

**Petroleum Regulations (Principles for Offshore Petroleum Exploration and Production)  
5777-2016**

By the power vested in me in accordance with Sections 4 and 82 of the Petroleum Law, 5712-1952<sup>1</sup> (hereinafter – the Law) and following consultation with the Advisory Council, I hereby enact these Regulations:

**Definitions**

**1. In these Regulations –**

“Means of Control” –

- (1) In a corporation that is not a limited partnership – each of the following:
  - (a) Right to vote at a general meeting of the company or a body parallel to it of another corporation;
  - (b) Right to appoint a director in the company or the director general thereof, or office holders parallel to them in another corporation;
- (2) In a corporation that is a limited partnership – each of the said rights in paragraph (1) in a corporation that is the general partner, as this is defined in the Partnerships Ordinance [New Version], 5735-1975<sup>2</sup>;

“Application” – An application to receive a petroleum right or authorization to be an operator, as the case may be;

“Dollar” – Dollar of the United States of America;

“Preliminary Permit with a Preferential Right” – A preliminary permit with a preferential right, with the meaning it has in Section 7A of the Law;

“Petroleum Right” – A petroleum right in an area most of which or part of which is found offshore, including a preliminary permit with a preferential right in the area, as aforesaid;

“Applicant for a Petroleum Right” – Whoever submits an application, in accordance with the Petroleum Regulations and these Regulations to obtain a petroleum right, whether it is a new petroleum right or whether it is a current petroleum right, which the applicant requests to be transferred thereto;

“Operator” – A corporation that is in charge of the functions of an operator with respect to a petroleum right, whom the Commissioner has authorized, as set forth in Regulation 10;

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<sup>1</sup> *Sefer Hukim* 5712, page 322; 5750, page 29

<sup>2</sup> Laws of the State of Israel, New Version 28, page 549

“Group” and “Group Member” with respect to a petroleum right whose holders are more than one person – all petroleum rights holders and each of them, respectively;

“Stage of the Right” – The stage at which the petroleum right is found in accordance with the activity that is being performed at that time, and including petroleum exploration, development of a petroleum field or petroleum production;

“Control” of a Corporation – The ability, whether alone or together with others acting in regular cooperation, to direct the activity of the corporation, except for ability ensuing solely from the fulfillment of the position of director or other office holder in the corporation; without derogating from the generality of the aforesaid, it is presumed that a person controls a corporation –

(1) If he holds half or more of a certain type of means of control in the corporation;

(2) If he has the ability to make decisions for the corporation that pertain to the petroleum right or to prevent making decisions, as aforesaid, in the corporation, by virtue of the Articles of Incorporation of the corporation or by virtue of an agreement;

“Duties of an Operator” – The set of professional actions required for petroleum exploration, development of a petroleum field and petroleum production, the management and supervision thereof, while maintaining safety, public health and environmental protection;

“Petroleum Regulations” – The Petroleum Regulations, 5713-1953<sup>3</sup>

## **2. Principal Conditions to Obtain an Offshore Petroleum Right and to Obtain Authorization as an Operator**

A) In order to obtain a petroleum right –

(1) The applicant must meet the requirements in accordance with the Petroleum Regulations;

(2) The applicant must demonstrate that he or a member of the group that seeks to obtain a petroleum right complies with the conditions required for authorization as an operator in accordance with sub-regulation (b);

(3) The applicant must demonstrate that he has suitable financial means, as set forth in Regulation 3.

B) In order to obtain Authorization as an Operator with respect to a petroleum right, the applicant must demonstrate that said conditions in Regulation 5(a) are fulfilled with respect thereto, and he has the experience, as stated in Regulation 6 and sufficient financial ability and fiscal strength, as stated in Regulation 7.

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<sup>3</sup> *Kovetz Takanot* 5713, page 622

### **3. Financial Ability of an Applicant for a Petroleum Right**

A) An applicant for a petroleum right will be deemed as having suitable financial means if the following two conditions are fulfilled:

(1) The total assets on its balance sheet and, if it is a group – of all members of the group together, are at least 400 million dollars;

(2) The total equity capital on its balance sheet, and, if it is a group – of all members of the group together, is at least 100 million dollars;

On this matter, “all members of the group together” – includes a group member who will be authorized as an operator with respect to a petroleum right;

B) The total of all assets and the total of equity capital stated in sub-regulation (A) will be examined in accordance with the data in the audited financial statement for the date December 31 of the year that preceded the year in which the application was submitted or in accordance with the average of the data in the audited financial reports for December 31 of the two years that preceded the year in which the application was submitted, at the discretion of the Commissioner.

C) An applicant for a petroleum right, who will be a petroleum rights holder alone, may prove financial ability by way of the controlling shareholder therein and anyone who is a member of a group applying for a petroleum right (hereinafter in this Regulation – the Applicant Group) may prove its relative share in financial ability by way of the controlling shareholder therein.

D) If proving financial ability, as aforesaid in sub-regulation (C), the following documents shall be attached to the application:

(1) An Irrevocable Statement of Undertaking of the Controlling Shareholder with respect to whom it has been proven, as aforesaid, or Irrevocable Statements of Undertaking of the Controlling Shareholders among the members of the Applicant Group with respect to whom it has been proven, as aforesaid, as the case may be, to make available to the Applicant or to the Applicant Group, as the case may be, if the petroleum right will be given to them, funds up to a comprehensive amount of 100 million dollars, which will be required for the purpose of performing the actions and duties thereof as holders of the right;

(2) An Irrevocable Statement of Undertaking of an Applicant for a petroleum right or Irrevocable Statements of Undertaking of Members of an Applicant Group, as the case may be, to request the exercise of the Undertaking of the Controlling Shareholders therein, if necessary.

