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COVER

E&P companies in the North Sea are focused on turning the regions's established infrastructure into a valuable asset as its fields continue to mature. Turn to Page 12 for insights from industry experts on rig utilization, contracts and emerging trends. Cover photo of the Noble Lynda Bossler courtesy of Noble Corp.

DRILLING CONTRACTOR

CAPITAL WIRELINES



IADC presses Equatorial Guinea for response to tax audit disputes

By Brian T Petty, Senior Vice President-Government Affairs

MALABO, Equatorial Guinea — IADC has written the US ambassador to Equatorial Guinea to solicit his assistance with the EG Government regarding a letter IADC wrote the EG Government in December 2004 setting forth the following:

“The oilfield services companies received and are still receiving demands of payments following audits conducted on years 1998 to 2002, which we feel are in contradiction with the provisions of Ministerial Order 4/1997. These demands of payments are the results of audits which have been conducted in contradiction with the spirit of the ‘London Accords.’ Central to the dispute is the definition of tax residence for foreign corporations with operations in Equatorial Guinea. We respectfully request that they be withdrawn in the spirit of fairness and cooperation ever present in our relations with your nation.

“Notifications of audits are still being sent to the oilfield services companies. We do not object to these audits, but we would like them to be conducted and organized in a fair, reasonable and equitable manner, recognizing the content, spirit and intention of the simplified tax regime set up by Ministerial Order 4/1997, following the ‘London Accords.’

“We understand that there may be a change of legislation by which the tax residency concept will be revised. We are concerned that such new legislation may not take into account the specifics of the drilling and oilfield services companies which led to the ‘London Accords’ as signed by their Excellencies the Minister of Mines and Energy and the Minister of Economy and Finances, and all the oil operators.”

SOLICITING AID OF US AMBASSADOR

IADC Senior Vice President-Government Affairs **Brian T Petty**'s letter to US Ambassador **Niels Marquardt** asked him to press for a response:

“I represent the International Association of Drilling Contractors (IADC), the single trade association representing virtually the entire worldwide contract drilling industry involved in the exploitation of oil and gas resources. Our membership includes drilling companies currently operating in Equatorial Guinea, where they have encountered significant impediments to their operations due to unsettled tax laws and ambiguities in the administration of those tax laws. I attach a letter dated 15 December 2004 addressed to the EG government which set forth IADC's concerns and recommendations for amelioration. To date, we've received no reply.

“I write you to bring this matter to the attention of the Embassy in hopes that your commercial officer might address it directly with the EG Government. As offshore oil and gas resource exploitation is so vital to that country, and as it's also a very important market for US companies, including drilling contractors supporting US oil companies established there, we at IADC would ask that the issues set forth in the attached letter be brought to the attention of appropriate EG authorities via your good offices.

“IADC member companies are keen to establish a reliable and transparent tax regime in Equatorial Guinea, just as been established with other West African countries. Failing that, our members operating there will continue to suffer unnecessary and costly administrative burdens, and at the end of the day they may well decide to leave that market altogether, which would deprive the country of the best technical talent needed to efficiently and safely extract its offshore hydrocarbon resources.” ■