



PETROLEUM ACT

Article 1: Definitions

The following terms used anywhere in this Act, shall have the meanings and the definitions described to them in this Article:

Petroleum Resources: shall mean and comprise every one of the inland territorial divisions of land and waters and coastal and international waters and continental shelf where discovery of petroleum reserves is probable and petroleum reserves may be found, and their specific technical and geographical specifications have been determined by the Ministry of Oil.

Petroleum Operations: shall mean and comprise all the operations related to conservation, protection and exploitation of the petroleum resources such as research survey, geodesy, geological studies, exploration, drilling, operations, exploitation and production, acquisition of the required lands, preparation and execution of capital investment projects for erecting installations and industries, their development, expansion and renovation; custody, protection and safe-guarding of the units related to the oil industry. Also production and processing operations for rendering crude oil, gas and other hydrocarbons (except coal) marketable; refining crude oil and production of petroleum derivatives and by-products; gathering, treatment and production of natural gas and associated products; utilization of petroleum and gas derivatives and products for production of various petrochemical products; transportation, distribution, sale, and export of oil, gas and petrochemical products; commercial activities relating to the exports, imports and productions of oil, gas and petrochemical products; production and provision of industrial goods and materials used by the petroleum (oil) industry, establishment of the related incidental facilities and services for these operations and training and recruitment of the necessary expert personnel (workforce); provision of industrial safety and sanitation requirements and environment protection against pollution resulting from the operations by due observance of the criteria laid down by the organizations concerned; techno-economic reviews, design and planning activities, conclusion of construction, service and consultancy contracts in the fields of the above mentioned operations; carrying out scientific and technical studies, research and investigations for development and advancement of the technology and promotion of the level of technical and industrial know-how review of the innovations and inventions related to the oil industries and exchange of technical and scientific information and industrial experiences with the competent local and foreign institutes in the field of petroleum operations.

Where the scope of petroleum operations interferes with the lawful duties, plans and projects of other organizations, and organs of the Islamic Republic of Iran, necessary decision shall be adopted through the By-Laws to be prepared and made by the Ministry of Oil and approved by the Council of Ministers.



Operational Units: shall mean comprise any organization, institute or company who assumes liability for and carries out certain basic and subsidiary specialized and general operations and related incidental petroleum services.

Contract: shall mean and comprise contractual obligations (undertakings) concluded between the Ministry of Oil or an operational unit or any natural person or legal entity for carrying out and fulfilling a part of the petroleum operations in conformity with the laws and regulations of the Government of the Islamic Republic of Iran and on the basis of the provisions of this Act.

Article 2

The petroleum resources of the country are part of the public domain (properties and assets) and wealth and according to Article 45 of the Constitution (of the Islamic Republic of Iran) are at the disposal and control of the Government of the Islamic Republic of Iran and all installations, equipment, assets, property and capital investments which have been made or shall be made in future within the country and abroad by the Ministry of Oil and her affiliated companies, will belong to the people of Iran and remain at the disposal and control of the Government of the Islamic Republic of Iran.

The authority for exercising sovereignty and ownership right over the petroleum resources and installations is vested in the Government of the Islamic Republic of Iran which on the basis of the regulations, rights and powers prescribed in this Act shall be undertaken and executed by the Ministry of Petroleum in accordance with the general principles and policies of the country.

Article 3

Exertion of rights and powers prescribed in this Act shall be entrusted to the Ministry of Oil and affiliated companies and supervision over petroleum operations and other duties and functions mentioned in this act shall be undertaken by the Ministry of Oil.

Article 4

The Ministry of Oil can establish companies for execution and carrying out petroleum operations and exploitation throughout the country and continental shelf and marine areas. The Statutes of the National Iranian Oil, Gas and Petrochemical Companies shall be implemented upon approval thereof by the Islamic Consultative Assembly. The authority for approval of the Statutes of other companies shall be entrusted to the Council of Ministers.

Note

The Ministry of Oil shall be under obligation to submit the Statues of the National Iranian Oil, Gas and Petrochemical Companies for approval to the Islamic Consultative Assembly within a one-year period from the approval date of this Act.

Article 5

Conclusion of important (major) contracts between the Ministry of Oil or petroleum operational units and the local and foreign natural persons and legal entities and



determination of the important (major) cases shall be subject to and governed by the By-Laws to be approved by the Council of Ministers upon the proposal of the Oil Ministry. The contracts concluded between the Ministry of Oil and other governments shall fully conform to Article 77 of the Constitution of the Islamic Republic of Iran.¹

Article 6

All capital in vestments shall be proposed through the Ministry of Oil on the basis of the budget of the operational units and be included upon approval of the General Assembly, in the General State Budget. Foreign investment in these operations in any manner will not be allowed whatsoever.

Note

In case of utilization of the public budget, the general government regulations shall be adhered to.

Article 7

The Ministry of Oil shall be under obligation to exert proper supervision and take due care, in the course of petroleum operations and through sound planning for conservation of the petroleum reserves, wealth and installations and prevention of environment pollution (air, water, earth) in coordination with the organizations concerned.

Article 8

All the fixed capital investments of the oil industry in the country shall be subject to and governed by the laws and regulations of the relevant unit and in cases where no specific law exists, they shall be governed by the general regulations of the Islamic Republic of Iran.

The capital investments put and those which in future shall be put at the disposal and control of the Petroleum Operational Units will be regarded as the properties of the said Units. However, any transfer of such properties shall be contingent upon the permit of the Oil Ministry.

Article 9

For protection and safe custody of the petroleum resources and installations, properties and documents of the oil industry, the Ministry of Oil shall be required to establish in place of the Oil Industry Guard, a unit in the name of security guard (Harasat) in coordination with the Interior Ministry and in cooperation with the police and security forces. The relevant executive By-Laws shall be prepared by the Oil and Interior Ministries and approved by the Council of Ministers.

Note

The establishment cost of the Security (Harasat) Unit shall be met and provided out of the credits (budget) of the Oil Industry Guard.



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Article 10

The Ministry of Oil shall be under obligation to exert regular and consistent efforts for recruitment and training of the necessary personnel and gaining access to advanced technologies and growth and development in various fields of the oil industry through appropriate ways and means in coordination and conformity with the policies of the Ministry of Science and Higher Education by preparation of appropriate educational programmes and creation of training centers and establishment of research and laboratory complexes and shall take appropriate measures for promotion of the level of knowledge and scientific and practical information of the employees and experts and creation of an appropriate atmosphere and environment for attraction and encouragement of the competent devoted and expert individuals.

Article 11

The lands and improvements and any type of building, water and easement rights required for petroleum operations shall be acquired in accordance with the Statutes of the National Iranian Oil and Gas and Petrochemical Companies to be approved by the Islamic Consultative Assembly.

Article 12

Any law and regulation contrary to this Act shall be abrogated and stand null and void by approval of this Act.
