

KOREA NATIONAL OIL CORPORATION ACT

Wholly amended by Act No. 3837, May. 12, 1986
Amended by Act No. 4541, Mar. 6, 1993
Amended by Act No. 4756, Mar. 24, 1994
Amended by Act No. 5454, Dec. 13, 1997
Amended by Act No. 5622, Dec. 31, 1998
Amended by Act No. 6656, Feb. 4, 2002

Article 1 (Purpose)

The purpose of this Act shall be to establish the Korea National Oil Corporation to stabilize demand and supply of oil and to contribute to the development of national economy through efficient performance of businesses for development of oil resources, storage of oil reserves, and improvement of oil supply system. <Amended by Act No. 5622, Dec. 31, 1998>

Article 2 (Status)

The Korea National Oil Corporation (hereinafter referred to as "Corporation") shall be a juridical person. <Amended by Act No. 5622, Dec. 31, 1998>

Article 3 (Office)

(1) The location of principal office of the Corporation shall be set forth in the Articles of Incorporation.

(2) The Corporation may, if necessary for its business and by a resolution of the Board of Directors, establish divisions, branches, or agency offices or employ resident representatives at appropriate locations.

Article 4 (Capital)

(1) The capital of the Corporation shall be 5,000,000,000,000 Won. <Amended by Act No. 4756, Mar. 24, 1994; Act No. 5622, Dec. 31, 1998>

(2) The capital mentioned in above Paragraph (1) shall be contributed by the Government. <Amended by Act No. 4756, Mar. 24, 1994>

(3) Deleted. <By Act No. 4756, Mar. 24, 1994>

Article 5 (Registration)

established upon registering the incorporation in the location of its principal office.

(2) All necessary provisions governing the registration of incorporation of the Corporation mentioned in Paragraph (1) and of establishment of divisions or branches, for the registration of changes of location and modification thereof, and for other registrations by the Corporation shall be set forth in the Presidential Decree.

(3) On matters for which registration is required, the Corporation may not use the matters as a defense against a third party until proper registration has been completed.

Article 6 (Prohibition of Use of Similar Name)

No one, except for the Corporation incorporated under the provisions of this Act, shall use the name of Korea National Oil Corporation or other similar names. <Amended by Act No. 5622, Dec. 31, 1998>

Article 7 (Limitation on Right of President)

The Auditor, not the President, shall represent the Corporation on the matters about which the interest of the Corporation and that of the President conflict.

Article 8 (Appointment of Agent)

The President, pursuant to the provisions of the Articles of Incorporation, may appoint an agent among employees who is authorized to take all legal actions, in or out of a court of law, with respect to the business of the Corporation.

Article 9 (Prohibition against Disclosure of Secrets)

An officer, an employee or a person who has worked for the Corporation shall not disclose or appropriate secrets acquired as a result of his relationship with the Corporation.

Article 10 (Business)

(1) In order to achieve the purpose of Article 1, the corporation shall engage in the following businesses. <Amended by Act No. 5622, Dec. 31, 1998>

1. Explore and develop oil resources;
2. Export, import, store, transport, lease and sell crude oil and petroleum products;
3. Construct, manage, operate and lease petroleum storage facilities;
4. Invest in, make loans to, guarantee debt obligations of, and lease equipment to a juridical person who engages in the energy and resources related businesses;
5. Render technical support, conduct investigation and research and provide information to business related to the business described in Subparagraph 1 to 4;
6. Businesses which are incidental to the businesses described in Subparagraphs 1 to 5;
7. Other businesses commissioned by the Government.

