



شعبة الترجمة الرسمية  
Official Translation Department

## Hydrocarbons Law

Royal Decree No. M/37  
December 20, 2017

Translation of Saudi Laws



**NOTE:**

The translation of Saudi laws takes the following into consideration:

- Words used in the singular form include the plural and vice versa.
- Words used in the masculine form include the feminine.
- Words used in the present tense include the present as well as the future.
- The word "person" or "persons" and their related pronouns (he, his, him, they, their, them) refer to a natural and legal person.



## Hydrocarbons Law

### Article 1

Unless the context otherwise requires, the capitalized terms and words used herein shall have the following meanings for all purposes hereof:

**Law:** Hydrocarbons Law.

**State:** Kingdom of Saudi Arabia.

**Government:** Government of the Kingdom of Saudi Arabia.

**Territory:** It includes, for purposes of this Law, the State's territorial lands, maritime zones, and areas where the State has rights to natural resources under international conventions.

**Ministry:** Ministry of Energy, Industry and Mineral Resources.

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**Hydrocarbons:** carbon and hydrogen compounds in a liquid or gaseous state, whether conventional or unconventional, such as crude oil, tight oil, shale oil, condensate, natural gas, shale gas, methane hydrates, natural tar, and bitumen, that can be extracted or recovered from the surface or beneath the surface of the soil.

**Hydrocarbon Resources:** the total quantities of hydrocarbons that can be extracted or recovered, which are in natural accumulations prior to their production, including any quantities found in accumulations that have not yet been discovered.

**Hydrocarbon Deposits:** an accumulation of hydrocarbons in a natural geological unit.

**Hydrocarbon Operations:** operations and activities associated with hydrocarbon resources, including, but not limited to, technical surveys, exploration, prospection, drilling, appraisal, development, extraction, recovery, production, and treatment.

**License:** a concession, permit or license duly granted authorizing a licensee to undertake any hydrocarbon operations.

**Licensee:** holder of a license.

**Production Decision:** a written order or directive issued by the State, in the exercise of its sovereignty and ownership over hydrocarbons, that sets the maximum level of hydrocarbons production at any given point in time, or sets the level of maximum sustainable production capability of hydrocarbons that the licensee must maintain.



**Discovery Data:** all information and data obtained by the licensee during exploration operations, including geological, geophysical, geochemical, engineering and well records, as well as studies, reports, tables and databases related to discovery in any form, as well as any other information collected by the licensee following the discovery to appraise and identify the area of discovery, and evaluate its productivity properties and capabilities.

**Regulations:** the implementing regulations of this Law, the upstream regulations for hydrocarbons, and any regulations or guidelines, issued in accordance with this Law, relating to hydrocarbon operations.

**International Industry Standards:** practices and procedures generally employed in the hydrocarbons industry worldwide by prudent companies under conditions and circumstances similar to those experienced in connection with hydrocarbon operations in the territory.

## **Article 2**

The provisions of this Law shall apply to hydrocarbon deposits, hydrocarbons, and hydrocarbon resources, existing within the territory, as well as hydrocarbon operations carried out within the territory.

## **Article 3**

All hydrocarbon deposits, hydrocarbons, and hydrocarbon resources are the property of the State. Title to hydrocarbons shall pass to a licensee at the wellhead, or at extraction at a processing facility for recovering natural tar products, tar sands or stones, or other derivatives of tar sands and other rock materials.

## **Article 4**

The State has permanent sovereignty over hydrocarbon deposits, hydrocarbons, and hydrocarbon resources, and shall exercise such right in the State's interest, security and economic development.

## **Article 5**

The State's ownership of hydrocarbon resources is non-transferable and imprescriptible.

## **Article 6**

No hydrocarbon operation shall be conducted without obtaining a license. The



government, or its designee, shall retain the right to explore and exploit any natural resource other than hydrocarbons in a license area, and such right shall be exercised in a manner that does not prejudice a licensee's rights nor hinder hydrocarbon operations undertaken thereby.

