchanged their full powers, found in good and due form, have agreed on the following provisions :

TITLE I

THE CO-OPERATIVE ASSOCIATION

Article 1

The Government of the French Republic and the Government of the Democratic and Popular Republic of Algeria, hereinafter called the two Governments, hereby establish a Co-operative Association for the purpose of the joint exploration and exploitation of hydrocarbons in Algeria.

The regulations and conditions and terms of operation of the Co-operative Association shall be established by the Protocol attached hereto as annex I, which forms an integral part of this Agreement.

Article 2

In establishing this Co-operative Association, based on the community of interests of a developing producer country and an industrialized consumer country, the two Governments shall pursue the following aims :

¹ United Nations, *Treaty Series*, vol. 507, p. 25.

² *Ibid.*, p. 35.

³ *Ibid.* p. 65.

- (a) To establish co-operation between the two States through joint undertakings and, to that end, to unite their efforts for the exploration and exploitation of hydrocarbons in Algeria, each of the two Parties drawing its share of the products in kind at cost price;
- (b) To create such conditions as will ensure Algeria participation in the development of petroleum activities on exploration permits granted by the public authorities, including participation as an operator;
- (c) To facilitate the financing of the Algerian share of the exploration expenditures and to co-operate in marketing operations following the discovery of hydrocarbons, on the terms set forth in the Protocol attached as annex I to this Agreement.

TITLE II

GAS

Article 3

Concessionaires of hydrocarbon deposits shall sell to Algeria, ex-field, such quantities of gas as it may wish to acquire.

Article 4

Algeria shall take delivery of the gas at the exit points of the main gathering centres, as defined in articles C 35 and C 36 of the concession agreements.

Such sales shall be governed by firm contracts with the concessionaires. These contracts shall specify, *inter alia* :

- (1) The quantities to be delivered each year
- (2) The duration and modalities of supply
- (3) The prices.

Article 5

The contracts shall have a minimum term of validity equal to the term of the depreciation taken into account for the purpose of computing the sales prices provided for in article 6 below.

They shall specify the maximum daily volume to be made available to Algeria and the minimum annual volume to be taken into account for the purpose of computing the sales prices provided for in article 6. In the event of failure to take delivery of all or part of this minimum annual volume, Algeria shall pay the concessionaire, not later than at the end of the first month of the following year, the total value of the uncollected portion of the minimum annual volume.

The amounts for which Algeria has made payment in this way without taking delivery may be collected by Algeria during the following year. Such amounts shall not be taken into account in the computation of the minimum volume for the following year.

Nevertheless, should Algeria permanently discontinue taking delivery of the minimum volumes, it shall be liable to the concessionaire only for the payment of an indemnity representing all the expenses incurred by or chargeable to the concessionaire on the basis of the audits furnished by him under the approved programmes in the manner prescribed in article 7 below.

Article 6

I. The sales prices of gas shall be determined by agreement between Algeria and the concessionaire on the basis of the following components :

- (a) the costs of, exploiting the field, including financing costs;
- (b) depreciation of the investments made or to be made on the field for the purpose of exploitation and also a fair net return on the equity capital invested for this purpose;
- (c) depreciation of exploration expenditures chargeable to the field;
- (d) a fair net return on equity capital invested in exploration chargeable to the field, having regard to the specific characteristics of the petroleum industry;
- (e) royalties and the taxes imposed on the returns on the equity capital referred to in paragraphs (b) and (d) above;
- (f) a premium designed to promote the continuation of exploration activities in Algeria.

In the case of each field, the fixed assets taken into account for the computation of components (b) and (c) above shall be revalued, upon signature of the contract, on the basis of coefficients determined by the method prescribed in article 134 of the Protocol concerning the Co-operative Association.¹

Depreciation shall be assessed by the straight-line method. For the valuation of component (b), depreciation shall be computed in accordance with the procedure set forth in annex II to the Protocol concerning the Co-operative Association.

For the valuation of element (c), depreciation shall be computed on the basis of the term of validity of the contract; however, the applicable rate shall in no case be less than 5 per cent.

Where the investments taken as the basis for computing components (b) and (c) have been made prior to the signature of this Agreement, they shall

¹ See p. 201 of this volume.

be appraised at their net book value, adjusted where applicable by the revaluation provided for in article 10 of Decree 62-187 of 16 February 1962.

II. Components (a), (b), (d) and (e) above shall in any event be used for determining the price of gas, from whatever field the gas is extracted.

Components (a) and (b) shall be allocated, where applicable, between liquid and gaseous products in proportion to the respective outputs of these products expressed in thermal units PCS.

Equity capital invested shall also be allocated between liquid and gaseous products in accordance with the rule set forth in the preceding subparagraph.

The provisions concerning returns on capital in paragraph I, subparagraphs (b) and (d), of this article shall apply only to that portion of the equity capital invested which pertains to gas.

(1) If the field involved produces gas exclusively, components (c) and (f) above shall be added to the other components for the purpose of determining the price of the gas.

(2) If the gas originates from a field of which the principal production is liquid hydrocarbons, components (c) and (f) shall not be taken into account in computing the price of the gas.

(3) If the gas originates from a field where the exploitation of gas, as the principal activity, is accompanied by the related production of liquid hydrocarbons, components (a), (b) and (c) above shall be allocated between gas and liquid hydrocarbons, in accordance with the production ratio in thermal units PCS in order to arrive at two reference prices, one for gas and the other for liquid products. However, the reference price for gas shall be increased by the inclusion of components (d) and (f).

In consideration of the benefits accruing to the concessionaire from the valuation of liquid hydrocarbons produced concurrently with the supplies of gas referred to in article 3, or from other export contracts which may be entered into in the future, a special discount shall be allowed on the price of gas. This discount shall be computed in such a way that it is in all cases equivalent to one half of the net income derived from the exploitation of the liquid hydrocarbons thus produced. This net income is defined as the difference between actual value ex-field and the sum of the reference price of the liquid hydrocarbons as defined above, the royalty and the corresponding tax increment of 50 per cent.

The royalty rate to be paid by the concessionaire for exploiting these liquid products shall be increased to 18.5 per cent of turnover corrected to the actual ex-field value.

This royalty shall be paid in kind or in cash, as the Algerian Government may elect, in the manner prescribed in the concession agreement.

The turnover taken into account for computing income tax and the payment of the royalty shall be the actual value ex-field of the liquid products as fixed by commercial contracts. The concessionaire shall notify the Algerian authorities, not later than three months prior to the date set for the start of execution of the contract, of the contractual terms relating to tonnage, prices, and delivery and payment schedules to be applied in the case of the transaction under consideration and of the country of destination; within a time-limit of three months from the date of such notification, the Algerian authorities may exercise a right of pre-emption in respect of the volumes to be delivered on the terms of which it has been notified. If Algeria does not exercise its right of pre-emption, the terms of the final contract shall not be more favourable to the purchaser than those of which the Algerian authorities were notified.

The liquid products extracted from gas in the course of the operations referred to in articles 15 and 18 shall be subject to the fiscal provisions set forth in title III of this Agreement. The provisions of the preceding subparagraph concerning the turnover taken into account for computing income tax and the payment of the royalty and those concerning notification of contracts and the right of pre-emption shall apply to these products also.

Article 7

I. For the purpose of the valuation of component (b), investment programmes shall be submitted to Algeria for approval.

Algeria must be given an opportunity to appraise the different parts of the programme and the need for the proposed investments.

Algeria's approval shall be required for :

- the total amount of the investments and itemized unit costs;
- the form of intended financing and the related financial charges;
- the implementation schedule.

The concessionaire shall resort to competitive bidding in order to arrive at prices which are in conformity with those of the world market.

II. The contracts shall include an escalation clause for the price of gas.

This escalation clause shall take into consideration changes in the wage index applicable in Algeria, changes in the price of steel produced or available in Algeria, and changes in the crude oil price used for the computation of income tax, each of the aforementioned factors in the proportion of one third.

Unless otherwise agreed, this clause shall come into play not more than once a year. Its purpose shall be to keep the various price components at a constant actual value, and it may not have the effect of increasing the relative value of the profit margin of the concessionaire as provided for in the contract entered into with Algeria.

Price changes under the escalation clause shall take effect only where they exceed 12 per cent.

III. In the following instances, either Algeria or the concessionaire may request the revision, for technical reasons only, to the exclusion of considerations relating to economic conditions (which are the sole basis for the price escalation referred to in paragraph II above), of the prices stipulated in the contracts :

- in cases where the final cost of the investments differs by more than 7 per cent from the amount adopted for computing component (b) referred to in paragraph I of the preceding article;
- in cases where, during execution of the contract, the technical production conditions result in a variation of more than 10 per cent in the amounts adopted for computing components (a) and (b) referred to in paragraph 1 of the preceding article.

In the event of disagreement, Algeria or the concessionaire may refer the matter to the Permanent Appraisal Commission provided for in article 8 below.

Article 8

1. Whenever Algeria wishes to acquire gas, it shall send to the concessionaire, designated pursuant to article 9 below, a registered letter with acknowledgement of delivery indicating the amounts of gas to be supplied and the time and manner of delivery.

2. Within 30 days from the date of receipt of the aforesaid letter, the concessionaire shall transmit to Algeria notification or confirmation of the following :

- A. The available production capacity taking into account the investments made or in the process of being made; in the event of inadequate capacity, the time technically required to meet Algeria's request;
- B. The information necessary for computing components (a), (b), (c) and (d) referred to in article 6.

3. Following receipt of this information, Algeria shall send to the concessionaire, within one month, a firm offer stating the various provisions of the contract referred to in article 4. This offer shall be transmitted by registered letter with acknowledgement of delivery. If no reply is forthcoming within one month, this offer shall be deemed accepted and the contract entered into.

4. In the event of a rejection or a counter-offer made by the concessionaire before the expiry of this time-limit and rejected by Algeria by registered letter with acknowledgement of delivery, Algeria shall have recourse to the Appraisal Commission provided for in paragraph 5 below.

If the concessionaire has failed to supply Algeria, within the prescribed time-limit, with the information referred to in paragraph 2 above, Algeria may have the same recourse after it has made a firm offer to the concessionaire.

5. The appraisal referred to in the preceding paragraph shall be carried out by a Permanent Commission of three experts, one appointed by the Algerian Government, one appointed by the French Government, and the third appointed by the first two or, failing this, by the President of the International Court of Justice. The members of this Commission shall be appointed within the three months following the entry into force of this Agreement. Decisions of the Permanent Appraisal Commission shall be made by a majority of its members.

Neither Government may replace its expert during the appraisal except for reasons of *force majeure* or urgent necessity.

6. After hearing the two parties, the Permanent Appraisal Commission shall have the following responsibilities, having regard to the provisions of this title :

A. In the event of a dispute as to price :

- to determine the value of components (a), (b) and (c) referred to in article 6, paragraph I;
- in respect of the net return on equity capital used in the exploitation investments referred to in subparagraph (b) of article 6, paragraph I, to determine the rate of this return which shall never exceed 12 per cent per annum; the ratio of equity capital to which this return is applicable shall not exceed 30 per cent of these investments.
- to appraise the amount of equity capital invested in exploration activities on which the net return referred to in subparagraph (d) of article 6, paragraph I, is applicable; to make recommendations on the rate of this return.

B. In the event of a dispute as to the time of delivery :

- to determine the capacity actually available and, if it is inadequate, to establish the time-limits allowed to the concessionaire, taking into account the investments to be made in order to meet Algeria's request.

C. In the event of a dispute concerning the change in prices referred to in paragraph III of article 7 :

- to rule on the merit of the request and, particularly, on the existence of the alleged changes or variations;
- to determine, if applicable, the new amount to be adopted for the components referred to in paragraph III of article 7, while taking into account only the changes in value which have taken place.

7. As soon as the case is submitted to the appraisers, the concessionaire shall deliver gas up to the capacity which he has indicated as being available or,

if he has indicated that this capacity is inadequate, he shall begin the implementation of the investment programme previously approved under article 7, paragraph I.

The value of gas sales made pursuant to this subparagraph and before execution of the final contract shall be determined on the basis of Algeria's firm offer which shall be treated as a temporary contract.

8. The appraisers shall give notice to the parties of their decision within three months from the date of referral.

9. Within one month following the report of the appraisers' decision, Algeria shall make a final determination of the value of component (*f*) referred to in paragraph I of article 6 as well as the value of component (*d*) referred to in the same paragraph. The latter value in any event shall not be less than the greater of the following amounts :

- either a net return of 15 per cent on equity capital invested in the exploration expenses referred to in article 6, I, (*d*), and pertaining to gas;
- or a net amount expressed in dinar centimes for each cubic metre measured at the temperature of 15° C and at a pressure of 750 mm of mercury, equal to the sum of the following amounts :

0.10 for the fraction of volumes included between 0 and 2,000 million cubic metres

0.08 for the fraction of volumes included between 2,000 million and 3,500 million cubic metres

0.05 for the fraction of volumes in excess of 3,500 million cubic metres.

For the purposes of the above computation, all volumes sold to Algeria from any one concession pursuant to article 3 shall be lumped together as one unit regardless of the number of contracts involved.

10. The final sales price involved shall be equal to the sum of the components referred to in article 6 and determined in accordance with paragraphs 6 to 9 of this article. This price shall be applicable retroactively to all gas sales from the start of the deliveries.

The final contract shall be signed within a month from the date of final determination of all the price components.

11. The appraisal expenses shall be shared between Algeria and the concessionaire.

Article 9

I. The Algerian Government shall designate the fields from which the volumes of gas requested by Algeria are to be produced.

The volumes to be delivered shall never be such as to make it impossible for the concessionaires to meet their obligations referred to in article 18 below,

or to have available gas volumes adequate for carrying out the “gas-lift” and secondary recovery operations as listed in annex II which is an integral part of this Agreement.

No concession shall be forfeited, under article 37 of Ordinance No. 58-1111 of 22 November 1958, as amended, from any concessionaires of gaseous hydrocarbon fields who have not received delivery requests complying with article 8.

II. During the period starting on the date of rendition of an arbitration award pertaining to the execution of previous deliveries and including an order for payment in favour of the concessionaire and ending on the date when the terms of the award have been executed, the concessionaire shall not be required to finance new investments designed to enable him to make such additional gas deliveries as may be requested by Algeria. However, Algeria shall have the right, on its own motion and for its own account, to require the concessionaire to make the appropriate investments required to carry out these additional deliveries, and to require him to execute correctly the provisions of the newly proposed contracts. Algeria shall then be responsible for the entire financing of this operation and shall own the gas as well as the liquid products, the production of which is linked to the extraction of the additional volumes involved.

III. Where a concessionaire has not met his obligations under articles 3 to 9 inclusive, he shall be subject to forfeiture of his concession; the applicable procedure for forfeiture shall be the procedure established in article C 18 of the concession agreement.

Recourse to mediation or arbitration, as provided for in article 46 below, shall result in the suspension of the forfeiture ordered, provided however that this recourse is initiated within one month from the date of notification of the forfeiture order to the concessionaire or from the date of publication of this order in the *Journal officiel* of the Democratic and Popular Republic of Algeria.

Notwithstanding the initiation of proceedings and even before the outcome of the litigation, Algeria shall have the right, on its own motion and for its own account, to impose on the concessionaire the obligation to make such investments necessary to enable it to supply the gas which Algeria has requested. Algeria shall then be responsible for the entire financing of this operation and shall own the gas, as well as the liquid products, the production of which is concurrent with the extraction of the volumes thus requested by Algeria.

If the concessionaire refuses to carry out the obligations imposed upon him under the preceding subparagraph or paragraph II of this article, Algeria shall have the right to order the forfeiture of his concession, in which event the recourse, if any, of the concessionaire to mediation or arbitration shall have no suspensive effect.

Article 10

As soon as it appears that the European gas markets can be supplied by means of an intercontinental pipeline, and when this pipeline is intended, by mutual agreement, to meet the requirements of French territory, the Algerian Government shall propose to the French Government the opening of negotiations for the purpose of reaching mutual agreement on the status of the pipeline and on the sharing of profits accruing from gas deliveries. Profits as defined herein shall mean the difference between the sales price to the buyer and the purchase price of the gas from the concessionaire determined in accordance with article 6 and increased by the cost of transport as defined in article 12, paragraph III below.

When the pipeline is not intended to meet the requirements of French territory, the Algerian Government shall consult the French Government with a view to studying a formula allowing the two Governments to co-operate on this matter.

Article 11

The French Government and the Algerian Government hereby agree that a joint company shall be organized for the purpose of supplying France with Algerian gas, but without prejudice to the provisions which could be agreed upon pursuant to the preceding article in the case of exports by means of a pipeline reaching into French territory. Fifty per cent of the shares of this joint company shall be held by Algeria or by Algerian public agencies, and 50 per cent by public French companies or bodies owning interests in hydrocarbon production and designated by the French Government.

The purpose of this company shall be to study and promote the execution of all appropriate industrial liquefaction programmes and sea transport by methane tankers of Algerian gas intended for the French market. The objectives of delivery to France are set forth in the exchange of correspondence appearing in annex III, which is an integral part of this Agreement.

Within the context of programmes adopted for this purpose, the joint company shall be free to extend its activities to deliveries to other consuming countries, in accordance with the procedure prescribed by article 13 below.

Article 12

I. The joint company may carry out, by itself or through third parties, the successive stages of condensation and delivery of gas, including sea transport.

In the event that it should act through third parties, the operations involved shall be carried out at a price which includes cost, industrial depreciation, a fair rate of return on capital and the applicable taxes.

II. Algeria shall have a participating interest of 50 per cent in operations carried out by third parties, either by participating in the capital of the companies carrying out the operations or through the sharing of the various operations equally between Algerian and French operators.

III. Unless there is agreement to the contrary, the joint company shall purchase the gas at the point of entry to the liquefaction plant. The purchase price shall be the ex-field price, increased by the transport price agreed upon by Algeria and the joint company. The transport price shall be equal to the sum of the following components :

- production cost including financial costs;
- real depreciation computed according to the rates prescribed in annex II of the Protocol on the Co-operative Association;
- a fair return on capital.

IV. If the company makes f.o.b. sales, the f.o.b. price shall be computed on the basis of the c.i.f. price, decreased by the amount of sea transport expenses agreed upon on the basis of the same components as those defined in paragraph III above.

Article 13

The joint company may also make deliveries for its own account to other markets up to the volumes necessary to balance a programme primarily intended for the French market, and provided the volumes delivered to third markets do not exceed one half of those volumes actually delivered to the French market, unless the parties otherwise agree. Algeria may request the joint company to treat and process additional volumes intended for other markets.

In the absence of agreement to the contrary, the cost of processing shall be determined so that all the volumes of gas treated or transported, before or after processing, bear without discrimination a fair burden of all types of expenses incurred by the joint company, allocated in proportion to the number of cubic metres treated or transported.

Article 14

The French interests shall be entitled only to the profits derived by the joint company from deliveries made to the French market. Profits earned in this manner shall be shared in such a way that Algeria receives 75 per cent of such profits as taxes or dividends, while the French interests receive 25 per cent after payment of all taxes.

Profits earned shall mean the difference between the sales price of the joint company and the purchase price by the joint company determined in accordance with article 12, paragraph III. This difference shall be decreased

by the amount of expenses of all kinds incurred by the joint company from the time it takes delivery of the gas until it delivers it, including the return on invested capital, and increased by the various proceeds of the said company.

Article 15

I. The use, acquisition and transfer of gas and other hydrocarbons, up to the volumes needed to carry out the "gas-lift" and secondary recovery operations, intended to ensure conservation of the fields and to increase to the maximum the economic yield in hydrocarbons of these fields, shall be subject to prior approval by governmental authorities of the technical and economic means to be adopted for this purpose.

II. In order to obtain the approval provided for in the preceding paragraph, the concessionaire shall inform Algeria of the ways and means he proposes to use and shall indicate the reasons for his choice.

The appropriate Algerian agencies may request any additional information and make such observations as they deem appropriate; they may also transmit recommendations together with the grounds therefor at any time to the concessionaire.

The programme submitted by the concessionaire shall be deemed to have been approved if the aforesaid agencies have not rejected it within one month with respect to "gas-lift" operations, and within six months with respect to pressure maintenance operations in the fields by means of reinjection. This time-limit shall start on the date of submission of the request for approval. A rejection shall state the grounds therefor and, if appropriate, shall be accompanied by the recommendations referred to above.

III. In the event of disagreement on the merits of these recommendations, the dispute shall be referred to the Permanent Appraisal Commission established under article 8 of this title for its opinion.

This Commission shall, within three months from the date of referral, communicate its opinion, together with the grounds therefor, to Algeria and the concessionaire.

Algeria shall, on the basis of this opinion, and after discussing it with the concessionaire, notify him of new recommendations which he is required to implement.

Article 16

The Algerian Government shall not grant to third-party buyers of Algerian gas more favourable terms than those granted to French buyers.

The Algerian and French Governments shall initiate discussions in the event that the terms of supply of another market are—in the light of all the terms and conditions of the contracts being compared—more advantageous than those granted to the French market.

The provisions of this article shall not apply to deliveries intended to meet the needs of the Maghreb countries and other African countries sharing a common boundary with Algeria.

Article 17

Whenever Algeria grants more favourable terms to producers, either as a result of the mining law applicable to them, or as a result of new contracts signed by Algeria, or for any other reason, the signatories of the contracts referred to in article 4 shall receive the same advantages. These advantages shall be considered as a whole and in relation to the advantages of all types enjoyed by Algeria.

Article 18

All the provisions of the contracts enumerated in the first part of the list which appears in annex IV and which is an integral part of this Agreement shall remain in effect.

The contracts enumerated in the second part of annex IV may be revised, all provisions to the contrary notwithstanding. This revision shall not result in reducing the frequency of deliveries to a level below the actual rate which existed prior to the effective date of this Agreement, nor shall it detract from the terms of the financial balance prevailing in the transport through the existing pipe-lines of Sothra and E.G.A., nor shall it impair the commitments owed to the Capital Investment Fund for the Development of Algeria.

Article 19

The operations carried out by the concessionaires pursuant to this title are subject to the exchange control regulations listed in title VII, paragraph 2, of the Protocol on the Co-operative Association.

Article 20

The gas of which Algeria shall take delivery under this title shall meet the following chemical and pressure criteria.

(1) When the gas is extracted from a gaseous hydrocarbon field which also produces condensates, the chemical and pressure criteria shall be determined by Algeria, which shall inform the concessionaire. These criteria must allow for transport to the coast in keeping with satisfactory technical and economic

standards. Further, they must be consistent with the data pertaining to the field and with normal technical separation procedures. If the latter requirement makes it necessary, the gas may have a low content of C 5.

The condensate produced concurrently with the gas shall contain components C 5 and C 5 + flowing from the wells, to the exclusion of components C 3 and C 4 which are contained in the gas delivered to Algeria. However, to the extent the technical and economic conditions of separation make it necessary, the condensate may have a low content of components C 3 and C 4 flowing from the wells.

(2) When the gas is produced from a gaseous hydrocarbon field which does not also produce condensates, it shall be delivered in conformity with the chemical and pressure criteria applicable to the gathering centre.

(3) When the gas is produced from a liquid hydrocarbon field, it shall be delivered in conformity with the same composition and pressure criteria prevailing at the exit of the various stages of the separation facilities or, if they exist, of the stabilizer plants.

However, a portion of components C 3 and C 4 may pass into the gaseous stage if justified by prevailing technical conditions.

Article 21

Liquid products produced together with gas from fields which are primarily gas producers shall mean the condensates defined in article 20, paragraph 1, subparagraph (2).

TITLE III

TAX PROVISIONS

Article 22

Without prejudice to articles 23 to 28 inclusive of this Agreement, the companies listed in article 47 below shall remain subject (with respect to their hydrocarbon exploration, production and transport activities) to the tax provisions in articles 62 to 71 inclusive of Ordinance No. 58-1111 of 22 November 1958, in the regulations implementing it, and in the concession agreement between them and the host country.

Article 23

Except with respect to profits derived from the sale of gas or liquid products produced concurrently with gaseous hydrocarbons and referred to in subpara-

graphs (a) and (b) of article 24, which shall retain the tax status in existence prior to this Agreement, and without prejudice to title II above, paragraph I of article 65 of Ordinance No. 58-1111 of 22 November 1958 shall be amended as follows :

“Article 65. I. (a). For the fiscal years 1965, 1966 and 1967, there shall be levied on the companies listed in article 62 a direct tax equal to the amount of the difference, provided it is positive, between 53 per cent of taxable income as defined in article 64, and 47 per cent of the royalty referred to in article 63. For the fiscal year 1968, these percentages shall be changed to 54 per cent and 46 per cent, and for the following fiscal years to 55 per cent and 45 per cent respectively.

“(b) If a negative balance results from the preceding subparagraph, it may be credited by the enterprise concerned against the tax which may be due under article 66, and, if this leaves an excess credit, against the direct tax levied for one or more subsequent fiscal years under subparagraph (a) of this article and of article 66.”