(2) The corporation may perform any business of the paragraph (1) in overseas. <Amended by Act No. 5622, Dec. 31, 1998>

(3) The Corporation shall obtain an approval from the Minister of Commerce, Industry and Energy in order to engage in a business described in Subparagraph (1) 2 or (1) 3 if such business is designated by a Presidential Decree. <Amended by Act No. 5454, Dec. 13, 1997; Act No. 5622, Dec. 31, 1998>

[Wholly Amended by Act No. 4756, Mar. 24, 1994]

Article 11 (Disposal of Profit and Loss)

(1) The Profit of the Corporation that accrues from accounts settlement at each fiscal year shall be disposed in accordance with the following order of priority: <Amended by Act No. 4756, Mar. 24, 1994>

1. Offset carried-over losses;
2. Set aside Two-tenth or more of its profit as the earned surplus reserve until such

reserve reaches one-half of the amount of the capital;

3. Retain two-tenth or more of its profit as the business expansion reserve until the amount of the capital;

4. Contribute to the National Treasury or the Special Accounts for Energy and Resources-related Projects

(2) The loss of the Corporation that accrues from accounts settlement at each fiscal year shall be offset with the business expansion reserve provided for in above paragraph (1) subparagraph 3, the Corporation shall offset the loss with the earned surplus reserve provided for in above paragraph (1) subparagraph 2, and any remaining loss shall be carried over to the next fiscal year.

(3) The earned surplus reserve provided for in paragraph (1) subparagraph 2 may be transferred to the capital account by methods set forth in the Presidential Decree.

Article 12 (Issuance of Debentures)

(1) The Corporation may, by a resolution of the Board of Directors, issue debentures which total amount does not exceed twice the sum of the amount of the capital and reserves.

(2) The claims for the principals and the interest on the debentures shall lapse if not exercised within five years for the principal and within two years for the interest.

Article 13 (Borrowing)

The Corporation, by the resolution of the Board of Directors, may engage in debt financing (including foreign loans) as required by its business.

[Wholly Amended by Act No. 5622, Dec. 31, 1998]

Article 14 (Guarantee for Repayment)

The Government may guarantee the repayment of the principal and the interest of debentures issued by, and loans made to, the Corporation.

Article 15 (Subsidy)

Within a scope of the budget, the government may subsidize activities of the Corporation.

Article 16 (Supervision)

The Minister of Commerce, Industry and Energy shall Supervise the business of the Corporation within the scope necessary for the achievement of the management objectives of the Corporation. <Amended by Act No. 4541, Mar. 6, 1993; Act No. 5454, Dec. 13, 1997; Act No. 5622, Dec. 31, 1998>

Article 17 (Expropriation and Use of Land)

(1) The Corporation may, if necessary for the exploration, development, storage, and transportation of oil, expropriate or use land, buildings, fixtures to the land, and other non-ownership property rights thereto, mining rights, fishing rights, and rights for the use of water.

(2) The Land Expropriation Act shall be applied to the expropriation and use provided for in above Paragraph (1). In cases applying Article 9 Paragraph (1), Article 26 Paragraph (1), Article 27 Paragraph (1) and Article 35 Subparagraph (1) 1 of above Act, the Corporation shall be considered the State, and the phrase "Minister of the competent ministry" in Article 9 Paragraph (1) of above Act and the phrase "the chief of administrative agency which has the authority" in Article 26 Paragraph (1) shall be regarded respectively as the President of the Corporation. <Amended by Act No. 6656, Feb. 4, 2002>

Article 18 (Relations with Other Laws)

The Government-Invested Enterprise Management Act shall be applied to the matters about the organization, management, etc., of the Corporation, which are not provided for in this Act.

Article 19 (Punishment)

Any person who violates the provisions of Article 9 shall be subject to not longer than 2 years imprisonment or a fine of not more than 2,000,000 Won.

Article 20 (Non-penal Fine)

(1) Any person who violates the provisions of Article 6 shall be subject to a non-penal fine of not more than 2,000,000 Won. <Amended by Act No. 5622, Dec. 31, 1998>

(2) The non-penal fine provided for in Paragraph (1) shall be imposed and collected

by the Minister of Commerce, Industry and Energy by the methods set forth in the Presidential Decree. <Amended by Act No. 4541, Mar. 6, 1993; Act No. 5454, Dec. 13, 1997; Act No. 5622, Dec. 31, 1998>

(3) The person who objects to the imposition of a non-penal fine provided for in Paragraph (2) may raise such objections to the Minister of Commerce, Industry and Energy within 30 days from the date of receiving the notice of the fine. <Amended by Act No. 4541, Mar. 6, 1993; Act No. 5454, Dec. 13, 1997; Act No. 5622, Dec. 31, 1998>