### **Article 7**

The State has the sovereign, exclusive, and binding authority to make a production decision related to the following:

- a) Setting the maximum level of hydrocarbons that a licensee can produce at any given point in time.
- b) Setting the level of maximum sustainable hydrocarbons production capability that a licensee must maintain.

The State, when making a production decision, takes into consideration the State's economic development, environmental conservation, national security, political and development goals, foreign and diplomatic policy, domestic energy needs, public interest, and any other sovereign interest.

In setting the level of maximum sustainable hydrocarbons production capability, the economic and operational aspects of the licensee shall be taken into consideration.

### **Article 8**

The State shall solely have the sovereign right to make the production decision within the territory. Such right shall not be prejudiced by any bilateral or multilateral discussions or consultations carried out by the State regarding production with other states or organizations.

### **Article 9**

No entity other than the State may, in any form or under any circumstances, make a production decision. Any production decision made otherwise shall be null and void and shall have no legal effect.

### **Article 10**

The licensee must provide the State with any required information regarding extraction, recovery, and production of hydrocarbons, including technical information, discovery data, financial information, and any other information facilitating the issuance of a



production decision. The State shall have the absolute right to access such information.

### **Article 11**

The Ministry shall be in charge of preparing, and overseeing the implementation of national strategies and policies relating to hydrocarbons to ensure the development and proper exploitation of hydrocarbon resources, and the conservation of the State's hydrocarbons reserves. In preparing and overseeing the implementation of such strategies and policies, the Ministry shall take into consideration the State's economic development, environmental conservation, national security, political and development goals, foreign and diplomatic policy, domestic energy needs, public interest, and any other sovereign interest. The Ministry shall also take into consideration the economic and operational aspects of the licensee.

### **Article 12**

The government shall grant a license pursuant to applicable procedures and policies which specifies the terms and conditions for granting the license, in a manner consistent with this Law. The license shall include, inter alia, the following:

1. License area.
2. Scope of authorized activities.
3. License term.
4. Requirements that must be satisfied by the licensee when undertaking hydrocarbon operations.
5. Requirements for relinquishment of parts of the license area.
6. Set criteria for assessment of compliance with the license and consequences of non-compliance, and grounds for termination of the license and effects of termination or expiration of the license, including provisions for the devolvement and delivery of property to the State.
7. Terms of amendment, extension and renewal of the license.
8. Licensee's obligations regarding Saudization, assignment of license, and confidentiality of information.
9. Extension of the performance period of the licensee's obligations that are affected by force majeure, and the effects of such extension.



### **Article 13**

Granting a license under this Law shall not confer any right of ownership of the soil or subsoil in the license area.

### **Article 14**

All hydrocarbon operations shall be managed professionally and proficiently in accordance with this Law, the Regulations, and international industry standards, and in an effective and economically feasible manner that promotes the long-term productivity of reservoirs in the license area, and supports the principles of prudent conservation of hydrocarbon resources and hydrocarbons, and limiting their migration.

The licensee shall comply with the directives of the Ministry to limit the migration of hydrocarbons that extend, or whose traps may extend, beyond the boundaries of the license area.

### **Article 15**

1. The licensee shall be responsible for taking all prudent and sound procedures that ensure the safety of hydrocarbon operations and associated facilities, in accordance with international industry standards and applicable laws.
2. If a material fault occurs in a well or facility and is not controlled, or if a substantial leakage, spill, explosion, eruption or fire occurs in a well or facility, the licensee must immediately notify the Ministry and submit, in accordance with the Regulations, a written report stating the causes known to the licensee and the measures taken by the licensee, and an estimate of the amounts of hydrocarbons that have been wasted, damaged, or leaked, and the consequences resulting therefrom.