E) The Statements of Undertaking as aforesaid in sub-regulation (D) shall be in accordance with Forms 1 and 2 in the First Addendum, as the case may be.

F) Notwithstanding the aforesaid in sub-regulation (A), the Commissioner may grant a petroleum right to an Applicant even if the conditions specified therein are not fulfilled with respect thereto, provided that under the circumstances of the

matter the non-fulfillment of the conditions is not substantive and the Commissioner was persuaded that there are special grounds that justify this; the Commissioner's decision according to this sub-regulation shall be given with grounds in writing.

**4. Financial Reports to be Submitted by the Applicant for a Petroleum Right**

An applicant for a petroleum right shall attach to his application copies of his audited financial reports for the two years that preceded submission of the application, and if he relies on, for the purpose of proving his financial ability, the controlling shareholder therein, as aforesaid in Regulation 3(C), he shall attach as well the audited financial statements of the controlling shareholder therein for the two years that preceded submission of the application.

**5. Duty of an Operator to Hold the Petroleum Right and Participate in Expenses and Earnings, and Exclusivity of the Actions Thereof**

A) The Commissioner shall not authorize a corporation as an operator, unless one of the following applies:

(1) He requests to be a petroleum rights holder alone and an operator in the same petroleum right;

(2) He requests to be a member of a group and according to the documents between him and the remaining members of the group, he shall be in charge on their behalf of the performance of the duties of an operator in the petroleum right of the group, and he shall also be the holder of at least 25 percent of the petroleum right, and he shall be obligated to bear at least 25 percent of the group's expenses for the purposes of the petroleum right, and he shall be entitled to at least 25 percent of the revenues of the petroleum right.

B) The operator's duties shall be performed by the operator by way of his employees or by way of contractors whom the operator shall engage and he shall supervise them and shall be liable for the actions thereof.

**6. Experience Required of an Operator**

A) The Commissioner shall not authorize a corporation as an operator unless it has at least five years of experience, during a period of ten years that preceded the submission of the Application, with the performance of the functions of an operator, and including herein experience with actions that were performed under his supervision and his liability by way of contractors with whom he entered into agreements, as specified in paragraphs (1) to (4) herein below:

(1) Experience in offshore petroleum exploration, including in these actions: planning and management of geological and geophysical surveys, and

including the processing of information, geological and geophysical analysis of the regions of exploration, locating and describing geological structures that constitute petroleum traps, preparation of specifications for the performance of drillings and resource evaluation reports;

- (2) Experience in offshore drilling, including the following actions: detailed engineering planning of the drillings, hiring contractors for performance of the drillings, acquiring drilling equipment, engineering and geological supervision of the drilling process, performance of production tests, analysis of drilling results, planning and performance of drilling abandonment and preparation of drilling conclusion reports;
  - (3) Experience in offshore development and production of petroleum or natural gas, including the following actions: preparation of development plans, planning and setting up production and transmission facilities, including underwater facilities, laying underwater transmission pipeline, performance of receiving tests for production and transmission systems, production management, and operation of manned petroleum production platforms;
  - (4) Experience in actions for preservation of health and the environment, conducting a safety and environmental protection management system in connection with petroleum rights activities, including preparation of safety plans, performance of risk reviews, and preparation of environmental documents and environmental monitoring pertaining to petroleum rights activities, all in accordance with customary international criteria.
- B) Notwithstanding the aforesaid in sub-regulation (a), the Commissioner may, in a written decision that provides grounds and in accordance with the stage of the right and features thereof, and in accordance, as well, with the extent of demand to obtain the right in the same area, or in accordance with the composition of the entire group, authorize a corporation as an operator, even if it does not meet all said requirements in sub-regulation (A) (3).
- C) The Commissioner shall not authorize a corporation as an operator unless it directly employs employees who have training and at least five years experience in the fields stated in sub-regulation (A) (1), and also in the fields stated in sub-regulation (A) (3), unless he decided, in accordance with sub-regulation (B), to authorize the corporation as an operator, notwithstanding that it did not meet the requirements of sub-regulation (A)(3).
- D) Notwithstanding the aforesaid in sub-regulation (C), the Commissioner may require of a certain corporation, in order to authorize it as an operator, more experience than that which is determined in the said sub-regulation, if he found that this is necessary in accordance with the stage and characteristics of the right, and in consideration of the work plan and location of the right; a requirement, as aforesaid, will be given in writing with grounds provided.
- E) In order to prove that a corporation meets the requirements set forth in sub-regulation (a) and to authorize it as an operator, the corporation may rely on the

experience of the controlling shareholder therein, and the controlling shareholder, for its part, may rely on the experience of another company under the control thereof, provided that the controlling shareholder or company, as aforesaid, has experience as specified in sub-regulation (A), and they employ directly employees with training and experience, as aforesaid in sub-regulation (C), and the Commissioner did not find reason for concern of a conflict between the interests of the corporation seeking authorization as an operator and the interests of the controlling shareholder or company, as aforesaid.

- F) In the event of reliance, as aforesaid in sub-regulation (E), Statements of Undertaking shall be attached to the Application, as set forth in Regulation 9.

