
STATUTORY INSTRUMENTS

1991 No. 981

PETROLEUM

**The Petroleum (Production)
(Landward Areas) Regulations 1991**

<i>Made</i>	- - - -	<i>13th April 1991</i>
<i>Laid before Parliament</i>		<i>18th April 1991</i>
<i>Coming into force</i>	- -	<i>9th May 1991</i>

The Secretary of State, in exercise of powers conferred by section 6(1) of the Petroleum (Production) Act 1934⁽¹⁾ and now vested in him⁽²⁾, hereby makes the following Regulations:—

Commencement and Citation

1. These Regulations shall come into force on 9th May 1991 and may be cited as the Petroleum (Production) (Landward Areas) Regulations 1991.

Interpretation

2. In these Regulations the following expressions have the meanings hereby respectively assigned to them, that is to say—

“the Act” means the Petroleum (Production) Act 1934;

“blocks” has the meaning assigned thereto in regulation 6(2);

“Gazette notice” means a notice published from time to time by the Secretary of State in the London Gazette and the Edinburgh Gazette;

“landward areas” has the meaning assigned thereto in regulation 3 and “seaward areas” (when used in Schedule 1 to these Regulations) means areas on the seaward side of the lines there referred to;

“low water line” has the same meaning as it has in Schedule 1 to these Regulations;

“methane drainage licence” means a licence to get natural gas in the course of operations for making and keeping safe mines whether or not disused;

“principal licence” means a licence of any description under the Act other than a methane drainage licence or a supplementary seismic survey licence.

(1) 1934 c. 36.

(2) S.R. & O. 1942/1132; the Ministry of Fuel and Power Act 1945 (c. 19); S.I. 1969/1498, 1970/1537.

Application of the Regulations

3.—(1) These Regulations shall have effect in relation to applications for, and (unless the Secretary of State thinks fit to modify or exclude them in any particular case) the model clauses to be prescribed for inclusion in, licences to search and bore for, and get, petroleum in strata in the areas of Great Britain and beneath the waters adjacent thereto which lie on the landward side of lines drawn in accordance with the provisions of Schedule 1 to these Regulations (in these Regulations referred to as “landward areas”).

(2) The Petroleum (Production) (Landward Areas) Regulations 1984⁽³⁾ shall cease to have effect in relation to—

- (a) applications made after the date of coming into force of these Regulations for any exploration, appraisal or development licence in respect of a landward area; and
- (b) the model clauses to be incorporated in any such licence to be granted after the date of coming into force of these Regulations in pursuance of an application lodged after that date.

Applicants for licences

4.—(1) Any person may apply in accordance with these Regulations for—

- (a) an exploration licence in respect of a landward area;
- (b) an appraisal licence in respect of a landward area; or
- (c) a development licence in respect of a landward area.

(2) A person who holds a principal licence may apply in accordance with these Regulations for a supplementary seismic survey licence in respect of a landward area contiguous to the area to which the principal licence relates.

Applications for licences

5.—(1) Every application for a licence shall be made in writing and shall be in the form specified in Schedule 2 hereto or in a form substantially to the like effect, sent to Oil and Gas Division, Department of Energy, 1 Palace Street, London, SW1E 5HE and shall be accompanied by the appropriate fee and by such evidence and particulars or documents in support thereof as are referred to in that Schedule and are appropriate to that application.

(2) Every application for a licence which relates to an area bounded by any of the lines specified in Schedule 1 to these Regulations shall be accompanied by two copies of an Ordnance Survey map on a scale of 1:25,000, or such other map or chart as the Secretary of State may allow, upon which the boundaries of the area in relation to which the licence is sought are clearly defined.

(3) In respect of each applicant for a licence which is a body corporate there shall accompany the application three copies of the most recent audited accounts of such applicant and three copies of the most recent audited accounts of any body corporate having control of such applicant. Subsections (2) and (4) to (6) of section 416 of the Income and Corporation Taxes Act 1988⁽⁴⁾ shall apply for the purpose of determining whether for the purposes of this paragraph a body corporate has control of another body corporate, with the following modifications, namely—

- (a) for the words “the greater part” wherever they occur in the said subsection (2) there shall be substituted the words “one-third or more”;
- (b) in the said subsection (6), for the word “may”, there shall be substituted the word “shall”, the words from “and such attributions” onwards shall be omitted, and in the other

(3) S.I. 1984/1832.

(4) 1988 c. 1.

provisions of the subsection any reference to an associate of a person shall be construed as including only a relative of his (as defined by section 417(4) of that Act), a partner of his and a trustee of a settlement (as defined by section 681(4) of that Act) of which he is a beneficiary.

(4) There shall also accompany the application a list of the bodies corporate whose accounts are submitted pursuant to paragraph (3) above.

(5) If any of the matters stated in an application or any further information supplied by the applicant shall change after the application is made or after the information is given but before a licence is granted or the Secretary of State informs the applicant that the application is refused, the applicant shall forthwith give notice in writing to the Secretary of State giving particulars of the change.

Applications for exploration licences

6.—(1) Subject to paragraph (3) below, every application for an exploration licence shall—

- (a) relate to one or more contiguous blocks described or specified by a Gazette notice published in accordance with the next following paragraph; and
- (b) be made within the period specified by such a notice as the period during which the Secretary of State is prepared to receive applications in respect of the blocks so described or specified;

and shall not comprise only part of a block.

(2) The Gazette notice referred to in the last foregoing paragraph is a Gazette notice describing or specifying by reference to a map deposited at the principal office of the Department of Energy, and at such other places (if any) as may be specified in the notice, areas (in these Regulations referred to as “blocks”) to which reference numbers shall be assigned, in respect of which the Secretary of State is prepared to receive applications for exploration licences and specifying the dates within which applications in respect of the blocks so described or specified are to be made.

(3) The requirements set out in paragraph (1) above shall not apply in any case where the Secretary of State has served notice in writing on such persons as appear to him to be concerned that he would be prepared to consider an application for an exploration licence in such circumstances as are specified in the notice.

Applications for supplementary seismic survey licences

7.—(1) An application for a supplementary seismic survey licence may be made at any time.

(2) Every such application shall relate to a clearly defined area, no part of which is—

- (a) subject to a principal licence;
- (b) more than one kilometre from the boundary of a principal licence held by the applicant; or
- (c) below the low water line.

(3) Every such application shall be accompanied by two copies of a programme in accordance with which the applicant proposes to undertake seismic surveys in both the area to which the principal licence relates and the area to which the supplementary seismic survey licence is to relate.

Applications for appraisal and development licences

8.—(1) An application for an appraisal or development licence may be made at any time.

(2) Every such application shall relate to a clearly defined area, the boundaries of which, so far as is practicable—

- (a) run north, south, east and west; and

(b) each extend for 100 metres or a multiple of 100 metres.

(3) No application for an appraisal or development licence may be made except by or with the consent in writing of the holder of any exploration licence or appraisal licence, as the case may be, which relates to any part of the area comprised in the application.

(4) Every application for a development licence shall be accompanied by two copies of the programme in accordance with which the applicant proposes—

- (a) to erect or carry out any relevant works, either in the area to which the application relates or elsewhere, for the purpose of getting petroleum from that area or for the purpose of conveying to a place on land petroleum got from that area; and
- (b) to get petroleum from that area otherwise than in the course of searching for petroleum or drilling wells.

(5) The programme referred to in paragraph (4) of this regulation shall specify—

- (a) the relevant works which the applicant proposes to erect or carry out for either of the purposes mentioned in sub-paragraph (a) of paragraph (4) of this regulation;
- (b) the proposed locations of the works, the purposes for which it is proposed to use the works and the times at which it is proposed to begin and to complete the erection or carrying out of the works;
- (c) the maximum and minimum quantities of petroleum in the form of gas and the maximum and minimum quantities of petroleum in other forms which, in each calendar year of the period specified in the programme, the applicant proposes to get as mentioned in sub-paragraph (b) of paragraph (4) of this regulation.

(6) In this regulation “relevant works” means any structures and any other works whatsoever which are intended to be permanent and are neither designed to be moved from place to place without major dismantling nor intended by the applicant to be used only for searching for petroleum.

(7) Every application for a development licence shall be accompanied by a copy of any planning permission required under the Town and Country Planning Act 1990⁽⁵⁾ or the Town and Country Planning (Scotland) Act 1972⁽⁶⁾ before the programme referred to in paragraph (4) of this regulation may be carried out.

Form of licences

9.—(1) Every licence shall incorporate the model clauses respectively prescribed by the next following paragraph for the kind of licence to which that licence belongs unless the Secretary of State thinks fit to modify or exclude, in any particular case, the clauses so prescribed.

(2) The clauses prescribed for incorporation in licences of the following kinds are those set out in the respective Schedules to these Regulations, that is to say—

- (a) for incorporation in exploration licences, the clauses set out in Schedule 3;
- (b) for incorporation in supplementary seismic survey licences, the clauses set out in Schedule 4;
- (c) for incorporation in appraisal licences, the clauses set out in Schedule 5;
- (d) for incorporation in development licences, the clauses set out in Schedule 6.

Fees

10.—(1) With every application for an exploration licence there shall be paid a fee of £1,000.

(5) 1990 c. 8.

(6) 1972 c. 52.

(2) With every application for a supplementary seismic survey licence or an appraisal licence there shall be paid a fee of £150.

(3) With every application for a development licence there shall be paid a fee of £500.

Plurality of licences

11. Nothing in these Regulations shall prevent more than one application being made by the same person or more than one licence being granted to him.

13th April 1991

John Wakeham
Secretary of State for Energy

SCHEDULE 1

Regulation 3

LINES DIVIDING LANDWARD AREAS FROM SEAWARD AREAS

1. Except as provided by the four next following paragraphs, the lines dividing—
 - (a) the mainland of Great Britain and the islands adjacent thereto (other than the Orkney and Shetland Islands) and the waters adjacent to the mainland and such islands, to be treated for the purposes of these Regulations as landward areas, from
 - (b) the islands and waters to be treated for such purposes as seaward areas,

shall be the low water line along the coast of the mainland of Great Britain, the Isle of Wight, Anglesey and Holy Island.

2. The lines dividing landward areas from seaward areas at the estuaries, rivers, harbours, bays and other places specified in the second column of Table 1 of this Schedule shall be straight lines drawn between the pairs of points identified by the map references respectively specified in the third column of that Table, each such point being a point situate on low water line on or adjacent to the feature respectively named in the fourth column of that Table.

3. The lines dividing landward areas from seaward areas between Cape Wrath and the Mull of Kintyre shall be a series of straight lines drawn so as to join successively, in the order in which they are there set out, the points identified by the map references specified in the second column of Table 2 of this Schedule, each such point being a point situate on low water line on or adjacent to the feature, if any, named in the third column of that Table.

4. The lines dividing landward areas from seaward areas in the vicinity of the Pentland Firth and the Orkney Islands shall be a straight line drawn from the reference point ND 310753, being a point situate on the low water line on or adjacent to the feature known as St. John's Point, to the map reference point ND 289809; thence a line running clockwise parallel with, and three nautical miles seaward of, the baselines from which the breadth of the territorial sea adjacent to the Orkney Islands is measured to the map reference point ND 459711, and thence a straight line to the map reference point ND 407734, being a point situate on low water line on or adjacent to the feature known as Duncansby Head.

5. Subject to the provisions of the last three foregoing paragraphs, the lines dividing landward areas from seaward areas at the mouths of rivers or estuaries shall be straight lines joining the points on the low water lines at either side of each such mouth.

6. The line dividing the Shetland Islands and the waters adjacent thereto to be treated for the purposes of these Regulations as landward areas from the areas to be treated for such purposes as seaward areas shall be a line parallel with, and three nautical miles seaward of, the baselines from which the breadth of the territorial sea adjacent to those Islands is measured:

Provided that Foula and Fair Isle and the waters adjacent to them shall be treated as seaward areas.

7. In this Schedule the expression "low water line" means the line so marked on the Ordnance Survey maps on a scale of 1:25,000 in the edition for the areas to which they respectively relate last published prior to the date on which these Regulations are made, and any reference to a map reference point shall be construed as a reference to a point having that map reference on the National Grid for those Ordnance Survey maps.