(4) When a Paragraph (3) objection has been raised by the person receiving a Paragraph (2) fine, the Minister of Commerce, Industry and Energy shall promptly notify a competent court which will conduct a legal proceeding on the issue of the fine in accordance with the Non-Contentious Case Procedure Act. <Amended by Act No. 4541, Mar. 6, 1993; Act No. 5454, Dec. 13, 1997; Act No. 5622, Dec. 31, 1998>

(5) A non-penal fine which is not paid without a timely objection as prescribed in Paragraph (3) shall be collected in accordance with the procedures adopted for recovery of national tax in arrears.

ADDENDA

<Act No. 3837, May. 12, 1986>

This Act shall enter into force as of the date of its promulgation.

ADDENDA

<Act No. 4541, Mar. 6, 1993>

Article 1 (Enforcement Date)

This Act shall enter into force as of the date of its promulgation. (Proviso Omitted.)

Article 2 to 5 Omitted.

ADDENDA

<Act No. 4756, Mar. 24, 1994>

1, 1995.

ADDENDA

<Act No. 5454, Dec. 13, 1997>

This Act shall enter into force as of January 1, 1998. (Proviso Omitted.)

ADDENDA

<Act No. 5622, Dec. 31, 1998>

Article 1 (Enforcement Date)

This Act shall enter into force as of January 1, 1999.

Article 2 (Transitional Measures concerning Change of Title)

(1) The Korea Petroleum Development Corporation existing at the time this Act enters into force, shall be considered as the Korea National Oil Corporation.

(2) Any act and other legal relation done in the name of the Korea Petroleum Development Corporation existing at the time this Act enters into force, shall be considered as those done in the name of the Korea National Oil Corporation.

(3) The name of the Korea Petroleum Development Corporation on any registers and other official books at the time this Act enters into force, shall be considered as the name of the Korea National Oil Corporation.

(4) In the event that other laws and regulations cite the Korea Petroleum Development Corporation Act or the Korea Petroleum Development Corporation at the time this Act enters into force, the Korea National Oil Corporation Act or the Korea National Oil Corporation shall be considered to be cited in lieu of the former.

Article 3 (Amendment to other laws)

(1) Some of the Act on the Special Accounts for Energy and Resources-related Projects shall be amended as follows.

Article 5 paragraph (1) subparagraph 6 "the Korea Petroleum Development Corporation Act" will be changed into "the Korea National Oil Corporation Act."

(2) Some of the Petroleum Business Act shall be amended as follows.

Article 8 paragraph (1) subparagraph 6 "the Korea Petroleum Development Corporation pursuant to the Korea Petroleum Development Corporation Act" will be changed into "the Korea National Oil Corporation pursuant to the Korea National Oil Corporation Act."

ADDENDA

<Act No. 6656, Feb. 4, 2002>

Article 1 (Enforcement Date)

This Act shall enter into force as of January 1, 2003.

Article 2 through 10 Omitted.

Article 11 (Amendment of other Act)

(1) through <74> Omitted.

<75> The following provisions of Korea National Oil Corporation Act shall be amended as follows:

The phrase "Act on the Expropriation of Land" in Article 17 (2) shall be amended to "Act on the Acquisition of Land, ect. for Public Works and Compensation Therefor"; "Article 9 (1), Article 26 (1), Article 27 (1), and Article 35 (1) 1 of the Act on the Expropriation of Land" shall be amended to "Article 9 (1), Article 38 (1), Article 39 (1), and Article 51 (1) 1 in Act on the Acquisition of Land, ect. for Public Works and Compensation Therefor"; "the competent Minister" in Article 9 (1) and "the head of administrative agency with authority" in Article 26 (1) of the Act on the Expropriation of Land shall be amended to "the president of corporation," respectively" shall be amended to "the related head of central administrative agency" in Article 9 (1) and "the related head of central administrative agency" in Article 38 (1) shall be amended to "the president of corporation."

<76> through <85> Omitted.

Article 12 Omitted.