## **7. Financial Ability and Fiscal Strength Required of an Operator**

- A) The Commissioner shall not authorize a corporation as an Operator unless it has sufficient financial ability and fiscal strength and the Operator may prove such by means of a controlling shareholder therein, if the controlling shareholder has sufficient financial ability and fiscal strength, provided that Statements of Undertaking as set forth in Regulation 9 are attached to the application; on this matter –

(1) Financial ability shall be deemed sufficient if the total assets of the balance sheet is at least 200 million dollars and total equity capital is at least 50 million dollars; nothing in the aforesaid may derogate from the provisions of Regulation 3 (A);

(2) Fiscal strength shall be proved on the occurrence of both of the following:

(a) At least two of the following three ratios occur:

The current ratio of current assets to current undertakings is greater than 1, the ratio between equity capital and balance sheet is greater than 25% and the ratio between cash flow from current activity and annual financing costs is greater than 1.2;

(b) An auditor's statement of opinion or review report attached to the applicant's financial statements do not indicate the financial state of the corporation or the occurrence of significant reservations with respect to its continued existence as a viable business.

- B) The financial ability and fiscal strength, as aforesaid in sub-regulation (A), shall be examined in accordance with the data in the audited financial report for December 31 of the year that preceded submission of the application or in accordance with the average of the data in the audited financial report for December 31 of the two years that preceded submission of the application, at the discretion of the Commissioner.

- C) Notwithstanding the aforesaid in sub-regulation (a) (1), the Commissioner may, in a written decision that provides grounds, and in consideration of the extent of investments that have not yet been performed in the area of the right, authorize

a corporation as an operator even if it did not meet all requirements with respect to financial ability, and the amount of assets in its balance sheet or the amount of its equity capital is lower than that which was determined in sub-regulation (A)(1).

#### **8. Application for Authorization as an Operator**

- A) A corporation's application for authorization as an operator shall be submitted to the Commissioner in one of the following ways:
  - (1) Together with an application to obtain a new petroleum right;
  - (2) As part of an application to replace an operator within the framework of an application for transfer of rights in a petroleum right;
- B) The application shall include all details indicated in the Second Addendum and all documents indicated in the Second Addendum shall be attached thereto, as well as a document in Hebrew with the main points of the application and documents in it; the applicant may add details and documents as it sees fit in support of the application thereof.
- C) The Commissioner may require that the applicant provide clarifications with respect to details and documents that were submitted, as well as additional details and documents as required in his opinion for making a decision on the application; the principal points of the clarifications and documents shall be attached to the application in Hebrew.
- D) The application and clarifications shall be submitted in three hard copies with original signatures together with an attorney's confirmation that the signatories are approved signatories of the corporation applicant, and these shall also be submitted as an electronic file.

#### **9. Statements of Undertaking**

- A) A corporation applying for authorization as an operator, which relies for the purpose of proving its fulfillment of the conditions for obtaining authorization on the experience of the controlling shareholder therein according to Regulation 6 (E), or on the financial ability and fiscal strength of the controlling shareholder therein according to Regulation 7 (A), shall attach the following Statements of Undertaking to the application:
  - (1) An Irrevocable Statement of Undertaking of the Controlling Shareholder to make available to the applicant, if authorized as an operator, experienced personnel or financial resources up to the amount of 50 million dollars and if he is the sole holder of the petroleum right – up to the amount of 100 million dollars, as he will require for the purpose of performing the functions of an operator with respect to a petroleum right;

- (2) An Irrevocable Statement of Undertaking of the corporation applying for authorization as an operator to demand the exercise of the undertaking of the controlling shareholder therein, if necessary.
- B) The Statements of Undertaking shall be in accordance with Forms 3, 4, 5 and 6 in the First Addendum, as the case may be.

#### **10. Commissioner's Decision on the Application for Authorization as an Operator**

- A) The Commissioner shall examine the application of the corporation for authorization as an operator in accordance with the conditions prescribed herein in these Regulations and in accordance with the features of the petroleum right, including the features of the petroleum field and the stage of the right, and he shall also take into account the considerations set forth in Regulation 11.
- B) If the Commissioner approves the application, he may stipulate his authorization on conditions.
- C) Authorization of a corporation as an operator with respect to a specific petroleum right shall not constitute authorization thereof as an operator with respect to another petroleum right.
- D) Notwithstanding the contents of Regulations 6 and 7 and without derogating from the provisions of Regulation 6 (b) and 7 (C), the Commissioner may authorize a corporation as an operator even if all the conditions specified therein have not been fulfilled, provided that under the circumstances of the matter the non-fulfillment of the conditions is not substantive and the Commissioner was persuaded that there are special reasons that justify this; the decision of the Commissioner according to this sub-regulation shall be given in writing with reasons provided.

#### **11. Refusal Due to Special Considerations**

The Commissioner, with the authorization of the Minister, shall be permitted not to authorize an application for obtaining a petroleum right or not to authorize an application for authorization as an operator, even if all the conditions therein that are specified in these Regulations have been fulfilled, if the Commissioner was persuaded that reasons of state security, foreign relations or international commercial ties justify this, and included herein is the existence of reasons, as aforesaid, in the event that the controlling shareholder in the applicant for the petroleum right or the applicant for authorization as an operator is a foreign country or if there are other special circumstances with respect to which authorization of the application would not benefit the public interest or the energy market in Israel.

#### **12. Granting a License or Lease in Accordance with Competitive Bidding**



- A) If the Minister announces that a license or lease in an area that is entirely or partly offshore shall be given in accordance with a competition, the competition shall be held in a public proceeding that is directed toward obtaining the most advantages for the state economy, and including herein the energy market.
- B) The Commissioner shall publicize on the Internet website of the Ministry of National Infrastructure, Energy and Water Resources any such proceeding as aforesaid in sub-regulation (A), that a competitive bidding proceeding is being held, the final date for submitting bids, threshold conditions, and minimum amount for a price proposal, if necessary, and if it shall be decided to examine the bids based also on the qualities thereof – the criteria for the examination, as aforesaid, and the weight of each of the criteria in selection of a winner.