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TABLE 1

**POINTS AT MOUTHS OF SPECIFIED ESTUARIES
AND OTHER INDENTATIONS OF THE COAST**

	Name of estuary or other indentation	National Grid Reference	Name of Feature
1	Firth of Clyde	NR 716074	Cove point
		NR 718046	Sanda Island (Black Point)
		NR 725037	Sanda Island Lighthouse
		NW 962695	Laggen Hill
2	Wigtown Bay	NX 494464	Eggerness Point
		NX 546513	Ringdoo Point
3	Solway Firth	NX 653432	Fox Craig (Meikle Ross)
		NX 943134	St Bees Head
4	Duddon Sands	SD 130763	Haverigg Point
		SD 168685	Mill Scar
5	Morecambe Bay	SD 220612	Hilpsford Point
		SD 304490	Rossall Point
6	River Ribble	SD 286250	Salter's Bank
		SD 300202	Horse Bank
7	Liverpool Bay	SD 262052	Formby Point
		SJ 131855	Point of Ayr
8	Beaumaris Bay	SH 744786	Penmaenbach point
		SH 641815	Trwyn Du
9	Holyhead Harbour	SH 281849	Twyn Cliperau
		SH 257847	Breakwater Head
10	Cymyran Bay	SH 294750	Traeth Llydan
		SH 297748	Traeth Cymyran
11	Llanddwyn Bay	SH 386623	Llanddwyn Island
		SH 429585	Morfa Dinlleu
12	Milford Haven	SM 819036	West Blockhouse Point
		SM 840027	Rat Island
13	Carmarthen Bay	SN 309062	Laugharne Sands
		SS 397926	Burry Holms

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	Name of estuary or other indentation	National Grid Reference	Name of Feature
14	Bristol Channel	ST 311806	West Usk Lighthouse
		ST 303627	Birnbeck Island
15	Padstow Bay	SW 925784	Shag Rock
		SW 915785	Stepper Point
16	Falmouth Harbour	SW 827315	Pendennis Point
		SW 845311	St Anthony Head
17	Plymouth Sound	SX 443486	Penlee Point
		SX 490486	Renney Rocks
18	Salcombe River	SX 725359	Bolt Head
		SX 766355	Gammon Head
19	Solent (west side)	SZ 319897	Hurst Castle
		SZ 292849	Needles Point
20	Solent (east side)	SZ 663876	Foreland
		SZ 684990	Fort Cumberland (Eastney Point)
21	Thames Estuary	TR 227694	Reculver
		TM 174142	Clacton-on-Sea
22	Harwich Harbour	TM 268244	The Naze
		TM 283311	Landguard Point
23	The Wash	TF 701452	Gore Point
		TF 565571	Gibraltar Point
24	River Humber	TA 374048	Northcoates Point
		TA 397104	Spurn Head
25	Holy Island Harbour (Lindisfarne)	NU 137403	Parton Shiel
		NU141415	Castle Point
26	Firth of Forth	NT 496864	Eyebroughy
		NT 496993	Elie Ness
27	Firth of Tay	NO 538159	Kinkell Ness
		NO 546302	Buddon Ness
28	Moray Firth	NH 807587	Whiteness Head
		NH812670	Sutors Stacks
		NH812670	Sutors Stacks
		NH 813686	North Sutor

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	Name of estuary or other indentation	National Grid Reference	Name of Feature
29	Dornoch Firth	NH 815857	Whiteness
		NH 809871	Dornoch Point
30	Tongue Bay	NC 641638	Port an-t Srathain
		NC 572663	Geodh' an Fhuarain
31	Loch Eriboll	NC 502687	Whiten Head
		NC 392719	Faraid Head
32	Kyle of Durness	NC 392719	Faraid Head
		NC 349717	A'Ghoil

TABLE 2

POINTS BETWEEN CAPE WRATH AND THE MULL OF KINTYRE

	National Grid Reference	Name of Feature
1	NC 257748	Cape Wrath
2	NB 519669	Lith Sgeir
3	NB 472634	Dell Rock
4	NB 186451	Tiumpan
5	NB 142442	Mas Sgeir
6	NB 115435	Stac nam Balg
7	NB 048399	Sgeir Gallen
8	NB 036382	Gallen Beag
9	NA 993324	Eilean Molach
10	NA 873118	Gasker
11	NF 594809	Haskeir Eagach
12	NF 572646	Huskeiran
13	NF 707301	Rudha Ardvule
14	NF 646049	Greian Head
15	NL 620988	—
16	NL 614979	Ard a' Chaolais
17	NL 606963	Biruaslum
18	NL 549843	Guarsay Mor
19	NL 542819	Sron an Duin
20	NL 546803	Skate Point
21	NL 840262	Skerryvore
22	NM 121031	Dubh Artach

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	National Grid Reference	Name of Feature
23	NR 151538	Frenchman's Rocks
24	NR 162510	An Coire
25	NR 268 414	Mull of Oa
26	NR 589071	Mull of Kintyre

SCHEDULE 2

Regulation 5(1)

FORM OF APPLICATION FOR A LICENCE

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PART I

1. Type of licence applied for.

PART II

2. Name of each applicant in full.
3. If the application is made by more than one person the share of the beneficial interest in the licence which is to be held by each applicant.
4. Name of proposed operator.

PART III

5. In the case of an application for an exploration licence which is made in respect of one or more particular blocks, reference numbers of these blocks and reference to any map which accompanies the application (A).
6. In the case of an application for a supplementary seismic survey, appraisal or development licence, description of the area in respect of which a licence is desired and reference to any map which accompanies the application.
7. In the case of an application for an appraisal or development licence, a statement whether the consent in writing of the holder of any relevant exploration or appraisal licence is required under regulation 8(3). A copy of any necessary consent should accompany the application.

PART IV(B)

8. In respect of each applicant who is an individual—
 - (a) Name of applicant in full.
 - (b) Usual residential address.
 - (c) Nationality.
9. In respect of each applicant which is a body corporate—
 - (a) Name of applicant in full.
 - (b) Place of incorporation.
 - (c) Principal place of business.
 - (d) In the case of a company, its registered office.
 - (e) Place of central management and control.
 - (f) Particulars of each member of the board of directors or other governing body of the body corporate, as follows:—

(1)	(2)	(3)
Full Name	Usual residential address	Nationality

10. In respect of each applicant which is a body corporate (C)—
 - (a) Particulars of capital authorised and issued as follows:—

(1)	(2)	(3)	(4)(D)
Class of capital	Amount authorised	Amount issued	Voting rights of each class
 - (b) Particulars of all holdings of not less than 5 per cent in number or value of any class of capital which has been issued by the body corporate as follows:—

(1)	(2)	(3)	(4)
Name of holder or names of joint holders, in full	Nationality of holder(s)	Class of holding	Amount
 - (c) Particulars of all capital issued to bearer, as follows:—

(1)	(2)	(3)
Class of capital	Total amount issued	Amount issued to bearer

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PART V

11. Details of the fees which accompany the application **(E)**.

PART VI

I/We hereby declare that the information given in Parts II, III and IV or annexed to or accompanying this application is correct.

Date Signature of each applicant or proposed operator or, in the case of each applicant or proposed operator which is a body corporate, of a duly authorised officer whose capacity is stated **(F)**

To Oil and Gas Division
Department of Energy
1 Palace Street
London SW1E 5HE

NOTES

(A) If the application for an exploration licence specifies more than one block it may indicate an order of preference for some or all of the blocks and it may indicate that blocks are applied for as alternatives.

(B) If there is more than one applicant or proposed operator all the information relating to each applicant or proposed operator which is required in this Part should be grouped together. The groups should appear in the order in which the applicants or proposed operator are named in Part II.

(C) If the body corporate does not possess a capital structure, any comparable information concerning the items listed should be furnished.

(D) Column 4 of sub-paragraph (a) need not be completed if a copy of the memorandum and articles of association, or other document setting out or defining the constitution, of the body corporate accompanies the application.

(E) Cheques should be crossed and made payable to "Department of Energy".

(F) Where there is more than one signature, the applicant or proposed operator to which each signature relates should be identified.

SCHEDULE 3

Regulation 9(2)(a)

MODEL CLAUSES FOR EXPLORATION LICENCES IN LANDWARD AREAS

Interpretation

1.—(1) In the following clauses the following expressions have the meanings hereby respectively assigned to them, that is to say:—

“the Act of 1934” means the Petroleum (Production) Act 1934;

“block” means an area delineated on the reference map deposited at the principal office of the Department of Energy;

“half year” means the period from 1st January to 30th June in any year and the period from 1st July to 31st December in any year;

“the licensed area” means the area for the time being in which the Licensee may exercise the rights granted by this licence;

“the Licensee” means the person or persons to whom this licence is granted, his personal representatives and any person or persons to whom the rights conferred by this licence may lawfully have been assigned;

“the Minister” means the Secretary of State for Energy;

“petroleum” includes any mineral oil or relative hydrocarbon and natural gas existing in its natural condition in strata, but does not include coal or bituminous shales or other stratified deposits from which oil can be extracted by destructive distillation;

“well” includes borehole.

(2) Any obligations which are to be observed and performed by the Licensee shall at any time at which the Licensee is more than one person be joint and several obligations.

Right to search and bore for petroleum and get petroleum in the course of exploration

2. In consideration of the payments hereinafter provided and the performance and observance by the Licensee of all the terms and conditions hereof, the Minister, in exercise of the powers conferred upon him by the Act of 1934, hereby grants to the Licensee EXCLUSIVE LICENCE AND LIBERTY during the continuance of this licence and subject to the provisions hereof to search and bore for petroleum, and get petroleum in the course of exploration (but not further or otherwise) in the area of more particularly described in Schedule 1 to this licence.

Provided that nothing in this licence shall affect the right of the Minister to grant a methane drainage licence in respect of the whole or any part of the licensed area or affect the exercise of any rights so granted.

Term of licence

3. This licence unless sooner determined under or consequent upon any of the provisions hereof shall be and continue in force for the term of six years from [].

Right of Licensee to determine licence or surrender part of licensed area

4.—(1) Without prejudice to any obligation or liability imposed by or incurred under the terms and conditions hereof, the Licensee may, at any time, determine this licence, or, if the licensed area comprises more than one block, surrender any block, by giving six months' written notice to that effect to the Minister.

Provided that the Minister, if he thinks fit, may accept a shorter period of notice.

(2) A notice given pursuant to paragraph (1) of this clause may be cancelled by a further notice in writing given to the Minister not less than one month before the expiration of the notice.

Consequences of determination or surrender by Licensee

5. Upon the date on which any determination of this licence by the Licensee or any surrender of a part of the licensed area is to take effect, the rights granted by this licence shall cease or cease in respect of the part so surrendered as the case may be, but without prejudice to any obligation or liability imposed upon the Licensee or incurred by him under the terms and conditions of this licence prior to that date.

Automatic termination of licence

6. If an appraisal or development licence is granted during the term of this licence in respect of any part of the licensed area, this licence shall automatically cease and determine as regards that part with effect from the date of commencement of the appraisal or development licence. Any such

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termination or partial termination of this licence shall extinguish any outstanding working obligation under clause 8 (to the extent that it relates to the area comprised in the appraisal or development licence), but shall otherwise be without prejudice to any obligation or liability imposed upon the Licensee or incurred by him under the terms and conditions of this licence prior to that date.

Payment of consideration for licence

7.—(1) The Licensee shall make to the Minister the payment specified in Schedule 2 to this licence as consideration for the grant of this licence.

(2) The Licensee shall not by reason of the determination or partial termination of this licence, or the surrender of any part of the licensed area, be entitled to be repaid all or any part of the sum payable to the Minister hereunder.

Working obligations

8.—(1) The Licensee shall during the term of this licence carry out with due diligence the scheme of prospecting including any geological survey by chemical or physical means or programme of test drilling or any of them set out in Schedule 3 to this licence.

(2) The Licensee shall give the Minister at least 21 days' written notice of any proposed seismic survey during the term of this licence of any area which is not wholly on the seaward side of the low water line and such notice shall indicate the nature of the survey and the total number of kilometres to be shot and shall be accompanied by a copy of an Ordnance Survey map for the relevant area drawn on the scale of 1:50,000 or 1:63,360 upon which the proposed lines of survey are indicated and, in a case where any planning permission under the Town and Country Planning Act 1990 or the Town and Country Planning (Scotland) Act 1972 is required for the survey in question, evidence that such permission has been granted.

(3) The Licensee shall not carry out any seismic survey during the term of this licence of any such area as is mentioned in paragraph (2) of this clause if notice has not been given as aforesaid or if the Minister indicates to the Licensee within 14 days of the receipt of such notice that the survey is not to be carried out.

(4) If during the term of this licence the Minister serves a notice in writing on the Licensee requiring him to submit to the Minister, before a date specified in the notice, an appropriate programme for exploring for petroleum in the licensed area during a period so specified, the Licensee shall comply with the notice; and for the purposes of this paragraph an appropriate programme is one which any person who, if he—

- (a) were the grantee of this licence;
- (b) had the competence and resources needed to carry out an expeditious programme of exploration; and
- (c) were seeking to carry out an expeditious programme of exploration,

could reasonably be expected to carry out during the period specified in the notice.

(5) If a programme is submitted to the Minister in consequence of a notice served by him in pursuance of paragraph (4) of this clause, then—

- (a) he shall not be entitled to revoke this licence on the ground that the programme does not satisfy the requirements of that paragraph (hereafter in this clause referred to as “the relevant requirements”); but
- (b) if he is of the opinion that the programme does not satisfy the relevant requirements he may serve a notice in writing on the Licensee stating his opinion and the reasons for it.

(6) Where notice in respect of a programme is served on the Licensee in pursuance of paragraph (5) of this clause he shall either—

- (a) within 28 days beginning with the date of service of the notice refer to arbitration, in the manner provided by clause 29 of this licence, the question of whether the programme satisfies the relevant requirements; or
- (b) within a reasonable period beginning with that date submit to the Minister a further programme which satisfies the relevant requirements;

and where it is determined in consequence of any reference to arbitration in pursuance of subparagraph (a) of this paragraph that the programme in question does not satisfy the relevant requirements the Licensee shall submit to the Minister, as soon as possible after the date of the determination, a further programme which satisfies the relevant requirements.