However, the portion of taxable income which results either from the provisions of the fourth subparagraph of paragraph I of article 25 below, pertaining to depreciation according to the declining balance method, or from replenishment of the reserves for the depreciation of the fields shall remain subject to a direct tax at the rate of 50 per cent.

The tax rate applied to taxable income derived from the transport activities referred to in the first subparagraph of article 69 of Ordinance No. 58-1111 of 22 November 1958 shall be increased from 50 per cent to 53 per cent for fiscal years 1965, 1966 and 1967, to 54 per cent for fiscal year 1968 and to 55 per cent for subsequent fiscal years.

Article 24

I. Beginning with fiscal year 1965, the two Governments have decided to modify, in the manner prescribed in paragraph II below, the pricing system used in arriving at taxable income.

Except for the cases prescribed in subparagraphs (a) to (d) of paragraph II, a reference price shall be substituted for the actual sales price. This reference price has been calculated on the basis of the prices posted in Algeria prior to 1 July 1965.

This price may be changed only in accordance with article 27 below.

II. Article C 34 of the concession agreements—which apply to possible modifications in the sales prices of hydrocarbons, used in arriving at the base prices referred to in article C 38 of the said agreements, and also used for the purpose of preparing the profit and loss statements provided for in article 64,

VI, I, of Ordinance No. 58-1111 of 22 November 1958—shall be applied in accordance with the following provisions :

- (a) the actual sales price shall be used with respect to gaseous hydrocarbons;
- (b) the actual sales price shall be used with respect to liquid produced concurrently with gaseous hydrocarbons, provided that Algeria shall have the pre-emptive rights described in the penultimate subparagraph of article 6, II, of this Agreement;
- (c) the actual sales price shall be used with respect to sales at an in-between price made pursuant to the terms of the Decree of 16 February 1962, provided the corresponding final sales prices are corrected, when applicable, in accordance with the provisions of the following subparagraphs;
- (d) the actual sales price shall be used with respect to sales made, either at the request of the Algerian State for the purpose of meeting the needs of Algerian consumption, or pursuant to commercial agreements between Algeria and other countries, provided however that the price applicable under the terms of the commercial agreement is no less, *ex-Algeria*, than the average export price applied by the companies to the country under consideration and is less than the corresponding reference price, as determined subparagraph (e) below;
- (e) in the event that, with respect to any one company, the annual average sales price—arrived at after excluding the sales referred to in subparagraphs (a), (b), (c) and (d) above—is less than the reference price defined in the following subparagraph, this average sales price shall be increased to the level of the reference price.

The applicable reference price shall be equal to the average of the following reference prices, weighted for the volumes of petroleum of various qualities sold in each terminal :

\$2.095 per barrel f.o.b. Arzew for crude oil of 40° to 44.5° API,

\$2.08 per barrel f.o.b. Bougie for crude oil of 40° to 44.5° API,

\$2.04 per barrel f.o.b. La Skhirra for crude oil of 40° to 44.5° API,

decreased by \$0.015 per barrel for each API degree below 40° API or above 44.5° API, and further decreased, where applicable, by a quality differential substantiated by the concessionaire and accepted by Algeria.

(f) With respect to the sale of crude oil intended to be refined in Algeria and to be exported as finished products, the reference price shall be the c.i.f. refinery price computed on the basis of the f.o.b. reference price described in subparagraph (e) above, pertaining to the nearest Algerian port.

III. When the royalty is paid in cash, the *ex-field* value used to determine this royalty shall be computed from base prices corrected as described in the above subparagraph, where applicable.

When the royalty is paid in kind, the value applicable to the corresponding volumes shall be determined by the same procedure.

IV. The provision for an end-of-quarter report, prescribed in article C 38 (a) of the concession agreements is hereby repealed.

Article 25

I. Starting with the fiscal year 1965, the companies listed in article 47 below shall use depreciation rates no higher than the rates prescribed in annex II of the Protocol on the Co-operative Association.

The rates determined in this manner shall be automatically applicable to newly acquired fixed assets entered in the books starting with the fiscal year 1965.

With respect to fixed assets entered in the books prior to the fiscal year 1965 and already partially depreciated by the straight-line method, the companies shall apply against the remaining value a straight line depreciation system, so that these assets shall be fully depreciated on the date on which they would have been if the rates prescribed in annex II, referred to above, had been applied from the time these assets were entered in the books of these companies.

With respect to fixed assets entered in the books prior to the signing of this Agreement and which have been depreciated by the declining-balance method, the companies shall, not later than their statement of accounts for the fiscal year 1966, readjust the amounts involved up to the net book value of these fixed assets as if they had been depreciated by the straight-line method in respect of their useful life from the day they were entered in the books and as if they had complied with the regulations laid down in the preceding subparagraph. The reinstatement of excess depreciation thus arrived at shall be effected in the proportion of 35 per cent in the statement of accounts of the fiscal year 1965, and 65 per cent in the statement of accounts of the fiscal year 1966.

II. Estimated payments made in 1966 on the tax due and payable with respect to this fiscal year shall be computed on the basis of the amount of tax pertaining to the fiscal year 1965, after deducting the portion of this tax corresponding to the reinstatement of depreciation made by the declining-balance method.

III. Starting with the fiscal year 1965, the provisions of Decree No. 62-188 of 16 February 1962 pertaining to capital gains reinvestments shall be applicable only to reinvestments made in Algerian territory.

Article 26

With respect to fiscal years subsequent to the 1964 fiscal year, the companies listed in article 47 shall not increase their reserves for the depletion of the fields, as was provided for in article 64, VII, of Ordinance No. 58-1111 of 22 November 1958.

The procedure for reinstating the reserves previously constituted shall remain that prescribed in article 66 of the said Ordinance and in the regulations implementing it.

Article 27

During 1969, the two Governments shall review the situation in order to determine whether it is appropriate to revise the price applicable to the computation of income tax beginning with the fiscal year 1969.

For the purposes of this review, any changes in competing crude which could affect the competitive position of Algerian oil shall be taken into account. In particular, applicable freight, quality and tax differentials shall all be considered, as well as any changes in the production costs of Algerian oil.

Any changes agreed upon shall be recorded in an exchange of notes between the two Governments.

Article 28

The provisions of articles 23, 24 and 25 shall apply starting with the fiscal year 1965.

The temporary ex-field values pertaining to crude oil sales prior to 1 January 1965 shall be considered final, as shall the depreciation regulations used for determining charges allocated to the fiscal year 1964 and previous fiscal years.

TITLE IV

PERSONNEL TRAINING

Article 29

The two Governments hereby confirm the provisions of the Agreement, signed on 28 July 1965,¹ pertaining to the contribution of the French Government to the formation and operation of the Algerian Petroleum Institute.

Article 30

The obligations imposed on the companies by articles C 26 and C 52 of the concession agreements which bind them to the host country, pertaining to scientific research and personnel training, shall be met, in whole or in part,

¹ See p. 137 of this volume.

if the Algerian Government so desires, by the payment of a subsidy to the Algerian Petroleum Institute.

The amount of this subsidy shall not, however, require the companies to make payments in excess of the amount of the obligation imposed upon them by article C 26 after deduction of the expenses for personnel training and scientific research already incurred by them.

TITLE V

FRENCH CONTRIBUTION TO THE INDUSTRIAL DEVELOPMENT OF ALGERIA

Article 31

For the purpose of carrying out specific industrial programmes, the French Government undertakes to grant to Algeria :

- financial assistance in the form of long-term loans and grants;
- suppliers' credit guarantees;
- the technical assistance necessary for building and operating appropriate industrial units and for training the personnel employed therein;
- access to the French market of Algerian products, on the most favourable terms, and including, if necessary, technical assistance in marketing.

The aid provided for in articles 32 and 33 shall be allocated to programmes of all types pertaining to the industrial development of Algeria. It shall be used to pay for French or Algerian goods and services.

The programmes shall be submitted by the Algerian Government and the aid allocation shall be mutually agreed upon in the Industrial Co-operation Agency (OCI) established under article 48 of this Agreement.

Article 32

During the five years following the entry into force of this Agreement, the French Government shall grant to the Algerian Government financial aid in the amount of 200 million francs per year, consisting of 160 million francs in loans and 40 million in grants.

Within the maximum amounts indicated above, the proportion of grants to loans may vary in accordance with the type of projects involved, provided however that for all the approved projects taken as a whole the amount of grants shall not at any time exceed one quarter of the amount of the loans.

The loans shall bear interest at the rate of 3 per cent per annum and shall mature in 20 years.

Article 33

During the five years following the entry into force of this Agreement, the French Government shall grant suppliers' credit guarantees in an amount of 200 million francs per year for the programmes financed pursuant to this title.

The suppliers' credit guarantees shall be granted in accordance with the general regulations of the French Insurance Company for Foreign Trade.

The credits shall be deemed to be committed, within the meaning of this title, on the effective date of the contracts.

Article 34

Amounts not used in the course of a year shall automatically be carried forward, provided that the disbursements in any one year shall not exceed the amount of two annual allocations as a result of this provision.

The two Governments shall initiate discussions by the end of the second year following the initial implementation of this title if (should the mutual agreement, provided for in article 31, not be achieved), more than 40 per cent of the two annual allocations in respect of each of the two components of the financial assistance, provided for in article 32, is not appropriated.

These discussions should result in the allocation of one half of the uncommitted amounts. To this end, the Algerian Government shall submit a list of projects in addition to those on which mutual agreement could not be reached, and within six months from the date of submission of this list the French Government shall choose from among all the project submitted by the Algerian Government.

The same procedure shall be applied at the end of the third and fourth years following the initial implementation of this title.

After the end of the fifth year, the balance shall be appropriated, up to one annual allocation, within the first quarter of the sixth year, following the same procedure. The balance, if any, shall be appropriated before the end of the sixth year.

Within the limits of the assistance provided for in article 32, taken as a whole, the total of the amounts for each project adopted each year shall not be restricted by the annual allocations increased by credits carried forward.

Article 35

The respective share of the various forms of aid provided for in articles 32 and 33 for financing projects shall be determined by OCI in accordance with the following principles.

The combination of the forms of aid provided for in articles 32 and 33 shall be determined after taking into consideration :

- the types of projects involved;
- the economic conditions prevailing in Algeria;
- the need to give orders to local industry the highest possible priority.

However, at no time shall a total amount of loans and grants be committed which exceeds the suppliers' credits committed; by way of exception to this rule this total amount may exceed them by 20 per cent as long as one half of the amounts provided for in article 32 have not been appropriated, and provided that the appropriate balance is re-established as the second half of the amounts is appropriated.

Article 36

The Industrial Co-operation Agency, referred to in article 48 of this Agreement, shall be responsible for the following functions :

- (1) carrying out all the preliminary inquiries which the Algerian Government may require it to undertake. Further, it may, of its own accord, initiate pre-investment studies designed to promote the industrial development of Algeria. In the latter case, it must act in co-operation with appropriate Algerian agencies and give due consideration to the plans and development goals formulated by the Algerian Government.

Studies carried out by OCI or on its behalf shall be financed from the aid funds provided for in article 32. They shall be the exclusive property of the Algerian State.

- (2) determining, on the basis of the financial assistance provided for in articles 32 and 33, the financial requirements of the projects submitted by the Algerian Government, and determining the proportion of the various methods of financing, pursuant to article 35;
- (3) determining, as necessary, on technical grounds the advisability of using a portion of the aid funds provided for in article 32 for paying for goods and services from other than French or Algeria sources;
- (4) recommending to the two Governments suitable steps for ensuring the implementation of article 31;
- (5) supervising the strict and complete execution of the contracts implementing these provisions;

- (6) ensuring, as necessary, the implementation of all or part of a project in accordance with article 37, second and third subparagraphs.

Article 37

Once a project has been approved, in accordance with articles 31 and 36, Algeria shall be responsible for its execution as project manager.

The Algerian Government may invest OCI with the responsibility of implementing a project in whole or in part.

In this event, OCI must conclude the contracts, make the payments, and deliver to Algeria facilities in working order. The president of the board of directors of OCI shall have authority to sign the contracts, while Algeria shall be responsible for timely payment of the suppliers' credits.

A financing agreement shall be drawn up for each project and signed by the appropriate bodies appointed for this purpose by the Algerian State on the one hand and the French State on the other hand.

This agreement shall establish :

- the procedures for disbursing the loans and grants, including provision of the cash necessary for the payment of expenses, and the type of substantiation to be submitted to the appropriate French body;
- a repayment schedule for the loan. If the nature of the project involved so requires, this agreement may defer reimbursement of the principal of long-term loans during all or part of the reimbursement period of generally accepted medium-term suppliers' credit guarantees. The deferment of reimbursement obligations shall apply only to the principal and not to the interest; it shall not result in an extension beyond 20 years of any long-term credit.

TITLE V

MISCELLANEOUS PROVISIONS

Article 38

The provisions of paragraph 8 of title I - B of the Declaration of Principles on Co-operation for the Exploitation of the Wealth of the Saharan Subsoil of 18 March 1962¹ are hereby repealed.

Article 39

The Algerian Government shall grant concessions on the hydrocarbon fields listed in annex V, which is an integral part of this Agreement.

¹ United Nations, *Treaty Series*, vol. 507, p. 65.

The special terms—within the meaning of articles C 49 to C 53 inclusive of the model agreement of 16 September 1961—of the concession agreements entered into pursuant to the first subparagraph of this article, shall not impose any heavier obligation on the title holders than the terms of existing agreements on other concessions concluded between the host country and the company involved.

Article 40

The Protocol attached as annex VI, which is an integral part of the present Agreement, shall determine the special régime for the production area of Berkaoui-Ben Kahla.

Article 41

The Algerian Government shall appoint to the board of directors of the concession holding companies listed in annex VII, which is an integral part of this Agreement, a director who shall enjoy all the rights of directors elected at the annual stockholders' meeting in accordance with the articles and by-laws of the said companies, and who shall be subject to all their obligations, except with respect to the procedure for his appointment.

The director representing the Algerian Government may be appointed in addition to the number of directors provided for in the by-laws.

The Algerian Government may at any time replace this director by means of a registered letter, with acknowledgement of receipt, sent to the president of the board of directors of the company involved.

The exchange of letters attached as annex VIII, which is an integral part of this Agreement, reflects the importance which the two Governments attach to the oil companies carrying on their administrative and technical activities in Algerian territory.

Article 42

The two Governments have agreed on the steps they shall take to modify the provisions governing the organization and administration of SN REPAL, by means of the exchange of letters appearing in annex IX, which is an integral part of this Agreement.

Article 43

The Algerian Government hereby consents to the transactions that the companies controlled by the French State shall effect in order to merge their operations in Algeria, and for this purpose it shall grant the necessary authorizations required by the applicable regulations.

Transfers of real and personal property resulting from these transactions shall be exempt from all taxes, levies and charges, provided they are carried out within 30 months from the entry into force of this Agreement.

The non-depreciated value of the fixed assets used in exploration appearing in the balance-sheets as of 31 December 1965 of the companies involved in the merger of activities, shall be depreciated in the books of the transferee company over a period of not less than four fiscal years. This depreciation shall be evenly spread over these years, provided however that the provisions of this subparagraph do not result in accelerating the depreciation rate of each fixed asset, determined under the terms of paragraph I of article 25.

For the purposes of this article, the companies controlled by the French State are defined as companies at least half of whose capital is held directly or indirectly by the French State or its public agencies.

Article 44

In the exchange of letters appearing in annex X, which is an integral part of this Agreement, the French Government has informed the Algerian Government of the procedures whereby certain volumes of products manufactured from Algerian hydrocarbons will have access to the French market.

Article 45

In the exchange of letters appearing in annex XI, which is an integral part of this Agreement, the French Government has informed the Algerian Government of the procedures whereby it intends to assist it in participating in the shipping of hydrocarbons.

Article 46

Any provisions to the contrary notwithstanding, all disputes and controversies between the Algerian authorities and the companies listed in article 47 below pertaining to the interpretation, implementation or execution of the Saharan Petroleum Code, of the concession agreements and of this Agreement shall, from the entry into force of this Agreement, be subject to the mediation and arbitration procedure provided for the settlement of disputes and controversies between the Algerian State and company F, in paragraph (3) of title VII of the Protocol on the Co-operative Association. For the purpose of this article only, the provisions of the said Protocol shall be amended as follows :

(1) Without prejudice to the provisions of article 9, paragraph III, implementation of the disputed action shall be suspended from the time mediation proceedings are instituted or recourse is had to arbitration. However, when the dispute concerns the application of articles C1, C2, C28 to C31, C34 to C48

of the concession agreements, the institution of mediation proceedings or recourse to arbitration shall not result in suspension of the action involved.

(2) Where the proceedings are instituted by the Algerian State addressing the same application to several holders of mining rights which have been granted pursuant to the Saharan Petroleum Code, the latter shall jointly appoint the mediator provided for in article 160 of the Protocol on the Co-operative Association, or the arbitrator provided for in subparagraph (b) of article 172 of the said Protocol.

Where the dispute or controversy pertains to the same decision, the title holders referred to above who have instituted proceedings to set aside this decision shall jointly appoint only one mediator or arbitrator.

In the event that, within 30 days from the date of institution of the proceedings, this arbitrator has not been appointed by mutual agreement, the most diligent title holder shall request the President of the International Chamber of Commerce to proceed with this appointment within 15 days. The provisions of this subparagraph shall be applicable, notwithstanding the provisions pertaining to the first time-limit established in subparagraph (b) of article 172 of the Protocol on the Co-operative Association.

Any holder of mining rights granted under the Saharan Petroleum Code may at any time intervene in proceedings in progress by endorsing the application or the reply, provided he confirms the appointment of the mediator or the arbitrator who is already representing the title holder or title holders who are parties to the proceedings.

(3) The 15 day period provided for in paragraph (2) of this article shall, if necessary, be added to the time-limit provided for in subparagraph (b) of article 172 of the said Protocol, in order to implement subparagraph (b) of article 173 of the Protocol on the Co-operative Association.

(4) The international arbitration tribunal shall make awards on the basis of the law applicable under the Saharan Petroleum Code and, as necessary, under this Agreement. If necessary, the Saharan Petroleum Code shall be interpreted in the light of French administrative law and, in particular, due consideration shall be given to the decisions of the French Council of State. If the above documents omit or are unclear on the point at issue, the tribunal may be guided by general principles of law.

Article 47

Except as otherwise provided in this Agreement, or in the attached annexes, which are an integral part thereof, the companies which hold mining or transport titles granted under the Saharan Petroleum Code, and the companies associated with them under the protocols, agreements or contracts described in article 15, subparagraph (2), and in article 31, subparagraph (4), of Ordinance

58-1111 of 22 November 1958, shall remain subject to the Saharan Petroleum Code and the concession agreements between them and the host country.

Article 48

From the entry into force of this Agreement, the Technical Agency for the Exploitation of the Wealth of the Saharan Subsoil, organized under title III of the Declaration of Principles on Co-operation for the Exploitation of the Wealth of the Saharan Subsoil of 18 March 1962, shall be called the "Industrial Co-operation Agency", hereinafter called OCI.

The Chairman of the Board of Directors of OCI shall be elected from among the directors who are Algerian citizens.

From the entry into force of this Agreement, all the responsibilities of the Technical Agency for the Exploitation of the Wealth of the Saharan Subsoil in the mining and petroleum fields, including transport, and in the fields of substructures and public works, shall be transferred to Algeria.

For a period of five years, and unless Algeria requests otherwise, OCI shall continue to be responsible for the practical and financial administration of the activities transferred to Algeria on the entry into force of this Agreement pursuant to the preceding subparagraph.

OCI shall be responsible for the completion of any transactions which were entered in the books of the financial controller of the Technical Agency on or before 31 December 1965. Also it shall finance the necessary maintenance expenses for the fiscal year 1966.

OCI shall be responsible for the conduct of the operations entrusted to it pursuant to articles 31, 35, 36 and 37 of this Agreement. With respect to this responsibility its jurisdiction shall extend to all Algerian territory.

The expenses incurred in the operations of OCI, in the management of the transferred activities, in the completion of the transactions undertaken by the Technical Agency and in the performance of the necessary maintenance work for the fiscal year 1966 shall be financed by equal contributions from the two States, which shall be added if necessary to the assets owned by the Technical Agency, to the extent that these assets have not been fully exhausted by the date on which this Agreement enters into force.

Article 49

In the exchange of letters in annex XII, which is an integral part of this Agreement, the French Government confirms to the Algerian Government the terms on which it guarantees the convertibility into foreign currency of the French franc holdings of the Banque Centrale d'Algérie.

Article 50

A joint commission, consisting of representatives of each of the two Governments, shall be responsible for supervising the execution of this Agreement, and shall make to the two Governments such recommendations as it deems advisable to ensure its smooth and efficient implementation.

It shall meet within one month following a request made by either of the two Governments, but at least once per year.

Article 51

In the event of a dispute between the two Governments pertaining to the interpretation or performance of this Agreement or its annexes which cannot be resolved by negotiation, the most diligent party shall propose to the other party, by means of a diplomatic note, a procedure of settlement by mediation, arbitration or submission to the International Court of Justice.

In the event that the two Governments cannot agree on the method to be followed for the settlement of the dispute, the party concerned shall, within the three months following transmittal of the diplomatic note referred to in the preceding subparagraph, submit the dispute to the International Court of Justice.

Article 52

This Agreement shall remain in effect for a period of 15 years. It may be extended by agreement between the two Governments for a like period.

Notwithstanding the termination of this Agreement, each Party hereto shall continue to be committed to the performance of all obligations which have accrued prior to the date of such termination. Further, the provisions of title I and of the Protocol on the Co-operative Association shall continue in effect on each parcel of the mining area for the remaining period of validity of such parcel, in respect of both the exploration stage and, where applicable, the production stage. The provisions of article 40 and of the annexed Protocol which determine the special terms applicable to the production area of Berkaoui-Ben Kahla shall remain in force for the balance of the term during which this area is in the production stage.

At the request of either Party, the present Agreement may be amended, by mutual agreement, on the expiration of a five-year period from its entry into force.

Article 53

This Agreement, which shall be ratified in accordance with the constitutional procedures in effect in each of the two countries, shall enter into force 30 days after the exchange of the instruments of ratification.

IN WITNESS WHEREOF, the undersigned plenipotentiaries have affixed their signatures and seals to the present Agreement.

DONE at Algiers in duplicate in the French language on 29 July 1965.

For the President
of the French Republic :

Jean DE BROGLIE

Olivier WORMSER

[SEAL]

For the President of the Revolutionary
Council, President of the Council of
Ministers of the Democratic and
Popular Republic of Algeria :

A. A. BOUTEFLIKA

Belaid ABDESSELAM

[SEAL]

ANNEX I

PROTOCOL ON THE CO-OPERATIVE ASSOCIATION

This Protocol and its five annexes, which are an integral part thereof, lay down the rules and procedures for the operation of the Co-operative Association established by article 1 of the Agreement concerning the settlement of questions relating to hydrocarbons and the industrial development of Algeria, signed on today's date¹ and hereinafter referred to as the Franco-Algerian Agreement on Hydrocarbons.

TITLE I

THE PARTICIPANTS

Article 1

The Co-operative Association shall be entered into between two legal persons, hereinafter called « the parties », constituted respectively on the initiative of the Democratic and Popular Republic of Algeria and the French Republic which shall pool their efforts for the exploration and production of hydrocarbons in Algeria and shall draw their respective shares of the products in kind at cost price.

The legal person constituted on the initiative of the Democratic and Popular Republic of Algeria shall be an Algerian company organized by the Algerian State or its agencies and hereinafter called "Company A" or "A".

The legal person constituted on the initiative of the French Republic shall be a French company, having most of its activities in Algeria, organized by the Bureau de recherches de pétrole (BRP) and the Régie autonome des pétroles (RAP) and hereinafter called "Company F" or "F".

¹ See p. 145 of this volume.

The contract for the Co-operative Association shall be deemed to be executed by the signature of this Protocol which, in accordance with article 1 of the Franco-Algerian Agreement on hydrocarbons signed this day, is an integral part of that Agreement and is annexed thereto.

Article 2

The capital of A shall be held in its entirety, directly or indirectly, by the Algerian State.

F may permit companies, whose capital is more than two-thirds owned by the French State or by its nationals, to own part of its capital. The French State shall always have, directly or indirectly, more than 50 per cent of the capital and of the voting rights of F.

Article 3

Company F may assign its rights and obligations in respect of a portion of the mining area defined in title III below to companies which are majority-owned by French interests and which have contributed their mining rights to the Co-operative Association.

If the parties are in agreement, F may also assign its rights and obligations to companies which are French minority-owned or to existing joint ventures, to facilitate the continuation of operations on the permits brought to the Co-operative Association in the manner prescribed in annex III to the present Protocol.

F alone shall be liable to A for the implementation by the assignee company of the contract of Co-operative Association; the relationship between A and F shall not be thereby altered. This provision shall not bar the representation of the assignee company, in accordance with articles 14 and 15 of title II below, in the special committees which have jurisdiction over the areas in which the delegated activity is carried out.