**13. Registration of an Operator and Retaining his Documents in Israel**

- A) An applicant authorized by the Commissioner as an operator and who is a foreign company that has not yet been registered in accordance with Section 346 of the Companies Law, 5759-19994 (hereinafter – the Companies Law) shall register the company as aforesaid no later than a month from the date of authorization.
- B) The operator shall retain in his office in Israel full accounts and records of his activities in the petroleum right, including all that is required in accordance with Section 37 of the Law.

**14. Reports and Updating Information**

- A) A petroleum rights holder and including any member of the group shall submit to the Commissioner once a year an annual audited financial statement thereof with respect to the previous year.
- B) A petroleum rights holder and including any member of the group shall deliver to the Commissioner a report of the occurrence of an event pertaining thereto, as specified herein below:
  - (1) An application for a settlement or for an arrangement was submitted with respect thereto in accordance with Sections 350 or 351 of the Companies Law or an application for recovery according to Section 350A of said law was submitted to a court in Israel or a similar application was submitted to a court in a foreign country, in accordance with the laws of the foreign country;
  - (2) An application to order the liquidation of the petroleum rights holder was submitted to a court or to the Registrar of the Execution Office in Israel or to a court or authorized authority in a foreign country, as the case may be, and included herein of a group member, or an application for the appointment of a receiver, liquidator, temporary liquidator, trustee, special manager or other office holder with regard to the principal assets of the petroleum rights holder

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<sup>4</sup> *Sefer Hukim* 5759, page 189

or the principal assets of a group member or the substantive assets or the assets related to the fulfillment of the conditions of the right or an officer, as aforesaid, was appointed and the appointment was not revoked within two business days;

- (3) A lien was imposed on all assets or on the principal assets of a rights holder and included herein a group member or on the substantive assets or on assets related to the fulfillment of the conditions of the right and the lien was not removed within two business days;
- C) A report, as aforesaid in sub-regulation (B), shall be made by way of the provision of initial notice immediately after the debtor was notified of the incident, and the provision of a detailed written report as soon as possible after provision of the notice and no later than 24 hours after he learned of the incident; copies of the applications that were submitted, as aforesaid in sub-regulation (B) (1) and (2), and the decisions that were given with respect thereto shall be delivered to the Commissioner together with the detailed report or within 24 hours of the receipt thereof;
- D) An operator shall inform the Commissioner of any change that occurs in the matters listed in items 1(a), (b) and (c) of the Second Addendum and in the structure of holdings as aforesaid in item 1(d) of the Second Addendum within 14 days of the date of the change.
- E) Nothing in the contents of this Regulation may derogate from the authority of the Commissioner to require additional reports, information and documents.
- F) Without derogating from Regulation 8 of the Petroleum Regulations, the provisions of this Regulation shall apply also to the applicant for a petroleum right and an applicant for authorization as an operator during the period from the date of submission of the application until the date on which the Commissioner gives a decision on the application.

## **15. Maximum Area**

- A) The maximum area for a preliminary permit with a preferential right offshore shall be 4,000 sq km;
- B) The maximum area of an offshore license shall be 400 sq km.

## **16. Cancellation**

The Petroleum Regulations (Principles for Offshore Petroleum Exploration and Production) 5766-2006<sup>5</sup> - are canceled.

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<sup>5</sup> *Kovetz Takanot* 5766, page 700

**17. Application**

These Regulations shall apply to applications for obtaining a petroleum right and for obtaining authorization as an operator that shall be submitted to the Commissioner commencing on the date of publication thereof.

**FIRST ADDENDUM**

**(Regulations 3 (E) and 9 (B))**

**FORM 1 – Text of Irrevocable Undertaking of a Controlling Shareholder in the Applicant for a Petroleum Right**

To:

\_\_\_\_\_ (Applicant for a Petroleum Right)

**RE: Irrevocable Undertaking**

Whereas you have submitted to the Petroleum Commissioner as defined in Section 2 of the Petroleum Law, 5712-1952 (hereinafter – **the Commissioner**) an application to obtain \_\_\_\_\_ [description of the petroleum right] (hereinafter – **the Petroleum Right**); and

Whereas in accordance with the Petroleum Regulations (Principles for Offshore Petroleum Exploration and Production) 5777-2016, in order to obtain a petroleum right you must demonstrate that you are have suitable financial ability, as stated in Regulation 3 of the Regulations, and you have proved this by means of us as your controlling shareholder;

Accordingly, we undertake vis-à-vis you and agree as follows:

1. We shall make available to you, immediately upon your first request in writing, any amount – up to the limitation stated herein below – that you shall require for the purpose of the performance of the necessary actions in accordance with the petroleum right, if you receive it, whether these ensue from law or from the conditions of the petroleum right or for the purpose of implementing your undertakings, pursuant to your agreement with the other rights holders in connection with the petroleum right.

This undertaking is limited to the amount of \_\_\_\_\_ dollars [one hundred million dollars if the recipient of the undertaking will be the petroleum rights holder alone and a relative share of this amount if he will be a member of a group that applies for a petroleum right according to his share in the petroleum right] (hereinafter – **the Amount of the Undertaking**).

2. The manner of making the Amount of the Undertaking available to you, in whole or in part, whether directly or by means of corporations under our control, whether as capital or by providing guarantees that will allow you to recruit funds, guarantees or whether as loans will be determined in agreement between us at the time of exercise of this Undertaking, provided that the manner of making the amount available will be authorized by the Commissioner. In the absence of agreement between us, the

Commissioner will determine the manner of making the Amount of the Undertaking available.