(7) The Licensee shall carry out any programme submitted by him in pursuance of this clause as to which either—

- (a) the Minister serves notice in writing on the Licensee stating that the Minister approves the programme; or
- (b) it is determined in consequence of any reference to arbitration in pursuance of this licence that the programme satisfies the relevant requirements;

and any programme approved by the Minister in pursuance of this paragraph shall be deemed for the purposes of this licence to satisfy the relevant requirements.

(8) Where, in consequence of any breach or non-observance by the Licensee of any provision of paragraph (4), (6) or (7) of this clause, the Minister has power by virtue of paragraph (1) of clause 28 of this licence to revoke this licence, he may if he thinks fit exercise that power in relation to such part only of the licensed area as he may specify; and where he does so the rights granted by this licence shall cease in respect of the specified part of that area without prejudice to any obligation or liability imposed upon the Licensee or incurred by him under the terms of this licence.

Short term and extended testing

9.—(1) The Licensee shall not get any petroleum from the licensed area by virtue of this licence, except that the Licensee may get petroleum in the course of searching for petroleum—

- (a) for a period not exceeding four days in relation to each geological interval or stratum; and
- (b) with the consent of the Minister in writing, for a period not exceeding 90 days.

(2) A consent given by the Minister in pursuance of paragraph (1)(b) of this clause may be made subject to conditions which may, in particular, be framed by reference to the period during which petroleum may be got and the quantity that may be got.

Commencement and abandonment and plugging of wells

10.—(1) The Licensee shall not commence, or, after abandoning in the manner hereinafter provided, shall not recommence the drilling of any well without the consent in writing of the Minister.

(2) The Licensee shall not abandon any well without the consent in writing of the Minister.

(3) The Licensee shall ensure compliance with any conditions subject to which any consent under either of the foregoing paragraphs is given.

(4) If any condition subject to which a consent under paragraph (1) of this clause is given relates to the position, depth or direction of the well, or to any casing of the well or if any condition subject to which a consent under either paragraph (1) or paragraph (2) of this clause is given relates to any plugging or sealing of the well, the Minister may from time to time direct that the well and all records relating thereto shall be examined in such manner, upon such occasions or at such intervals and by such persons as may be specified by the Minister's direction and the Licensee shall pay to any such person or to the Minister such fees and expenses for such examination as the Minister may specify.

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(5) The plugging of any well shall be done in accordance with a specification approved by the Minister applicable to that well or to wells generally or to a class of wells to which that well belongs and shall be carried out in an efficient and workmanlike manner.

(6) Any well drilled by the Licensee pursuant to this licence, which at the expiry or determination of the Licensee's rights in respect of the area or part thereof in which that well is drilled has not with the consent of the Minister been abandoned, shall be left in good order and fit for further working together with all casings and any well head fixtures the removal whereof would cause damage to such well, or, if the Minister so directs in the manner provided by paragraph (8) of this clause, be plugged and sealed in accordance with the Minister's direction.

(7) All casings and fixtures left in position pursuant to the last foregoing paragraph shall be the property of the Minister.

(8) In any case to which paragraph (6) of this clause applies, a direction by the Minister may be given, by notice in writing to the Licensee not less than one month before the Licensee's rights in respect of the area or part thereof in which the well is situate expire or determine, specifying the manner in which the well is to be plugged and sealed and the time within which such work is to be done.

(9) An application for the consent of the Minister to the drilling of a well at any place above the low water line shall be accompanied by evidence that the planning authority for the relevant place has been consulted about the drilling and that any planning permission required under the Town and Country Planning Act 1990 or the Town and Country Planning (Scotland) Act 1972 for the drilling of that well has been granted.

Distance of wells from boundaries of licensed area

11. No well shall except with the consent in writing of the Minister be drilled or made so that any part thereof is less than one hundred and twenty-five metres from any of the boundaries of the licensed area.

Further controls on wells

12.—(1) The Licensee shall not suspend work on the drilling of a well, or having suspended it in accordance with this paragraph shall not begin it again, except with the consent in writing of the Minister and in accordance with the conditions, if any, subject to which the consent is given.

(2) When work on the drilling of a well is suspended in accordance with paragraph (1) of this clause, the Licensee shall forthwith furnish the Minister with such information relating to the well as the Minister may specify.

(3) The Licensee—

- (a) shall not do any completion work in respect of a well in the licensed area except in accordance with a programme of completion work approved by the Minister in respect of the well;
- (b) shall furnish to the Minister, in accordance with the provisions of such a programme, particulars of any completion work done by him in respect of a well in the licensed area; and
- (c) shall not remove or alter any casing or equipment installed by way of completion work in respect of a well except with the consent in writing of the Minister and in accordance with the conditions, if any, subject to which the consent is given.

(4) In this clause, "completion work", in relation to a well, means work, by way of the installation of a casing or equipment or otherwise after the well has been drilled, for the purpose of bringing the well into use.

Provision of storage tanks, pipes, pipelines or other receptacles

13. The Licensee shall use methods and practice customarily used in good oilfield practice for confining the petroleum obtained from the licensed area in tanks, gasholders, pipes, or pipelines or other receptacles constructed for that purpose.

Avoidance of harmful methods of working

14.—(1) The Licensee shall maintain all apparatus and appliances and all wells which have not been abandoned and plugged as provided by clause 10 of this licence in good repair and condition and shall execute all operations in or in connection with the licensed area in a proper workmanlike manner in accordance with methods and practice of exploration customarily used in good oilfield practice. Without prejudice to the generality of the foregoing provision the Licensee shall take all steps practicable in order—

- (a) to control the flow and to prevent the escape or waste of petroleum discovered in or obtained from the licensed area;
- (b) to conserve the licensed area for productive operations;
- (c) to prevent damage to adjoining petroleum bearing strata;
- (d) to prevent the entrance of water through wells to petroleum bearing strata; and
- (e) to prevent the escape of petroleum into any waters in or in the vicinity of the licensed area.

(2) The Licensee shall comply with any instructions from time to time given by the Minister in writing relating to any of the matters set out in the foregoing paragraph. If the Licensee objects to any such instruction on the ground that it is unreasonable he may, within fourteen days from the date upon which the same was given, refer the matter to arbitration in the manner provided by clause 29 of this licence.

(3) Notwithstanding anything in the preceding provisions of this clause, the Licensee shall not—

- (a) flare any gas from the licensed area; or
- (b) use gas for the purpose of creating or increasing the pressure by means of which petroleum is obtained from that area,

except with the consent in writing of the Minister and in accordance with the conditions, if any, of the consent.

(4) An application for consent in pursuance of paragraph (3) of this clause must be made in writing to the Minister and must specify the date on which the Licensee proposes to begin the flaring or use in question.

(5) Before deciding to withhold consent or to grant it subject to conditions in pursuance of paragraph (3) of this clause, the Minister shall give the Licensee an opportunity of making representations in writing to the Minister about the technical and financial factors which the Licensee considers are relevant in connection with the case and shall consider any such representations then made to him by the Licensee.

(6) Consent in pursuance of paragraph (3) of this clause shall not be required for any flaring which, in consequence of an event which the Licensee did not foresee in time to deal with it otherwise than by flaring, is necessary in order—

- (a) to remove or reduce the risk of injury to persons in the vicinity of the well in question; or
- (b) to maintain a flow of petroleum from that or any other well;

but when the Licensee does any flaring which is necessary as aforesaid he shall forthwith inform the Minister that he has done it and shall, in the case of flaring to maintain a flow of petroleum, stop the flaring upon being directed by the Minister to stop it.

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(7) The Licensee shall give notice to the Minister of any event causing escape or waste of petroleum, damage to petroleum bearing strata or entrance of water through wells to petroleum bearing strata forthwith after the occurrence of that event and shall, forthwith after the occurrence of any event causing escape of petroleum into the sea, give notice of the event to the Chief Inspector of Her Majesty's Coastguard.

(8) The Licensee shall comply with any reasonable instructions from time to time given by the Minister with a view to ensuring that funds are available to discharge any liability for damage attributable to the release or escape of petroleum in the course of activities connected with the exercise of rights granted by this licence; but where the Minister proposes to give such instructions he shall before giving them—

- (a) give the Licensee particulars of the proposal and an opportunity of making representations to the Minister about the proposal; and
- (b) consider any representations then made to him by the Licensee about the proposal.

Fishing and navigation

15. The Licensee shall not carry out any operations authorised by this licence in or about the licensed area in such manner as to interfere unjustifiably—

- (a) with navigation in any navigable waters; or
- (b) with fishing in or the conservation of the living resources of any waters in or in the vicinity of the licensed area.

Appointment of operators

16.—(1) The Licensee shall ensure that another person (including, in the case where the Licensee is two or more persons, any of those persons) does not exercise any function of organising or supervising all or any of the operations of searching or boring for or getting petroleum in pursuance of this licence unless that other person is a person approved in writing by the Minister and the function in question is one to which that approval relates.

(2) The Minister shall not refuse to give his approval of a person in pursuance of paragraph (1) of this clause if that person is competent to exercise the function in question; but where an approved person is no longer competent to exercise that function the Minister may, by notice in writing given to the Licensee, revoke his approval.

Training

17.—(1) The Minister may from time to time give to the Licensee instructions in writing as to the training of persons employed or to be employed, whether by the Licensee or by any other person, in any activity which is related to the exercise of the rights granted by this licence, and the Licensee shall ensure that any instructions so given are complied with.

(2) The Licensee shall furnish the Minister with such information relating to the training of persons referred to in paragraph (1) of this clause as the Minister may from time to time request.

Licensee to keep records

18.—(1) The Licensee shall keep accurate records in a form from time to time approved by the Minister of the drilling, deepening, plugging or abandonment of wells and of any alterations in the casing thereof. Such records shall contain particulars of the following matters—

- (a) the site of, number and name (if any) assigned to every well;
- (b) the subsoil and strata through which the well was drilled;

- (c) the casing inserted in any well and any alteration to such casing;
- (d) any petroleum, water, mines or workable seams of coal encountered; and
- (e) such other matters as the Minister may from time to time direct.

(2) The Licensee shall keep in the United Kingdom accurate geological plans and maps relating to the licensed area and such other records in relation thereto as may be necessary to preserve all information which the Licensee has about the geology of the licensed area.

(3) The Licensee shall deliver copies of the said records, plans and maps referred to in the two foregoing paragraphs to the Minister as and when required.

Returns

19.—(1) The Licensee shall furnish to the Minister not later than 6 weeks after the end of each half year which falls wholly or partly within the period during which this licence is in force a return in a form from time to time approved by the Minister of the progress of his operations in the licensed area. Such return shall contain—

- (a) a statement of the areas in which any geological work, including surveys by any physical or chemical means, has been carried out;
- (b) the number and name (if any) assigned to each well, and in the case of any well the drilling of which was begun or the number of which was changed during the period to which the return relates, the site thereof;
- (c) a statement of the depth drilled in each well; and
- (d) a statement of any petroleum, water, mines or workable seams of coal encountered in the course of the said operations.

(2) The Licensee shall furnish to the Minister such other information, including information in the form of maps and plans, as to progress of his operations in the licensed area as the Minister may from time to time require.

Licensee to keep samples

20.—(1) As far as reasonably practicable the Licensee shall correctly label and preserve for reference for a period of five years (notwithstanding the expiration or earlier determination of his licence) samples of the strata encountered in any well (including, where the site of such well is on land covered by water, the surface of such land) and samples of any petroleum or water discovered in any well in the licensed area.

(2) The Licensee shall not dispose of any sample after the expiry of the said period of five years unless—

- (a) he has at least six months before the date of the disposal given notice in writing to the Minister of his intention to dispose of the sample; and
 - (b) the Minister or any person authorised by him has not within the said period of six months informed the Licensee in writing that he wishes the sample to be delivered to him.
- (3) The Minister or any person authorised by him shall be entitled at any time—
- (a) to inform the Licensee in writing that he wishes part of any sample preserved by the Licensee to be delivered to him; or
 - (b) to inspect and analyse any sample preserved by the Licensee.

(4) The Licensee shall forthwith comply with any request for the delivery of the whole or any part of any sample which is made in accordance with the preceding provisions of this clause.

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Reports to be treated as confidential

21. All records, returns, plans, maps, samples, accounts and information (in this clause referred to as “the specified data”) which the Licensee is or may be from time to time required to furnish under the provisions of this licence shall be supplied at the expense of the Licensee and shall not (except with the consent in writing of the Licensee which shall not be unreasonably withheld) be disclosed at any time to any person not in the service or employment of the Crown:

Provided that—

- (i) the Minister shall be entitled at any time to make use of any of the specified data for the purpose of preparing and publishing such returns and reports as may be required of the Minister by law;
- (ii) the Minister shall be entitled at any time to furnish any of the specified data to the Natural Environment Research Council and to any other body of a like nature as may from time to time be carrying on activities of a substantially similar kind to the geological activities at present carried on by the said Council;
- (iii) the Minister, the said Council and any other such body shall be entitled at any time to prepare and publish reports and surveys of a general nature using information derived from any of the specified data;
- (iv) the Minister, the said Council and any other such body shall be entitled to publish any of the specified data of a geological, scientific or technical kind after the expiration of the period of five years beginning with the date when the Minister received the data or after the expiration of such longer period as the Minister may determine after considering any representations made to him by the Licensee about the publication of data in pursuance of this sub-paragraph.