TITLE II

MANAGEMENT AND EXECUTION

Article 4

Management of the Co-operative Association shall be the responsibility of a Council and a Technical Committee; execution of the work shall be the responsibility of the operators.

Paragraph 1

THE EXECUTIVE COUNCIL

Article 5

The Council shall consist of 12 representatives of the parties. A and F shall each designate, for a two-year renewable period, six full members and, for each of the members, an alternate who shall sit in his absence. Each member or alternate may

also give his proxy to any one of the other full members or alternates for the purpose of representing him in the Council.

A and F may replace any of their representatives on the Council at any time.

Six members present in person or by proxy, including three from each party, shall constitute a quorum.

The first meeting of the Executive Council shall take place within not more than three months from the entry into force of this Protocol.

Article 6

The Council shall elect, for a period of two years, a Chairman and a Vice-Chairman. The Chairman shall be selected from among the representatives of A and the Vice-Chairman from among those of F.

Article 7

The Council shall meet at the request of either party, and not less than once each quarter, whenever convened by the Chairman, or in his absence, the Vice-Chairman.

All notices of convocation shall specify the agenda for the meeting and, where appropriate, the reason why an emergency meeting is called. Except in an emergency, the notices shall be sent 15 days before the date of the meeting.

Article 8

The Chairman and the Vice-Chairman shall be assisted by a common secretariat.

The secretariat shall be responsible for :

- preparing draft minutes of meetings which shall then be submitted to the Council for approval at its next meeting;
- drafting resolutions adopted by the Council; these resolutions shall be submitted for signature to the Chairman and Vice-Chairman;
- taking note at all times of the financial position of the Association and the rights and obligations which result therefrom for each of the parties;
- paying expenses incurred as a result of the operation of the Executive Council, the Technical Committee, and the Special Committees provided for in article 14 below, and expenses of the secretariat itself. It shall meet these expenses by calling upon the parties equally.

The rules of procedure promulgated by the Council may vest other responsibilities in the secretariat.

Article 9

At the request of either party the Council may decide to hear any person and, in particular, the parties' representatives on the Technical Committee. Further, each party may be assisted in the Council by two experts of its own choice for consultation.

Article 10

Decisions shall be taken by a majority of two thirds of the members present in person or by proxy.

In the event that it is impossible to reach a decision by this particular majority, the Council (within the following three days) shall appoint through the Chairman, or failing this, the Vice-Chairman, a mediator selected on the basis of his qualifications. In the absence of agreement on the selection of this mediator, the Chairman of the Cantonal Tribunal of Zurich (Switzerland) shall be asked to make the appointment at the request of either party.

The mediator shall hear the parties. If he fails in his mediation efforts within 40 days following his appointment, he shall send a report on his assignment to each of the parties (within 15 days of recognizing his failure or upon the expiry of the above-mentioned 40-day period). The parties shall share equally in the expenses of mediation. As soon as this report is received, the parties shall be free to seek arbitration as provided for in this Protocol.

Article 11

The Council shall be responsible for all of the Association's business. It may delegate to the Technical Committee its authority to transact some of its business; however, it may not delegate its authority on the following matters, which shall then be reported on by the Technical Committee :

- (a) work obligations as defined in title III below and exploration budgets pertaining to the work to be done in each block of the Co-operative Association's mining area;
- (b) programmes, investments and operating budgets for the development or exploitation of each of the pertinent areas;
- (c) all decisions pertaining to the composition of the mining area and its development;
- (d) annual control of the fulfilment of work obligations, programmes and budgets, and approval of the Association's accounts for each fiscal year.

The Council shall decide on the contents of the Annual Report on the Association's activities.

Paragraph 2

THE TECHNICAL COMMITTEE AND THE SPECIAL COMMITTEES

Article 12

(a) The Technical Committee shall consist of six members. A and F shall each designate (for a two-year renewable term) three full members and, for each full member, an alternate who shall sit on the Committee in the member's absence. Each full member or alternate may appoint as his proxy on the Committee any one of the full members or alternates.

A and F may at any time replace any of their representatives on the Committee.

Four members present in person or by proxy, including two from each party, shall constitute a quorum.

(b) Each year, at its first meeting, the Technical Committee shall select a Chairman from among the representatives of one of the parties and a Vice-Chairman from among the representatives of the other party, for alternating periods of three years. For the first three-year period the Chairman shall be chosen from among the representatives of F.

(c) The Committee's regulations with respect to the time and notice of meetings shall be as stipulated in article 7 for the Executive Council.

(d) The Technical Committee may decide to hear any person at the request of either party and, more particularly, the parties' representatives on the Special Committees provided for in article 15 below. Also, each party may be assisted in the Committee by two experts of its own choice for consultation.

(e) The secretariat of the Executive Council shall be responsible for the secretariat functions of the Technical Committee.

(f) Decisions shall be taken by a majority of two thirds of the members present in person or by proxy; however, if it is not possible to establish such a majority, the matter shall be referred to the Executive Council for a solution.

Article 13

The Technical Committee shall transact such business as is delegated to it by the Executive Council.

It shall study such matters as are under the jurisdiction of the Executive Council and shall assist the Council in making decisions on these matters by ascertaining whatever facts and making whatever suggestions may be appropriate.

Article 14

The Technical Committee may appoint "Special Committees" which shall have delegated authority limited to the operations pertaining to one block, or to one zone including several blocks. These Committees shall also have control over the operator within the context of the programmes and budgets which have been duly approved by the Executive Council.

The Special Committees shall consist of four members, two from each party, which shall include for each of the parties one full member or alternate member of the Technical Committee. The Special Committees shall not sit unless at least one representative of each party is present.

Decisions shall be unanimous; in the event that agreement is not reached, the matter shall be referred to the Technical Committee.

Article 15

The organization of Special Committees shall be automatic with respect to permits where a company or joint venture is an assignee of F under article 3. Each assignee company or joint venture shall appoint one representative to the pertinent Special Committee. This appointment shall be approved by F.

Paragraph 3

THE OPERATOR

Article 16

One of the parties shall be the Operator. However, either party, A or F, may freely delegate its powers as Operator as well as the corresponding obligations to companies controlled by Algerian or French interests which are already operators in Algeria, and which have contributed a valid research permit to the Co-operative Association; each party may amend the terms of this delegation or terminate it.

Article 17

The parties shall endeavour to arrive at a balance division of the operating responsibilities of A and F respectively (or their nominees) in the mining area of the Association taken as a whole.

On each block the Operator shall be chosen as follows :

(1) If the participants' shares on the subject block are not equal, the Operator shall be the party with the greater share unless the parties agree otherwise.

With respect to blocks originating from valid research permits contributed to the Co-operative Association, this appointment shall be temporary for as long as A's participation itself is temporary, pursuant to articles 47 and 48 below.

(2) If the participants' shares are equal :

(a) On blocks originating from valid research permits contributed to the Co-operative Association, the parties shall determine by mutual agreement which of them shall be the permanent Operator, in the light of the total balance referred to in the first paragraph of this article. At the time of this selection, A and F shall endeavour to vest operating responsibility in F (on a priority basis) on those blocks where assignment is provided for in article 3.

On blocks where this responsibility is assigned to A, the current operator company shall temporarily retain it, as the nominee of F, for as long as party A has not informed it (on six months' notice) that A elects to take over or itself delegate this responsibility under article 16.

(b) On blocks originating from free zones or those which are relinquished, the Executive Council shall select the Operator with a view to reaching the total balance defined in the first paragraph of this article at the earliest possible time.

Article 18

The Operator shall discharge his responsibilities as executing agent of the Association and subject to the resolutions adopted by the Executive Council or the Technical Committee. He shall inform the Technical Committee of work progress and shall furnish to the parties such samples, documents, or information pertaining to the work in progress as may be appropriate; he shall hold in confidence from third parties information known to him. His activities shall be controlled annually by the Technical Committee on the basis of reports prepared by financial experts appointed by the Technical Committee.

Article 19

The Operator shall be responsible for the following functions :

(a) preparing and submitting to the Technical Committee drafts of annual work programmes, corresponding budgets and amendments thereto, if any;

(b) ordering the execution of exploration and production activities within the limits of approved programmes and budgets, and furnishing his own interpretation of the results obtained; siting geophysical work, wells, and gathering facilities, subject to the general instructions received from the Committee; proposing the boundaries of relinquished or retained acreage pursuant to article 32 below or the boundaries of productive acreage pursuant to article 34 below;

(c) preparing, in the event of a commercial discovery which can be developed within the meaning of title III of this Protocol, the entire work programme necessary for producing and delivering the products in salable form and submitting the programme to the Committee; determining, on a yearly basis and for each field, the maximum producing capacity within the meaning of article 89 below, in accordance with sound oilfield practice and to advise the Committee thereof; receiving offtake requests from the parties and fulfilling them to the extent possible in accordance with title V below;

(d) negotiating and contracting (either in his own name for his own account, or in his managerial capacity in the name of one or both of the parties as their agent) with third parties specializing in rendering services or carrying out operations necessary for the progress of the work. This includes (without limitation) drilling and special oil-well operations, transport of persons and goods, civil engineering operations, and obtaining necessary insurance. Such negotiating and contracting shall be discharged in accordance with the Committee's instructions, which shall provide that, when the terms and conditions approach international norms, preference shall be given to Algerian enterprises;

(e) calling on the parties for all funds pursuant to approved budgets in accordance with an annual bills payable book previously supplied to the parties under the procedure specified in title IV below; informing the Technical Committee of any discrepancies and making all necessary disbursements;

(f) keeping account books in accordance with the accounting agreement adopted by the Association; keeping account books reflecting all expenses for work performed by himself or by the contractors referred to in paragraph (d) above; transmitting periodic statements of accounts to the secretariat of the Executive Council;

(g) preparing and submitting to the Committee the statements of accounts for each fiscal year and being in a position to submit appropriate substantiation for the disbursements made;

(h) generally taking all appropriate action for the purpose of implementing the programmes in the best available economic and technical manner and in accordance with the standards prevailing in the oil industry.

Article 20

The appointed Operator shall have, as a result of his appointment, all authority necessary for discharging his responsibilities and for representing the parties within the limits of approved programmes and budgets. He shall be liable to the parties only for losses resulting from gross negligence or non-fulfilment of his obligations as defined in this Protocol.

Article 21

The Operator shall use all means available in his own organization to discharge his duties. The appropriate disbursements shall be recorded in the books and billed by the Operator at cost.

The Operator shall also bill the parties for their proper share of the overhead expenses for his entire organization on the basis of a percentage of the expenses incurred by the parties, which percentage shall be determined by the Executive Council.

Article 22

The parties shall assist each other in ensuring that the work of the appointed operator is properly executed. In particular, F shall make available to A such personnel and equipment as it can provide.

TITLE III

MINING PROVISIONS

Paragraph 1

DEFINITIONS

Article 23

Under this Protocol the parties shall hold an exclusive exploration and production permit for hydrocarbons, hereinafter called the "permit", on the entire acreage on which they are associated. This acreage shall be called the "mining area" of the Association.

Article 24

The mining area shall be divided into blocks. Blocks shall have a simple configuration and a unit surface of not more than 10,000 square kilometres. So far as possible, the configuration and surface of the valid research permits contributed to the Association shall not be altered.

Article 25

The mining area shall include :

- (a) blocks situated inside the perimeter defined in annex I of this Protocol and having a total surface of approximately 180,000 square kilometres, designated as the "co-operative area";

- (b) blocks situated outside the co-operative area and including :
1. Blocks originating from the valid research permits contributed to the Co-operative Association under the provisions of annex III of this Protocol.
 2. Where applicable, blocks situated in free zones which the Algerian State may decide to grant to the Co-operative Association at the request of the parties in accordance with the procedure specified in article 51 below.

Article 26

It shall be the aim of the Association to work on the entire co-operative area defined in the preceding article.

I. Inside the co-operative area the parties shall have the right to include in the mining area :

- (a) blocks corresponding to the valid research permits contributed to the Co-operative Association under the terms of annex III of the present Protocol and in accordance with the procedure specified in article 47 below;
- (b) blocks situated in free zones provided that the procedure specified in article 50 below is initiated not later than two years from the date of the first meeting of the Executive Council;
- (c) blocks included in the acreage which may be relinquished by third parties, provided that the procedure specified in article 50 below is initiated not later than one year from the date of relinquishment; this period shall be changed to two years for acreage which is relinquished within the first year of operation of the Co-operative Association.

II. On the expiration of the periods provided for in subparagraphs (b) and (c) of paragraph (1) of this article, the Algerian State shall be free to dispose of relinquished or free blocks.

Article 27

The permit shall grant to the parties on the entire mining area (to the exclusion of all persons other than the assignee companies within the meaning of article 3 the right to carry out or cause to be carried out all activities for the reconnaissance, exploration and production of hydrocarbons.

The permit shall also grant to the parties the right to dispose freely of the hydrocarbons produced as a result of exploration, production tests or producing operations, and all other related substances, under the terms of title V below.

The permit shall also grant to the parties (for the period of validity and under the conditions provided for in title V below) the right to transport the extracted products to storage, refining, loading or high-consumption areas.

The permit shall not preclude the Algerian State from granting reconnaissance permits to third parties. Such a permit gives to its holder (within a defined perimeter) the non-exclusive right to carry out preliminary reconnaissance work for hydrocarbons, particularly through the use of geophysics but excluding any exploratory wells. Such a permit shall not entitle its holder to a production permit, nor shall it give him the right to dispose of the extracted products in the event of a discovery of hydrocarbons as a result of his reconnaissance work.

The reconnaissance permit may cover the area of the permit, excluding, however, any productive area as defined in paragraph (3) below of the present title. The rights of the parties on the permit area shall continue without change and shall prevail over those rights of the holder of the reconnaissance permit, in the event that the operations of the holder result in a substantial and direct impediment to the parties who hold the permit.

Article 28

There shall be an exploration stage for each separate block inside the mining area and, in the event of the discovery of one or more fields, there shall be a production stage on the areas specified in paragraph (3) below of this title.

Article 29

The areas corresponding to the exploration permits contributed to the Co-operative Association shall be automatically subject to the régime established by this Protocol.

Paragraph 2

THE EXPLORATION STAGE

Article 30

The duration of the exploration stage shall be established as follows :

- (1) fifteen years for the blocks of the mining area situated within the co-operative area, and for the free zones which may be granted to the Association by the Algerian State outside of the co-operative area; the initial surface of each block shall be reduced by one third every five years from the date on which the block was included in the mining area,
- (2) five years or the remainder of the period of validity of the permit if it is more than five years, including the period of validity which would have existed as a result of prior rights to renewal for such valid permits contributed to the Association by their holders and situated outside the co-operative area. Surface relinquishments, if any, shall be made in accordance with the requirements existing prior to their contribution.

Article 31

For the purpose of computing the surfaces to be relinquished, the productive area referred to in paragraph (3) below of the present title shall be deducted from the initial surface of the block. There shall be no surface relinquishment on the productive area.

Article 32

The surfaces relinquished under article 30 shall be selected by the parties but shall be of simple configuration to permit mapping by grid.

Not less than 30 days prior to the expiration of each five-year period, the Executive Council shall advise the Algerian State of the relinquished surfaces and the boundaries of the retained exploration acreage.

Article 33

At the end of the exploration stage, the block shall no longer include any exploration acreage.

However, if, at the end of the exploration stage, the boundaries of one or more productive areas resulting from a discovery have not yet been defined with certainty, the areas in question shall continue to be part of the block until such time as the boundaries of the corresponding productive areas have been finally determined.

Paragraph 3

THE PRODUCTION STAGE

Article 34

The Executive Council shall determine the boundaries of a productive area following any discovery of hydrocarbons in commercial quantity. These boundaries shall follow the projection at ground level of the actual or deemed boundaries of one or more super-imposed fields permitting efficient development.

The production stage shall continue for 25 years from the date of determination of the boundaries of the productive area; it shall be automatically extended for a period of five years under the terms of this Protocol at the request of either party; at the end of this second period, renewal for a period of ten years may be granted by the Algerian State at the request of both parties.

Article 35

From the time the existence of a discovery on a block is established, the Operator shall advise the parties of the data obtained from the drilling in progress.

Unless the parties agree to the contrary (and in the light of economic conditions of petroleum production in Algeria and of the geographic position of the areas which are part of the mining area of the Association), a discovery shall be deemed to be a commercial discovery if it meets the following requirements :

<i>Depth of the producing formation measured from ground surface to the top of the pay zone (in metres)</i>	<i>Daily average production (units)¹</i>	<i>Minimum duration of a test (days)</i>	<i>Manner of extraction</i>
0 to 500 metres	10	20	
Each additional 100 m	1 additional	20	Natural flowing
to 1000 metres	15	20	or pumping ²
Each additional 100 m	1 additional	20	or swabbing ²
to 1500 metres	20	20	
Each additional 100 m	2 additional	20	Natural flowing
to 2000 metres	30	20	Max. choke size 12.7 mm
Each additional 100 m	4 additional	20	Natural flowing
to 2500 metres	50	20	Max. choke size 11.1 mm
Each additional 100 m	6 additional	20	Natural flowing
to 3000 metres	80	20	Max. choke size 9.5 mm
Each additional 100 m	8 additional	20	Natural flowing
			Max. choke size 7.9 mm

¹ Units : for oil 2 cubic metres
for gas 5000 cubic metres with a wellhead pressure of 50 kilos per square centimetre.

² Pumping and swabbing for oil only.

If a discovery does not meet the minimum requirements set forth in the above chart, the parties may nevertheless agree that it is a commercial discovery if the proceeds from the sales at the point of delivery of the petroleum quantities which may be produced is sufficient to defray (among other things) expenses of (1) exploration, (2) production and transport, (3) taxes, and also results in a net profit which justifies the viability of the operation.

Article 36

Following any commercial discovery of hydrocarbons within the meaning of article 35, the parties shall pursue with the utmost diligence the work necessary to determine the boundaries of the field and shall therefore make available to the Operator, each party to the extent that it is involved, the necessary financial resources in accordance with the provisions of titles II and V of this Protocol. For this purpose the Technical Committee and the Executive Council shall meet at the earliest possible opportunity.

Following every commercial discovery of hydrocarbons within the meaning of article 35, the Executive Council shall determine the final boundaries of the productive area. These boundaries shall be set, in the absence of a precise knowledge of the field, on the basis of geological or geophysical assumptions.

Before its final boundaries are known, a temporary productive area shall be defined by the Technical Committee in the light of the Operator's recommendations.

If the parties cannot agree on the temporary boundaries, the temporary productive area shall be defined as : the surface included within the recommendations of both parties, plus for each party a contiguous surface of its own choice, provided, however, that the total surface (consisting of the common surface plus the surface added by one or both parties) shall not exceed 15 square kilometres for each well.

Any disagreements among the parties concerning the question whether a field is commercial or not, or the question of the size of the productive area, shall be settled in accordance with the regulations for the settlement of disputes and controversies set forth in article 10 and in articles 171 and 178 below.

Article 37

All productive areas shall have a simple configuration and shall permit mapping by grid, except for international boundaries or for boundaries of other existing mining concession areas.

The Executive Council shall inform the Algerian State of the surface included within the productive area and its boundaries within two months from the time they are finally established.

Article 38

The exploitation of hydrocarbons shall be a commercial act.

Article 39

No royalties shall be payable on the production of hydrocarbons.

Article 40

Hydrocarbon fields shall be deemed to be real property. Other real property shall include, in addition to buildings, fixtures used for the production of the fields or for the storage or transport of crude petroleum.

Machinery, equipment and materials directly used for the production of the fields shall be deemed to be real property by reason of this use.

Any minerals extracted as well as supplies and other movable objects shall be deemed to be personal property.

Paragraph 4

PROCEDURE FOR THE INCLUSION OF BLOCKS WITHIN THE MINING AREA

A. *Common provisions*

Article 41

The inclusion of a block within the mining area shall be subject to an agreement between the parties which shall be recorded in a contract prepared in three copies.

The contract must specify, among other things :

- (a) the boundaries of the block;
- (b) the percentage of participation of each of the parties;
- (c) the work obligations;
- (d) the identity of the Operator.

There shall be one contract for each block.

Article 42

Any recommendation by one party pertaining to the inclusion of a block in the mining area shall be transmitted in writing to the other party and shall specify the boundaries of the block and the work obligations. The recommended work obligations shall be substantiated by a work programme and a budget for the development of the block. A copy of this recommendation shall be delivered to the secretariat of the Executive Council. The same provisions shall be applicable to the replies and to any counterproposals made by each party.

Article 43

The party which recommends the inclusion of a block within the mining area shall make available to the other party all useful information to enable the latter party to select the percentage of its participation.

Article 44

On any block included within the mining area of the Association the initial percentage of participation of either party shall be not less than 10 per cent.

Article 45

F shall offer A an interest of 50 per cent on blocks originating from valid exploration permits contributed to the Co-operative Association.

The parties shall determine their initial participating interest on other blocks in such a manner that their total interest on all the blocks taken as a whole shall be substantially equal at the outset.

B. Blocks which are automatically included in the mining area

Article 46

Signature of the contract provided for in article 41 shall imply the inclusion within the mining area of the following :

- (1) blocks originating from valid exploration permits contributed to the Co-operative Association, referred to in subparagraph (1) of paragraph (b) of article 25 and in subparagraph (a) of paragraph (I) of article 26;
- (2) blocks situated within the co-operative area and corresponding to either free zones or those which would be relinquished at a later date but on the condition that the procedure is initiated within the time-limits established in subparagraph (b) of para-

graph (I) of article 26 for the free zones and in subparagraph (c) of the same paragraph for the surfaces relinquished at a later time, respectively.

The secretariat of the Executive Council shall transmit a copy of the contract to the Algerian State within 15 days of its signature by the parties.

Article 47

The blocks situated inside the co-operative area and originating from valid research permits contributed to the Co-operative Association shall be included in the mining area according to the following procedure :

- (a) F shall offer A a 50 per cent participating interest in the subject blocks;
- (b) A shall be required to accept a participation of at least 10 per cent.

To this end, A may immediately establish the size of its permanent participating interest included between 10 per cent and 50 per cent, or may acquire a temporary participating interest of 10 per cent.

If A chooses to acquire a temporary participating interest, it must notify F of its permanent participating interest (included between 10 per cent and 50 per cent) within the 18 months following the signature of this Protocol. However, in the event of a commercial discovery (within the meaning of article 35) prior to the expiration of this period, A must notify F within the month following determination of the existence of this discovery.

Unless notice is given within the above time-limits, A's permanent participating interest shall be set at 10 per cent.

(c) The date of F's offer shall be deemed to be the contribution date, within the meaning of article 72 below.

If A chooses to acquire a temporary participating interest of 10 per cent, which is later converted into a permanent participating interest, A shall be deemed to have held this permanent participating interest from the contribution date. The parties A and F shall settle their respective financial accounts (participation in exploration expenses and advances) within the three months following the determination by A of its permanent participating interest.

Article 48

The blocks situated outside the co-operative area and originating from valid research permits contributed to the Co-operative Association, shall be included in the mining area according to the following procedure :

- (a) F shall offer A a 50 per cent participating interest on the subject block;
- (b) A may notify F of its refusal to participate in the work within 18 months from the date of signature of this Protocol; failure to notify within this time-limit shall be deemed to constitute rejection.

In the event of A's rejection, expressed or implied, the recommended surface shall continue to be held by the present holders who may either relinquish it or retain it, provided that any decision to relinquish is made within three months following A's rejection.

The interval between the signature of this Protocol and A's rejection, if any, shall automatically be deemed to be a moratorium from the dual standpoint of mining rights and financial obligations.

If the present holders relinquish their permit, they shall be deemed to be free of all financial obligations pertaining to the permit which they relinquish and the possible penalties which may be imposed under article 11 of Ordinance 58-1111 of 22 November 1958.

If they do not relinquish their permit, they shall retain all rights pertinent to the permit and, in particular, the right to a concession under the rules of the Saharan Petroleum Code.

(c) If A accepts to participate in the work, it must take a participating interest of between 10 per cent and 50 per cent.

To this end, A may immediately establish the size of its permanent participating interest, included between 10 per cent and 50 per cent, or it may acquire a temporary participating interest of 10 per cent.

If A chooses to acquire a temporary participating interest, it must notify F of its permanent participating interest (included between 10 per cent and 50 per cent) within the 18 months following the signature of this Protocol. However, where a commercial discovery (within the meaning of article 35) is made before this 18-month period ends, A must notify F within the month following determination of the existence of this discovery.

Unless notice is given within the above time-limits, A's permanent participating interest shall be set at 10 per cent.

(d) The date of F's offer shall be deemed to be the contribution date within the meaning of article 72 below.

If A chooses to acquire a temporary participating interest of 10 per cent which is later converted into a permanent participating interest, A shall be deemed to have held this permanent participating interest from the contribution date; the parties A and F shall settle their respective financial accounts (participation in exploration expenses and advances) within three months following the determination by A of its permanent participating interest.