3. This, our Undertaking, may be exercised up to the Amount of the Undertaking also in parts, from time to time. For the avoidance of doubt, for the purpose of calculating the comprehensive amount that we will transfer to you within the framework of the Amount of the Undertaking, no amount that will be refunded or will be paid to us by you, whether directly or indirectly, or directly or to corporations in which we are interested parties therein, will be taken into account, including by way of loans, and the provision of securities or guarantees, except for amounts that will be returned as dividend paid from profits suitable for distribution.
4. We agree that also the Commissioner, and without prejudice to the authorities thereof pursuant to Section 2 above, will be able to obligate us to exercise this Undertaking of ours, in whole or in part, in your name and on your behalf, by way of written notice that he will send us, even without your agreement, and, accordingly, by our signature of this statement we undertake as aforesaid also vis-à-vis the State.
5. We are aware that this Undertaking of ours constitutes a condition for obtaining the petroleum right and we are also aware of the significance of this our Undertaking to the State, and, accordingly this Undertaking of ours is irrevocable and will remain in effect as long as the petroleum right that will be granted to you, if granted, will remain in effect and for an additional six months from the expiration or revocation thereof, and we will not be permitted to revoke it, even with your agreement, without the agreement of the Commissioner.

Date: \_\_\_\_\_ (Signature of  
Controlling Shareholder) \_\_\_\_\_

Name/s of Signatories: \_\_\_\_\_  
Position/s: \_\_\_\_\_

**Confirmation of Attorney**

I, the Undersigned, \_\_\_\_\_, Attorney, do hereby confirm that Messrs. \_\_\_\_\_ who signed this Undertaking in my presence are authorized to sign this Undertaking on behalf of \_\_\_\_\_ (the Controlling Shareholder), and their signatures will bind the Controlling Shareholder for all intents and purposes.

Date: \_\_\_\_\_

Signature: \_\_\_\_\_

cc: The Petroleum Commissioner, Ministry of National Infrastructure, Energy and Water Resources

## FORM 2 – Text of Irrevocable Undertaking of an Applicant for a Petroleum Right

To:

Petroleum Commissioner

Ministry of National Infrastructure, Energy and Water Resources

Jerusalem

RE: Irrevocable Undertaking

Whereas we \_\_\_\_\_ (hereinafter – **the Applicant**) have submitted to the Commissioner, according to the definition in Section 2 of the Petroleum Law, 5712-1952 (hereinafter – **the Commissioner**), an application to receive \_\_\_\_\_ [description of the petroleum right] (hereinafter – **the Petroleum Right**, respectively); and

Whereas in accordance with the Petroleum Regulations (Principles for Offshore Petroleum Exploration and Production) 5777-2016, in order to obtain a petroleum right the applicant must demonstrate that he has suitable financial ability, as set forth in Regulation 3 of the Regulations, and we have proved this by way of our Controlling Shareholder \_\_\_\_\_ [name of the Controlling Shareholder] and we have received his undertaking to place at our disposal any amount that will be required up to the cumulative amount of \_\_\_\_\_ dollars (hereinafter – **Undertaking of the Controlling Shareholder**);

In order to ensure that in the event it is necessary, we will exercise the Undertaking of the Controlling Shareholder, we undertake vis-à-vis you and agree as follows:

1. In the event that we will require an amount of money for the purpose of performing the required actions according to the Petroleum Right, if it is granted to us, whether these ensue from law or from the conditions of the Petroleum Right, or for the purpose of performing our undertakings pursuant to our agreement with the remaining rights holders in connection with the Petroleum Right, we will act without delay and take all means available to us to exercise the Undertaking of the Controlling Shareholder, in whole or in part, as necessary.
2. We agree that if we do not act to exercise the Undertaking of the Controlling Shareholder to your satisfaction, you will be entitled to exercise, in our name and in our place, the Undertaking of the Controlling Shareholder, in whole or in part.
3. We agree that if we do not act to exercise the Undertaking of the Controlling Shareholder, notwithstanding that you have required us to do so, the matter will be deemed an essential breach of the conditions of the Petroleum Right.

4. This, our Undertaking, is irrevocable and will remain in effect as long as the Petroleum Right will remain in effect, if it is granted to us, and for an additional period of six months from the expiration or revocation thereof.

Date: \_\_\_\_\_ (Signature of Applicant) \_\_\_\_\_

Name/s of Signatories: \_\_\_\_\_

Position/s: \_\_\_\_\_

**Confirmation of Attorney**

I, the Undersigned, \_\_\_\_\_, Attorney, do hereby confirm that Messrs. \_\_\_\_\_ who signed this Undertaking in my presence are authorized to sign this Undertaking on behalf of \_\_\_\_\_ (the Applicant), and their signatures will bind the Controlling Shareholder for all intents and purposes.