Inspection of records etc.

22. The Licensee shall—

- (a) permit any person in the service or employment of the Crown who is appointed by the Minister for the purpose to inspect, and to take copies of and make notes from, all books, papers, maps and other records of any kind kept by the Licensee in pursuance of this licence or in connection with activities about which the Minister is entitled to obtain information in pursuance of clauses 17(2) and 19(2) of this licence; and
- (b) furnish that person at reasonable times with such information and provide him at reasonable times with such reasonable assistance as he may request in connection with or arising out of an inspection in pursuance of this clause.

Rights of access

23. Any person or persons authorised by the Minister shall be entitled at all reasonable times to enter into and upon any land for the time being possessed or occupied by the Licensee in the licensed area or to enter into and upon any of the Licensee’s installations or equipment used or to be used in connection with searching, boring for or getting petroleum in the licensed area for the purposes hereinafter mentioned—

- (a) to examine the installations, wells, plant, appliances and works made or executed by the Licensee in pursuance of this licence and the state of repair and condition thereof; and
- (b) to execute any works or to provide and install any equipment which the Minister may be entitled to execute or provide and install in accordance with the provisions hereof.

Power to execute works

24. If the Licensee shall at any time fail to perform the obligations arising under the terms and conditions of clause 10 or clause 14 of this licence the Minister shall be entitled, after giving to the Licensee reasonable notice in writing of his intention to do so, to execute any works and to provide and install any equipment which in the opinion of the Minister may be necessary to secure the performance of the said obligations or any of them and to recover the costs and expenses of so doing from the Licensee.

Indemnity against third party claims

25. The Licensee shall at all times keep the Minister effectually indemnified against all actions, proceedings, costs, charges, claims and demands whatsoever which may be made or brought against the Minister by any third party in relation to or in connection with this licence or any matter or thing done or purported to be done in pursuance thereof.

Advertisements, prospectuses etc.

26. No statement shall be made either in any notice, advertisement, prospectus or other document issued by or to the knowledge of the Licensee or in any other manner claiming or suggesting whether expressly or by implication that Her Majesty or any Government Department or any person or body acting on behalf of Her Majesty has or have formed or expressed any opinion that the licensed area is from its geological formation or otherwise one in which petroleum is likely to be obtainable.

Agreement not to assign

27. The Licensee shall not without the consent of the Minister in writing assign or part with any of the rights granted by this licence in relation to the whole or any part of the licensed area or grant any sub-licence in respect of any of such rights.

Power of revocation

28.—(1) If any of the events specified in the following paragraph shall occur then and in any such case the Minister may revoke this licence and thereupon the same and all the rights hereby granted shall cease and determine but subject nevertheless and without prejudice to any obligation or liability incurred by the Licensee or imposed upon him by or under the terms and conditions hereof.

(2) The events referred to in the foregoing paragraph are—

- (a) any breach or non-observance by the Licensee of any of the terms and conditions of this licence;
- (b) the bankruptcy of the Licensee;
- (c) the making by the Licensee of any arrangement or composition with his creditors;
- (d) if the Licensee is a company, the appointment of a receiver or any liquidation whether compulsory or voluntary;
- (e) the Licensee's ceasing, in the case of a company, to have its central management and control in the United Kingdom;

and where two or more persons are the Licensee any reference to the Licensee in sub-paragraphs (b) to (e) of this paragraph is a reference to any of those persons.

(3) The Minister may revoke this licence, with the like consequences as are mentioned in paragraph (1) of this clause, if—

- (a) the Licensee is a company; and
- (b) there is a change in the control of the Licensee; and

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- (c) the Minister serves a notice in writing on the Licensee stating that the Minister proposes to revoke this licence in pursuance of this paragraph unless such a further change in the control of the Licensee as is specified in the notice takes place within the period of three months beginning with the date of service of the notice; and
 - (d) that further change does not take place within that period.
- (4) There is a change in the control of the Licensee for the purposes of paragraph 3(b) of this clause whenever a person has control of the Licensee who did not have control of the Licensee when this licence was granted; and subsections (2) and (4) to (6) of section 416 of the Income and Corporation Taxes Act 1988 shall apply for the purpose of determining whether for the purposes of this paragraph a person has or had control of the Licensee, with the following modifications, namely—
- (a) for the words “the greater part” wherever they occur in the said subsection (2) there shall be substituted the words “one-third or more”; and
 - (b) in the said subsection (6), for the word “may” there shall be substituted the word “shall”, the words from “and such attributions” onwards shall be omitted and in the other provisions of that subsection any reference to an associate of a person shall be construed as including only a relative of his (as defined by section 417(4) of that Act), a partner of his and a trustee of a settlement (as defined by section 681(4) of that Act) of which he is a beneficiary.
- (5) Where two or more persons are the Licensee and any of them is a company, paragraph (3) and (4) of this clause shall have effect as if—
- (a) sub-paragraph (a) of paragraph (3) were omitted;
 - (b) in sub-paragraph (b) of that paragraph, after the word “of” there were inserted the words “any company included among the persons who together constitute”; and
 - (c) for the word “Licensee” in any other provision of those paragraphs there were substituted the word “company”.

Arbitration

29.—(1) If at any time any dispute, difference or question shall arise between the Minister and the Licensee as to any matter arising under or by virtue of this licence or as to their respective rights and liabilities in respect thereof then the same shall, except where it is expressly provided by this licence that the matter or thing to which the same relates is to be determined, decided, directed, approved or consented to by the Minister, be referred to arbitration as provided by the following paragraph.

(2) The arbitration referred to in the foregoing paragraph shall be in accordance with the Arbitration Act 1950 by a single arbitrator who, in default of agreement between the Minister and the Licensee as to his appointment, shall be appointed by the Lord Chief Justice of England.

Note: Where the licensed area is situated in Scotland or in waters adjacent thereto the following provision will be substituted for the last foregoing paragraph.

(2) The arbitration referred to in the foregoing paragraph shall be by a single arbiter who, in default of agreement between the Minister and the Licensee as to his appointment, shall be appointed by the Lord President of the Court of Session.

Note: Schedules to each licence will (1) describe the area to which the licence relates, (2) specify the sum payable in consideration for the grant of the licence, and (3) set out working obligations.

Licences will be executed as deeds in duplicate by all parties thereto.

SCHEDULE 4

Regulation 9(2)(b)

MODEL CLAUSES FOR SUPPLEMENTARY SEISMIC SURVEY LICENCES IN LANDWARD AREAS

Interpretation

1.—(1) In the following clauses the following expressions have the meanings hereby respectively assigned to them, that is to say:—

“the Act of 1934” means the Petroleum (Production) Act 1934;

“the exploration area” means the area for the time being in which the Licensee may exercise the rights granted by this licence;

“the Licensee” means the person or persons to whom this licence is granted, his personal representatives and any person or persons to whom the rights conferred by this licence may lawfully have been assigned;

“the Minister” means the Secretary of State for Energy;

“petroleum” includes any mineral oil or relative hydrocarbon and natural gas existing in its natural condition in strata, but does not include coal or bituminous shales or other stratified deposits from which oil can be extracted by destructive distillation;

“the principal licence” has the meaning assigned thereto by clause 2.

(2) Any obligations which are to be observed and performed by the Licensee shall at any time at which the Licensee is more than one person be joint and several obligations.

Right to search for petroleum by undertaking seismic surveys

2. In consideration of the payments hereinafter provided and the performance and observance by the Licensee of all the terms and conditions hereof, the Minister in exercise of his powers under the Act of 1934 hereby grants to the Licensee, as holder of Licence No. (hereinafter referred to as “the principal licence” LICENCE AND LIBERTY in common with any other persons to whom the like right may have been granted or may hereafter be granted during the continuance of this licence and subject to the provisions hereof to search for petroleum underlying the area to which the principal licence relates by undertaking seismic surveys in the adjacent area more particularly described in Schedule 1 to this licence.

Provided that nothing in this licence shall affect the right of the Minister to grant other licences under the Act of 1934 in respect of the whole or any part of the exploration area, or affect the exercise of any rights granted by such licence.

Term of licence

3. This licence unless sooner determined under or consequent upon any of the provisions hereof shall be and continue in force for the term of 12 months next after

Automatic termination of licence

4.—(1) This licence shall automatically cease and determine—

(a) on the termination of the principal licence, and

(b) on the grant of an exploration, appraisal, or development licence in respect of an area which includes the whole of the exploration area.

(2) Where an exploration, appraisal or development licence is granted in respect of part of the exploration area, this licence shall automatically cease and determine as regards that part.

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(3) Any termination or partial termination of this licence shall be without prejudice to any obligation or liability imposed upon the Licensee or incurred by him under the terms and conditions of this licence.

Payment of consideration for licence

5.—(1) The Licensee shall make to the Minister the payment specified in Schedule 2 to this licence as consideration for the grant of this licence.

(2) The Licensee shall not by reason of the termination of this licence be entitled to be repaid or allowed all or any part of the sum payable to the Minister hereunder.

Seismic surveys

6.—(1) The Licensee shall give the Minister at least 21 days written notice of any proposed seismic survey and such notice shall indicate the nature of the survey and the total distance to be shot and shall be accompanied by a copy of an Ordnance Survey map drawn to the scale of 1:50,000 or 1:63,360 for the relevant area upon which the proposed lines of survey are indicated and by evidence that the planning authorities for the area to be surveyed have been consulted about the proposed survey and in a case where any planning permission under the Town and Country Planning Act 1990 or the Town and Country Planning (Scotland) Act 1972 is required for the survey in question, evidence that such permission has been granted.

(2) The Licensee shall not carry out any seismic survey if notice thereof has not been given as aforesaid or if the Minister indicates to the Licensee within fourteen days of the receipt of such notice that the survey is not to be carried out.

Licensee to keep records

7.—(1) The Licensee shall keep in the United Kingdom accurate geological plans and maps relating to the exploration area and such other records in relation thereto as may be necessary to preserve all information which the Licensee has about the geology of the exploration area.

(2) The Licensee shall deliver copies of the said records, plans and maps referred to in the foregoing paragraph to the Minister as and when required.

Returns

8.—(1) The Licensee shall furnish to the Minister six months from the date of this licence and upon termination of this licence a return in a form from time to time approved by the Minister of the progress of his operations in the exploration area. Such return shall contain a statement of the areas in which any surveys have been carried out.

(2) The Licensee shall furnish to the Minister such other information, in the form of maps and plans, as to progress of his operations in the exploration area as the Minister may from time to time require.

Reports to be treated as confidential

9. All records, returns, plans, maps and information (in this clause referred to as “the specified data”) which the Licensee is or may be from time to time required to furnish under the provisions of this licence shall be supplied at the expense of the Licensee and shall not (except with the consent in writing of the Licensee which shall not be unreasonably withheld) be disclosed to any person not in the service or employment of the Crown:

Provided that—

- (i) the Minister shall be entitled at any time to make use of any of the specified data for the purpose of preparing and publishing such returns and reports as may be required of the Minister by law;
- (ii) the Minister shall be entitled at any time to furnish any of the special data to the Natural Environment Research Council and to any other body of a like nature as may from time to time be carrying on activities of a substantially similar kind to the geological activities at present carried on by the said Council;
- (iii) the Minister, the said Council and any such other body shall be entitled at any time to prepare and publish reports and surveys of a general nature using information derived from any of the specified data;
- (iv) the Minister, the said Council and any such other body shall be entitled to publish any of the specified data of a geological, scientific or technical kind after the expiration of the period of five years beginning with the date when the Minister received the data, or after the expiration of such longer period as the Minister may determine after considering any representations made to him by the Licensee about the publication of data in pursuance of this sub-paragraph.

Power to inspect records

10. Any person authorised by the Minister may at all reasonable times inspect and make abstracts or copies of any records, returns, plans or maps which the Licensee is required to keep or make in accordance with the provisions of this licence.

Indemnity against third party claims

11. The Licensee shall at all times keep the Minister effectually indemnified against all actions, proceedings, costs, charges, claims and demands whatsoever which may be made or brought against the Minister by any third party in relation to or in connection with this licence or any matter or thing done or purported to be done in pursuance thereof.

Agreement not to assign

12. The Licensee shall not without the consent of the Minister in writing assign or part with any of the rights granted by this licence in relation to the whole or any part of the exploration area or grant any sub-licence in respect of any of such rights.

Power of revocation

13. The Minister may revoke this licence in the event of any breach or non-observance by the Licensee of any of the terms and conditions of this licence, and thereupon the same and all the rights hereby granted shall cease and determine but subject nevertheless and without prejudice to any obligation or liability imposed upon the Licensee or incurred by him under the terms and conditions hereof.