Article 49

The instrument whereby the present holders authorize F to offer A the exploration permits shall be deemed to be an instrument of conveyance; it shall be subject to the condition precedent of A's acceptance with respect to permits for blocks situated outside the co-operative area as referred to in article 48. Conveyance shall be considered effective from the time of F's offer to A, with respect to the permits referred to in article 47, and from the time of A's acceptance with respect to the permits referred to in article 48. Signature of the contract referred to in article 41 shall automatically result in a novation of the mining status. No duty or tax shall be levied on the conveyance; the current title holders shall, as a result of this transfer, be free of the financial obligations imposed upon them by the Government with respect to the transferred permits.

Article 50

The blocks referred to in article 26, paragraphs I (b) and (c), (free zones or relinquished zones inside the perimeter of the co-operative area) shall be included in the mining area according to the following procedure :

- (a) within the time-limits referred to in article 26, paragraphs I (b) and (c), A or F may propose to the other party the inclusion of a block in the mining area;
- (b) the party which receives the proposal must take a work participation of not less than 10 per cent; within three months it may advance counterproposals on the boundaries of the block, the programme and budget leading to the determination of the work obligation and the respective participating interests;
- (c) if no counterproposal has been made within the time-limit referred to in the preceding subparagraph, or within a time-limit of three months from the date of the counterproposal, the Executive Council shall determine the terms of the contract referred to in article 41;
- (d) the parties shall sign the contract within 15 days following the decision of the Executive Council.

*C. Blocks which the parties are not entitled to have included**Article 51*

The Executive Council may apply to the Algerian State for the inclusion within the mining area of a block which the parties are not entitled to have included (block referred to in (2) of subparagraph (b) of article 25 and in paragraph II of article 26), or which has been relinquished by them under article 30.

To this end, the Council shall transmit to the Algerian State an application with a copy attached of the contract referred to in article 41 which shall be signed subject to the condition precedent of the agreement of the Algerian State.

Paragraph 5

WORK OBLIGATIONS

Article 52

For each block to be included in the mining area, and in the light of the draft programme and budgets submitted by the parties, the Executive Council shall adopt the multiannual exploration expense budget necessary for the development of the block. A new multiannual budget shall be adopted every five years, in the same manner, until the termination of the exploration stage on this particular block.

The multiannual budget shall be deemed to be a contractual obligation between the parties and is hereinafter called the "work obligation". Each party shall be severally liable to the Algerian State for the fulfilment of the work obligation up to the amount of its participating interest.

The Executive Council shall keep the Algerian State advised of work obligations and their execution.

Article 53

In the absence of agreement, the work obligation shall be determined as follows :

- (a) the same amount for the same remaining period of validity and the same surface as the amount of financial commitment assumed by the former holders with respect to blocks outside the co-operative area and originating from valid exploration permits;
- (b) with respect to all other blocks—one thousand five hundred and fifty (1,550), two thousand (2,000), and two thousand five hundred (2,500) Algerian dinars per square kilometre, respectively for each of the three five-year periods of the exploration stage.

Article 54

On exploration blocks in the mining area, taken as a whole, the average per square kilometre of the expenditures incurred shall be no less than two and a half times the minimum expenditures specified in the last subparagraph of article 53.

Article 55

On the advice of the Technical Committee, the Executive Council may amend work obligations which would be higher than the amounts specified in article 53 so as to impute to one block amounts initially budgeted for another block, provided, however, that this amendment shall not reduce the amount of the work obligations on any block below the minimum expenditures referred to in article 53, subparagraph (b).

The Executive Council shall inform the Algerian State of this new imputation of the expenditures and of the amendments in the work obligations which result therefrom.

Paragraph 6

RELINQUISHMENTS

Article 56

The parties, acting through the Executive Council, may decide to relinquish a block, in whole or in part, provided they have fulfilled the work obligations with respect thereto. The failure of only one of the parties shall not preclude the other party from requesting relinquishment; in such an event relinquishment shall be automatic.

If the relinquishment on a block takes place under these conditions prior to the end of the five-year period for which the work obligation has been assumed, this obligation shall be deemed fulfilled *pro rata temporis*.

Each relinquishment shall be discussed by the Executive Council under the terms of the contract provided for in article 41 and pertaining to the subject block.

The minutes of the above discussion shall be transmitted by the secretariat of the Executive Council to the Algerian State within 15 days; there shall be attached to it a progress report on the status of the work obligations as on the date of the relinquishment.

Paragraph 7

ADMINISTRATIVE SUPERVISION

Article 57

The purpose of administrative supervision shall be to ensure conservation of the fields, to supervise the terms of transport by pipeline, public security, the safety and health of the labour force, the maintenance of buildings, dwellings and means of access, and to safeguard the use of water-bearing areas. This supervision shall be carried out within the frame of reference of existing legislation as defined in the Saharan Petroleum Code.

To facilitate administrative supervision, the parties shall fulfil the following obligations on penalty of forfeiture :

- (1) report to the appropriate Algerian authority any operation involving boring, underground work, and excavations, whatever their purpose, when deeper than ten metres below ground;
- (2) report all geophysical surveys to the appropriate Algerian authority; documents and information resulting therefrom shall also be transmitted to the said authority;
- (3) on request, furnish to the Algerian Department for the Conservation of Fields any appropriate samples, information and geological, geophysical, hydrological or mining documents pertaining to the work in progress in the exploration and production of hydrocarbons; documents other than raw data shall not be disclosed to third persons by Algeria for a period of five years unless the parties agree that this period shall be extended;
- (4) submit to the proper employees of the Algerian Government all appropriate plans, information and documents pertaining to public security, and to the health and safety of labour;
- (5) permit free access by authorized employees of the Algerian State to all installations and works erected by the parties on the mining area;
- (6) cause to be erected by the Operators concerned such markers and landmarks as may be necessary to trace on the ground the boundaries of the blocks on which they are associated.

In the event of violation of the above provisions, Algeria shall be free to decide, without prejudice to possible criminal penalties, to waive forfeiture and to impose instead a penalty of not more than the value at the wellhead of 1,000 tons of crude oil, 40° API.

Paragraph 8

FORFEITURES

Article 58

A party shall not forfeit its rights on a block except for :

- (1) non-fulfilment by this party, but only with respect to it, of its work obligation at the termination of the corresponding five-year period;

- (2) non-compliance by this party, within the allowed time-limits, with the decisions made in accordance with the regulations for the settlement of controversies;
- (3) non-compliance with the tax provisions laid down in this Protocol, after compliance with a formal notice of payment due has not been obtained within six months;
- (4) non-fulfilment of the obligations referred to in subparagraphs (1) to (6) of article 57.

Forfeiture shall be adjudged by the Algerian State and its effect shall be limited to the block to which it pertains.

Forfeiture by one of the parties shall not result in forfeiture by the other; such forfeiture cannot impair the rights and interests nor increase the obligations of the other party.

The procedure for formal notices and forfeitures shall be as provided for in the Saharan Petroleum Code for the forfeiture of concessions.

TITLE IV

FINANCING

Paragraph I

REMITTANCES TO THE OPERATOR

Article 59

The cash required for payment of expenses shall be called for each quarter by the Operator from A and F (in accordance with their participating interest) during the first half of each month preceding a quarter.

Each party shall comply with the Operator's cash call not later than the end of the first month of each quarter.

Article 60

The remittances of the parties shall be adjusted semi-annually. Any credit resulting from these adjustments shall be taken into account in subsequent remittances.

Until they are accounted for, the remittances of each party shall remain as a credit in the open accounts appearing in the name of each party on the books kept by the Operator. These open accounts shall be settled at the end of each fiscal year.

Article 61

The fixed assets arising from the operations carried out by the parties on the mining area shall be the joint property of the parties. The Executive Council shall approve annually the computation of the participating interests on each block, taking into account the following articles, and the separate valuation of these fixed assets in the light of these percentages.

Article 62

The Operator shall take whatever steps may be necessary to establish, in respect of third parties, joint ownership of the fixed assets by the parties; he shall not (without authority from the Executive Council) dispose of any jointly-owned fixed assets other than the equipment referred to in article 63 below.

Article 63

In his work, the Operator may use either his own equipment and supplies, or equipment and supplies acquired with the funds remitted by the parties. He may also use hired equipment.

(a) The Operator shall invoice the parties for the use of his equipment and the depletion of his supplies resulting from work carried out on the block under consideration, namely :

- depreciation corresponding to true life depreciation on the equipment;
- depletion of stocks verified by annual inventories.

(b) He shall invoice the parties for the rental fee of hired equipment. If this equipment has been used for work outside the block under consideration, he shall invoice only the share of the rental fee corresponding to the use of the equipment on the said block.

(c) He shall be accountable to the parties for equipment and supplies purchased with their funds. Any loss on the inventory value of the equipment and supplies shall be borne by the parties. Any sale of equipment and supplies by the Operator must be approved by the Technical Committee.

Paragraph 2

PARTICIPATING INTERESTS

A. *Definition of participating interests and possibilities of reducing them**Article 64*

A party cannot decrease its participating interest except at the time of adoption of the annual budget and provided it has met, for its own share, the full amount of its work obligations for the corresponding five-year period. It may then discontinue any further participation in exploration expenses or decrease this participation to a lower level.

At the end of each five-year period corresponding to a work obligation, either party may decide not to assume a new obligation, in which case its participating interest shall be diluted in the future.

Article 65

Where no change occurs in the participating interest during the exploration stage for a particular block, the rights of both parties on the discovered fields shall be the same as their original participating interest.

Article 66

Where a change occurs in the participating interest with respect to the particular block, the secretariat of the Executive Council shall record the fact (whenever necessary) for the purpose of determining the respective rights of the parties on any fields which may be subsequently discovered and to determine their straight cumulative participating interest and their corrected cumulative participating interest.

(1) The straight cumulative participating interest shall be the ratio of the exploration expenditures incurred by the party under consideration to the total of the exploration expenditures incurred by both parties.

(2) The corrected cumulative participating interest shall be the ratio of these same expenditures modified, fiscal year by fiscal year, by an annual depreciation coefficient of 10 per cent, so that expenditures incurred more than ten years before shall have a value of nil.

Except in the cases of "increase in participation" described in articles 67 and 68 below, the rights of each of the parties on subsequent discoveries in the block under consideration shall be equal at all times to their corrected cumulative participating interest.

(3) For the computation of cumulative participating interest, whether straight or corrected, the exploration work attributable to the parties at the time of contribution of valid permits (as provided for in annex III of this Protocol) shall be accounted for at face value and attributed to the year of contribution.

*B. Increase in participation**Article 67*

(a) The party which has suffered a dilution in its participating interest may elect to return to the position of its initial participating interest by paying to the other party an amount equal to one and a half times the amount n of its under-payments compared with what it should have remitted to keep at any time its initial participating interest, increased at the rate of 5 per cent per annum. However, such a request to return to one's original participating interest shall be acceptable only if received by registered letter by the other party not later than two months before the first productive zone is discovered in the well (which results in recording a discovery within the meaning of article 35).

(b) After a discovery within the meaning of article 35 on the block under consideration, a party may increase its participating interest in the productive area up to its straight cumulative participating interest, by paying to the other party an amount equal to three times the value of n as defined in the preceding article; this remittance shall result in a party resuming its initial participating interest on the remainder of the block.

Article 68

For the computation of the participating interests referred to in articles 64 to 66, the amounts which make up the under-payments shall be attributed year for year, without increase or multiplier coefficient, to the fiscal years to which they pertain. These increases and additions shall not be taken into account for the computation of the participating interest.

C. *Failure to remit during a fiscal year*

Article 69

If a remittance is late, the Operator shall demand payment from the party in default within 15 days and by registered mail. The amounts unpaid on this date shall bear interest at the rate of 10 per cent per annum from the due date. The amount of this interest shall be credited at the end of each fiscal year to the party which has financed the share of the party in default.

If, notwithstanding this notice, the party in default fails to pay for his share of the expenses pursuant to an approved budget, the other party, on information received from the operator, may give notice (120 days after the notice referred to in the above paragraph, if it has proved ineffective) to the first party that his default shall be treated as an abandonment of all his rights on the block under consideration.

D. *Additional exploration work*

Article 70

Additional exploration work may be undertaken, over and above the approved budget, up to one operation per block for the duration of the exploration stage and up to two operations per year and per party on the mining area taken as a whole.

A party who wishes to undertake additional work on a block in which the other party does not wish to participate shall be entitled to have the work performed by the Operator under the party's sole responsibility and at his sole expense. The data acquired in the course of this work shall be made available to both parties.

This work shall be performed only on a contiguous surface which shall not exceed 1,000 square kilometres and a description of which shall be provided by the interested party to the other party.

Additional work shall not be taken into account in computing participating interest on the block taken as a whole.

If the additional work results in a discovery, only the party which carried out the work shall be entitled to the hydrocarbons produced as a result thereof. Nevertheless, the other party may acquire production rights equal to its corrected cumulative participating interest by paying five times the value corresponding to what would have been its share of the work, increased at the rate of 5 per cent per annum.

Paragraph 3

FINANCIAL PROCEDURE FOR THE CONTRIBUTION OF VALID EXPLORATION PERMITS

A. *Procedure for the transfer of equities*

Article 71

The continuance through the Co-operative Association of the work in progress on exploration permits contributed by the companies which currently hold these permits shall result in the transfer of the equities corresponding to these permits.

To this end, companies which hold the titles shall transfer to F the equities appurtenant to the permits contributed. F shall transfer to A a share corresponding to the participating interest acquired by A on the block under consideration, in accordance with title III of this Protocol. None of the transfers referred to above shall be subject to any levies or taxes.

Notwithstanding the above provisions, companies which are assignees of F, within the meaning of article 3, may retain an equity within the limit of the part which is not transferred to A.

B. *Value of the fixed assets transferred*

Article 72

The contribution value of the fixed assets transferred shall be computed, in the absence of agreement to the contrary, in accordance with the following schedule. This schedule shall be applicable to expenditures incurred on the permit under consideration at cost, but taking into account the revaluations which have taken place, hereinafter called "the expenses".

1. On a permit where one or more fields have been discovered prior to the signing of this Protocol, the discovery shall be appraised by reference to the standards defined in article 35. The contribution value shall vary, depending upon whether the fields discovered are the subject of new concessions issued to the title-holders prior to the contribution of the permit, or whether the permit is contributed without all or part of the fields discovered being subject to a prior concession.

- (a) If the permit is contributed with the discoveries therein not having been the subject of a concession, the contribution value shall be equal to twice the amount of the expenses.
- (b) If all or part of the fields discovered are the subject of a concession, the surface of the permit outside the area under consideration shall be contributed for a value of nil.

2. Expenses shall be separately accounted for on all other permits, for each fiscal year :

- (a) expenses incurred in 1964 and 1965 shall be appraised at full value;
- (b) exploration wells drilled prior to 1964 shall be deemed valueless;
- (c) other exploration expenses taken as a whole shall be valued at the following percentages :
 - 90 per cent of their amount for the year 1963
 - 80 per cent for the year 1962
 - 70 per cent for the year 1961
 - 60 per cent for the year 1960

and so on, the percentage declining at the rate of 10 points per annum.

Article 73

Capital gains resulting from the transfer by the transferor companies at the time of contribution of their exploration permits either in the Departments of North Algeria or in the Departments of Oasis or Saoura shall be recorded in their financial statements and subjected to the taxation provisions of the Saharan Petroleum Code.

F shall be indebted to the transferor companies up to the contribution value of the equity transferred.

This indebtedness shall be recorded in the book under a heading "Advances to F" and may be the subject of reserves up to the amount of the net book value of the fixed assets contributed. Nevertheless, these reserves cannot be created to reduce taxable income at an annual rate higher than one quarter of their book value. Such portion of the amount of the advance as exceeds this net book value cannot be included in a reserve. The capital gain resulting from the above shall be taxable for the fiscal years during which the indebtedness or a portion thereof is reimbursed.

Article 74

The capital losses which may result from the contribution of exploration permits situated either in the Departments of north Algeria or in the Departments of Oasis or Saoura shall be recorded in the financial statements of the transferor companies and subjected to the taxation provisions of the Saharan Petroleum Code.

They shall be amortized against the profits arising from production in the Sahara, in accordance with the rules for the corresponding exploration expenses, established by annex II of this Protocol.

C. Special purchase advances

Article 75

To enable A to purchase the equities transferred, appraised as specified in article 72, F shall make to A a special advance called "purchase advance", which shall be reimbursed under the terms and conditions specified in article 77 below. However, the amount to be reimbursed shall be reduced by a rebate of ten million dinars.

This special advance shall not be taken into account for the computation of the normal advances provided for in article 76 below.

Paragraph 4

ADVANCES MADE BY F TO A TO PERMIT EXPLORATION ACTIVITIES

Article 76

I. Company F shall make a special advance to company A, beginning with an amount equal to ten million dinars, one half of which shall be remitted in 1966 and one half in 1967.

II. At the time of adoption of the annual budget for a block, A may request a cash advance from F equal to a portion of A's financial obligations. With respect to work carried out on an area due to becoming a producing block and subsequent to a commercial discovery within the meaning of article 35, this possibility shall exist only for the discovery well and for the first two appraisal wells drilled on the structure under consideration.

In any event, this advance shall be limited for each block to the lesser of the following :

- (a) F's share of the financial obligation for the year for exploration purposes on the block under consideration;
- (b) Sixty per cent of A's share with respect to the same obligation.

Article 77

The advances referred to in articles 75 and 76 shall be reimbursed from all the discoveries, within the meaning of article 35, and from the time of the first discovery. The reimbursement shall be made by A in kind from its share of crude from all the fields. However, A shall not be required to deliver to F (for the reimbursement of the above advances) more than one quarter of the volumes produced which are owned by A under the terms of article 93 below; for the computation of reimbursement these volumes shall be valued at the average sale price realized by F for its normal share. The corresponding volumes shall be delivered under the terms of article 94 below, and at the rate of A's liftings referred to in the aforesaid article 93.

In the absence of an overlift, within the meaning of article 94 below, this reimbursement shall be made by A in cash and within the same limits.

Paragraph 5

FINANCING BY F

Article 78

F and the assignee companies within the meaning of article 3 may discharge their financial obligation and also make the advances to A provided for in article 76 by such means as they shall select.

In particular, they may do this by means of :

- (1) capital increases, advances or interest-bearing loans from their shareholders—the relative importance of these several means being solely within their discretion;
- (2) loans;
- (3) interest-bearing advances, from concession-holding companies, within the meaning of the Saharan Petroleum Code.

Article 79

The advances referred to in paragraph (3) of article 78, whenever they are made for the purpose of carrying on exploration activities, may be the subject, on the part of the lender companies, of an annual reserve against income from the production of a field which is outside the mining area of the Co-operative Association. These provisions shall not exceed an amount equal to the depreciation which would have been made by these companies at the rates determined in annex II of this Protocol if they had themselves carried on the same type of activity.

No reserves can be opened except for advances made for the purpose of financing F's share of the exploration work, to the exclusion of any advance by F to A. Further,

the advances made for the purpose of financing F's own share of the exploration activities may be the subject of reserves within the meaning of this article only up to an amount equal to 60 per cent of F's expenses.

The amounts in these reserves shall increase the taxable profits of the companies in question as the advances are reimbursed.

Paragraph 6

COMMON PROVISIONS

Article 80

The indebtedness resulting from the advances referred to in articles 75, 76, 78 and 79 and the related reimbursements shall be adjusted to take into account proper changes in the rates of exchange referred to in article 156 below, when such changes take place between the dates when the advances are made and those when the reimbursements take place.

Article 81

F may enter into a joint venture agreement for the exploration of a block with any company or group of companies controlled by French interests and which have contributed exploration permits to the Co-operative Association. This agreement shall give to the company or group of companies rights to the production which shall be deducted from F's share.

A may enter into a joint venture agreement for the exploration of a block with any company or group of companies, which agreement shall give this company or group of companies production rights which shall be deducted from A's share.

The relationship between A and F shall not be altered as a result of the existence of these joint venture agreements.

TITLE V

PRODUCTION AND TRANSPORT

Paragraph 1

PRODUCTION

Article 82

In accordance with the provisions of title II of this Protocol and whenever a well drilled discloses the existence of an oilfield, the Operator shall prepare and submit a discovery report to the Technical Committee within two months from the date on which a producing zone has been reached. He shall submit to the Technical Committee proposals concerning the investments needed to determine the limits of the field.

Article 83

Within the month of the temporary or final determination of the limits of a producing area (arrived at as provided for in article 36) and thereafter before the first day of April of each year, the Operator shall submit to the Technical Committee a report indicating his estimates of the reserves, production possibilities and the investments needed for development, production and transport, so as to arrive at a production programme which shall ensure the development of the field in the best interests of the parties.

This report of estimates shall be transmitted to the Executive Council. It shall be in accordance with sound oilfield practice and shall cover a period of three calendar years from the start of the year where it may be presumed that the necessary means for the transport and tanker loading of the oil will be available.

Article 84

In the light of the report of estimates referred to in the preceding article, the parties shall prepare their oil offtake programmes for the following three years, each for his own account. These programmes shall reflect for the first year of the three-year period the firm offtake request provided for in article 91 below; they shall reflect a forecast for the next two years. They shall be prepared for the first time within two months from the date of submission of the report of estimates referred to above and shall be revised annually six months before the end of each calendar year.

Within the above-mentioned time-limits, the initial or revised programmes shall be transmitted to the secretariat of the Executive Council.

If the addition of both parties' programmes leads to a producing rate which is incompatible with the one arrived at in the report of estimates referred to in article 83, the total programmes shall be reduced to a level compatible with this report; at the time of this reduction, neither party shall have its own programme (within the total programme adopted) reduced below its production entitlements.

Article 85

In arriving at their programmes for each field, and therefore at the offtake requests referred to in articles 90 and 91 below, the parties shall endeavour to ensure the greatest profitability for the Association's fields taken as a whole, in the light of the amounts already invested.

In particular, they shall not, at the time of annual revisions, decrease their offtake programmes on one field while at the same time increasing their request on another, or making a first request on a new field. This request may nevertheless be accepted by mutual agreement, especially if it is justified by an unforeseen drop in the production capacity referred to in article 89 below.

Unless otherwise agreed, where the programmes cause the parties to expect overlifts of volumes from one of the parties pursuant to article 94 below, this party must divide its offtake requests in proportion to its production rights from the several fields; the application of this rule shall nevertheless be without prejudice to the provisions of the preceding subparagraph.

Article 86

The production budget for each field shall include an estimate of the investments needed to meet the total liftings provided for in the programmes defined in the preceding article. It shall be adopted by the Executive Council.

Article 87

The necessary development budget shall be revised each year in the light of the programme revisions provided for in article 84.

Article 88

Each party shall be responsible under the terms of articles 59 to 63 and of article 69 for financing the expenditures provided for in the budget to the extent of its equity on the field computed in accordance with articles 64 to 70.

If a party does not meet all or part of its financial obligations, its equity on the field shall be diluted in the proportion of this default.

Paragraph 2

LIFTINGS

*A. Establishment of a production programme**Article 89*

Not later than 30 April of each year the Operator shall notify the parties of the maximum producing capacity for the following year, on the basis of the production investments already made and the budgeted investments which remain to be carried out. The Operator also shall communicate to the parties all proper information on the development of the technical production possibilities during the following two years, in the light of the investment schedule provided for in the budget.

Article 90

Not later than the first day of June of each year each party shall give notice of its temporary lifting requests for the following year to the secretariat of the Executive Council and to the other party.

The total of the parties' requests shall be deemed to be the total temporary request of the Co-operative Association for the field under consideration.

If the total temporary request exceeds the maximum producing capacity referred to in article 89, this temporary request shall be reduced to the maximum technical capacity, provided however that neither of the parties' temporary requests is reduced below its entitlement from the field.

Article 91

After consultation, and by the first day of July, the parties shall finally determine their firm lifting requests for the following year through the Technical Committee.

The Technical Committee shall adopt the production programme. This programme shall consist of the sum of the firm lifting requests of both parties. The programme shall be communicated to the Operator who shall take all steps necessary to implement it.

Article 92

If the ratio of one party's request to the total lifting requests is higher than each participating interest in the production of the field (computed in accordance with articles 64 to 70), the latter party shall be deemed an "overlifter", and the other party an "underlifter", of the corresponding volumes.

B. Execution of the production and overlift programmes

Article 93

Within the limits of the programme referred to in article 91, each of the parties shall lift production volumes in the proportion of its equities in the field.

The delivery shall take place in the first tanks situated near the producing wells where the production shall be measured in accordance with the usual standards used for hydrocarbon fields. As a result of this delivery each party shall be severally liable for the taxes due on the corresponding volumes in accordance with the provisions of title 6 below.

Article 94

The overlifter must take back from the underlifter a volume known as "overlift" equal to the difference between the production owned by the underlifter pursuant to article 93, hereinafter called the "normal share of the underlifter", and its firm lifting request, corrected as provided for in article 99 below, where applicable.