### **Article 16**

The licensee shall, in accordance with the regulations and international industry standards, do the following:

1. Take necessary measures to prevent waste and leakage of hydrocarbons and damage to formations containing water and hydrocarbons during drilling, repairing, or deepening of wells, or upon abandonment or relinquishment; and to prevent leakage of gas and liquids from their bearing layers or other layers.
2. Notify the Ministry immediately of any substantial damage that may affect water or hydrocarbon reserves, and take necessary steps to contain the damage.



### **Article 17**

The licensee may not commence production from any well or field except after the licensee carries out the necessary tests, and ensures that the well is properly completed in accordance with the regulations and international industry standards.

### **Article 18**

Unless otherwise directed by the Ministry, the licensee shall, when relinquishing any area or upon the license's termination or expiration, plug and abandon all wells not capable of producing, in accordance with the regulations and international industry standards.

### **Article 19**

All discovery data as well as upstream data and samples are the property of the State, and shall be maintained by the licensee in accordance with the regulations and international industry standards. The licensee shall provide copies of such data to the Ministry upon request, and deliver all data and samples to the Ministry upon termination or expiration of the license.

### **Article 20**

The licensee shall, in accordance with the regulations and international industry standards, measure produced hydrocarbons; maintain accurate and complete records indicating the quantities and levels of hydrocarbon production that is stored, sold, or used; follow calibration and measurement methods; and use devices approved by the Ministry. The Ministry or its designees may supervise any such calibration, test measurement devices, and measure produced and exported hydrocarbons.

### **Article 21**

The licensee shall take all reasonable measures to preserve archaeological artifacts in the license area. If the licensee encounters any artifacts while undertaking hydrocarbon operations, he shall safeguard them and notify the Ministry.

### **Article 22**

The licensee shall keep and maintain, at any of its offices within the territory, full and complete operational, financial, tax and other books and records, in accordance with applicable laws and as specified by the regulations.





### **Article 23**

The licensee shall, when undertaking hydrocarbon operations, comply with applicable environmental laws and regulations, and take necessary measures to preserve and protect the environment.

### **Article 24**

The Ministry shall be the agency solely in charge of implementing this Law and shall have exclusive right to oversee the licensee's hydrocarbons operations, including its technical operations, and audit all its revenues and expenses. The Ministry shall act as a liaison between the relevant agencies and the licensee. Such agencies, for the exercise of their duties regarding hydrocarbon operations carried out by the licensee, may not communicate with the licensee except through the Ministry and in the manner agreed upon therewith. To this end, the Ministry may, without limitation, do the following:

1. Issue a production decision and inform the licensee thereof.
2. Monitor environmental as well as security and safety issues in the hydrocarbons industry, and ensure the licensee's compliance with laws, international industry practices, environmental standards, and matters related to human health and safety in accordance with applicable laws.
3. Represent the government vis a vis the licensee with respect to matters pertaining to this Law.

### **Article 25**

1. The Minister shall issue regulations regarding the confidentiality of information on hydrocarbon resources, including information relating to reserves or production obtained by the licensee during hydrocarbon operations. When issuing such regulations, the State's national security, State's foreign and diplomatic policy, and any other sovereignty considerations, shall be taken into account.
2. The licensee shall treat as confidential the content of negotiations, discussions and correspondence with the Ministry and may not disclose the same to any third party without the prior written consent of the Ministry, except as exempted pursuant to the license.

### **Article 26**

The licensee may not, without the Minister's prior written consent, assign, transfer, or pledge any part of the rights and obligations arising from the license.



### **Article 27**

The licensee may not sell to any entity any hydrocarbons, or derivatives therefrom, obtained pursuant to the license, in violation of what the government determines to be necessary for protection of State's top security interests at times of war or emergencies in international relations.

### **Article 28**

The licensee shall periodically submit to the Ministry reports on hydrocarbon operations it undertakes.

### **Article 29**

The following shall be issued pursuant to a decision by the Minister:

1. The regulations
2. Any guidelines for transport, refining, marketing, sale and exportation of hydrocarbons.

### **Article 30**

The Law shall enter into force from the date of its publication in the Official Gazette.