Arbitration

14.—(1) If at any time any dispute, difference or question shall arise between the Minister and the Licensee as to any matter arising under or by virtue of this licence or as to their respective rights and liabilities in respect thereof then the same shall, except where it is expressly provided by this licence that the matter or thing to which the same relates is to be determined, decided, approved or consented to by the Minister, be referred to arbitration as provided by the following paragraph.

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(2) The arbitration referred to in the foregoing paragraph shall be in accordance with the Arbitration Act 1950 by a single arbitrator who, in default of agreement between the Minister and the Licensee as to his appointment, shall be appointed by the Lord Chief Justice of England.

Note: Where the licensed area is situate in Scotland the following provision will be substituted for the last foregoing paragraph.

(2) The arbitration referred to in the foregoing paragraph shall be by a single arbiter who, in default of agreement between the Minister and the Licensee as to his appointment, shall be appointed by the Lord President of the Court of Session.

Note: Schedules to each licence will describe the area to which the licence relates and specify the payment to be made by the Licensee in consideration for the grant of the licence.

Licences will be executed as deeds in duplicate by all parties thereto.

SCHEDULE 5

Regulation 9(2)(c)

MODEL CLAUSES FOR APPRAISAL LICENCES IN LANDWARD AREAS

Interpretation

1.—(1) In the following clauses the following expressions have the meanings hereby respectively assigned to them, that is to say—

“the Act of 1934” means the Petroleum (Production) Act 1934;

“appraise” means, in relation to petroleum, to ascertain the extent or characteristics thereof or to ascertain what are the reserves thereof; and “appraisal” shall be construed accordingly;

“block” means an area delineated on the reference map deposited at the principal office of the Department of Energy;

“half year” means the period from 1st January to 30th June in any year and the period from 1st July to 31st December in any year;

“initial term” has the meaning assigned thereto by clause 3;

“the licensed area” means the area for the time being in which the Licensee may exercise the rights granted by this licence;

“the Licensee” means the person or persons to whom this licence is granted, his personal representatives and any person or persons to whom the rights conferred by this licence may lawfully have been assigned;

“the Minister” means the Secretary of State for Energy;

“petroleum” includes any mineral oil or relative hydrocarbon and natural gas existing in its natural condition in strata, but does not include coal or bituminous shales or other stratified deposits from which oil can be extracted by destructive distillation;

“well” includes borehole.

(2) Any obligations which are to be observed and performed by the Licensee shall at any time at which the Licensee is more than one person be joint and several obligations.

Right to search and bore for petroleum and get petroleum in the course of appraisal

2. In consideration of the payments and royalties hereinafter provided and the performance and observance by the Licensee of all the terms and conditions hereof, the Minister, in exercise of the powers conferred upon him by the Act of 1934, hereby grants to the Licensee EXCLUSIVE

LICENCE AND LIBERTY during the continuance of this licence and subject to the provisions hereof to search and bore for petroleum, and get petroleum during the course of appraisal (but not further or otherwise) in the area of _____ more particularly described in Schedule 1 to this licence.

Provided that nothing in this licence shall affect the right of the Minister to grant a methane drainage licence in respect of the whole or any part of the licensed area or affect the exercise of any rights so granted.

Term of licence

3. This licence unless sooner determined under or consequent upon any of the provisions hereof shall be and continue in force for the term of five years next after [_____] (hereinafter called “the initial term”); but if the terms and conditions hereof are duly performed and observed, it may be extended for a further period or periods under clause 4.

Extension or further extension of term

4. The Minister, on application being made to him in writing during the first six months of the final year of the initial term or any extension thereof specifying the reasons why an extension or further extension is required, may grant an extension or further extension of this licence. Any such extension shall only be for such period as the Minister considers necessary to enable the Licensee to complete the appraisal of any discovery of petroleum and, if appropriate, to apply for a development licence in respect of the licensed area or any part thereof.

Right of Licensee to determine licence or surrender part of licensed area

5.—(1) Without prejudice to any obligation or liability imposed by or incurred under the terms and conditions hereof, the Licensee may, at any time, determine this licence or surrender any such part of the licensed area as is mentioned in paragraph (3) of this clause by giving six months' written notice to that effect to the Minister:

Provided that the Minister, if he thinks fit, may accept a shorter period of notice.

(2) A notice given pursuant to paragraph (1) of this clause may be cancelled by a further notice in writing given to the Minister not less than one month before the expiration of the notice.

(3) Any area to be surrendered in accordance with paragraph (1) of this clause shall be a clearly defined area whose surrender will leave a retained area the boundaries of which—

- (a) run north, south, east and west; and
- (b) each extend for 100 metres or a multiple of 100 metres:

Provided that the Minister may agree in writing prior to the date the appropriate notice is given by the Licensee to accept a surrender of part of the licensed area which does not comply with the requirements of this paragraph.

Consequences of determination or surrender by Licensee

6. Upon the date on which any determination of this licence by the Licensee or any surrender of a part of the licensed area is to take effect, the rights granted by this licence shall cease or cease in respect of the part so surrendered as the case may be, but without prejudice to any obligation or liability imposed upon the Licensee or incurred by him under the terms and conditions of this licence prior to that date.

Payment of consideration for licence

7.—(1) The Licensee shall make to the Minister as consideration for the grant of this licence—

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- (a) payments of royalty in accordance with clauses 8 and 9 of this licence; and
- (b) the payment specified in Schedule 2 to this licence.

(2) The Licensee shall not by reason of the determination of this licence or the surrender of any part of the licensed area be entitled to be repaid all or any part of the sum payable to the Minister hereunder.

Royalty payments

8.—(1) The Licensee shall pay to the Minister, in respect of each chargeable period, a royalty equal to the sum of the percentages specified in Schedule 3 to this licence of the value of the relevant units won and saved in the year which includes that period, and for the purposes of this paragraph “relevant unit” means a unit won and saved in the chargeable period in question and the value of a relevant unit is the amount produced by dividing the value of the petroleum relating to that period by the number of the relevant units.

(2) For the purposes of this clause and clause 9 of this licence the value of the petroleum relating to a chargeable period is, subject to paragraph (3) 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.

(3) The value which, in pursuance of paragraph (2) 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 (2).

(4) In this clause—

“chargeable period” means a half year in which this licence is in force;

“unit” means one tonne of petroleum won and saved in the licensed area, except that in the case of petroleum so won and saved in the form of gas it means a quantity of it equal to 1,115 cubic metres of the gas at a temperature of 15 degrees Celsius and a pressure of 1.0132 bar; and

“year” means a year consisting of a chargeable period in which such a periodic payment as is mentioned in Schedule 2 to this licence is payable and the following chargeable period.

Provisions supplementary to clause 8

9.—(1) The Licensee shall, within two months after the end of each chargeable period, deliver to the Minister, in such form as the Minister may specify, a statement of—

- (a) the quantity of petroleum won and saved in the licensed area in that period; and
- (b) the amounts of the prices and market values which are required by paragraph 2 of Schedule 2 to the Oil Taxation Act 1975 to be stated in the returns made for that period in pursuance of that paragraph in consequence of this licence.

(2) The Licensee shall, when he delivers a statement to the Minister in pursuance of paragraph (1) of this clause for a chargeable period in respect of which royalty is payable in pursuance of clause 8(1) of this licence, make to the Minister a payment on account of royalty for that period equal to the sum produced by aggregating the amounts which in pursuance of sub-paragraph (b) of paragraph (1) of this clause are specified in the statement and reducing the aggregate by the amount which, by

virtue of paragraph 2(2)(d)(ii) of Schedule 2 to the Oil Taxation Act of 1975, was specified in the statement delivered to the Minister in pursuance of the said paragraph (1) in respect of the preceding chargeable period.

(3) The Minister may from time to time, after a statement in respect of any chargeable period has been delivered to him in pursuance of paragraph (1) of this clause and before he has given to the Licensee a notice in pursuance of paragraph (4) of this clause in respect of that period, give a notice in writing to the Licensee specifying the amount which the Minister estimates is payable by the Licensee in pursuance of clause 8 of this licence in respect of that period; and where the amount specified in the notice is larger or smaller than the total amount already paid by the Licensee in pursuance of this clause in respect of that period, then—

- (a) if it is larger the difference shall be paid forthwith by the Licensee to the Minister; and
- (b) if it is smaller the difference shall be paid forthwith by the Minister to the Licensee.

(4) When it appears to the Minister that the value of the petroleum relating to any chargeable period has been finally determined for tax purposes, he may give to the Licensee a notice in writing specifying the amount which the Minister considers is payable by the Licensee in pursuance of clause 8 of this licence in respect of that period; and where the amount specified in the notice is larger or smaller than the total amount already paid by the Licensee in pursuance of this clause in respect of that period, then, subject to paragraph (6) of this clause—

- (a) if it is larger the difference shall be paid forthwith by the Licensee to the Minister; and
- (b) if it is smaller the difference shall be paid forthwith by the Minister to the Licensee.

(5) If after the date when the Minister gave notice to the Licensee in pursuance of paragraph (4) of this clause or this paragraph in respect of a chargeable period it appears to the Minister, in consequence of a relevant assessment or determination made after that date which relates directly or indirectly to the value of petroleum by reference to which the amount specified in the notice was determined, that another amount ought to have been so specified, he may give notice in writing to the Licensee specifying the other amount; and where he does so, then, subject to paragraph (6) of this clause—

- (a) if the other amount is larger than the total amount already paid by the Licensee in pursuance of this clause in respect of that period the difference shall be paid forthwith by the Licensee to the Minister; and
- (b) if it is smaller the difference shall be paid forthwith by the Minister to the Licensee.

(6) A decision made by the Minister for the purposes of paragraph (3), (4) or (5) of this clause shall not be called in question by the Licensee except that any dispute between the Minister and the Licensee as to whether an amount specified in a notice given in pursuance of the said paragraph (4) or (5) is payable by virtue of clause 9 of this licence may be referred to arbitration in the manner provided by clause 34 of this licence; and on a reference to arbitration in pursuance of this paragraph any relevant assessment or determination for the time being in force shall be binding on the Minister and the Licensee so far as the assessment or determination relates directly or indirectly to the value of petroleum relating to the chargeable period in question.

(7) When any payment is made by the Licensee or the Minister in pursuance of paragraph (3), (4) or (5) of this clause, an amount in respect of interest on the payment shall also be payable by him to the recipient of the payment and that amount shall be calculated in such manner as the Minister may specify from time to time in a notice in writing given by him to the Licensee; but—

- (a) a notice in pursuance of this paragraph shall provide for amounts by way of interest to be calculated by applying a rate of interest which is for the time being a commercial rate of interest; and

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(b) any such amount in respect of interest shall be disregarded in calculating for the purposes of the said paragraph (3) or (4) any amount already paid by the Licensee in pursuance of this clause.

(8) In this clause—

“chargeable period” has the same meaning as in clause 8 of this licence; and

“relevant assessment or determination” means an assessment or determination made by the Commissioners of Inland Revenue for the purposes of petroleum revenue tax, income tax or the charge of corporation tax on income or a determination made in proceedings arising out of such an assessment or determination made by the said Commissioners.

(9) For the purposes of this clause any amount paid by the Licensee or the Minister on account of a prospective liability under paragraph (3), (4) or (5) of this clause shall be treated as paid in pursuance of that paragraph.

Measurement of petroleum obtained from the licensed area

10.—(1) The Licensee shall measure or weigh by a method or methods customarily used in good oilfield practice and from time to time approved by the Minister all petroleum won and saved from the licensed area.

(2) The Licensee shall not make any alteration in the method or methods of measurement or weighing used by him or any appliances used for that purpose without the consent in writing of the Minister and the Minister may in any case require that no alteration shall be made save in the presence of a person authorised by the Minister.

(3) The Minister may from time to time direct that any weighing or measuring appliance shall be tested or examined in such manner, upon such occasions or at such intervals and by such persons as may be specified by the Minister’s direction and the Licensee shall pay to any such person or to the Minister such fees and expenses for the test or examination as the Minister may specify.

(4) If any measuring or weighing appliance shall upon any such test or examination as is mentioned in the last foregoing paragraph be found to be inaccurate to a material degree the same shall, if the Minister so determines after considering any representations in writing made by the Licensee, be deemed to have existed in that condition during the period since the last occasion upon which the same was tested or examined pursuant to the last foregoing paragraph.

Keeping of accounts

11.—(1) The Licensee shall keep in the United Kingdom full and correct accounts in a form from time to time approved by the Minister of—

- (a) the quantity of petroleum in the form of gas won and saved;
- (b) the quantity of petroleum in any other form won and saved;
- (c) the name and address of any person to whom any petroleum has been supplied by the Licensee, the quantity so supplied, the price or other consideration therefor and the place to which the petroleum was conveyed pursuant to the agreement for such supply; and
- (d) such other particulars as the Minister may from time to time direct.

(2) The quantities of petroleum stated in such accounts may exclude any water separated from the petroleum and shall be expressed as volumes in cubic metres measured at, or calculated as if measured at, a temperature of 15 degrees Celsius and a pressure of 1.0132 bar, but if the Minister serves notice in writing on the Licensee determining any other manner in which any quantity of petroleum or any quantity of any form of petroleum is to be expressed that quantity shall be so expressed.