The underlifter shall be liable for the taxes prescribed in title VI below and for transport up to the tanker loading point of overlifted volumes; the overlifter shall then assume responsibility for them, f.o.b., and free of any commercial, fiscal, or customs encumbrances, at the price specified in the following articles.

Article 95

The overlift price shall depend upon the volumes overlifted as per the following formula :

- for a first portion equal to 25 per cent of the underlifter's normal share, the overlift price shall be the average sales price realized by the overlifter for its normal share of production from the fields of the Co-operative Association taken as a whole;
- for a second portion equal to 15 per cent of the underlifter's normal share, the above price shall be reduced by 5 per cent;
- for a third portion equal to 38 per cent of the underlifter's normal share, the above reduction is raised to 12 per cent;
- for the remainder of the underlifter's normal share, the above reduction is raised to 20 per cent.

The above prices shall be corrected to reflect the applicable differences between the average quality of the overlifted crude and the average quality of the crude from the normal share of the overlifter by means of the following formula :

Corrected price per barrel = price before correction plus or minus the amount of \$0.02 multiplied by the difference of the API degrees.

Article 96

The overlift requirements specified in article 94 and the prices referred to in article 95 shall be applicable only within the limit of a normal annual share of the underlifter equal to 5 million tons for the fields held by the Association taken as a whole. As from 1975, the first portion shall be reduced by 5 points per annum; as from 1980 the second portion shall also be reduced by 5 points per annum.

Article 97

All volumes delivered by A to F pursuant to article 77 shall be chargeable to the first portions of the volumes overlifted by F from A's share. In the absence of overlift or if the overlifted volumes are not sufficient, the volumes delivered in repayment of the advances shall be charged against A's firm lifting request.

In all other cases, these volumes shall be appraised at the overlift price without reduction, even if such price exceeds the portion to which it is applicable.

Article 98

If the production capacity is lower than the programme specified in article 91, the parties' liftings shall be reduced proportionately.

If the production capacity exceeds the programme defined in article 91, the additional volumes may be lifted on the following terms :

(a) If the parties' lifting requests are in the same proportion as their equity in the field, each party may request all or part of the additional volumes. Conflicting requests shall be met in the proportion of each party's right to the production, provided there shall be no obligation to overlift within the meaning of article 94 after overlift by either party.

(b) If a party is required, under the terms of article 94, to overlift part of the other party's volumes, only the first party shall lift extra volumes, in addition to its share, without prejudice to the provisions of article 99 below.

Article 99

Following the adoption of the production programme referred to in article 91, the underlifter may request the overlifter to reduce the volumes to be delivered to compensate for the overlifts beginning with the seventh month following the date of this request; the underlifter shall thereby increase his firm lifting request.

If the overlifter rejects this request, and provided that the production capacity exceeds the programme specified in article 91, both parties may make requests for lifting all or part of the additional volumes, in accordance with subparagraph (a) of article 98.

Article 100

Volumes lifted within the last 15 days of one year or the first 15 days of the next year may be deemed to have been lifted during either year, if either party so elects for its own account.

*C. Financing production expenses**Article 101*

Production expenses shall be financed by each party in proportion to the volumes corresponding to their production equity, plus the additional volumes lifted pursuant to article 98.

*D. Freedom of export**Article 102*

F may freely export all of its own production, provided the requirements for the internal consumption and refining needs of Algeria are met.

However, the Algerian State shall not request F to meet these needs as long as F overlifts part of A's volumes.

In the absence of overlift, F may settle its applicable obligations to deliver volumes to Algeria by electing to use one of the following means :

- turning back to A for this purpose the volumes overlifted after 1 January 1970 at the prices applicable at the time of overlift, corrected, as appropriate, by the ratio of the exchange rate on the dates under consideration;
- making direct deliveries itself.

Paragraph 3

PIPELINE TRANSPORT OF LIQUID HYDROCARBONS

Article 103

The parties shall be entitled to transport their liquid hydrocarbons production under normal economic conditions.

Article 104

Each party shall transport, or cause to be transported, its own production as defined in article 93 by any means that it may, own, rent or use; it must offer to the other party, without any discrimination in price and in the proportion corresponding to the respective entitlements from the producing fields, any means of transport thus acquired.

Article 105

If it is impossible to find sufficient means of transport under normal economic conditions and within a period of time not greater than that needed to build a pipeline, the parties shall be entitled to build a pipeline which shall be their joint property; this pipeline shall be financed by the parties in the proportion of their respective entitlements to the fields which are to be connected to the coast.

In any event, the parties shall have the right to build jointly any connecting pipelines needed to ensure the gathering of products and their transport to the main pipelines in operation.

Article 106

The Algerian State shall give to the parties the authorization required and the facilities necessary for the execution of their transport rights as defined above.

Paragraph 4

PROVISIONS PERTAINING TO GASEOUS HYDROCARBONS

Article 107

Gaseous hydrocarbons, originating from fields within the Co-operative Association's mining area, shall be subject to the rules and regulations of this Protocol, without prejudice to articles 108 to 122 below.

Article 108

The rules for the production of the fields shall be different, according to whether the objective of a particular operation is primarily the supply of the French market or the supply of the Algerian or other markets.

A. *Supplies moving primarily to the French gas market**Article 109*

If F desires to supply the French gas market, it shall specify the fields from which the gas is to be produced.

If the balance of a supply operation for the French market makes it necessary to deliver excess volumes to other markets, these volumes shall be produced from designated fields and shall be up to one half of the quantities to be supplied to France, unless the Executive Council decides that this quantity is to be exceeded.

Contracts which pertain either to the volumes to be supplied to the French market or to the excess volumes shall be negotiated and executed on behalf of A and F by the joint company referred to in article 11 of the title pertaining to gas in the French-Algerian Agreement on Hydrocarbons; thereupon this company shall act as the parties' agent.

Article 110

Company F shall grant company A an option to participate in the total deliveries, including the excess deliveries, up to an amount of one half the volumes to be supplied or a percentage equal to A's equity on the fields under consideration, provided this equity amounts to more than 50 per cent on all these fields.

At the time of granting the option, F shall communicate to A a copy of the contract and all information pertaining to the technical, economic and financial data concerning the operation.

The option must be exercised within a limit of three months from the time it is granted; it shall lapse on the expiration of this time-limit.

Company A shall determine its participation in the deliveries within the maximum limits made available to it under the terms of this article.

Article 111

The overlifter of gas (the party which lifts higher volumes than correspond to its equity in the field) shall pay to the other party the ex-field price for the lifted volumes which exceed the base price established by article 6 of the title pertaining to gas in the above-mentioned Agreement on hydrocarbons, with the exclusion, in all cases of item (c).

Article 112

The parties shall finance the expenses pertaining to the field in proportion to their equity in this field.

Article 113

Unless the parties otherwise agree, the successive steps followed by the gas on its way from the field to the market, including its liquefaction, if any, shall be carried out by the joint company referred to in article 11 of title II of the French-Algerian Agreement on Hydrocarbons. A and F shall make available such financial aid to the joint company as is necessary to carry out this operation.

Unless the parties agree otherwise, Algeria shall be responsible for overland transport between the field and the liquefaction plant. The tariff for overland transport shall be jointly agreed upon, and it shall be the total of the following items :

- operation expenses, including financial expenses;
- real depreciation computed at the rates specified in annex II of this Protocol;
- a fair return on capital invested.

The joint company shall charge the parties at cost for this operation, including financial charges and a return on capital. When the transport of gas takes place through an international pipeline extending into French territory, the parties nevertheless may decide on other means of transport of their own choice. In any event, export through an international pipeline shall be subject to the prior agreement of the Algerian Government.

Article 114

A tax of 50 per cent shall be levied on any profits which may result from this operation.

*B. Supplying other markets**Article 115*

Only company A may decide to produce gas for any supply operation to the Algerian gas market or to foreign markets other than the French market. Only A may take the initiative and full responsibility for the negotiation and execution of agreements or contracts pertaining to the sale of gas for the above purposes.

Article 116

The parties shall be responsible, in proportion to their participating interest on the block under consideration, for the necessary field expenses required to carry out the supply operation decided upon by A.

Article 117

F shall deliver the gas to A, ex-field, at the price determined in article 6 of the title pertaining to gas in the French-Algerian Agreement on Hydrocarbons.

Article 118

With respect to export to markets other than France, A shall grant to F an option to participation in downstream operations from the field up to delivery to the purchaser. The option participation shall be equal to four tenths of F's share in the gas supplies. This option shall be granted on the condition that F shall participate for the same fraction in the expenses which would be incumbent upon A if the option is not exercised. In consideration thereof, F shall be entitled to a return after tax equal to 20 per cent of the profits realized on its share of the supplies.

The profit realized within the meaning of this article shall be defined as the difference between the sales price to the purchaser and the ex-field price as specified in article 117, plus the cost of the various steps involved between the field and delivery. This cost shall be the total of the following items :

- operation expenses, including financial expenses;
- real depreciation;
- a fair return on capital invested.

Unless the parties agree to the contrary, Algeria shall be responsible for overland transport between the field and the liquefaction plant. The transport price shall be agreed upon; it shall be arrived at as specified in article 113.

At the time of granting the option, A shall communicate to F a copy of the contract and all information pertaining to the technical, economic and financial data concerning the operation. The option must be exercised within a limit of three months from the time it is granted. It lapses on the expiration of this time-limit.

Article 119

If F should elect not to acquire a participating interest in operations downstream from the field or in the field itself, it shall be entitled, upon request, to demand from company A the purchase of F's share in the field under consideration. The purchase price shall be set at the amount of exploration expenses incurred by F on this field, these expenses being appraised at book value. The amount of the purchase price shall be added to the advances referred to in article 75 of this Protocol. Nevertheless, upon expiration of a period of ten years from the discovery of the field under consideration, company A shall not be required to pay any price if F should request A to take over its interest in the field.

The capital gains or losses which may result from the transfer of F's equity to A shall be accounted for in the tax year in which they are recorded.

Article 120

Notwithstanding the preceding provisions, the parties shall be free to enter into any agreement modifying the provisions pertaining to supplies to foreign markets other than the French market.

*C. Liquid products extracted from fields which primarily produce gas**Article 121*

The Operator shall deliver the gas to the parties, ex-field, after separation of liquid products which are regulated generally by the provisions pertaining to petroleum in this Protocol.

Liquid products extracted from fields which primarily produce gas shall be shared between A and F in proportion to their participating interest in the said fields.

The party which has demanded the production of a gas field shall, if the other party so elects, lift all or part of the liquid products owned by the latter; this overlift shall be accomplished under the terms of articles 95 to 97 of this Protocol.

*D. The use of gas for the secondary recovery of liquid hydrocarbons**Article 122*

The Executive Council may decide to produce gas for use in the secondary recovery of liquid hydrocarbons, particularly through the maintenance of pressure in the fields by injection and methods known as "gas-lift".

TITLE VI

TAXATION PROVISIONS

Paragraph 1

THE TAXPAYERS

Article 123

The provisions of this title shall apply to all of the activities carried out by companies A and F and the assignee companies within the meaning of article 3, pertaining to the development of the mining area defined by this Protocol.

Article 124

The account books of companies A and F and of the assignee companies within the meaning of article 3, pertaining to the transactions referred to in this Protocol, shall be kept in accordance with the accounting procedure specified in annex II of this Protocol. A, F and the assignee companies shall keep separate account books for the activities described in this Protocol. They shall prepare a profit and loss statement and a balance sheet which shall reflect operating profits and losses as well as assets and liabilities appurtenant or directly related thereto.

Paragraph 2

INCOME TAX AND APPLICABLE PRICES FOR THE COMPUTATION OF GROSS REVENUE

Article 125

Companies A and F and the assignee companies within the meaning of article 3 shall be subject to a tax equal to 55 per cent of their profits resulting from their exploration, production and transport operations carried out under this Protocol. This rate, however, shall be reduced to 50 per cent for the portion of the profits resulting from the sale of gaseous hydrocarbons.

Whatever the profitability of any fiscal year, the amount of the tax shall not in any event be less than one eighth of the gross revenue, ex-field, with respect to liquid hydrocarbons, and one twentieth of the gross revenue, ex-field, for gaseous hydrocarbons. If a loss is reported for the fiscal year, the minimum tax provided above shall not be included in the loss carry-forward permitted as a deduction from profits in the following fiscal years.

The gross revenue, ex-field, referred to in the preceding subparagraph shall be equal to the gross revenue at tanker loading or delivery point, corrected, if applicable, as provided for in article 127. This figure shall also be reduced by handling expenses and charges, for storage and loading expenses downstream from the principal gathering centre, and by appropriate transport expenses and charges whenever the transport is not carried out by the taxpayer.

Article 126

The rules and regulations of the Saharan Petroleum Code shall apply to the computation of taxable income and tax assessments unless this Protocol provides otherwise.

The rules pertaining to the payment of the minimum tax shall be those provided in the Saharan Petroleum Code for the royalty payable in cash.

Article 127

The assessed value of the products for the purpose of calculating taxable income, as provided for in article 131 below, shall be determined as follows :

- (a) actual realizations with respect to gaseous hydrocarbons;
- (b) actual realizations with respect to liquid products derived from the production of gaseous hydrocarbons, provided, however, that Algeria shall have the pre-emptive right defined in the penultimate paragraph of article 6, II, of the general Agreement on Hydrocarbons;
- (c) actual realizations for sales made at the request of the Algerian State, either to meet the needs of Algerian consumption or under commercial agreements between Algeria and other countries. However, this subparagraph shall not apply if the sales price arrived at under the terms of the commercial agreement is not less than the average export price (f.o.b. Algerian port) of the companies to the country under consideration and if this sales price is less than the corresponding reference price, as defined in the next subparagraph;
- (d) if, for any particular company, the average annual sales price (computed without taking into account the sales referred to in subparagraphs (a), (b) and (c) above) is lower than the reference price defined in the following subparagraph, the average price is increased to the level of the reference price.

The reference price shall be equal to the average of the following prices, weighted for the volumes of crude of various quality sold at each terminal :

\$2.095 per barrel f.o.b. Arzew for a crude of 40° to 44.5° API,

\$2.08 per barrel f.o.b. Bougie for a crude of 40° to 44.5° API,

\$2.04 per barrel f.o.b. La Skhirra for a crude of 40° to 44.5° API,

corrected downward by \$ 0.015 per barrel per API degree below 40° API or above 44.5° API and by a difference of quality, if any, substantiated by the company and agreed to by Algeria.

- (e) for the delivery of crude to be manufactured into finished products and exported from Algeria, the reference price shall be computed c.i.f. the refinery and shall be equal to the reference price f.o.b. defined in subparagraph (d) above and pertaining to the nearest Algerian port.

Article 128

When the cumulative production of the Co-operative Association reaches 20 million tons, the two Governments shall review the situation together with a view to determining whether it is appropriate to revise the price applicable to the computation of the income

tax. Unless the parties otherwise agree, this revision shall become effective from the date when this production level has been reached.

For the purposes of this review, any changes in competing crudes which could affect the competitive position of Algerian oil shall be taken into account. In particular, applicable freight, quality and tax differentials shall all be considered, as well as any changes in the production costs of Algerian oil.

The changes which may be agreed upon shall be recorded in an exchange of notes between the two Governments.

Paragraph 3

COMPUTATION OF TAXABLE INCOME

Article 129

Net taxable income shall be defined as the difference between net worth at the end and at the start of the fiscal year, minus the amount of additional investments in goods or in cash recently made by the company for the purposes specified in article 125, and plus the value of any goods or cash diverted by the company from these purposes.

Net worth shall be defined as the excess of assets over the total liabilities which include amounts payable, depreciation and justified or authorized reserves.

The duration of a fiscal year shall not exceed 12 months. If it is 12 months, it shall coincide with a calendar year. If less than 12 months, the fiscal year must be included within one calendar year.

Article 130

Inventories shall be appraised at cost or at the prevailing price on the last day of the fiscal year, if this price is less than cost.

Work in progress shall be appraised at cost.

The investments or diversions of goods and cash specified in article 129 shall be entered in the books at the market value of the assets contributed or diverted. However, for each transaction which results in a capital loss with relation to book value, the company shall substantiate its appraisal to the appropriate Algerian agency which may in any event correct it in accordance with applicable rules and regulations. Net book value shall be the basis of transfers between two areas developed by the same company and situated in Algerian territory; the same rule shall apply if the transfer is between two affiliated companies.

Article 131

The following shall be credited to the profit and loss statement described in article 124 :

- (1) the value of products sold, determined as specified in article 127;
- (2) income from transport carried out for the account of third parties;

- (3) capital gains resulting from the sale or transfer of any assets without prejudice to the provisions of Decree 62-188 of 16 February 1962, but only if the capital gains are reinvested exclusively in Algeria;
- (4) any other income or products directly connected with the activities described in article 125, including, where applicable, income derived from the sale of by-products.

Article 132

The following shall be debited to the profit and loss statement described in article 124 :

- (1) cost of material, supplies and energy used or consumed, the wages of employees and appurtenant charges, the cost of services furnished by third parties;
- (2) depreciation entered in the books by the company within the maximum rates in annex II of this Protocol, including depreciation from earlier years carried forward from a loss year;
- (3) overhead expenses pertaining to the activities listed in article 125, including in particular organization expenses, rental fees for personal and real property, and insurance premiums;
- (4) interest and premiums payable on the debts incurred by the company, in particular under the terms of title IV of this Protocol, up to a maximum of 8 per cent of the amount of the indebtedness and, with respect to indebtedness due directly or indirectly to shareholders and associates, only to the extent where the total amount of this indebtedness does not exceed 100 per cent of the equity capital. This latter limitation shall not apply to the advances specified in paragraph (3) of article 78, provided part of the interest and premiums are included by the lender company in its operating profits taxable in Algeria, and provided further that these advances do not result in an increase in the liabilities of the lender company towards third parties;
- (5) losses in materials or goods resulting from destruction or damage, assets which have been waived or abandoned in the course of the year, bad debts, and amounts paid to third parties as damages;
- (6) reserves made for the purpose of meeting subsequently well-defined losses and charges which the current course of events made probable, provided they are actually entered in the books during the fiscal year, and provided they appear on the list of reserves submitted to the tax administration, but excluding, such reserves as are made to provide for the possible devaluation of the dinar;
- (7) any other losses or charges directly connected with the activities listed in article 125, but excluding the income tax computed in accordance with article 125, or the minimum tax provided for in the second paragraph of article 125.

Article 133

In the event of a change in the rate of exchange applicable to the dinar, the net exchange gain or loss accruing to the companies concerned, as a result of transactions

initiated prior to the change in this rate but not yet completed at that time, shall be reflected in the taxable income of the fiscal year when these gains or losses were recognized.

Capital gains or losses arising from credits, debts or bills and notes written in currency other than the dinar shall be entered on the balance sheet as a special item. Capital gains shall be entered as a liability (as if a revaluation gain) and shall not be taken into account in the computation of taxable income. Capital losses shall be entered as an asset and shall not be deductible for income tax purposes.

Article 134

Work obligations, fixed assets and corresponding depreciation may be simultaneously revalued in the following manner.

At the end of each fiscal year, the Executive Council shall review the need for applying revaluation coefficients to the items originating from previous fiscal years and listed in the above paragraph.

To arrive at this coefficient, changes in the unit cost of the different items making up exploration and production costs shall be taken into consideration.

The Executive Council shall proceed with the revaluation if the industrial wholesale price index, published or applicable in Algeria for the fiscal year under consideration, exceeds by more than 10 per cent the appropriate index for 1 January 1966 or the appropriate index for the last fiscal year for which a revaluation was decided. In the absence of an available index, the Executive Council shall assume the same obligation whenever the average unit costs referred to above and considered as a whole shall exceed by at least 10 per cent those existing on 1 January 1966 or those pertaining to the last fiscal year for which a revaluation was decided.

Capital gains resulting from this operation shall be entered in the books as a special revaluation reserve which shall be free of tax. Subsequent depreciation shall be computed on revalued amounts.

Paragraph 4

OTHER TAXES

Article 135

The companies specified in article 123 shall be exempt from any direct tax on the profits resulting from their producing activities, whether these taxes are imposed by the State, by a public body or by any other public agency. This exemption shall extend to the operations specified in article 125 and, with respect to exploration and production activities, shall extend to the tax on occupational activities imposed by article 242 and the following articles of the Algerian direct taxes code.

In particular, the tax status referred to in the above paragraph shall result for the enterprises concerned in the exemption of any tax imposed on the distribution of profits originating from the activities specified in article 125. Amounts thus remitted to legal persons shall be exempted from the taxes which would otherwise be payable by them,

whether on account of the income arising from the remittance, or on account of any distribution to their own shareholders or partners.

Article 136

Materials and equipment used, as well as services performed, in connexion with the activities specified in article 125, and which are specified in Decree 59-1160 of 16 September 1959, shall be exempt from any and all duties other than customs duties and from all turnover taxes.

Article 137

No customs duties shall be due on the import into Algeria of materials, equipment and industrial products intended to be used and actually used for the purposes described in article 125, provided, however, that these items do not appear on the list, to be prepared by the Algerian administration, of materials and products which may be intended to be used for these purposes and manufactured in Algeria, and provided further that, if they appear on such a list, they shall nevertheless be exempt from customs duties to the extent that the enterprises concerned can prove that it is impossible to acquire them under similar conditions of quality and time delivery.

The provisions of this article shall apply to the companies specified in article 123 and to service companies to the extent that the latter are working for the account of the former.

Article 138

Any agreement, instrument or contract entered into under the terms of titles III and IV of this Protocol, either between A and F or between F and the assignee companies, shall be exempt from any recording or transfer tax, provided however that such agreements, instruments and contracts have been entered into within a maximum time-limit of 30 months from the entry into force of this Protocol.

The interest on advances listed in title IV of this Protocol shall be exempt from any taxes on instruments of indebtedness or equivalent taxes within the maximum amount of the advances made by F to A.

Article 139

Without prejudice to the provisions of articles 134 to 138 above, the companies specified in article 123 shall be subject, in respect of the operations specified in article 125 and of the goods used in these operations, to any other taxes, duties and charges applicable under the law, provided the rates applicable and procedures followed are not discriminatory against them.

In the event that, as a result of changes in the computation of taxable income or in the rates of taxes, charges and levies due under the law, or the imposition of new taxes, charges and levies of any kind whatsoever, the tax burden imposed on the companies specified in article 123 for any particular fiscal year exceed by more than 40 per cent (as calculated in this paragraph) the tax burden which would be applicable for the same

taxable year (consisting of the taxes, charges and levies which existed on 31 December 1964, other than the tax specified in article 125), the portion of these taxes, charges and levies which exceeds the 40 per cent increase referred to above shall be credited against the tax provided for in article 125.

The provisions of the preceding subparagraph shall not apply to taxes or fees for services rendered, provided the said taxes and fees are fair and equitable in the light of the services rendered and are non-discriminatory.

TITLE VII

MISCELLANEOUS PROVISIONS

Paragraph 1

PERSONNEL

Article 140

Company F and the assignee companies within the meaning of article 3 and nominee operating companies under the terms of article 16 shall have full freedom of selection, access and movement for their employees, provided they comply with the provisions of this paragraph and subject to non-discriminatory laws and regulations applicable to natural or legal persons in Algerian territory.

Article 141

The companies referred to in the preceding article shall recruit employees according to their needs. For equivalent salaries they shall give preference to Algerian personnel, whether executive or non-executive personnel, provided however that, in each instance, these individuals have equivalent technical skills and experience equal to that required of French personnel for the position under consideration. The companies specified above shall remain subject to their own managerial and operating standards.

Article 142

F and the assignee companies shall participate actively in the training of Algerian personnel. To this end, and in addition to the training activities of the Algerian State (in which they are required to take part under conditions which are non-discriminatory towards them), F and the assignee companies shall organize for these individuals training courses appropriate to each case, both from the standpoint of giving occupational training in the methods of the oil industry to technical personnel, and from the standpoint of further technical training and practical experience for engineers and executives. These training courses may be held either in Algeria or in France, particularly with respect to training programmes organized by F, by the shareholders of F, or by the Institut français du pétrole, provided, however, that the personnel which shall thus be absent from the company shall not exceed, at any one time, 10 per cent of the total number of Algerians employed.

Article 143

Without prejudice to the provisions of article 141, the companies specified in article 140 shall be free to use such personnel as they deem necessary for their operations, when such personnel are made available to them by their shareholders or their branches situated outside Algeria, under two-year renewable contracts.

Under the terms of the above subparagraph, these companies shall be free to use personnel made available to them which may amount to 50 per cent of the engineers, executives, foremen and equivalent personnel used in Algeria. This percentage shall be reduced to 25 per cent after five years.

However, the Executive Council may authorize exceptions to the above, allowing the companies to exceed the said percentage in the light of the existing opportunities for recruiting Algerian personnel.

Paragraph 2

EXCHANGE CONTROL

Article 144

Company F and the assignee companies within the meaning of article 3 shall retain in Algeria the realizations of their actual Algerian sales, with the exception of profits after taxes and overhead for their main office, without prejudice to the provisions pertaining to the interim period referred to in article 145 below.

