

## SCHEDULE 4

### MODEL CLAUSES FOR PRODUCTION LICENCES IN SEAWARD AREAS

#### **Royalty payments**

**10.**—(1) Subject to paragraph (2) of this clause the Licensee shall pay to the Minister, in respect of each half year in which this licence is in force (hereafter in this clause and in clauses 11 and 12 of this licence referred to as a “chargeable period”), a royalty of an amount equal to the percentage specified in Schedule 3 to this licence (hereinafter referred to as “the appropriate percentage”) of the value of the petroleum relating to that period.

(2) Paragraph (1) of this clause shall not apply to a chargeable period in which the Licensee delivers petroleum to the Minister in pursuance of clause 13 of this licence; but if the petroleum delivered has a value of less than the appropriate percentage of the aggregate of—

- (a) the value of the petroleum delivered (ignoring any such excess as is mentioned in paragraph (8) of this clause), and
- (b) the value of the petroleum relating to that period,

he shall pay to the Minister a royalty of an amount equal to the difference.

(3) For the purposes of this clause and clauses 11 and 12 of this licence the value of the petroleum relating to a chargeable period is, subject to paragraph (4) of this clause, the total of the amounts which, if the words “one-half of” were omitted from paragraph (b) of subsection (4) and paragraph (d) of subsection (5) of section 2 of the Oil Taxation Act 1975, would in pursuance of paragraph (a) of the said subsection (4) fall to be taken into account in relation to that period in respect of the persons who by reference to this licence are or are treated as participators for the purposes of those subsections, reduced by the total of the market values which would in pursuance of the said paragraph (b) fall to be taken into account as aforesaid.

(4) The value which, in pursuance of paragraph (3) of this clause, is the value of the petroleum relating to a chargeable period shall be increased by an amount equal to the value as determined for the purposes of income tax or the charge of corporation tax on income, of so much of the petroleum won and saved in the licensed area as falls within section 10(1) of the Oil Taxation Act 1975 and was in that period disposed of or relevantly appropriated (within the meaning of Part I of that Act) by the persons mentioned in the said paragraph (3).

(5) Subject to paragraphs (6) and (7) of this clause, the value of petroleum delivered to the Minister in pursuance of clause 13 of this licence shall be ascertained for the purposes of this clause and clause 11 on such basis (or, where petroleum of more than one kind is delivered, such bases) as the Minister and the Licensee agree.

(6) If the Minister and the Licensee fail to agree on the value of any petroleum delivered to the Minister in pursuance of clause 13 of this licence, it shall be ascertained on such basis as the Minister may specify as fair in a notice in writing given by him to the Licensee.

(7) The Licensee may, during the period of 28 days beginning with the day on which he receives a notice from the Minister under paragraph (6) of this clause, refer to arbitration in the manner provided by clause 43 of this licence any question as to whether the basis of valuation specified in the notice is fair.

(8) In this clause and clauses 11 and 12, references to petroleum delivered to the Minister in pursuance of clause 13 include references to any excess over the quantity required to be delivered by a notice served in pursuance of paragraph (1) of that clause.