(3) Such accounts shall state separately the quantities used for the purposes of carrying on drilling and production operations and pumping to field storage, and quantities not so used, and in the case of petroleum not in the form of gas shall state the specific gravity of the petroleum and, if petroleum of different specific gravities has been won and saved, the respective quantities of petroleum of each specific gravity.

(4) The Licensee shall within two months after the end of each half year in which this licence is in force and within two months after the expiration or determination of this licence deliver to the Minister an abstract in a form from time to time approved by the Minister of the accounts for that half year or for the period prior to such expiration or determination as the case may be.

Working obligations

12.—(1) The Licensee shall perform the obligations specified in Schedule 4 to this licence prior to the date therein specified.

Note: The date specified in Schedule 4 is the date on which the exploration licence which preceded this licence would have expired as regards the area comprised in this licence had it not automatically ceased as regards that area with effect from the date of commencement of this licence.

(2) If the Licensee fails to perform the obligations specified in Schedule 4 to this Licence prior to the date therein specified, this licence shall automatically cease and determine on that date but without prejudice to any obligation or liability imposed upon the Licensee or incurred by him under the terms and conditions of this licence prior to that date.

(3) During the initial term of this licence the Licensee shall carry out with due diligence (subject to the provisions of clause 13) the appraisal of any discovery of petroleum within the licensed area.

(4) The Licensee shall give the Minister at least 21 days' written notice of any proposed seismic survey during the term of this licence of any area which is not wholly on the seaward side of the low water line and such notice shall indicate the nature of the survey and the total number of kilometres to be shot and shall be accompanied by a copy of an Ordnance Survey map for the relevant area drawn to the scale of 1:50,000 or 1:63,360 upon which the proposed lines of survey are indicated and by evidence that the planning authorities for the area to be surveyed have been consulted about the proposed survey and, in a case where any planning permission under the Town and Country Planning Act 1990 or the Town and Country Planning (Scotland) Act 1972 is required for the survey in question, evidence that such permission has been granted.

(5) The Licensee shall not carry out any seismic survey during the term of this licence of any such area as is mentioned in paragraph (4) of this clause if notice has not been given as aforesaid or if the Minister indicates to the Licensee within 14 days of the receipt of such notice that the survey is not to be carried out.

Appraisal production

13.—(1) The Licensee shall not—

- (a) get petroleum in the course of or for the purposes of appraisal; or
- (b) otherwise get petroleum pursuant to this licence,

except with the consent in writing of the Minister.

(2) A consent given by the Minister in pursuance of paragraph (1) of this clause may be given subject to such conditions as are specified in the document signifying the consent and may in particular, without prejudice to the generality of this paragraph, be limited to a period or periods or be given in respect of a quantity or quantities of petroleum specified in the consent.

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Commencement and abandonment and plugging of wells

14.—(1) The Licensee shall not commence, or, after abandoning in the manner hereinafter provided, shall not recommence the drilling of any well without the consent in writing of the Minister.

(2) The Licensee shall not abandon any well without the consent in writing of the Minister.

(3) The Licensee shall ensure compliance with any conditions subject to which any consent under either of the foregoing paragraphs is given.

(4) If any condition subject to which a consent under paragraph (1) of this clause is given relates to the position, depth, or direction of the well, or to any casing of the well or if any condition subject to which a consent under either paragraph (1) or paragraph (2) of this clause is given relates to any plugging or sealing of the well, the Minister may from time to time direct that the well and all records relating thereto shall be examined in such manner, upon such occasions or at such intervals and by such persons as may be specified by the Minister's direction and the Licensee shall pay to any such person or to the Minister such fees and expenses for such examination as the Minister may specify.

(5) The plugging of any well shall be done in accordance with a specification approved by the Minister applicable to that well or wells generally or to a class of wells to which that well belongs and shall be carried out in an efficient and workmanlike manner.

(6) Any well drilled by the Licensee pursuant to this licence, which at the expiry or determination of the Licensee's rights in respect of the area or part thereof in which that well is drilled has not with the consent of the Minister been abandoned, shall be left in good order and fit for further working together with all casings and well head fixtures the removal whereof would cause damage to such well, or, if the Minister so directs in the manner provided by paragraph (8) of this clause, be plugged and sealed in accordance with the Minister's direction.

(7) All casings and fixtures left in position pursuant to the last foregoing paragraph shall be the property of the Minister.

(8) In any case to which paragraph (6) of this clause applies, a direction by the Minister may be given by notice in writing to the Licensee not less than one month before the Licensee's rights in respect of the area or part thereof in which the well is situate expire or determine, specifying the manner in which the well is to be plugged and sealed and the time within which such work is to be done.

(9) An application for the consent of the Minister to the drilling of a well at any place above the low water line shall be accompanied by evidence that the planning authority for the relevant place has been consulted about the drilling and that any planning permission required by the Town and Country Planning Act 1990 or the Town and Country Planning (Scotland) Act 1972 for the drilling of that well has been granted.

Distance of wells from boundaries of licensed area

15. No well shall except with the consent in writing of the Minister be drilled or made so that any part thereof is less than one hundred and twenty-five metres from any of the boundaries of the licensed area.

Further controls on wells

16.—(1) The Licensee shall not suspend work on the drilling of a well, or having suspended it in accordance with this paragraph shall not begin it again, except with the consent in writing of the Minister and in accordance with the conditions, if any, subject to which the consent is given.

(2) When work on the drilling of a well is suspended in accordance with paragraph (1) of this clause, the Licensee shall forthwith furnish the Minister with such information relating to the well as the Minister may specify.

(3) The Licensee—

- (a) shall not do any completion work in respect of a well in the licensed area except in accordance with a programme of completion work approved by the Minister in respect of the well;
- (b) shall furnish to the Minister, in accordance with the provisions of such a programme, particulars of any completion work done by him in respect of a well in the licensed area; and
- (c) shall not remove or alter any casing or equipment installed by way of completion work in respect of a well except with the consent in writing of the Minister and in accordance with the conditions, if any, subject to which the consent is given.

(4) In this clause, “completion work”, in relation to a well, means work, by way of the installation of a casing or equipment or otherwise after the well has been drilled, for the purposes of bringing the well into use.

Provision of storage tanks, pipes, pipelines or other receptacles

17. The Licensee shall use methods and practice customarily used in good oilfield practice for confining the petroleum obtained from the licensed area in tanks, gasholders, pipes, pipelines or other receptacle constructed for that purpose.

Avoidance of harmful methods of working

18.—(1) The Licensee shall maintain all apparatus and appliances and all wells in the licensed area which have not been abandoned and plugged as provided by clause 14 of this licence in good repair and condition and shall execute all operations in or in connection with the licensed area in a proper and workmanlike manner in accordance with methods and practice customarily used in good oilfield practice. Without prejudice to the generality of the foregoing provision the Licensee shall take all steps practicable in order—

- (a) to control the flow and to prevent the escape or waste of petroleum discovered in or obtained from the licensed area;
- (b) to conserve the licensed area for productive operations;
- (c) to prevent damage to adjoining petroleum bearing strata;
- (d) to prevent the entrance of water through wells to petroleum bearing strata except for the purposes of secondary recovery; and
- (e) to prevent the escape of petroleum into any waters or water bearing strata in or in the vicinity of the licensed area.

(2) The Licensee shall comply with any instructions from time to time given by the Minister in writing relating to any of the matters set out in the foregoing paragraph. If the Licensee objects to any such instruction on the ground that it is unreasonable he may, within fourteen days from the date upon which the same was given, refer the matter to arbitration in the manner provided by clause 34 of this licence.

(3) Notwithstanding anything in the preceding provisions of this clause, the Licensee shall not—

- (a) flare any gas from the licensed area; or
- (b) use gas for the purpose of creating or increasing the pressure by means of which petroleum is obtained from that area,

except with the consent in writing of the Minister and in accordance with the conditions, if any, of the consent.

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(4) An application for consent in pursuance of paragraph (3) of this clause must be made in writing to the Minister and must specify the date on which the Licensee proposes to begin the flaring or use in question.

(5) Before deciding to withhold consent or to grant it subject to conditions in pursuance of paragraph (3) of this clause, the Minister shall give the Licensee an opportunity of making representations in writing to the Minister about the technical and financial factors which the Licensee considers are relevant in connection with the case and shall consider any such representations then made to him by the Licensee.

(6) Consent in pursuance of paragraph (3) of this clause shall not be required for any flaring which, in consequence of an event which the Licensee did not foresee in time to deal with it otherwise than by flaring, is necessary in order—

- (a) to remove or reduce the risk of injury to persons in the vicinity of the well in question; or
- (b) to maintain a flow of petroleum from that or any other well;

but when the Licensee does any flaring which is necessary as aforesaid he shall forthwith inform the Minister that he has done it and shall, in the case of flaring to maintain a flow of petroleum, stop the flaring upon being directed by the Minister to stop it.

(7) The Licensee shall give notice to the Minister of any event causing escape or waste of petroleum, damage to petroleum bearing strata or entrance of water through wells to petroleum bearing strata forthwith after the occurrence of that event and shall, forthwith after the occurrence of any event causing escape of petroleum into the sea, give notice of the event to the Chief Inspector of Her Majesty's Coastguard.

(8) The Licensee shall comply with any reasonable instructions from time to time given by the Minister with a view to ensuring that funds are available to discharge any liability for damage attributable to the release or escape of petroleum in the course of activities connected with the exercise of rights granted by this licence; but where the Minister proposes to give such instructions he shall before giving them—

- (a) give the Licensee particulars of the proposal and an opportunity of making representations to the Minister about the proposal; and
- (b) consider any representations then made to him by the Licensee about the proposal.

Appointment of Operators

19.—(1) The Licensee shall ensure that another person (including, in the case where the Licensee is two or more persons, any of those persons) does not exercise any function of organising or supervising all or any of the operations of searching or boring for or getting petroleum carried out in pursuance of this licence unless that other person is a person approved in writing by the Minister and the function in question is one to which that approval relates.

(2) The Minister shall not refuse to give his approval of a person in pursuance of paragraph (1) of this clause if that person is competent to exercise the function in question; but where an approved person is no longer competent to exercise that function the Minister may, by notice in writing given to the Licensee, revoke his approval.

Fishing and navigation

20. The Licensee shall not carry out any operations authorised by this licence in or about the licensed area in such manner as to interfere unjustifiably—

- (a) with navigation in any navigable waters; or
- (b) with fishing in or conservation of the living resources of any waters in or in the vicinity of the licensed area.

Training

21.—(1) The Minister may from time to time give to the Licensee instructions in writing as to the training of persons employed or to be employed, whether by the Licensee or by any other person, in any activity which is related to the exercise of the rights granted by this licence, and the Licensee shall ensure that any instructions so given are complied with.

(2) The Licensee shall furnish the Minister with such information relating to the training of persons referred to in paragraph (1) of this clause as the Minister may from time to time request.

Licensee to keep records

22.—(1) The Licensee shall keep accurate records in a form from time to time approved by the Minister of the drilling, deepening, plugging or abandonment of all wells and of any alterations in the casing thereof. Such records shall contain particulars of the following matters—

- (a) the site of, number and name (if any) assigned to every well;
- (b) the subsoil and strata through which the well was drilled;
- (c) the casing inserted in any well and any alteration to such casing;
- (d) any petroleum, water, mines or workable seams of coal encountered; and
- (e) such other matters as the Minister may from time to time direct.

(2) The Licensee shall keep in the United Kingdom accurate geological plans, maps relating to the licensed area and such other records in relation to the licensed area and such other records in relation thereto as may be necessary to preserve all information which the Licensee has about the geology of the licensed area.

(3) The Licensee shall deliver copies of the said records, plans and maps referred to in the two foregoing paragraphs to the Minister as and when required.

Returns

23.—(1) The Licensee shall furnish to the Minister not later than 6 weeks after the end of each half year which falls wholly or partly within the period during which this licence is in force a return in a form from time to time approved by the Minister of the progress of his operations in the licensed area. Such return shall contain—

- (a) a statement of all geological work, including surveys and tests, which has been carried out and the areas in which and the persons by whom the work has been carried out and the results thereof;
- (b) the number and name (if any) assigned to each well and, in the case of any well the drilling of which was begun or the number of which has been changed during the period to which the return relates, the site thereof;
- (c) a statement of the depth drilled in each well; and
- (d) a statement of any petroleum, water, mines or workable seams of coal or other minerals encountered in the course of the said operations.

(2) The Licensee shall furnish to the Minister such information as the Minister may from time to time request about any aspect of the activities of the Licensee which are attributable directly or indirectly to the grant of this licence, except that the Licensee shall not by virtue of this paragraph be required to furnish information in respect of his activities in connection with any crude oil after he has appropriated it for refining by him.

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Licensee to keep samples

24.—(1) As far as reasonably practicable, the Licensee shall correctly label and preserve for reference for a period of five years (notwithstanding the expiration or earlier determination of this licence) samples of the strata encountered in any well (including, where the site of such well is on land covered by water, the surface of such land) and samples of any petroleum or water discovered in any well in the licensed area.