To provide for the payment of these profits and overhead expenses, the above companies shall be free to retain outside Algeria 25 per cent of these sales realizations.

These figures shall be adjusted, as necessary in accordance with the actual profits and losses reflected by the books of the above companies and prepared at the end of each fiscal year after the financial statements of the Co-operative Association have been approved.

This adjustment shall be made as follows :

- if the actual profit and loss statements indicate that the provision made was excessive, the above companies must repatriate the corresponding difference within a period of one month from the date of the approval referred to above;
- if the profit and loss statements indicate that the provision was inadequate, the companies shall receive from the Banque centrale d'Algérie (and within a month from the date of approval referred to above) a transfer authorization in the amount of the inadequacy.

Article 145

Article 144 shall become effective at the end of an interim period consisting of two stages :

- (a) during the first stage which shall end three years from the beginning of the first consecutive three-month period during which the Co-operative Association's crude oil production has reached or exceeded a rate corresponding to an annual production

of one million tons of crude, company F and the assignee companies within the meaning of article 3 shall be free to retain outside Algeria a portion of their Algerian sales realizations equal to 40 per cent;

- (b) during the second stage, which shall last two years from the end of the first stage, the percentage of sales realizations which may be retained outside Algeria shall be reduced to 32.5 per cent.

The Executive Council shall review the need either to modify the duration of one or both of the above-listed stages, or to determine a different percentage of the sales realizations which may be retained outside Algeria, or combining these two steps. In implementing these provisions the Executive Council shall give due consideration to the following criteria :

- profits of the Co-operative Association,
- availability of goods and services in Algeria under the terms prescribed in article 19 subparagraph (d).

Article 146

Actual Algerian sales realizations means the total amount of domestic sales and export sales at their value f.o.b. or at the Algerian border.

Article 147

I. To enable control of the repatriation obligations prescribed by articles 144 and 145, the above companies shall submit to the Banque centrale d'Algérie at the end of each month a summary statement of their exports for the preceding month and the ensuing repatriation requirements.

The amounts required must be repatriated to Algeria within a maximum of 90 days from the last day of the month under consideration.

This repatriation shall be considered effective only if the two following conditions are met :

- (1) The amount in Algerian currency is credited to the account of company F or of the assignee companies with a bank established in Algeria;
- (2) The counterpart of this credit is disposed of through :
 - debit of a French franc or convertible currency account with a foreign correspondent of the bank receiving the funds which is established in Algeria;
 - transfer of French francs to the Banque centrale d'Algérie by crediting its account with the Banque de France in Paris;
 - sale of convertible currency on the Paris exchange market and crediting the proceeds in French francs to the account of the Banque centrale d'Algérie with the Banque de France;
 - debit of a franc area account maintained in Algeria or of a foreign account.

II. If, for any one month, it appears that the proportion of the sales realizations retained in Algeria is higher than the corresponding repatriation requirements, the above companies shall be free to credit this excess against their repatriation requirements which shall arise from exports during subsequent periods.

On the contrary, in the event that the proportion of the actual sales realizations retained in Algeria is lower than the repatriation requirements, the above companies shall be allowed 10 more days to settle their obligation.

Article 148

At their request, the above companies shall receive transfer authorization up to the excess of the amount of remittances arising from domestic sales (within the month the excess is remitted), over the amount of the remittances which they are required to retain in Algeria under articles 144 and 145.

To this end, the above companies shall submit at the end of each month a summary statement of their domestic sales for the month under consideration.

Article 149

Non-Algerian personnel employed in Algeria by company F, assignee companies within the meaning of article 3, and operator companies, shall have the right to remit abroad their savings from salaries so as to receive in French francs the amounts equivalent to those which French civil servants assigned to Algeria for the purpose of technical co-operation are in fact entitled to receive, without prejudice to the payment procedures applied to the salaries of these civil servants.

Further, personnel assigned outside the coastal departments of Algeria shall be free to transfer the entire amount of their foreign service premium.

Article 150

The following procedure shall be followed for the transfer into French francs of reimbursed advances made by company F to company A :

For checking purposes, the Banque centrale d'Algérie and company F shall keep a special French franc account reflecting F's advances to A to be retransferred.

This account shall be credited with the funds transferred to Algeria for the purpose of financing F's advances to A referred to in article 76; the crediting of these funds to the special account shall exclude any credit to the account referred to in article 151 below; further, the funds transferred in this manner shall not be considered in the repatriation referred to in article 147.

This account shall be debited as follows :

- (1) in the amount of the transfer authorization which company F is entitled to receive from the Banque centrale d'Algérie up to the amount of the cash reimbursement made by company A in payment of the above-mentioned advances.
- (2) the value of the volumes delivered by Algeria in reimbursement of the said advances determined as prescribed in article 97.

The account established under the terms of this article shall never show a deficit.

Crude oil delivered by A to F as reimbursement in kind of advances made by F shall be received by F free of any repatriation obligations for as long as the account established under this article shows a credit.

Article 151

Company F, and the assignee companies within the meaning of article 3, shall keep a French franc account where the transfers to Algeria of the funds intended for the financing of exploration and development expenses shall be credited and where the subsequent repatriation of these amounts to their country of origin shall be debited.

This account shall be balanced on 31 December of each year.

The above companies shall be entitled to repatriate to France the funds originally transferred to Algeria pursuant to the first subparagraph of this article, but only up to 15 per cent of these funds per annum. This transfer entitlement may be deferred, provided that the amounts thus repatriated do not exceed 20 per cent of these funds during any one year for the first five years from the effective date of this Protocol, and 30 per cent thereafter.

Article 152

The above companies shall receive from the Banque centrale d'Algérie, up to the amount of the credit balance of the account described in article 151, the authorizations necessary for :

- (1) the payment of the imports into Algeria made in compliance with Algerian foreign trade regulations;
- (2) the payment of services rendered abroad.

Article 153

From the effective date of article 144, the above companies shall receive the transfer authorizations required to cover the interest charges or connected expenses resulting from indebtedness or advances entered into outside Algeria for the purpose of financing the activities provided for in this Protocol.

Article 154

From the effective date of article 144, payment of the imports of goods into Algeria and the services rendered outside Algeria to meet the needs of the Co-operative Association shall be made in compliance with Algerian exchange and foreign trade regulations.

Consequently, the above companies shall receive the transfer authorizations necessary to make these payments.

Article 155

Specialized service companies, which are parties to contracts entered into with Operators under this Protocol, shall receive one transfer authorization for each contract and prior to its implementation. This authorization shall be in an amount permitting the payment of the foreign expenses directly appurtenant to the contract under consideration, both with respect to variable and fixed expenses and to expenses reflected in the depreciation of equipment imported without making payment therefor.

The Banque centrale d'Algérie or the approved intermediaries which have special authority to do so shall issue this authorization within 30 days from the date of request. The authorization shall be issued upon the technical advice of the Executive Council which shall estimate the percentage of the amount of the contract which should appropriately be transferred.

Upon expiration of their contracts, the said companies shall be free to re-export without tax the materials imported without having made payment therefor.

“Specialized service companies” within the sense of this article shall mean only the companies which perform the activities referred to in article 2 of Decree 59-1160 of 16 September 1959.

Article 156

All financial and commercial payments made in connexion with the transactions provided for in this Protocol, and in particular the transfers provided for in this title, shall be effected on the parity basis officially declared to the International Monetary Fund (IMF) and recognized by it.

In the absence of a parity recognized by IMF, the rate applicable to the operations referred to above shall be that determined by the Algerian authorities for all financial and commercial payments in Algeria.

If there are multiple exchange rates, purchases and sales of all currency, including the French franc for dinars, which shall take place within the framework of the operations referred to above, shall be carried out at the same rate of exchange. This shall be the rate applicable to the most-favoured exporter.

Paragraph 3

MEDIATION AND ARBITRATION

Article 157

Any provisions to the contrary notwithstanding, all disputes and controversies in respect of the interpretation, application or execution of the clauses of this Protocol and its annexes between :

- (a) the Algerian State and company F,
- (b) companies A and F,

shall be resolved by an international arbitration tribunal.

Disputes and controversies between the Algerian State and company F shall be first submitted to a mediation commission.

Article 158

The mediation commission and the arbitration tribunal shall have a common permanent secretariat under the joint authority of an official appointed by the Algerian Government and an official appointed by the French Government.

*A. Mediation**Article 159*

Whenever the dispute or controversy pertains to a matter of which one of the parties has given notice to the other, or results from the expiration of a time-limit provided for by the relevant documents, the mediation proceedings shall start within a maximum time-limit of two months from the date of notification of the action to be taken or the expiration of the time-limit.

The mediation proceedings shall be initiated by registered letter, with return receipt requested, mailed by the plaintiff to the other party and at the same time to the permanent secretariat of the mediation commission and the arbitration tribunal, hereinafter referred to as the permanent secretariat. The mediation request shall include a statement setting forth the plaintiff's claims and shall have attached to it all substantiating documents which he deems appropriate.

Article 160

Within 30 days from the date of the registered letter initiating the mediation proceedings, each party shall appoint its mediator and advise the other party and the permanent secretariat of this designation at the same time. The two members of the commission appointed in this manner shall appoint, by mutual agreement, a third member of the commission, who shall be its chairman, within a time-limit of 15 days from the appointment of the second member.

If the mediators appointed by the parties cannot agree, or if the defendant has failed to appoint his mediator, the President of the Supreme Court of Algeria or, if he fails to act, one of its Vice-Presidents beginning with the senior one, shall, at the request of the most diligent party, make this appointment within 45 days.

Article 161

If he is appointed by the President or by a Vice-President of the Supreme Court the chairman of the commission must be selected from among the members of the Permanent Court of Arbitration and must not be or have been of the same nationality as either party.

Article 162

Unless otherwise agreed by the parties, the mediation proceedings shall be held at Algiers.

Article 163

If the plaintiff does not give notice of the appointment of his mediator to the other party and to the permanent secretariat within the time-limit and in accordance with the procedures established by article 160, he shall be deemed to have waived his claim.

If the defendant does not appoint his mediator within the same time-limit, the proceedings shall continue as soon as the appointment of the chairman of the commission

by the President or a Vice-President of the Supreme Court is made known to the parties. Nevertheless, the defendant shall have an additional 10 days to appoint his mediator from the date of notification of the appointment of the chairman.

Article 164

Upon the expiration of this time-limit, the chairman of the commission shall be free to proceed with the investigation, to request the parties to produce all appropriate documents, to hear all witnesses, to appoint all experts, to prescribe their duties and to set a time-limit for the submission of their reports.

Article 165

Unless the parties otherwise agree, or the commission unanimously so decides, the mediation recommendation shall be made known within 120 days from the date of the appointment of the chairman of the commission.

Article 166

If there are three mediators, a majority shall decide. Where the votes are evenly distributed, the chairman shall have the casting vote.

Article 167

The recommendation shall state the grounds on which it is based. If a mediator is not in agreement with his colleagues, he may, if he so desires, make his opinion known to the parties.

Article 168

Mediation shall be deemed to have failed if, within a month following notice of the recommendation to the parties, both parties have not given notice to each other and to the permanent secretariat of their acceptance of the recommendation. It shall also be deemed to have failed if the commission cannot be constituted within the time-limits prescribed in article 160.

Article 169

The mediation fees and expenses shall be determined by the chairman of the commission and shared by the parties.

Article 170

The initiation of mediation proceedings shall result in the discontinuance of the disputed action. Nevertheless, when the dispute concerns the application of articles 57 and 58 of this Protocol, the initiation of the mediation proceedings shall not result in the discontinuance of the action involved.

B. Arbitration*Article 171*

In the event of failure of the mediation proceedings for the settlement of disputes and controversies between the Algerian State and company F provided for in articles 159 to 170, or in the event of failure of the mediation proceedings provided for in article 10 for disputes or controversies between companies A and F, the dispute or controversy shall, at the request of either party, be submitted, within the three months following the failure of the mediation proceedings, to the international arbitration tribunal, the organization and procedures of which shall be governed by the following provisions.

Article 172

(a) Recourse to arbitration shall take place through a request stated in a registered letter, with return receipt requested, sent by the plaintiff to the other party and at the same time to the permanent secretariat of the tribunal.

The permanent secretariat shall enter the recourse on the docket. The proceedings shall be deemed to have started one full day following the entry of the recourse on the docket made by the permanent secretariat. Where the recourse is not entered on the docket, or in the event of a dispute as to the date of such entry, the proceedings shall be deemed to have started on the sixth day following the mailing of the registered letter, with the date appearing on the receipt to the sender being conclusive for all purposes.

(b) Within 30 days from the start of the proceedings, each party shall appoint a member of the tribunal and give notice of this appointment to the other party. The two members of the tribunal appointed in this manner shall, within 30 days from the date of the appointment of the second of them, appoint in turn by mutual agreement a third person who shall constitute the tribunal together with them and who shall preside over this tribunal; notice of these appointments shall be given to the permanent secretariat.

Article 173

(a) If the chairman of the tribunal has not been appointed within 30 days from the date of appointment of the second arbitrator, the President of the International Court of Justice shall be requested to proceed with this appointment within the same time-limit, on the motion of the most diligent party.

(b) If, within the time-limit prescribed in paragraph (b) of article 172, either party has not made the appointment incumbent upon it of a member of the tribunal, the other party may communicate directly with the President of the International Court of Justice for the purpose of requesting him to proceed with the appointment of the chairman of the tribunal within 30 days.

Upon his appointment, the chairman of the tribunal shall request the party which has not appointed an arbitrator to do so under the same terms and conditions. If this party does not proceed with the appointment as requested, the Chairman of the tribunal shall in turn request the President of the International Court of Justice to proceed with this appointment under the same terms and conditions.

(c) Where the President of the International Court of Justice is of the same nationality as one of the judges of the Court by order of seniority, this office, or if the incumbent is not available, the Vice-President, or in his absence, one of the justices of the Court by order of seniority, provided he is not of the same nationality as one of the parties, shall proceed with this appointment.

(d) If he is appointed pursuant to the provisions of this article, the chairman of the tribunal shall not be or have been of the same nationality as one of the parties, unless the other party consents.

When legal persons are parties to the proceedings, the chairman of the tribunal shall not be of the same nationality as the country of incorporation of the legal person, or the group which controls the legal person directly or indirectly.

(e) In the event of the death or non-availability of an arbitrator to be appointed by one of the parties, the latter shall appoint his successor within 30 days from the date of death or non-availability. Should the party concerned fail to do so, the proceedings shall continue with the remaining arbitrator.

In the event of the death or non-availability of the chairman of the tribunal, his replacement shall be appointed pursuant to article 172, or, failing agreement between the members of the tribunal, within the month of the date of death or non-availability pursuant to this article.

Article 174

The arbitration tribunal shall have jurisdiction without recourse to resolve all disputes or controversies which are the subject of mediation proceedings provided for in articles 159 to 170 with respect to disputes or controversies between the Algerian State and company F, or of mediation proceedings provided for in article 10 with respect to disputes or controversies between companies A and F.

The Protocol pertaining to the Co-operative Association and its annexes shall be the basis of the tribunal's award. If these documents do not cover or are unclear on the point at issue, the tribunal may be guided by general principles of law.

The tribunal shall have jurisdiction to make awards on any major or accessory question and on any defence which must be passed upon to resolve the dispute or controversy, including questions pertaining to its own jurisdiction and to the identity of the persons who are bound by its award.

It may order the rescission of any action inconsistent with applicable laws and may grant relief through the award of damages with interest or by any other means which it deems appropriate; it may order appropriate set-offs between the amounts of damages awarded to one of the parties and the amounts by which this party is indebted to the first party.

However, the party concerned shall be estopped from making new claims or introducing new facts before the tribunal which this party knowingly failed to state or introduce in the course of the mediation proceedings.

Article 175

(a) The tribunal's awards, with respect to procedural matters and site of hearings and on the merits of the dispute or controversy submitted to it, shall be arrived at by

a majority vote of its members. The absence or abstention of one of the members of the tribunal whose appointment was incumbent upon the parties shall not preclude the tribunal from rendering awards. Where the votes are evenly divided, the chairman shall have the casting vote.

(b) The tribunal may hear, in such manner as it deems suitable, any special counsel or expert of its choice, take appropriate investigative steps, proceed with the hearing of the parties to the case either ex-parte or in open court (which parties shall be assisted by counsel if they so desire), and, in general, make any investigation, research, and propound such interrogatories to the parties as it deems appropriate to assist it in the discharge of its responsibilities. To this end, the parties to the litigation shall render all assistance in their power to the tribunal. The absence or non-availability of a party shall not preclude the proceedings from continuing.

Article 176

Awards shall be accompanied by an opinion; an award on the merits shall be announced within six months from the date of organization of the tribunal. This time-limit shall be extended by the additional time-limits provided for in article 173, subparagraph (e), in the event that the provisions of that subparagraph are applicable. If necessary the time-limit can be further extended by decision of the chairman of the tribunal.

The awards shall be enforceable against the parties without recourse. The tribunal may set a time-limit for their implementation and order any appropriate steps to carry them out.

The tribunal shall determine the expenses and costs of arbitration which shall be borne in accordance with the ruling of the tribunal with respect thereto.

Article 177

The implementation of the disputed action shall be discontinued from the time of initiation of arbitration proceedings. When the dispute concerns the application of articles 57 and 58 of this Protocol, the initiation of arbitration proceedings shall not result in the discontinuance of the action involved.

Article 178

France and Algeria shall recognize the arbitration awards as being self-executing on their territories without need of any proceedings to enforce them. They also recognize arbitration awards as being self-executing outside their territories within three days following the date of award.

Paragraph 4

FINAL PROVISIONS

Article 179

For the interpretation of this Protocol and its annexes the following shall be regarded as French companies :

- companies whose registered office is in France and at least half of whose capital is owned by the French State, by agencies controlled by it or by natural or legal persons of French nationality, provided the latter are themselves under French control, within the meaning of this article;
- other companies, wherever their registered office may be, more than half of whose capital is owned by the French State, by agencies controlled by it or by natural or legal persons of French nationality, provided the latter are themselves under French control, within the meaning of this article.

Article 180

On the recommendation of the Executive Council and by mutual agreement between the two Governments, this Protocol shall be subject to any amendments deemed necessary by both parties for the Co-operative Association to function in a satisfactory manner.

For the President
of the French Republic :

J. DE BROGLIE
Olivier WORMSER

For the President of the Revolutionary
Council, President of the Council of
Ministers of the Democratic and Popular
Republic of Algeria :

A. A. BOUTEFLIKA
Belaid ABDESSELAM

ANNEX I

TO THE PROTOCOL ON THE CO-OPERATIVE ASSOCIATION

BOUNDARIES OF THE CO-OPERATIVE AREA REFERRED TO IN ARTICLE 25 (a) OF THE PROTOCOL ON THE CO-OPERATIVE ASSOCIATION

This annex is an integral part of the Protocol on the Co-operative Association.

The co-operative area shall consist of that part of the surfaces of the four zones A, B, C and D defined below which lies outside the liquid or gaseous hydrocarbons concessions existing on the date of signature of the French-Algerian Agreement on Hydrocarbons,¹ or listed in annex V of the said Agreement.

¹ See p. 145 of this volume.

ZONE A

Zone A is bounded by a perimeter consisting of the meridian arcs and the parallels which connect successively the apexes defined below by means of their centesimal geographic co-ordinates (in grades). The meridian of origin is the Paris meridian.

<i>Points</i>	<i>Longitude</i>	<i>Latitude</i>	<i>Points</i>	<i>Longitude</i>	<i>Latitude</i>
1.	0g60 E	40g20 N	21.	0g50 E	39g00 N
2.	2g50 E	40g20 N	22.	0g40 E	39g00 N
3.	2g50 E	39g90 N	23.	0g40 E	38g50 N
4.	1g40 E	39g90 N	24.	0g40 W	38g50 N
5.	1g40 E	39g80 N	25.	0g40 W	38g80 N
6.	1g30 E	39g80 N	26.	1g00 W	38g80 N
7.	1g30 E	39g70 N	27.	1g00 W	39g10 N
8.	1g20 E	39g70 N	28.	2g00 W	39g10 N
9.	1g20 E	39g60 N	29.	2g00 W	39g00 N
10.	1g10 E	39g60 N	30.	3g00 W	39g00 N
11.	1g10 E	39g50 N	31.	3g00 W	39g40 N
12.	1g00 E	39g50 N	32.	0g60 W	39g40 N
13.	1g00 E	39g40 N	33.	0g60 W	39g70 N
14.	0g80 E	39g40 N	34.	0g30 E	39g70 N
15.	0g80 E	39g30 N	35.	0g30 E	39g80 N
16.	0g70 E	39g30 N	36.	0g40 E	39g80 N
17.	0g70 E	39g20 N	37.	0g40 E	39g90 N
18.	0g60 E	39g20 N	38.	0g50 E	39g90 N
19.	0g60 E	39g10 N	39.	0g50 E	40g00 N
20.	0g50 E	39g10 N	40.	0g60 E	40g00 N

ZONE B

Zone B is bounded by a perimeter consisting of the meridian arcs and the parallels which connect successively the apexes defined below by means of their centesimal geographic co-ordinates (in grades). The meridian of origin is the Paris meridian, except between points 4 and 5 where it is bounded by the Algerian-Tunisian border.

<i>Points</i>	<i>Longitude</i>	<i>Latitude</i>	<i>Points</i>	<i>Longitude</i>	<i>Latitude</i>
1.	6g00 E	39g50 N	8.	5g00 E	38g00 N
2.	6g30 E	39g50 N	9.	5g00 E	38g70 N
3.	6g30 E	39g40 N	10.	5g30 E	38g70 N
4.	Intersection of Algerian-Tunisian border with parallel 39g40 N.		11.	5g30 E	38g90 N
5.	Intersection of Algerian-Tunisian border with parallel 37g60 N.		12.	5g40 E	38g90 N
6.	5g30 E	37g60 N	13.	5g40 E	39g00 N
7.	5g30 E	38g00 N	14.	5g50 E	39g00 N
			15.	5g50 E	39g20 N
			16.	6g00 E	39g20 N

ZONE C

Zone C is bounded by a perimeter consisting of the segments of lines connecting successively the points with the following co-ordinates, all within the system of Lambert Sud-Algérie co-ordinates.

Points	X	Y	Points	X	Y
1.	340.000	270.000	10.	200.000	130.000
2.	480.000	270.000	11.	200.000	210.000
3.	480.000	200.000	12.	310.000	210.000
4.	440.000	200.000	13.	310.000	230.000
5.	440.000	-20.000	14.	320.000	230.000
6.	370.000	-20.000	15.	320.000	250.000
7.	370.000	50.000	16.	330.000	250.000
8.	340.000	50.000	17.	330.000	260.000
9.	340.000	130.000	18.	340.000	260.000

ZONE D

Zone D is bounded by the following perimeter :

- (1) by the meridian arcs and parallels connecting successively the apexes defined by means of their sexagesimal geographic co-ordinates (in degrees), with the Greenwich meridian as the meridian of origin;
- (2) by the segments of lines connecting successively the apexes, the co-ordinates of which are defined in the Lambert Sud-Algérie system;
- (3) by the Algerian-Tunisian border between apexes 9 and 10, and by the Algerian-Libyan border between apexes 21 and 22.

All the apexes are defined below :

Points	X	Y	Points	X	Y
1.	780.000	210.000	14.	990.000	50.000
2.	850.000	210.000	15.	950.000	50.000
3.	850.000	120.000	16.	Intersection of Lambert X = 950.000 with parallel 30°00' N	
4.	840.000	120.000		<i>Longitude</i>	<i>Latitude</i>
5.	840.000	110.000	17.	7°25' E	30°00' N
6.	940.000	110.000	18.	7°25' E	29°40' N
7.	940.000	170.000	19.	7°45' E	29°40' N
8.	Intersection of meridian 8°30' E with the Lambert Y = 170.000		20.	7°45' E	29°10' N
9.	Intersection of Algerian-Tunisian border with meridian 8°30' E		21.	Intersection of Algerian-Libyan border with parallel 29°10' N	
10.	Intersection of Algerian-Tunisian border with parallel 30°30' N		22.	Intersection of Algerian-Libyan border with parallel 27°50' N	
	<i>Longitude</i>	<i>Latitude</i>	23.	7°00' E	27°50' N
11.	9°00' E	30°30' N	24.	7°00' E	28°20' N
12.	9°00' E	31°15' N	25.	6°30' E	28°20' N
13.	Intersection of Lambert X = 990.000 with parallel 31°15' N		26.	6°30' E	29°00' N
			27.	6°15' E	29°00' N

Points	Longitude	Latitude	Points	X	Y
28.	6°15' E	29°20' N	33.	780.000	50.000
29.	6°00' E	29°20' N	34.	780.000	100.000
30.	Intersection of meridian with Lambert	6°00' E Y = -30.000	35.	710.000	100.000
	X	Y	36.	710.000	180.000
31.	890.000	-30.000	37.	760.000	180.000
32.	890.000	50.000	38.	760.000	190.000
			39.	780.000	190.000

ANNEX II

TO THE PROTOCOL ON THE CO-OPERATIVE ASSOCIATION

ACCOUNTING PROCEDURE AND DEPRECIATION RATES

This annex is an integral part of the Protocol on the Co-operative Association, hereinafter called the Protocol.