Date: \_\_\_\_\_

Signature: \_\_\_\_\_

**FORM 3 – Text of Irrevocable Undertaking of the Controlling Shareholder in the Applicant for Authorization as an Operator on the matter of Proof of Experience**

To:

\_\_\_\_\_ (Applicant for Authorization)

**RE: Irrevocable Undertaking**

Whereas you have submitted to the Petroleum Commissioner, as defined in Section 2 of the Petroleum Law, 5712-1952 (hereinafter – **the Commissioner**) an Application for Authorization as an Operator with respect to \_\_\_\_\_ [description of the Petroleum Right] (hereinafter – **Authorization as an Operator and Petroleum Right**, respectively); and

Whereas in accordance with the Petroleum Regulations (Principles for Offshore Petroleum Exploration and Production) 5777-2016, in order to obtain Authorization as an Operator you must demonstrate that you have the experience as set forth in Regulation 6 of the Regulations, and you have proved this by way of us as the Controlling Shareholder in you;

Accordingly, we undertake toward you and agree as follows:

1. We will place at your disposal immediately upon your first request in writing experienced personnel that you will require for the purpose of performing the actions required according to the Petroleum Right and by your position as Operator, if you will be authorized as Operator, whether this ensues from law or from the conditions of the Petroleum Right, or for the purpose of performing your undertakings in accordance with your agreement with the remaining rights holders in connection with the Petroleum Right.
2. Placing relevant experienced personnel at your disposal will be made directly or by means of corporations under our control, by lending full-time or part-time employees, by having your employees or external entities provide consultation, including your contractor, or in another manner that will be agreed between us at the time of exercising this Undertaking, and provided that making personnel available shall be without payment or other consideration on your part.
3. This, our Undertaking, may be exercised from time to time, according to need and stages of the Petroleum Right.
4. We are aware that this, our Undertaking, constitutes a condition for obtaining Authorization as an Operator and we are also aware of the significance of this, our Undertaking, for the State of Israel. Accordingly, this Undertaking is irrevocable and will remain in effect as long as the Petroleum Right and Authorization as an Operator that will be granted to you, if granted, will remain in effect and we will not be permitted to



revoke it even with your agreement, without the agreement of the Petroleum Commissioner.

Date: \_\_\_\_\_ (Signature of  
Controlling Shareholder) \_\_\_\_\_

Name/s of Signatories: \_\_\_\_\_

Position/s: \_\_\_\_\_  
\_\_\_\_\_

**Confirmation of Attorney**

I, the Undersigned, \_\_\_\_\_, Attorney, do hereby confirm that Messrs. \_\_\_\_\_ who signed this Undertaking in my presence are authorized to sign this Undertaking on behalf of \_\_\_\_\_ (the Controlling Shareholder), and their signatures will bind the Controlling Shareholder for all intents and purposes.

Date: \_\_\_\_\_

Signature: \_\_\_\_\_

**FORM 4 – Text of Irrevocable Undertaking of an Applicant for Authorization as an Operator on the matter of Proof of Experience**

To:

Petroleum Commissioner

Ministry of National Infrastructure, Energy and Water Resources

Jerusalem

**RE: Irrevocable Undertaking**

Whereas we \_\_\_\_\_ (hereinafter – **the Applicant**) have submitted to the Petroleum Commissioner as defined in Section 2 of the Petroleum Law, 5712-1952 (hereinafter – **the Commissioner**) an Application for Authorization as an Operator with respect to \_\_\_\_\_ [description of the Petroleum Right] (hereinafter – **Authorization as an Operator** and **Petroleum Right**, respectively); and

Whereas in accordance with the Petroleum Regulations (Principles for Offshore Petroleum Exploration and Production) 5777-2016, in order to obtain Authorization as an Operator, the Applicant must demonstrate that he has the experience set forth in Regulation 6 of the Regulations, and we have proved this by way of the Controlling Shareholder in us – \_\_\_\_\_ [name of Controlling Shareholder] and we have received his undertaking to place experienced personnel at our disposal, which we will require for the purpose of performing the actions required in accordance with the Petroleum Right and our position as Operator, if we are authorized as an Operator (hereinafter – **Undertaking of the Controlling Shareholder**);

In order to ensure that if it is necessary we will exercise the Undertaking of the Controlling Shareholder, we undertake vis-à-vis you and agree as follows:

1. In the event that we will require experienced personnel for the purpose of performing the required actions in accordance with the Petroleum Right and our position as Operator, if authorized as Operator, whether these ensue from law or from the conditions of the Petroleum Right or for the purpose of performing our undertakings in accordance with our agreement with the other rights holders in connection with the Petroleum Right and our position as Operator, we will act without delay and we will take all means available to us for the exercise of the Undertaking of the Controlling Shareholder, as necessary.
2. We agree that if we do not act to exercise the Undertaking of the Controlling Shareholder, notwithstanding that we are required by you to do so, the matter will be deemed an essential breach of the conditions of the Petroleum Right and of our Authorization as an Operator.

3. This, our Undertaking, is irrevocable and will remain in effect as long as the Petroleum Right and our Authorization as Operator, if granted to us, will remain in effect and for an additional period of six months from the date of expiration or revocation thereof.

Date: \_\_\_\_\_ (Signature of Applicant) \_\_\_\_\_

Name/s of Signatories: \_\_\_\_\_

Position/s: \_\_\_\_\_

**Confirmation of Attorney**

I, the Undersigned, \_\_\_\_\_, Attorney, do hereby confirm that Messrs. \_\_\_\_\_ who signed this Undertaking in my presence are authorized to sign this Undertaking on behalf of \_\_\_\_\_ (the Applicant), and their signatures will bind the Applicant for all intents and purposes.