(2) The Licensee shall not dispose of any sample after the expiry of the said period of five years unless—

- (a) he has at least six months before the date of the disposal given notice in writing to the Minister of his intention to dispose of the sample; and
- (b) the Minister or any person authorised by him has not within the said period of six months informed the Licensee in writing that he wishes the sample to be delivered to him.

(3) The Minister or any person authorised by him shall be entitled at any time—

- (a) to inform the Licensee in writing that he wishes part of any sample preserved by the Licensee to be delivered to him; or
- (b) to inspect and analyse any sample preserved by the Licensee.

(4) The Licensee shall forthwith comply with any request for the delivery of the whole or any part of any sample which is made in accordance with the preceding provisions of this clause.

Reports to be treated as confidential

25.—(1) All records, returns, plans, maps, samples, accounts and information (in this clause referred to as “the specified data”) which the Licensee is or may be from time to time required to furnish under the provisions of this licence shall be supplied at the expense of the Licensee and shall not (except with the consent in writing of the Licensee which shall not be unreasonably withheld) be disclosed at any time to any person not in the service or employment of the Crown:

Provided that—

- (i) the Minister shall be entitled at any time to make use of any of the specified data for the purpose of preparing and publishing such returns and reports as may be required of the Minister by law;
- (ii) the Minister shall be entitled at any time to furnish any of the specified data to the Natural Environment Research Council and to any other body of a like nature as may from time to time be carrying on activities of a substantially similar kind to the geological activities at present carried on by the said Council;
- (iii) the Minister, the said Council and any such other body shall be entitled at any time to prepare and publish reports and surveys of a general nature using information derived from any of the specified data;
- (iv) The Minister, the said Council and any such other body shall be entitled to publish any of the specified data of a geological, scientific or technical kind after the expiration of the period of five years beginning with the date when the Minister received the data or after the expiration of such longer period as the Minister may determine after considering any representations made to him by the Licensee about the publication of data in pursuance of this sub-paragraph.

Inspection of records etc.

26. The Licensee shall—

- (a) permit any person in the service or employment of the Crown who is appointed by the Minister for the purpose to inspect, and to take copies of and make notes from, all books, papers, maps and other records of any kind kept by the Licensee in pursuance of this licence or in connection with activities about which the Minister is entitled to obtain information in pursuance of clauses 21(2) and 23(2) of this licence; and
- (b) furnish that person at reasonable times with such information and provide him at reasonable times with such reasonable assistance as he may request in connection with or arising out of an inspection in pursuance of this clause.

Rights of access

27. Any person or persons authorised by the Minister shall be entitled at all reasonable times to enter into and upon any land for the time being possessed or occupied by the Licensee in the licensed area or to enter into and upon any of the Licensee's installations or equipment used or to be used in connection with searching, boring for or getting petroleum in the licensed area for the purposes hereinafter mentioned—

- (a) to examine the installations, wells, plant, appliances and works made or executed by the Licensee in pursuance of this licence and the state of repair and condition thereof; and
- (b) to execute any works or to provide and install any equipment which the Minister may be entitled to execute or provide and install in accordance with the provisions hereof.

Power to execute works

28. If the Licensee shall at any time fail to perform the obligations arising under the terms and conditions of any of clauses 10, 14, 17 or 18 of this licence the Minister shall be entitled, after giving to the Licensee reasonable notice in writing of his intention to do so, to execute any works and to provide and install any equipment which in the opinion of the Minister may be necessary to secure the performance of the said obligations or any of them and to recover the costs and expenses of so doing from the Licensee.

Right of distress

29. If and whenever any of the payments mentioned in clause 7(1) of this licence or any part thereof shall be in arrear or unpaid for 28 days next after any of the days whereon the same ought to have been paid (whether the same shall have been legally demanded or not) then and so often as the same may happen the Minister may (as an additional remedy and without prejudice to the power of distress and any other rights and remedies to which he would be entitled) enter into and upon any land which shall for the time being be possessed or occupied by the Licensee for the purposes of this licence or the exercise of any of the rights thereby granted or into and upon any of the Licensee's installations and equipment used or to be used in connection with searching, boring for or getting petroleum in the licensed area and may seize and distrain and sell, as a landlord may do for rent in arrear, all or any of the stocks of petroleum, engines, machinery, tools, implements, chattels and effects belonging to the Licensee which shall be found in or upon or about the land, installations and equipment so entered upon, and out of the moneys arising from the sale of such distress may retain and pay all the arrears of the said payments and also the costs and expenses of and incidental to any such distress and sale rendering the surplus (if any) to the Licensee.

Note: When the licensed area is situate in Scotland or in waters adjacent thereto the following provision will be substituted for the foregoing clause.

29. If and whenever any of the payments mentioned in clause 7(1) of this licence or any part thereof shall be in arrear or unpaid for 28 days next after any of the days whereon the same ought to have been paid (whether the same shall have been legally demanded or not) then and so often as

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the same may happen the Minister may (as an additional remedy and without prejudice to any other rights and remedies to which he would be entitled) do diligence in respect thereof in like manner as a landlord may do diligence in respect of unpaid arrears of rent and such diligence shall be effectual to attach all or any of the stocks of petroleum, engines, machinery, tools, implements and other effects belonging to the Licensee which shall be found in or upon any land which shall for the time being be possessed or occupied by the Licensee for the purposes of this licence or the exercise of any of the rights thereby granted or on or about any of the Licensee's installations and equipment used or to be used in connection with searching, boring for or getting petroleum in the licensed area, and where in pursuance of such a diligence a sale of such effects as shall have been attached thereby takes place the Minister may out of the proceeds thereof retain and pay all the arrears of the said payments and also the expenses of and incident to such diligence and sale and shall pay the surplus thereof (if any) to the Licensee.

Indemnity against third party claims

30. The Licensee shall at all times keep the Minister effectually indemnified against all actions, proceedings, costs, charges, claims and demands whatsoever which may be made or brought against the Minister by any third party in relation to or in connection with this licence or any matter or thing done or purported to be done in pursuance thereof.

Advertisements, prospectuses etc.

31. No statement shall be made either in any notice, advertisement, prospectus or other document issued by or to the knowledge of the Licensee or in any other manner claiming or suggesting whether expressly or by implication that Her Majesty or any Government Department or any person or body acting on behalf of Her Majesty has or have formed or expressed any opinion that the licensed area is from its geological formation or otherwise one in which petroleum is likely to be obtainable.

Restrictions on assignments etc.

32.—(1) The Licensee shall not, except with the consent in writing of the Minister and in accordance with the conditions (if any) of the consent, do anything whatsoever whereby, under the law (including the rules of equity) of any part of the United Kingdom or of any other place, any right granted by this licence or derived from a right so granted becomes exercisable by or for the benefit of or in accordance with the directions of another person.

(2) The Licensee shall not enter into any agreement providing for a person other than the Licensee to become entitled to, or to any proceeds of sale of, any petroleum which, at the time when the agreement is made, has not been but may be won and saved from the licensed area unless the terms of the agreement have been approved in writing by the Minister either unconditionally or subject to conditions; but the preceding provisions of this paragraph do not apply to—

- (a) an agreement for the sale of such petroleum under which the price is payable after the petroleum is won and saved; and
- (b) an agreement insofar as it provides that, after any petroleum has been won and saved from the licensed area, it shall be exchanged for other petroleum.

(3) The Licensee shall not, without the consent of the Minister, dispose of any petroleum won and saved in the licensed area or any proceeds of sale of such petroleum in such a manner that the disposal does, to the knowledge of the Licensee or without his knowing it, fulfil or enable another person to fulfil obligations which a person who controls the Licensee, or a person who is controlled by a person who controls the Licensee, is required to fulfil by an agreement which, if the person required to fulfil the obligations were the Licensee, would be an agreement of which the terms require approval by virtue of paragraph (2) of this clause and subsections (2) and (4) to (6) of section 416 of the Income

and Corporation Taxes Act 1988 shall apply, for the purpose of determining whether for the purpose of this paragraph a person has control of another person, with the following modifications, namely—

- (a) for the words “the greater part” wherever they occur in the said subsection (2) there shall be substituted the words “one-third or more”; and
- (b) in the said subsection (6), for the word “may” there shall be substituted the word “shall”, the words from “and such attributions” onwards shall be omitted and in the other provisions of that subsection any reference to an associate of a person shall be construed as including only a relative of his (as defined by section 417(4) of that Act), a partner of his and a trustee of a settlement (as defined by section 681(4) of that Act) of which he is a beneficiary.

(4) Where the Licensee is two or more persons, then, without prejudice to the preceding provisions of this clause, none of those persons shall enter into an agreement with respect to the entitlement of any of them to—

- (a) the benefit of any right granted by this licence;
- (b) any petroleum won and saved from the licensed area; or
- (c) any proceeds of sale of such petroleum,

unless the terms of the agreement have been approved in writing by the Minister; but the preceding provisions of this paragraph do not apply to an agreement for the sale of such petroleum under which the price is payable after the petroleum is won and saved and an agreement insofar as it provides that, after any petroleum has been won and saved from the licensed area, it shall be exchanged for other petroleum.

Power of revocation

33.—(1) If any of the events specified in the following paragraph shall occur then and in any such case the Minister may revoke this licence and thereupon the same and all the rights hereby granted shall cease and determine but subject nevertheless and without prejudice to any obligation or liability incurred by the Licensee or imposed upon him by or under the terms and conditions thereof.

(2) The events referred to in the foregoing paragraph are—

- (a) any payments mentioned in clause 7(1) of this licence or any part thereof being in arrear or unpaid for two months next after any of the days whereon the same ought to have been paid;
- (b) any breach or non-observance by the Licensee of any of the terms and conditions of this licence;
- (c) the bankruptcy of the Licensee;
- (d) the making by the Licensee of any arrangement or composition with his creditors;
- (e) if the Licensee is a company, the appointment of a receiver or any liquidation whether compulsory or voluntary;
- (f) the Licensee’s ceasing in the case of a company to have its central management and control in the United Kingdom;
- (g) any breach of a condition subject to which the Minister gave his approval in pursuance of clause 32(2) of this licence;
- (h) any breach of clause 33(4) of this licence;

and where two or more persons are the Licensee any reference to the Licensee in sub-paragraph (c) to (f) of this paragraph is a reference to any of those persons.

(3) The Minister may revoke this licence, with the like consequences as are mentioned in paragraph (1) of this clause, if—

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- (a) the Licensee is a company; and
- (b) there is a change in the control of the Licensee; and
- (c) the Minister serves a notice in writing on the Licensee stating that the Minister proposes to revoke this licence in pursuance of this paragraph unless such a further change in the control of the Licensee as is specified in the notice takes place within the period of three months beginning with the date of service of the notice; and
- (d) that further change does not take place within that period.

(4) There is a change in the control of the Licensee for the purposes of paragraph (3)(b) of this clause whenever a person has control of the Licensee who did not have control of the Licensee when this licence was granted; and subsections (2) and (4) to (6) of section 416 of the Income and Corporation Taxes Act 1988 shall apply for the purpose of determining whether for the purposes of this paragraph a person has or had control of the Licensee, with the modifications specified in clause 32(3) of this licence.

(5) Where two or more persons are the Licensee and any of them is a company, paragraphs (3) and (4) of this clause shall have effect as if—

- (a) sub-paragraph (a) of paragraph (3) were omitted;
- (b) in sub-paragraph (b) of that paragraph, after the word “of” there were inserted the words “any company included among the persons who together constitute”; and
- (c) for the word “Licensee” in any other provision of those paragraphs there were substituted the word “company”.

Arbitration

34.—(1) If at any time any dispute, difference or question shall arise between the Minister and the Licensee as to any matter arising under or by virtue of this licence or as to their respective rights and liabilities in respect thereof then the same shall, except where it is expressly provided by this licence that the matter or thing to which the same relates is to be determined, decided, directed, approved or consented to by the Minister, be referred to arbitration as provided by the following paragraph.

(2) The arbitration referred to in the foregoing paragraph shall be in accordance with the Arbitration Act 1950 by a single arbitrator who, in default of agreement between the Minister and the Licensee as to his appointment, shall be appointed by the Lord Chief Justice of England.

Note: Where the licensed area is situated in Scotland or in waters adjacent thereto the following provision will be substituted for the last foregoing paragraph.

(2) The arbitration referred to in the foregoing paragraph shall be by a single arbiter who, in default of agreement between the Minister and the Licensee as to his appointment, shall be appointed by the Lord President of the Court of Session.

Note: Schedules to each licence will (1) describe the area to which the licence relates (2) specify the sum payable in consideration for the grant of the licence (3) specify rates at which royalty is to be assessed, and in certain cases (4) set out working obligations.

Licences will be executed as deeds in duplicate by all parties here.