Article I

1. For their operations pertaining to the Co-operative Association, companies A, F, and the assignee companies within the meaning of article 3 of the Protocol and the companies which have delegated responsibilities within the meaning of article 16 of the Protocol shall comply with the accounting procedure for hydrocarbon exploration and production industries, which is contained in the annex to the Decree concerning accounting standards in the hydrocarbon exploration and production industries of 12 April 1965, published in the *Journal officiel* de la République française of 25 April 1965.

2. However, this accounting procedure may be subsequently amended by Algeria, provided that these amendments do not result in an increase in the tax burden.

3. All the overhead expenses of the companies specified in paragraph (1) above shall be allocated between different types of activities in accordance with the allocation methods of cost accounting.

Article II

Exploration fixed assets other than those specified in article III, IV and V below shall be depreciated at the following rates :

- either 5 per cent per annum,
- or the amount of expenditures which remain to be depreciated when the surfaces on which the work has been done cease to be part of the mining area.

Article III

Dry exploration or development wells shall be depreciated within the year.

Article IV

Discovery wells and wells drilled for the purpose of secondary recovery and also underground tanks shall be depreciated at the following rates :

- either 12.5 per cent per annum
- or the amount of expenditures remaining to be depreciated at the time the wells are abandoned.

Article V

With respect to other fixed assets, the applicable rates shall be those in the following chart :

<i>Type of fixed assets</i>	<i>Depreciation rates</i>
<i>Buildings</i>	
Masonry buildings	5%
Prefabricated buildings on foundations	15%
Means of access and road beds	25%
tracks and roads	25%
airstrips	20%
water wells	15%
Buildings for rent	5%
<i>Hydrocarbon production facilities</i>	
Producing facilities	10%
Secondary recovery facilities	10%
Gathering systems	10%
Field primary separating and treating facilities	10%
Storage and connecting lines facilities	10%
Facilities for treatment of crude	10%
Flow lines and gathering lines	10%
Accessory production facilities	10%
<i>Equipment and tools</i>	
Housing and camping equipment (temporary camps)	33%
Masts and substructures	15%
Derricks	10%
Other equipment and tools	25%
<i>Transport Equipment</i>	
Automotive equipment used in non-coastal Algerian departments	50%
Automotive equipment used in coastal Algerian departments :	
Passenger vehicles	25%
Lorries	20%
Aviation equipment	25%

<i>Type of fixed assets</i>	<i>Depreciation rates</i>
<i>Other tangible non-specialized fixed assets</i>	
Camp furniture	50%
Office furniture and other furniture	15%
Fixtures and appointments of lots and buildings	15%
Telephone and telecommunication networks	25%
Other general facilities	20%
<i>Special facilities for transport of hydrocarbons by pipelines</i>	
Main pipelines.	7.5%
Secondary pipelines or other pipelines.	10%
<i>General intangible assets</i>	
Organization expenses	100%
General research and studies (excluding any tangible investment)	50%

Article VI

Where the depreciation rates defined in articles II, IV and V above do not permit the complete depreciation of the fixed assets installed on a productive block before the end of the productive stage, these assets shall be depreciated over the number of years remaining until the termination of this stage.

ANNEX III

TO THE PROTOCOL ON THE CO-OPERATIVE ASSOCIATION

CONTRIBUTION TO THE CO-OPERATIVE ASSOCIATION OF MINING INTERESTS SITUATED ON VALID EXPLORATION PERMITS

This annex is an integral part of the Protocol on the Co-operative Association, hereinafter called the Protocol.

Article I

The contribution to the Co-operative Association of mining interests situated on exploration permits for anywhere on Algerian territory may be made in accordance with any of three following procedures :

(a) contribution of the permit itself, where the participating companies are the only ones to own an interest in the exploration permit. If the permit is held by a joint venture which includes companies under foreign control (other than French control), F shall be permitted to make an assignment (within the meaning of article 3 of this Protocol) to this joint venture from its own share of the surface under consideration if, but only

if, all of the companies in the joint venture agree to the contribution of the permit to the Co-operative Association, and if the companies in the joint venture which are under foreign control (other than French) do not own a majority share in the venture which holds title to the contributed permits;

(b) the contribution of their interest in the permit where the contributing companies are associated with third parties which accept the principle that the Co-operative Association shall replace the transferor companies as a joint venturer with the same rights and obligations;

(c) failing this, by a contract granting a participating interest to company A in the risks and results of exploration and production on the exploration permit under consideration, up to a maximum of one half of the rights of the transferor companies. This contract for a participating interest shall embody the same financial conditions as the contribution of the permit itself. If the offer is accepted by company A, a special contract shall be entered into which shall incorporate, as appropriate, the provisions of the Protocol on the Co-operative Association for the purpose of adapting them to the particular case. The Executive Council of the Co-operative Association shall prescribe the terms and conditions of a model participating interest contract in accordance with the above provisions.

Article II

The status existing prior to these agreements shall remain applicable, from the standpoint of mining law, to the areas referred to in subparagraphs (b) and (c) of the preceding article. In the event of a discovery on these areas, the Algerian State shall ensure, by all appropriate means, that the production conditions are not—with respect to companies which have contributed their share (case referred to in subparagraph (b) of article I) or which have entered into a participating interest contract with company A (case referred to in subparagraph (c) of article I)—more restrictive or more burdensome than the conditions which would have been applicable to company F or to the assignee companies if the permit had been included in the Co-operative Association mining area.

Article III

In cases where the contribution follows the procedure provided for in subparagraphs (b) or (c) of article I, the method for determining the participating interest acquired by company A in the rights contributed, or the participating interest acquired by A under the participating interest contracts, shall be the method prescribed in articles 47 and 48 of the Protocol for the contribution of exploration permits. The provisions of the Protocol shall apply to the appraisal of the contributions as well as to transactions involving foreign currency remittances.

In particular, for permits inside the co-operative area, A shall take a participating interest of not less than 10 per cent of the contributed interests or of the interests held by the companies which have offered a participating interest to A.

If A rejects an offer of participating interest outside the co-operative area, the title-holders who have made the offer shall have the option provided for in article 48, subparagraph (b), with all rights appurtenant thereto.

Article IV

Not later than three months after the entry into force of the French-Algerian Agreement on Hydrocarbons, French companies within the meaning of article 179 of the Protocol shall contribute to the Co-operative Association—under the terms and conditions prescribed in the Protocol and in this annex which is an integral part thereof—their mining interests on valid exploration permits with respect to which they have made no relinquishment requests, excluding however any of their rights in the areas covered by concession applications, the list of which appears in annex V of the French-Algerian Agreement on Hydrocarbons, and without prejudice to the special provisions of annex VI of the said Agreement.

Company F shall receive the contribution and shall in turn offer a participating interest to company A under the terms and conditions listed in paragraph (4) of title III of the Protocol, or subparagraphs (b) and (c) of article I above.

The mining interests of SN REPAL on exploration permits shall also be contributed to the Co-operative Association; company A and company F each shall acquire directly and permanently one half of this contribution.

Article V

The relinquishment applications submitted prior to 1 July 1965, and on which no action has been taken prior to the entry into force of this Protocol, are hereby approved. The approval of these relinquishments shall not make article 11 of Ordinance 58-1111 of 22 November 1958 applicable to companies which contribute their mining rights on exploration permits to the Co-operative Association under the terms of this Protocol and this annex.

ANNEX IV

TO THE PROTOCOL ON THE CO-OPERATIVE ASSOCIATION

THE SECRETARY OF STATE FOR ALGERIAN AFFAIRS
TO THE PRIME MINISTER

Algiers, 29 July 1965

Sir,

During the discussions concerning the exchange regulations applicable to the Co-operative Association, the French delegation expressed its Government's fears that these regulations may not allow, in all circumstances, the French party to meet all the foreign currency obligations which are imposed on company F by the Protocol on the Co-operative Association. Consequently, the French delegation suggested to supplement the provisions laid down on this matter.

At that time, the Algerian delegation replied to the French delegation that the terms applicable to the interim period provided for in article 145 of the Protocol allow company F to retain outside Algeria a large portion of its sales realizations, out of which it should be possible for this company to pay, in the regular course of business, its foreign currency obligations in respect of which there are no special provisions.

Further, the Algerian delegation agreed that, in the event that future experience should substantiate the fears expressed by the French delegation, the Algerian Government would give favourable consideration to applications made by the French party to allow company F to meet this type of obligation, either as a result of the application of the exceptions referred to in the last subparagraph of article 145, or by any other means.

I would be grateful if you would confirm the agreement of your Government on this point.

Accept, Sir, etc.

J. B.

His Excellency Mr. Abdel Azziz Bouteflika
Minister for Foreign Affairs
Algiers

ANNEX IV bis

TO THE PROTOCOL ON THE CO-OPERATIVE ASSOCIATION

THE MINISTER FOR FOREIGN AFFAIRS

Algiers, 29 July 1965

Sir,

In your letter of today's date, you advised me as follows :

[*See annex IV*]

I am pleased to inform you that my Government agrees to the foregoing.

Accept, Sir, etc.

A. A. BOUTEFLIKA

His Excellency Mr. Jean de Broglie
Secretary of State for Algerian Affairs
to the Prime Minister

ANNEX V

TO THE PROTOCOL ON THE CO-OPERATIVE ASSOCIATION

THE MINISTER FOR FOREIGN AFFAIRS

Algiers, 29 July 1965

Sir,

On the occasion of the signature on today's date of the Agreement concerning the settlement of questions relating to hydrocarbons and the industrial development of Algeria, I am pleased to confirm below the manner in which the Algerian Government intends to apply the provisions of the last subparagraph of paragraph (b) of article 48 of the Protocol on the Co-operative Association, which appears in annex I to the said Agreement.

Whenever my Government is called upon to grant concessions to companies which have retained their permits pursuant to the provisions of the said article, it will give sympathetic consideration to their position, within the meaning of articles C 49 and C 53 of the model agreement of 16 September 1961, so as to give due weight to the positive choice made by the said companies in electing to retain their permits.

Accept, Sir, etc.

A. A. BOUTEFLIKA

His Excellency Mr. Jean de Broglie
Secretary of State for Algerian Affairs
to the Prime Minister

ANNEX V bis

TO THE PROTOCOL ON THE CO-OPERATIVE ASSOCIATION

THE SECRETARY OF STATE FOR ALGERIAN AFFAIRS
TO THE PRIME MINISTER

Algiers, 29 July 1965

Sir,

In your letter of today's date, you advised me as follows :

[See annex V]

I am pleased to inform you that my Government agrees to the foregoing.

Accept, Sir, etc.

J. B.

His Excellency Mr. Abdel Azziz Bouteflika
Minister for Foreign Affairs
Algiers

ANNEX II

LIST OF OPERATIONS KNOWN AS "GAS-LIFT" AND SECONDARY RECOVERY
REFERRED TO IN THE SECOND PARAGRAPH OF ARTICLE 9 OF THE AGREEMENT

(1) Operation known as "gas-lift" and of maintenance of pressure in the Edjeleh concession, with gas from this concession, up to a maximum daily quantity of 500,000 cubic metres per day.

(2) Operation of maintenance of pressure in the Hassi Messaoud Nord and Sud concessions, with gas from these concessions, up to a maximum daily quantity of 8 million cubic metres per day.

(3) Operation known as "gas-lift" and of maintenance of pressure in the Tin Fouye Nord and Tin Fouye Sud concessions, with gas from these concessions, up to a maximum daily quantity of 400,000 cubic metres per day.

(4) Operation known as "gas-lift" and of maintenance of pressure in the Zarzaïtine concession, with gas from the Alrar Est concession for a cumulative quantity up to 16,000 million cubic metres, and from time to time with gas produced from the Zarzaïtine concession.

It is understood that the quantities specified in the present annex shall be produced under normal pressure and temperature conditions.

ANNEX III

THE SECRETARY OF STATE FOR ALGERIAN AFFAIRS
TO THE PRIME MINISTER

Algiers, 29 July 1965

Sir,

In accordance with article 11 of the Agreement concerning the settlement of questions relating to hydrocarbons and the industrial development of Algeria, I am pleased to specify below the objectives of the gas deliveries to France which will be made by the joint company organized pursuant to this article.

The French Government agrees in principle to the implementation of an operation for the import of gas in a quantity of not less than 1,500 million cubic metres per annum starting in 1968, provided that all proper industrial and financial steps are taken in good time, especially with regard to the liquefaction plant, so that Gaz de France may be assured of these deliveries in order to plan its supply programme.

The French Government wishes the quantities to be purchased to be supplied from fields held under concession by French interests. It assumes that the Algerian Government would be willing to take into consideration any preference for the selection of such fields as the French Government may express at the appropriate time, to the extent that this preference would be compatible with the profitability of industrial operations to be undertaken for this purpose.

Furthermore, because of the development expected of the gas industry, the French Government will look with favour upon a further increase of gas deliveries, to the extent that the economic conditions applicable to this operation allow.

Accept, Sir, etc.

J. B.

His Excellency Mr. Abdel Azziz Bouteflika
Minister for Foreign Affairs
Algiers

A N N E X III *bis*

THE MINISTER FOR FOREIGN AFFAIRS

Algiers, 29 July 1965

Sir,

In your letter of today's date, you advised me as follows :

[*See annex III*]

I am pleased to inform you that my Government agrees to the foregoing.

Accept, Sir, etc.

A. A. BOUTEFLIKA

His Excellency Mr. Jean de Broglie
Secretary of State for Algerian Affairs
to the Prime Minister
Paris

A N N E X IV

LIST OF GAS CONTRACTS REFERRED TO IN TITLE II, ARTICLE 18, OF THE AGREEMENT

Part I

(1) Agreement between SOPEG, SN REPAL, C.F.P. (A) dated 20 January 1961, concerning particularly the supply of natural gas to the central electric plant of Haoud El Hamra.

(2) Contract for purchase of natural gas dated 12 December 1961 between CAMEL and COMES.

(3) F.o.b. contract between CAMEL and British Methane dated 12 December 1961 for the annual quantity now exported of 1,000 million m³.

(4) Protocol between S.E.H.R. and CAMEL pertaining to manufacture, dated 8 March 1962.

(5) Protocol dated 8 March 1962 between S.E.H.R. and Gaz de France pertaining to the sale of natural gas liquefied at Arzew and additional protocol dated 5 November 1964 for the annual quantity now exported of 500 million m³.

Part II

(1) Agreement between SN REPAL, C.F.P. (A) and E.G.A., known as general agreement dated 4 December 1959,

and agreement between SN REPAL, C.F.P. (A), E.G.A. and Caisse d'Equipement, known as financial agreement, dated 15 December 1959.

(2) Transport contract between S.E.H.R. and SOTHRA dated 29 June 1962.

(3) Supply contract between COMES and E.G.A. dated 15 June 1962.

(4) Supply contract between COMES and E.G.A. dated 22 July 1963.

(5) Contracts signed by Comptoir de Vente and administered by E.G.A.

Raffinerie d'Alger	21 June 1962
Huileries et Savonneries d'Algérie	30 October 1961
Cellunaf	8 November 1961
Verreries d'Afrique du Nord	9 November 1961
ACILOR	18 July 1961
Lesieur Afrique	12 October 1961
Société Oranaise d'Huilerie, d'Extraction et de Raffinage (SOHER)	23 August 1961
Ciments Lafarge	4 January 1962
Ciments artificiels d'Oranie	5 January 1962
Michelin	15 February 1962

A N N E X V

LIST OF CONCESSIONS GRANTED BY THE ALGERIAN GOVERNMENT AND PERTAINING TO ARTICLE 39 OF THE AGREEMENT

The Algerian Government, on the basis of the proposals submitted to Algeria by the Technical Agency for the Exploitation of the Wealth of the Saharan Subsoil, grants the following concessions :

“Acheb” concession, requested by the Compagnie de recherches et d'exploitation de pétrole au Sahara (CREPS) and the Compagnie des pétroles d'Algérie (CPA) by application dated 27 March 1964.

“Alrar Ouest” concession, requested by the Compagnie de recherches et d'exploitation de pétrole au Sahara (CREPS) and the Compagnie des pétroles d'Algérie (CPA) by application dated 19 March 1965 and “Alrar Nord” concession, requested by the following companies : Compagnie d'exploitation pétrolière (CEP), Mobil Sahara, Mobil Producing Sahara Inc., Ausonia Minière Française (AMIF) and Société nationale de recherche et d'exploitation des pétroles en Algérie (SN REPAL) by application dated 11 January 1965.

“Edeyen” concession, requested by the Compagnie de recherches et d'exploitation de pétrole au Sahara (CREPS) by application dated 20 January 1965.

“Gassi Touil Est” concession, requested by the Compagnie des pétroles d’Algérie (CPA) and the Compagnie de recherches et d’exploitation de pétrole au Sahara (CREPS) by application dated 1 March 1965.

“Hassi Chergui” concession, requested by the following companies : Compagnie des pétroles France-Afrique (COPEFA) and Phillips Petroleum Company France (PHILLIPS FRANCE) by application dated 26 November 1964 and “Hassi Chergui Ouest” concession, applied for by the Compagnie des pétroles d’Algérie (CPA) by application dated 2 March 1965.

“Hassi Mazoula Sud” concession, requested by the Compagnie de recherches et d’exploitation de pétrole au Sahara (CREPS) by application dated 7 October 1964.

“Rhourde Chouff-Rhourde Adra” concession, requested by the following companies : El Paso France Afrique, Compagnie franco-africaine de recherches pétrolières (FRANCAREP) and Société de participations pétrolières (PETROPAR) by application dated 20 November 1964.

A N N E X VI

PROTOCOL DETERMINING THE SPECIAL STATUS OF THE BERKAOUI-BEN KAHLA PRODUCING AREA AND REFERRED TO IN ARTICLE 40 OF THE AGREEMENT

Article 1

The development, production of, and secondary exploration for hydrocarbons on the block defined in article 15 below shall be carried out by an association between companies A and F pursuant to article 1 of the Protocol on the Co-operative Association and the Compagnie française des pétroles (Algérie), hereinafter called CFPA. The rights and obligations of SN REPAL in the fields within the said block shall be assumed by A and F.

This block shall be deemed to be a producing area within the meaning of the Protocol on the Co-operative Association.

The contract of association between A, F and CFPA shall be deemed to be entered into by signature of the Agreement concerning the Settlement of Questions relating to Hydrocarbons and the Industrial Development of Algeria, to which the present text is annexed and of which it is an integral part.

Article 2

The operating procedure of the Association shall be (unless otherwise provided for in this annex or otherwise agreed to by the parties) as provided in the Protocol on the Co-operative Association. The participants shall be A on the one hand, and F and CFPA on the other hand.

Article 3

The rights and obligations of the parties shall be set at 50 per cent for A and at 50 per cent for F and CFPA.

Article 4

The Association shall be administered, as is the Co-operative Association, by an Executive Council of 12 members, of which six shall be appointed by A, three by F and three by CFPA; and a technical committee of eight members, of which four shall be appointed by A, two by F and two by CFPA.

Article 5

CFPA shall be appointed Operator for the producing area.

Article 6

SN REPAL through A and F, and CFPA for its own account, shall contribute their rights to the fields on this block.

Algeria, through A, shall contribute to the Association the right to exploit the areas of the fields on such portion of the block as is not included in the Ouargla permit.

The balance resulting from these contributions shall be an indebtedness of 27 million Algerian dinars due by F and CFPA to A.

Article 7

Before 1 July 1965, SN REPAL through A and F, and CFPA for its own account, shall contribute to the Association at book value the work carried out inside of the perimeter defined in article 15. As a result of this operation, A shall be indebted to F and CFPA in an amount equal to 25.5 per cent of the amount of the value of the said work.

Article 8

F and CFPA shall make an advance to A under the provisions of article 76 of the Protocol on the Co-operative Association for the purpose of completing the first three wells drilled on the block defined in article 15 below; A shall be indebted to F and CFPA as a result of this operation.

Article 9

The amount credited to A against F and CFPA and referred to in article 6 shall be charged :

- in the first place against the sum owed to F and CFPA and referred to in articles 7 and 8;
- then against the sum owed by A to F and CFPA pertaining to the contribution of the Ouargla permit, taking into account the value at cost of the work carried out on this permit from 1 January 1957 to the date of discovery of Haoud Berkaoui, but outside the area included in the Hassi Messaoud Nord concession and excluding the work contributed as is specified in article 7;
- then, if necessary, against the sum owed by A to F relating to the contribution of other permits to the Co-operative Association.

Article 10

The producing phase referred to in article 34 and the following articles of the Protocol on the Co-operative Association shall be deemed to start on 1 July 1965.

Article 11

The operations pertaining to the present block shall be integrated by each of the parties as may be appropriate in the account books which they shall keep pursuant to articles 123 and 124 of the Protocol on the Co-operative Association.

Article 12

F and CFPA's rights and obligations shall be the same as the rights and obligations specified for F in the Protocol on the Co-operative Association.

The ceiling which under article 96 of the said Protocol limits the overlift obligation shall be set at 2.5 million tons for the Association in which A, F and CFPA participate.

Article 13

A shall not be required to allocate one quarter of its production share from the block to the reimbursement of its indebtedness to F as a result of the latter's contribution of permits other than the Ouargla permit.

Article 14

The capital gains realized from the transfers referred to in articles 7 and 9 shall not be re-used to pay off the indebtedness referred to in article 6 nor for making new investments, and they shall be taxable in any event. The fixed asset entered on the books as a counterpart to the indebtedness referred to in article 6 shall be depreciable at the rate of 10 per cent per annum.

Article 15

The producing area created under article 1 above shall be bounded by the line connecting the following points defined by their Lambert Sud Algérie co-ordinates :

	<i>Longitude</i>	<i>Latitude</i>
B1	710.000	140.000
B2	720.000	140.000
B3	720.000	160.000
B4	730.000	160.000
B5	730.000	150.000
B6	760.000	150.000
B7	760.000	130.000
B8	750.000	130.000
B9	750.000	110.000
B10	730.000	110.000
B11	730.000	120.000
B12	710.000	120.000

For the President
of the French Republic :

J. DE BROGLIE

Oliver WORMSER

For the President of the Revolutionary
Council, President of the Council of
Ministers of the Democratic and Popu-
lar Republic of Algeria :

A. A. BOUTEFLIKA

Belaid ABDESSELAM

A N N E X VII

LIST OF COMPANIES REFERRED TO IN ARTICLE 41 OF THE AGREEMENT

- Compagnie Française des Pétroles (Algérie) (C.F.P.A.)
- Compagnie de Recherche et d'Exploitation de Pétrole au Sahara (C.R.E.P.S.)
- The company which is entitled to the benefit of the merger provisions referred to in article 43 of the Agreement.

A N N E X VIII

THE MINISTER FOR FOREIGN AFFAIRS

Algiers, 29 July 1965

Sir,

On the occasion of the negotiation of the Agreement concerning the Settlement of Questions relating to Hydrocarbons and the Industrial Development of Algeria, which we have signed this day, the Algerian delegation advised the French delegation of the Algerian Government's desire that the oil companies should conduct their administrative and technical operations in Algeria. The Algerian delegation also recalled the requirement imposed on the companies to hold in Algeria a complete set of their files and documents pertaining to their activities in Algeria.

The French delegation stated that the French Government would make representations to the French companies to ask them to comply with the request stated by the Algerian delegation and to meet the above requirement.

Accept, Sir, etc.

A. A. BOUTEFLIKA

His Excellency Mr. Jean de Broglie
Secretary of State for Algerian Affairs
to the Prime Minister
Paris

ANNEX VIII bis

THE SECRETARY OF STATE FOR ALGERIAN AFFAIRS
TO THE PRIME MINISTER

Algiers, 29 July 1965

Sir,

In your letter of today's date, you advised me as follows :

[*See annex VIII*]

I am pleased to inform you that my Government agrees to the foregoing.

Accept, Sir, etc.

J. B.

His Excellency Mr. Abdel Azziz Bouteflika
Minister for Foreign Affairs,
Algiers

ANNEX IX

THE SECRETARY OF STATE FOR ALGERIAN AFFAIRS
TO THE PRIME MINISTER

Algiers, 29 July 1965

Sir,

On the occasion of our signature on today's date of the Agreement concerning the Settlement of Questions relating to Hydrocarbons and the Industrial Development of Algeria, I am pleased to confirm below, pursuant to article 42 of the said Agreement, the steps which our two Governments have agreed upon to modify the provisions governing the structure and administration of SN REPAL.

1. *Increase in Algeria's participating interest*

1 — 1 Algeria's participating interest in SN REPAL or in its holdings shall be increased to 50 per cent.