Date: \_\_\_\_\_ Signature: \_\_\_\_\_

**FORM 5 – Text of Irrevocable Undertaking of a Controlling Shareholder in the Applicant for Authorization as an Operator in connection with Proof of Financial Ability**

To:

\_\_\_\_\_ (Applicant for Authorization)

**RE: Irrevocable Undertaking**

Whereas you have submitted to the Petroleum Commissioner as defined in Section 2 of the Petroleum Law, 5712-1952 (hereinafter – **the Commissioner**) an Application for Authorization as an Operator with respect to \_\_\_\_\_ [description of the Petroleum Right] (hereinafter – **Authorization as an Operator** and **Petroleum Right**, respectively); and

Whereas in accordance with the Petroleum Regulations (Principles for Offshore Petroleum Exploration and Production) 5777-2016, in order to obtain Authorization as an Operator, you must demonstrate that you have sufficient financial ability as set forth in Regulation 7 of the Regulations and you have proved this by means of the Controlling Shareholder in your company;

Accordingly, we undertake vis-à-vis you and agree as follows:

1. We will place at your disposal, immediately upon your first request in writing, any amount – up to the said limit herein below – that you will require or find necessary for the performance of the actions required in accordance with the Petroleum Right and your position as Operator, if you will be authorized as Operator, whether these ensue from law or from the conditions of the Petroleum Right, or for the performance of your undertakings according to your agreement with the other rights holders in connection with the Petroleum Right.

This, our Undertaking, is limited to the sum of 50,000,000 dollars (fifty million dollars)<sup>6</sup> (hereinafter – the Amount of the Undertaking).

2. This, our Undertaking, may be exercised up to the Amount of the Undertaking also in parts, from time to time. For the avoidance of doubt, for the purpose of calculating the comprehensive amount that we will transfer to you within the framework of the Amount of the Undertaking, any amount that you will return to us or you will pay us, directly or indirectly, directly or to corporations in which we are interested parties, including by way of loans, providing securities or guarantees, except for amounts that will be returned as dividend paid from profits suitable for distribution, will not be taken into account.

\_\_\_\_\_  
<sup>6</sup> If the Applicant is authorized as Operator and will be the sole rights holder in the Petroleum Right, the amount will be 100 million dollars.

3. We are aware that this, our Undertaking, constitutes a condition for obtaining Authorization as an Operator and we are also aware of the significance of this, our Undertaking, for the State of Israel. Accordingly, this Undertaking is irrevocable and will remain in effect as long as the Petroleum Right and Authorization as an Operator that will be granted to you, if granted, will remain in effect and for an additional six months from the date of expiration or revocation thereof, and we will not be permitted to revoke it even with your agreement, without the agreement of the Petroleum Commissioner.

Date: \_\_\_\_\_ (Signature of  
Controlling Shareholder) \_\_\_\_\_

Name/s of Signatories: \_\_\_\_\_

Position/s: \_\_\_\_\_

**Confirmation of Attorney**

I, the Undersigned, \_\_\_\_\_, Attorney, do hereby confirm that Messrs. \_\_\_\_\_ who signed this Undertaking in my presence are authorized to sign this Undertaking on behalf of \_\_\_\_\_ (the Controlling Shareholder), and their signatures will bind the Controlling Shareholder for all intents and purposes.

Date: \_\_\_\_\_

Signature: \_\_\_\_\_

**FORM 6 – Text of Irrevocable Undertaking of an Applicant for Authorization as an Operator in connection with Proof of Financial Ability**

To:

Petroleum Commissioner

Ministry of National Infrastructure, Energy and Water Resources

Jerusalem

**RE: Irrevocable Undertaking**

Whereas we \_\_\_\_\_ (hereinafter – **the Applicant**) have submitted to the Petroleum Commissioner as defined in Section 2 of the Petroleum Law, 5712-1952 (hereinafter – **the Commissioner**) an Application for Authorization as an Operator with respect to \_\_\_\_\_ [description of the Petroleum Right] (hereinafter – **Authorization as an Operator** and **Petroleum Right**, respectively); and

Whereas in accordance with the Petroleum Regulations (Principles for Offshore Petroleum Exploration and Production) 5777-2016, in order to obtain Authorization as an Operator, you must demonstrate that you have sufficient financial ability as set forth in Regulation 7 of the Regulations and we have proved this by means of the Controlling Shareholder in our company \_\_\_\_\_ [name of Controlling Shareholder] and we have received his Undertaking to place at our disposal any amount that is required up to the cumulative amount of 50 million dollars<sup>7</sup> (hereinafter – **Undertaking of the Controlling Shareholder**);

In order to ensure that if it is necessary, we will exercise the Undertaking of the Controlling Shareholder, we undertake vis-à-vis you and agree as follows:

1. In the event that we will require an amount of money for the purpose of performing the required actions according to the Petroleum Right and our position as Operator, if we will be authorized as an Operator, whether these ensue from law or from the conditions of the Petroleum Right, or for the purpose of performing our undertakings pursuant to our agreement with the remaining rights holders in connection with the Petroleum Right and our position as Operator, we will act without delay and take all means available to us to exercise the Undertaking of the Controlling Shareholder, in whole or in part, as necessary.
2. We agree that if we do not act to exercise the Undertaking of the Controlling Shareholder, notwithstanding that you have required us to do so, the matter will be deemed an essential breach of the conditions of the Petroleum Right and our Authorization as Operator.

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<sup>7</sup> If the Applicant will be authorized as an Operator and will be the sole rights holder in the Petroleum Right, the amount will be 100 million dollars.

3. This, our Undertaking, will be irrevocable and will remain in effect as long as the Petroleum Right and our Authorization as Operator, if granted to us, will remain in effect, and for an additional period of 6 months from the date of the expiration or revocation thereof.

Date: \_\_\_\_\_ (Signature of Applicant) \_\_\_\_\_

Name/s of Signatories: \_\_\_\_\_

Position/s: \_\_\_\_\_

**Confirmation of Attorney**

I, the Undersigned, \_\_\_\_\_, Attorney, do hereby confirm that Messrs. \_\_\_\_\_ who signed this Undertaking in my presence are authorized to sign this Undertaking on behalf of \_\_\_\_\_ (the Applicant), and their signatures will bind the Applicant for all intents and purposes.

Date: \_\_\_\_\_

Signature: \_\_\_\_\_

## **SECOND ADDENDUM**

### **(Regulation 6 (B))**

The details to be included in the Application for Authorization as an Operator and the documents to be attached thereto are those as specified herein below:

#### **1. Identity of the Applicant**

- A) Name of the Applicant, place of incorporation, company number, date of incorporation, address of the Applicant, telephone number, facsimile number, and electronic mail address;
- B) Details of the shareholders of the Applicant or of the partners therein who hold more than 5 percent therein, percentages of their holdings in the Applicant and the place of their incorporation;
- C) Name of the contact person on behalf of the Applicant, address, telephone number, facsimile number and electronic mail address;
- D) To be attached –
  - (1) Certificate of Incorporation of the Applicant;
  - (2) If the Applicant was registered as a foreign company according to Section 346 of the Companies Law, 5729-1999 – authorization of the Registrar of Companies of the said registration;
  - (3) Diagram of the structure of holdings in the Applicant;
  - (4) Diagram of the Applicant's organizational structure;
  - (5) Curriculum Vitae and professional experience of the Applicant's employees who hold key positions in the Applicant;
  - (6) Detailed description of the policy of the Applicant with regard to environmental protection;

#### **2. Applicant's Share in the Petroleum Right**

If the Application is for authorization of a corporation as an Operator with respect to a current Petroleum Right, a document with the signatures of all the other rights holders, if there are such, will be attached, which attests to the percentage of holdings that was agreed the Applicant will have, if authorized, and in addition the percentage of participation in expenses and earnings in the Petroleum Right, with respect to which the Application is submitted, that was agreed the Applicant will have, if authorized; if the Application is submitted together with an Application for a new Petroleum Right, a document that attests to the agreements, as aforesaid, will be attached with the signatures of all Applicants for the Petroleum Right.

#### **3. Applicant's Activities in the Duties of an Operator**

- A) A document signed by the CEO of the Corporation Applicant will be attached, which will describe the places in which the Applicant had rights and in which the Applicant performed the duties of an Operator for a period of at least 5 years



during the 10 years preceding submission of the Application, and with respect to each of the places, the following details will be indicated:

- (1) The right in the location and percentage of the Applicant's rights therein;
  - (2) The location;
  - (3) The depth of the water at the points of the drillings and development activities;
  - (4) Description of the Applicant's activity in his functions as Operator;
  - (5) Period of his activity;
  - (6) Extent of the Applicant's investments;
  - (7) Confirmed reserves in that location;
  - (8) Extent of petroleum production;
- B) A list of accidents and incidents of environmental pollution, claims that were submitted against the Applicant with respect thereto and sanctions that were imposed on the Applicant with respect thereto during the ten years preceding submission of the Application.
- C) Documents will be attached that attest to the fact that with respect to the rights in the places that were described in said document in sub-item (a), the Applicant performed the duties of an Operator.

#### **4. Experience in Petroleum Exploration, Development and Petroleum Production**

The experience of the Applicant and his employees will be described with regard to all that has been specified in Regulation 6(A) (1) to (3).

#### **5. Experience in Maintaining Health, Safety and Environmental Protection**

- A) The Applicant's experience in the fields of public health, safety, and environment (HSE – Health, Safety and Environment) will be described in places in which the Applicant performed the duties of Operator, including preparation of environmental documents and a management plan for safety and environment.
- B) Documents concerning the experience stated in sub-section (A) will be attached, and included herein:
- (1) A description of the organizational structure, internal procedures and methods of supervision and control of the Applicant in said fields;
  - (2) The Applicant's performances in said fields in accordance with recognized criteria such as loss of time or LTI – Lost Time Injury and the effects of work injuries – Injury Severity Rate.

#### **6. Financial Ability and Fiscal Strength**

- A) Documents will be attached that attest to the Applicant's financial ability and fiscal strength, including the following:
- (1) Copies of audited financial statements for the last two years;

- (2) A document signed by an accountant or approved signatories of the Corporation Applicant that will include these data and financial ratios with respect to the two years that preceded submission of the Application:
  - (a) The total amount of assets in the balance sheet in accordance with audited financial reports;
  - (b) The total equity capital in the balance sheet in accordance with audited financial reports;
  - (c) The current ratio (current assets / current undertakings);
  - (d) Equity capital ratio (equity capital / balance);
  - (e) Liquidity ratio (cash flow from current activity / annual financing expenses);
- B) A document will be attached that details the connections with all countries in which the Applicant is active.

**7. Reliance on the Controlling Shareholder**

- A) The Applicant who relies, for the purpose of proving his fulfillment of the conditions for obtaining Authorization, on the experience of the Controlling Shareholder therein, will indicate all that has been set forth in items 1(A), (B) and (C), 4 and 5(A) and will attach all said documents in items 1(D), 3 and 5(B), also with respect to the Controlling Shareholder, and if the Controlling Shareholder relies on the experience of another company under its control – documents as aforesaid will be attached with respect to the other company under its control as well, *mutatis mutandis*.
- B) The Applicant who relies, for the purpose of proving his fulfillment of the conditions for obtaining Authorization on the financial ability and fiscal strength of the Controlling Shareholder therein, will indicate all that has been set forth in items 1(A), (B) and (C) and will attach all said documents in items 1 (D) and 6 also with respect to the Controlling Shareholder, *mutatis mutandis*.

**Yuval Steinitz**

**Minister of National Infrastructure, Energy and Water Resources**

**5777 – (2016)**

**(HM 3-3565)**