This increase in participating interest shall result either from the transfer to Algeria by the group consisting of all the French shareholders (called the "French group") of the necessary number of shares, or from the transfer to Algeria (which shall waive all rights in the present company SN REPAL) of 50 per cent of the shares of a new company to be organized, or from the implementation of any other means agreed upon. SN REPAL will contribute all its assets to the company to be organized, with the exception of the holdings referred to in paragraphs 3 — 1 and 3 — 2 below, and subject to its liabilities on the date of contribution.

1 — 2 The total value of the shares thus transferred to Algeria (or of the balance payable by it in the event of an exchange of shares) shall be set at 150 million French francs.

Algerian shall pay this value to the French group, first by means of the transfer of the shares attributable and the credits accruing to Algeria pursuant to paragraph 3 — 1 below, then by the delivery without payment f.o.b. Bougie of a quantity of oil lifted from the Hassi Messaoud field and from the share of production credited to Algeria under the terms of paragraph 2 — 1 below. These deliveries shall start on the entry into force of the provisions of this letter, and shall be continued at the rate of 500,000 tons per annum until full settlement of the increase in Algeria's participating interest. The value of the oil shall be computed as specified in paragraph 2 — 3 below. The proceeds resulting from the sale of this oil shall be retained exclusively in French francs, notwithstanding any contrary provisions in the exchange control regulations.

2. *Rights of the partners to production*

2 — 1 From the entry into force of the provisions of this letter as specified in paragraph 5 below, SN REPAL or the new company referred to in paragraph 1 — 1 above shall deliver all of its oil at Bougie in equal shares to each of its two stockholders, to wit Algeria on the one hand, and the French group on the other hand, against payment by them at cost.

However, should the entry into force be later than 1 January 1966, SN REPAL shall carry out as from 1 January 1966 the delivery referred to in the above paragraph to the two shareholders' groups in accordance with their participation in its capital before the increase in the participating interest of Algeria. From the above entry into force, the French group shall be indebted to Algeria in an amount equal to the difference between the sales price, on the one hand, and cost, on the other hand, plus royalty and, if applicable, the income tax paid by the French group on the quantities which it has lifted since 1 January 1966 over and above its own 50 per cent share. This difference shall be offset up to the amounts involved by the indebtedness of Algeria to the French group which shall result from oil deliveries for the year 1966, with the surplus, if any, being remitted to Algeria.

Each party shall be at liberty to dispose freely of the quantities thus delivered to it and shall be severally liable for the payment of royalties and taxes due and payable on these quantities. These deliveries of oil from SN REPAL to its shareholders shall be deemed to be transferred at an in-between price notwithstanding the ceiling imposed by article 1 of the Decree of 16 February 1962 pertaining to such transfers.

2 — 2 The cost shall be adjusted each year in the light of the financial results of the preceding fiscal year. It shall be established so as to cover the direct production expenses increased by the excess of financial expenses over proceeds of the same kind, as well as depreciation of the producing installations computed in accordance with the provisions of the Agreement. Exceptionally, the applicable costs for the fiscal years 1966 through 1969 shall be increased by the amounts necessary to amortise exploration expenses not yet amortised which shall appear in the balance-sheet of the company as of 31 December 1965. This shall be to make available to the company the cash supplement necessary to pay the 1965 dividends and to reimburse the existing reserves for the depletion of the fields. These prior exploration expenditures may be completely amortised over the fiscal years 1965 to 1969.

2 — 3 As long as the agreement (to which this letter is annexed) continues in force, the French group shall, at Algeria's request, sell all or part of the oil belonging to

Algeria. Algeria shall notify the French group, on six months' notice, of the maximum volumes to be sold annually. In no event shall these volumes exceed in any one year the difference between the liftings of the French group and the volumes sold directly by Algeria. These volumes shall be delivered f.o.b. Bougie, free of any commercial, fiscal or customs encumbrances, at a price equal to the average selling price realized by the affiliates of the Bureau de recherches de pétrole and the Régie autonome des pétroles from the sale of their Algerian production. To arrive at this average price, the selling prices at La Skhirra shall be increased by 4 US cents per barrel and the selling prices at Arzew shall be decreased by 1.5 US cents per barrel.

3. *Downstream operations*

3 — 1 Algeria agrees that the participating interests held by SN REPAL in the Union générale des pétroles, as well as the advances made to this company by SN REPAL, shall be transferred to the French group on the entry into force of the provisions of this letter as specified in paragraph 1 — 2 above. The French group shall assume the rights and obligations appurtenant to the said participating interest and the rights and obligations which were those of SN REPAL. The above holdings shall be deemed to have a total value of 200 million francs on the entry into force of this Agreement.

3 — 2 The French group agrees that the participating interests held by SN REPAL in Société de la raffinerie d'Alger as well as the loans made by SN REPAL to this company shall be transferred to Algeria on the entry into force of the provisions of this letter. Algeria shall assume the rights and obligations appurtenant to the said participating interest and the rights and obligations which were those of SN REPAL. The above holdings shall be deemed to have a total value of 9.5 million dinars on the effective date of this Agreement. The transfer shall be accomplished by payment to the French group of an amount equal to 50 per cent of the par value of the said loans and participating interests, which payment shall be made through the delivery of a volume of oil appraised and delivered as specified in paragraph 1 — 2 above.

3 — 3 The French Government shall arrange for Algeria to participate in industrial operations of refining and distributing petroleum products. To this end, the French Government shall request the Union Générale des Pétroles to grant Algeria such technical aid as it desires and to examine together possible industrial ventures or acquisitions of other participating interests which could be undertaken jointly to meet the goals sought by both parties.

4. *Management and administration of the joint company*

4 — 1 SN REPAL, or the new company referred to in paragraph 1 — 1, shall be, together with the Co-operative Association, one of the instruments of co-operation created by the two Governments in the field of petroleum. It will be managed in the same spirit as the Association.

All decisions shall be arrived at by mutual agreement between Algeria and the French group.

Each party shall be entitled to exercise control over the management of the company.

4 — 2 To this end, the articles and by-laws shall provide that the Board of Directors shall include the same number of representatives from both shareholders; the articles

and by-laws shall specify the subject matters on which the Board of Directors shall be required to consult and arrive at decisions by mutual agreement, as well as the maximum intervals between meetings.

The Board shall select from among its members (upon the nomination of Algeria) a Chairman who shall be one of the directors appointed by Algeria and (upon the nomination of the French group) a Vice-Chairman who shall be one of the directors appointed by the French group.

4 — 3 The Board shall delegate to its Chairman such authority as is not reserved to the Board under the articles and by-laws. An Executive Committee consisting of the Chairman and Vice-Chairman shall, with the authority delegated by the Board, regulate by common agreement the most important management problems specified in an internal regulation approved by the Board under the terms provided for in paragraph 4 — 2 above. The Chairman, if he deems it advisable, shall refer to the Executive Committee matters pertaining to the execution of the general policy adopted by the Board.

If the Executive Committee cannot reach agreement on a matter, this matter shall be referred to the Board of Directors.

4 — 4 Upon the nomination of the Executive Committee, the Board shall appoint from outside its membership a President and a Vice-President who shall be of different nationality. For the first five-year term the President shall be a French citizen. The Board shall specify the authority of the President to ensure proper management of the ordinary business of the enterprise, for which the Chairman of the Board is responsible.

4 — 5 The procedure provided for in article 10 of the Protocol on the Co-operative Association shall be followed in the event of disagreement among the Directors on the matters referred to in paragraphs 4 — 2 and 4 — 3.

4 — 6 The company shall make available its exploration facilities to each of the partners of the Co-operative Association and they shall use them in their Operator capacity on all or part of the permits which the company shall have contributed to the Co-operative Association. Separate books shall be kept for the business pertinent to these Operator activities.

4 — 7 The provisions of articles 140 to 143 of the Protocol on the Co-operative Association shall be applicable to the entire personnel of the company as well as to the non-Algerian employees made available to the company by the French group.

4 — 8 Starting in 1966, and unless the Board of Directors decides otherwise, the company shall pay annually the dividends which it receives on account of its participating interests, as well as the amounts of the existing reserves for the depletion of the fields, at the time of payment of the taxes appurtenant thereto.

4 — 9 In the event that SN REPAL should be called upon to make good on its guarantees and not be in a position to do so in whole or in part, its two groups of shareholders shall lend to the company (each in the proportion of its participating interest) such amounts as may be necessary on a date which shall meet the payment deadlines and in the appropriate currency.

However, with respect to the guarantees given by SN REPAL in its capacity as shareholder in Union Générale des Pétroles or in Raffinerie d'Alger, and to the extent that these guarantees might not be transferable at the same time as the shares involved, the obligation referred to in the preceding paragraph shall be met only by the French

group with respect to the Union Générale des Pétroles, and only by Algeria with respect to the Raffinerie d'Alger.

5. *Procedure*

The provisions on which the two Governments have hereby agreed will be implemented either through amendments to the articles and by-laws of SN REPAL, or by the adoption of articles and by-laws for the new company to be organized, as well as by any necessary protocols between the two shareholder groups. These provisions shall become effective as of 1 January 1966, or as of the closing of the special shareholders' meeting called to approve the new articles and by-laws in the event this meeting is not held before 31 December 1965.

During the period of transition starting with the entry into force of the Agreement between the two Governments, and ending with the entry into force of the provisions of this letter, the Board of Directors shall elect a Vice-Chairman from among the representatives of Algeria on the Board of Directors. The Chairman and the Vice-Chairman shall meet as an Executive Committee pursuant to paragraph 4—3 above. This Committee shall have the powers specified in said paragraph 4—3.

6. *Miscellaneous*

6 — 1 The transfers and contributions of personal or real property, either between the two shareholder groups or between members of the French group, arising as a result of this Agreement, and the capital gains resulting therefrom, as well as generally all the conveyances which might take place, shall be exempt from any Algerian or French taxes. The necessary administrative formalities shall be conducted with the utmost diligence.

6 — 2 Pursuant to the Protocol on the Co-operative Association, the French group shall be deemed to have contributed one half of the concession rights of SN REPAL on the exploration permits contributed to the said Association. In particular, it shall be entitled to the benefit of the provisions of article 79 of the said Protocol.

6 — 3 For exchange control purposes, the activities of the French group shall be subject to the rules and regulations applicable to petroleum concession holders.

6 — 4 All necessary steps shall be taken by mutual agreement to ensure that SN REPAL has the French francs or other foreign currency required to meet its needs.

Accept, Sir, etc.

J. B.

His Excellency Mr. Abdel Azziz Bouteflika
Minister for Foreign Affairs
Algiers

ANNEX IX bis

THE MINISTER FOR FOREIGN AFFAIRS

Algiers, 29 July 1965

Sir,

In your letter of today's date, you advised me as follows :

[See annex IX]

I am pleased to inform you that my Government agrees to the foregoing.

Accept, Sir, etc.

A. A. BOUTEFLIKA

His Excellency Mr. Jean de Broglie
Secretary of State for Algerian Affairs
to the Prime Minister
Paris

ANNEX X

THE SECRETARY OF STATE FOR ALGERIAN AFFAIRS
TO THE PRIME MINISTER

Algiers, 29 July 1965

Sir,

On the occasion of the negotiation of the Agreement concerning the Settlement of Questions relating to Hydrocarbons and the Industrial Development of Algeria, which we have signed this day, the Algerian delegation expressed its desire to bring about a commercial flow of refined petroleum products between France and Algeria.

The legal frame of reference in which such a commercial flow could take place cannot be established until such time as the nature of the relationship between Algeria and the States signatory to the Treaty of 26 March 1957 has been clarified—whatever shape the future of the European Economic Community may take.

In this respect I confirm that the French representatives shall, if the matter arises in the course of discussions bearing on this problem, give favourable consideration to the Algerian request. This, of course, will be done without prejudice to the rules requiring unanimous decisions on these matters by the partners in the Treaty of Rome.

Nevertheless, should this relationship remain unclarified after a period of two years, the French Government (provided that this is compatible with its international obligations) intends to open negotiations with the Algerian Government with the aim of incorporating the principle of such a commercial flow of products in an agreement between France and Algeria.

The French Government notes the desire of the Algerian Government to implement as quickly as possible the plans for the production of the principal petrochemicals from Algerian hydrocarbons. Pursuant to title V of the Agreement it shall examine on a priority basis proposals of this type, and shall cause the proposals adopted to receive the benefit of all the provisions of article 31 of the Agreement. In principle, it views favourably the organization of French-Algerian associations capable of being competitive on the international market for these products.

Accept, Sir, etc.

J. B.

His Excellency Mr. Abdel Azziz Bouteflika
Minister for Foreign Affairs
Algiers

A N N E X X *bis*

THE MINISTER FOR FOREIGN AFFAIRS

Algiers, 29 July 1965

Sir,

In your letter of today's date, you advised me as follows :

[*See annex X*]

I am pleased to inform you that my Government agrees to the foregoing.

Accept, Sir, etc.

A. A. BOUTEFLIKA

His Excellency Mr. Jean de Broglie
Secretary of State for Algerian Affairs
to the Prime Minister
Paris

A N N E X X I

THE SECRETARY OF STATE FOR ALGERIAN AFFAIRS
TO THE PRIME MINISTER

Algiers, 29 July 1965

Sir,

On the occasion of the negotiation of the Agreement concerning the Settlement of Questions relating to Hydrocarbons and the Industrial Development of Algeria, which we have signed this day, the Algerian delegation expressed the Algerian Government's desire to participate in operations relating to the shipping of petroleum products.

I am pleased to confirm that the French Government intends to give assistance, as far as possible, to the Algerian Government so that this desire may be fulfilled and put into effect by the following means :

(1) The only restrictions to the free choice of flag for the transport of liquid hydrocarbons between Algeria and France is provided in the Act of 30 March 1928. However, since this Act does not impose any obligation for the transport of one third of the volumes to be marketed, the French Government confirms that it will not object to the transport of petroleum under the Algerian flag in such quantities that exceed the obligations referred to in the 1928 Act.

(2) At Algeria's request, technical assistance will be made available to Algeria to enable it to build and operate a modern tanker fleet.

(3) If the Algerian Government should decide to have built a petroleum tanker in a French shipyard, the most favourable credit facilities will be made available to it on non-discriminatory terms so as to enable it to meet the competitive conditions referred to in paragraph (4) below.

(4) The French Government will make representations to the importers of Algerian petroleum into France to induce them to charter the excess capacity as hereinafter defined, under competitive rates and service conditions. The capacity referred to means the transport capacity of a petroleum tanker in excess of the transport requirements for the volumes of oil owned by Algeria and extracted from Algerian fields, pursuant to the contractual provisions pertaining to the sale of oil from these fields or pursuant to statutes authorizing Algeria to take in kind the royalty to which it is entitled from the production of hydrocarbons in Algeria.

The preceding obligation pertains to a vessel of a maximum capacity of 65,000 tdw built in French shipyards and owned exclusively by the Algerian State or a public agency or company, all the capital of which is held by the Algerian State.

Accept, Sir, etc.

J. B.

His Excellency Mr. Abdel Azziz Bouteflika
Minister for Foreign Affairs
Algiers

A N N E X XI *bis*

THE MINISTER FOR FOREIGN AFFAIRS

Algiers, 29 July 1965

Sir,

In your letter of today's date, you advised me as follows :

[*See annex XI*]

I am pleased to inform you that my Government agrees to the foregoing.

Accept, Sir, etc.

A. A. BOUTEFLIKA

His Excellency Mr. Jean de Broglie
Secretary of State for Algerian Affairs
to the Prime Minister
Paris

A N N E X XII

THE SECRETARY OF STATE FOR ALGERIAN AFFAIRS TO THE PRIME MINISTER

Algiers, 29 July 1965

Sir,

I am pleased to advise you that the convertibility into foreign currency of the French franc holdings of the Banque centrale d'Algérie is not in any way limited or restricted as a result of the existence of the account "drawing rights" outstanding in Algeria's name in the books of the Foreign Exchange Stabilization Fund; pursuant to article II of the Declaration of Principles concerning Economic and Financial Co-operation of 18 March 1962¹ and the French-Algerian Agreement of 19 January 1963.

Further, this principle has been made known to the International Monetary Fund which, for the computation of the gold portion of Algeria's quota, has included in this country's reserves all of the French franc holdings held by the Banque centrale d'Algérie.

In these circumstances, the French Government sees no obstacle—while continuing, for purely statistical purposes, the current accounting procedures for operations carried out by Algeria on the exchange market of the franc zone—to easing as follows the applicable rules governing Algeria's "drawing rights" account.

Notwithstanding the French-Algerian Agreements of 19 January 1963 which provide that "subsequent agreements shall determine what additional allowances may be necessary in the event that there should be an insufficient balance in Algeria's 'drawing rights' account", the French Government accepts that this account shall henceforth operate freely and that possible purchases of foreign currency by Algeria on the exchange market of the franc zone shall be restricted only by the amount of the French franc holdings of the Banque centrale d'Algérie.

Accept, Sir, etc.

J. B.

His Excellency Mr. Abdel Azziz Bouteflika
Minister for Foreign Affairs
Algiers

¹ United Nations, *Treaty Series*, vol. 507, p. 57.

ANNEX XII bis

THE MINISTER FOR FOREIGN AFFAIRS

Algiers, 29 July 1965

Sir,

In your letter of today's date, you advised me as follows :

[See annex XII]

I am pleased to inform you that my Government agrees to the foregoing.

Accept, Sir, etc.

A. A. BOUTELIKA

His Excellency Mr. Jean de Broglie
Secretary of State for Algerian Affairs
to the Prime Minister
Paris

EXCHANGE OF LETTERS

I a

THE SECRETARY OF STATE FOR ALGERIAN AFFAIRS
TO THE PRIME MINISTER

Algiers, 29 July 1965

Sir,

The Agreement concerning the Settlement of Questions relating to Hydrocarbons and the Industrial Development of Algeria which we signed today contains in article 24, paragraph II, subparagraph (e), the following provision :

“The applicable reference price shall be equal to the average of the following reference prices, weighted for the volumes of petroleum of various qualities sold in each terminal :

\$2.095 per barrel f.o.b. Arzew for crude oil of 40° to 44.5° API,

\$2.08 per barrel f.o.b. Bougie for crude oil of 40° to 44.5° API,

\$2.04 per barrel f.o.b. La Skhirra for crude oil of 40° to 44.5° API,

decreased by \$0.015 per barrel for each API degree below 40° API or above 44.5° API, and further decreased, where applicable, by a quality differential substantiated by the concessionaire and accepted by Algeria.”

The same provision is found in article 127, subparagraph (d), of the Protocol on the Co-operative Association in annex I to the Agreement. The last paragraph of article 95 of this Protocol provides as follows :

“Corrected price per barrel = price before correction plus or minus the amount of \$0.02 multiplied by the difference of the API degrees.”

Lastly, annex IX to the Agreement provides in paragraph 2—3, *in fine*, as follows :

“To arrive at this average price, the selling prices at La Skhirra shall be increased by 4 US cents per barrel and the selling prices at Arzew shall be decreased by 1.5 US cents per barrel.”

I have the honour to inform you that the currency of reference used in the above-mentioned provisions is the United States dollar. The conversion of values thus expressed in United States dollars into Algerian dinars or French francs will be based on the official rates of exchange of these currencies; accordingly on the basis of the rates of exchange of the dollar and the franc currently registered with the International Monetary Fund and the current official rate of exchange of the Algerian dinar, the conversion of the values expressed above in United States dollars will be effected at the following rates :

1 United States dollar = 4.93 Algerian dinars

1 United States dollar = 4.93 French francs.

Accept, Sir, etc.

J. B.

His Excellency Mr. Abdel Azziz Bouteflika
Minister for Foreign Affairs
Algiers

II a

THE MINISTER FOR FOREIGN AFFAIRS

Algiers, 29 July 1965

Sir,

In your letter of today's date, you advised me as follows :

[See letter I a]

I have the honour to inform you that my Government agrees to the foregoing.

Accept, Sir, etc.

A. A. BOUTEFLIKA

His Excellency Mr. Jean de Broglie
Secretary of State for Algerian Affairs
to the Prime Minister
Paris

I b

THE MINISTER FOR FOREIGN AFFAIRS

Algiers, 29 July 1965

Sir,

The Agreement concerning the Settlement of Questions relating to Hydrocarbons and the Industrial Development of Algeria, article 8, paragraph 9, second subparagraph, reads as follows :

—either a net return of 15 per cent on equity capital invested in the exploration expenses referred to in article 6, I, (d), and pertaining to gas;

It is the understanding of my Government that, for the purpose of computing the price of gas, the above-mentioned return applies only to that portion of the equity capital used for exploration expenditures properly chargeable to the field which relates to gas, such equity capital having been allocated between gaseous and liquid products in proportion to the respective productions of these products expressed in therman units PCS, as stated in article 6, II.

Accept, Sir, etc.

A. A. BOUTEFLIKA

His Excellency Mr. Jean de Broglie
Secretary of State for Algerian Affairs
to the Prime Minister
Paris

II b

THE SECRETARY OF STATE FOR ALGERIAN AFFAIRS
TO THE PRIME MINISTER

Algiers, 29 July 1965

Sir,

In your letter of today's date, you advised me as follows :

[See letter I b]

I have the honour to inform you that my Government agrees to the foregoing.

Accept, Sir, etc.

J. B.

His Excellency Mr. Abdel Azziz Bouteflika
Minister for Foreign Affairs
Algiers

I c

THE SECRETARY OF STATE FOR ALGERIAN AFFAIRS
TO THE PRIME MINISTER

Algiers, 29 July 1965

Sir,

Paragraph 3-3 of the exchange of letters concerning SN REPAL, in annex IX to the Agreement concerning the Settlement of Questions relating to Hydrocarbons and the Industrial Development of Algeria, which we signed today provides as follows :

"The French Government shall arrange for Algeria to participate in industrial operations of refining and distributing petroleum products. To this end, the French Government shall request the Union générale des pétroles to grant Algeria such technical aid as it desires and to examine together possible industrial ventures or acquisitions of other participating interests which could be undertaken jointly to meet the goals sought by both parties."

In fulfilment of this commitment, the French Government pledges, on behalf of the Union générale des pétroles (UGP), that the Union will offer Algeria an option of 35 per cent participation in the UGP refinery to be

constructed at Spire. The value of this acquisition, provisionally estimated at 52 million francs, will be established on the basis of the expenditures to be made for the refinery, which will be determined on the date of acceptance of the offer.

This offer becomes valid upon the entry into force of the Agreement and for a period of nine months.

If Algeria accepts this offer, the price payable will be added to the amount to be paid by Algeria, in the form of deliveries of crude, for the purpose of increasing its participating interest in SN REPAL in the manner prescribed in paragraph 1 — 2 of the letters in annex IX to the above-mentioned Agreement.

Accept, Sir, etc.

J. B.

His Excellency Mr. Abdel Azziz Bouteflika
Minister for Foreign Affairs
Algiers

II c

THE MINISTER FOR FOREIGN AFFAIRS

Algiers, 29 July 1965

Sir,

In your letter of today's date, you advised me as follows :

[See letter I c]

I have the honour to inform you that my Government agrees to the foregoing.

Accept, Sir, etc.

A. A. BOUTEFLIKA

His Excellency Mr. Jean de Broglie
Secretary of State for Algerian Affairs
to the Prime Minister
Paris

I d

THE MINISTER FOR FOREIGN AFFAIRS

Algiers, 29 July 1965

Sir,

With reference to article 48 of the Agreement concerning the Settlement of Questions relating to Hydrocarbons and the Industrial Development of Algeria, signed today, I have the honour to point out to you that it will be advisable to take steps to adapt the statutes of the Technical Agency for the Exploitation of the Wealth of the Saharan Subsoil in conformity with the responsibilities of the Industrial Co-operation Agency (OCI) which succeeds it and with the provisions set forth in the above-mentioned Agreement.

I propose that this adaptation should be carried out by the Board of Directors of OCI, which would then submit the statutes of the new Agency to the two Governments for approval in accordance with the procedure laid down for the approval of section III of the budget of the Technical Agency for the Exploitation of the Wealth of the Saharan Subsoil.

I would further inform you that it is the understanding of the Algerian Government that the transfer of activities referred to in article 48, fourth paragraph, applies to the Directorate of Mines and the Directorate of Infrastructure of the Technical Agency for the Exploitation of the Wealth of the Saharan Subsoil as defined in their structure by the Board of Directors of the Agency and in such a way as to enable them to perform their functions in a normal manner during the period specified in the same paragraph.

Accept, Sir, etc.

A. A. BOUTEFLIKA

His Excellency Mr. Jean de Broglie
Secretary of State for Algerian Affairs
to the Prime Minister
Paris

II d

THE SECRETARY OF STATE FOR ALGERIAN AFFAIRS
TO THE PRIME MINISTER

Algiers, 29 July 1965

Sir,

In your letter of today's date, you informed me as follows :

[*See letter I d*]

I have the honour to inform you that my Government agrees to the foregoing.

Accept, Sir, etc.

J. B.

His Excellency Mr. Abdel Azziz Bouteflika
Minister for Foreign Affairs
Algiers