SCHEDULE 6

Regulation 9(2)(d)

MODEL CLAUSES FOR DEVELOPMENT LICENCES IN LANDWARD AREAS

Interpretation

1.—(1) In the following clauses the following expressions have the meanings hereby respectively assigned to them, that is say:—

“the Act of 1934” means the Petroleum (Production) Act 1934;

“the Act of 1964” means the Continental Shelf Act 1964;

“block” means an area delineated on the reference map deposited at the principal office of the Department of Energy;

“development scheme” has the meaning assigned thereto by clause 23;

“half year” means the period from 1st January to 30th June in any year and the period from 1st July to 31st December in any year;

“the licensed area” means the area for the time being in which the Licensee may exercise the rights granted by this licence;

“the Licensee” means the person or persons to whom this licence is granted, his personal representatives and any person or persons to whom the rights conferred by this licence may lawfully have been assigned;

“the Minister” means the Secretary of State for Energy;

“petroleum” includes any mineral oil or relative hydrocarbon and natural gas existing in its natural condition in strata, but does not include coal or bituminous shales or other stratified deposits from which oil can be extracted by destructive distillation;

“well” includes borehole.

(2) Any obligations which are to be observed and performed by the Licensee shall at any time at which the Licensee is more than one person be joint and several obligations.

Right to search and bore for and get petroleum

2. In consideration of the payments and royalties hereinafter provided and the performance and observance by the Licensee of all the terms and conditions hereof, the Minister, in exercise of the powers conferred upon him by the Act of 1934, hereby grants to the Licensee EXCLUSIVE LICENCE AND LIBERTY during the continuance of this licence and subject to the provisions hereof to search and bore for, and get, petroleum in the area of more particularly described in Schedule 1 to this licence.

Provided that nothing in this licence shall affect the right of the Minister to grant a methane drainage licence in respect of the whole or any part of the licenced area or affect the exercise of any rights so granted.

Term of licence

3. This licence unless sooner determined under any of the provisions hereof shall be and continue in force for the term of twenty years next after []; but if the terms and conditions hereof are duly performed and observed it may be continued for a further period or periods under clause 4.

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Extension or further extension of term

4. The Minister, on application being made to him in writing prior to the final year of the term or any extension thereof, may grant an extension or further extension of this licence. If granted, the extension or further extension shall be for such period as the Minister may determine.

Right of Licensee to determine licence or surrender part of licensed area

5.—(1) Without prejudice to any obligation or liability imposed by or incurred under the terms and conditions hereof, the Licensee may, at any time, determine this licence or surrender any such part of the licensed area as is mentioned in paragraph (3) of this clause by giving six months' written notice to that effect to the Minister.

(2) A notice given pursuant to paragraph (1) of this clause may be cancelled by a further notice in writing given to the Minister not less than one month before the expiration of the notice.

(3) Any area to be surrendered in accordance with paragraph (1) of this clause shall be a clearly defined area whose surrender will leave a retained area the boundaries of which—

- (a) run north, south, east and west; and
- (b) each extend for 100 metres or a multiple of 100 metres:

Provided that the Minister may agree in writing prior to the date the appropriate notice is given by the Licensee to accept a surrender of part of the licensed area which does not comply with the requirements of this paragraph.

Consequences of determination or surrender by Licensee

6. Upon the date on which any determination of this licence by the Licensee or any surrender of a part of the licensed area is to take effect, the rights granted by this licence shall cease or cease in respect of the part so surrendered as the case may be but without prejudice to any obligation or liability imposed upon the Licensee or incurred by him under the terms and conditions of this licence prior to that date.

Payment of consideration for licence

7.—(1) The Licensee shall make to the Minister as consideration for the grant of this Licence—

- (a) payments of royalty in accordance with clauses 8 and 9 of this licence;
- (b) deliveries of petroleum in accordance with clause 10 of this licence; and
- (c) payments in accordance with Schedule 2 to this licence.

(2) The Licensee shall not by reason of the determination of this licence or the surrender of any part of the licensed area be entitled to be repaid or allowed any sum payable to the Minister hereunder before the date of the determination or surrender.

Royalty payments

8.—(1) Subject to paragraphs (2) to (4) of this clause the Licensee shall pay to the Minister, in respect of each chargeable period, a royalty equal to the sum of the percentages specified in Schedule 3 to this licence of the value of the relevant units won and saved in the year which includes that period, and for the purposes of this paragraph “relevant unit” means a unit won and saved in the chargeable period in question and the value of a relevant unit is the amount produced by dividing the value of the petroleum relating to that period by the number of the relevant units.

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(2) The Licensee shall not be required to make a payment in pursuance of paragraph (1) of this clause in respect of a chargeable period if he is required by virtue of clause 10 of this licence to deliver to the Minister all the royalty petroleum for that period.

(3) The Licensee shall not be required to make a payment in pursuance of paragraph (1) of this clause in respect of a chargeable period if he is required by virtue of clause 10 of this licence to deliver to the Minister some but not all of the royalty petroleum for that period, but in respect of that period the Licensee shall, subject to paragraph (4) of this clause, pay to the Minister a royalty of an amount determined in accordance with the formula—

$$\frac{A(B-C)}{100-C}$$

where A is the value of the petroleum relating to that period, B is the the number of units of royalty petroleum multiplied by one hundred and divided by the number of relevant units as defined in paragraph (1) of this clause and C is the number of per cent. in the percentage which the royalty petroleum required to be delivered to the Minister in that period is of the petroleum won and saved in the licensed area in that period.

(4) Where, in a chargeable period in respect of which, apart from this paragraph, royalty is payable in pursuance of paragraph (3) of this clause, the petroleum won and saved in the licensed area includes both petroleum in the form of gas and petroleum in other forms, that paragraph shall have effect—

- (a) in relation to the petroleum in the form of gas, as if references to petroleum in the provisions of that paragraph relating to the meaning of A and C excluded petroleum in other forms; and
- (b) in relation to the petroleum in other forms, as if those references excluded petroleum in the form of gas;

and in such a case the value of the petroleum relating to that period shall be apportioned between the petroleum in the form of gas and the petroleum in other forms in such manner as the Minister and the Licensee may agree.

(5) For the purposes of this clause and clause 9 of this licence the value of the petroleum relating to a chargeable period is, subject to paragraph (6) 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.

(6) The value which, in pursuance of paragraph (5) 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 (5).

(7) In this clause—

“chargeable period” means a half year in which this licence is in force;

“royalty petroleum”, in relation to a chargeable period, means the petroleum which by virtue of clause 10 of this licence the Minister is entitled to require the Licensee to deliver to him in that period;

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“unit” means one tonne of petroleum won and saved in the licensed area except that in the case of petroleum so won and saved in the form of gas it means a quantity of it equal to 1,115 cubic metres of the gas at a temperature of 15 degrees Celsius and a pressure of 1.0132 bar; and
“year” means a year consisting of a chargeable period in which such a periodic payment as is mentioned in Schedule 2 to this licence is payable and the following chargeable period.

Provisions supplementary to clause 8

9.—(1) The Licensee shall, within two months after the end of each chargeable period, deliver to the Minister, in such form as the Minister may specify, a statement of—

- (a) the quantity of petroleum won and saved in the licensed area in that period;
- (b) the quantity of that petroleum delivered to the Minister in that period in pursuance of clause 10 of this licence; and
- (c) the amounts of the prices and market values which are required by paragraph 2 of Schedule 2 to the Oil Taxation Act 1975 to be stated in the returns made for that period in pursuance of that paragraph in consequence of this licence.

(2) The Licensee shall, when he delivers a statement to the Minister in pursuance of paragraph (1) of this clause for a chargeable period in respect of which royalty is payable in pursuance of clause 8(1) of this licence, make to the Minister a payment on account of royalty for that period equal to the relevant fraction of the sum produced by aggregating the amounts which in pursuance of subparagraph (c) of paragraph (1) of this clause are specified in the statement and reducing the aggregate by the amount which, by virtue of paragraph 2(2)(d)(ii) of Schedule 2 to the Oil Taxation Act 1975, was specified in the statement delivered to the Minister in pursuance of the said paragraph (1) in respect of the preceding chargeable period.

(3) The Licensee shall, when he delivers a statement to the Minister in pursuance of paragraph (1) of this clause for a chargeable period in respect of which royalty is payable in pursuance of clause 8(3) or (4) of this licence, make to the Minister a payment on account of royalty for that period equal to the amount which would be so payable for that period if the royalty so payable for that period fell to be determined by reference to the amounts specified in the statement and the amount which, by virtue of paragraph 2(2)(d)(ii) of Schedule 2 to the Oil Taxation Act 1975, was specified in the statement to be delivered to the Minister in pursuance of paragraph (1) of this clause in respect of the preceding chargeable period.

(4) The Minister may from time to time, after a statement in respect of any chargeable period has been delivered to him in pursuance of paragraph (1) of this clause and before he has given to the Licensee a notice in pursuance of paragraph (5) of this clause in respect of that period, give a notice in writing to the Licensee specifying the amount which the Minister estimates is payable by the Licensee in pursuance of clause 8 of this licence in respect of that period; and where the amount specified in the notice is larger or smaller than the total amount already paid by the Licensee in pursuance of this clause in respect of that period, then—

- (a) if it is larger the difference shall be paid forthwith by the Licensee to the Minister; and
- (b) if it is smaller the difference shall be paid forthwith by the Minister to the Licensee.

(5) When it appears to the Minister that the value of the petroleum relating to any chargeable period has been finally determined for tax purposes, he may give to the Licensee a notice in writing specifying the amount which the Minister considers is payable by the Licensee in pursuance of clause 8 of this licence in respect of that period; and where the amount specified in the notice is larger or smaller than the total amount already paid by the Licensee in pursuance of this clause in respect of that period, then subject to paragraph (7) of this clause—

- (a) if it is larger the difference shall be paid forthwith by the Licensee to the Minister; and
- (b) if it is smaller the difference shall be paid forthwith by the Minister to the Licensee.

(6) If after the date when the Minister gave notice to the Licensee in pursuance of paragraph (5) of this clause or this paragraph in respect of a chargeable period it appears to the Minister, in consequence of a relevant assessment or determination made after that date which relates directly or indirectly to the value of petroleum by reference to which the amount specified in the notice was determined, that another amount ought to have been specified, he may give notice in writing to the Licensee specifying the other amount; and where he does so, then, subject to paragraph (7) of this clause—

- (a) if the other amount is larger than the total amount already paid by the Licensee in pursuance of this clause in respect of that period the difference shall be paid forthwith by the Licensee to the Minister; and
- (b) if it is smaller the difference shall be paid forthwith by the Minister to the Licensee.

(7) A decision made by the Minister for the purposes of paragraph (4), (5) or (6) of this clause shall not be called in question by the Licensee except that any dispute between the Minister and the Licensee as to whether an amount specified in a notice given in pursuance of the said paragraph (5) or (6) is payable by virtue of clause 8 of this licence may be referred to arbitration in the manner provided by clause 36 of this licence; and on a reference to arbitration in pursuance of this paragraph any relevant assessment or determination for the time being in force shall be binding on the Minister and the Licensee so far as the assessment or determination relates directly or indirectly to the value of petroleum relating to the chargeable period in question.

(8) When any payment is made by the Licensee or the Minister in pursuance of paragraph (4), (5) or (6) of this clause, an amount in respect of interest on the payment shall also be payable by him to the recipient of the payment and that amount shall be calculated in such manner as the Minister may specify from time to time in a notice in writing given by him to the Licensee; but—

- (a) a notice in pursuance of this paragraph shall provide for amounts by way of interest to be calculated by applying a rate of interest which is for the time being a commercial rate of interest; and
- (b) any such amount in respect of interest shall be disregarded in calculating for the purposes of the said paragraph (4) or (5) any amount already paid by the Licensee in pursuance of this clause.

(9) In this clause—

“chargeable period” and “royalty petroleum” have the same meanings as in clause 8 of this licence;

“relevant assessment or determination” means an assessment or determination made by the Commissioners of Inland Revenue for the purposes of petroleum revenue tax, income tax or the charge of corporation tax on income or a determination made in proceedings arising out of such an assessment or determination made by the said Commissioners; and

“the relevant fraction”, in relation to a chargeable period, means the fraction produced by dividing the amount of royalty petroleum for that period by the amount of the petroleum won and saved in the licensed area in that period, and for the purpose of determining that fraction 1,115 cubic metres of petroleum in the form of gas at a temperature of 15 degrees Celsius and a pressure of 1.0132 bar shall be treated as the equivalent of one tonne of petroleum in any other form.

(10) For the purposes of this clause, any amount paid by the Licensee or the Minister on account of a prospective liability under paragraph (4), (5) or (6) of this clause shall be treated as paid in pursuance of that paragraph.

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Deliveries of petroleum in place of royalties

10.—(1) If during the term of this licence the Minister serves on the Licensee a notice in writing in accordance with the following provisions of this clause requiring the Licensee to deliver to the Minister part of the petroleum won and saved by the Licensee in the licensed area, the Licensee shall comply with the notice.

(2) Where the Minister proposes to serve a notice on the Licensee in pursuance of paragraph (1) of this clause, he shall before doing so—

- (a) give the Licensee a copy of the proposed notice and an opportunity of making representations to the Minister about it; and
- (b) consider any representations then made to him by the Licensee about the proposed notice;

and the Minister shall, in deciding upon the terms of the actual notice, have regard to the desirability of not disturbing unduly any arrangements made by the Licensee for transporting and delivering petroleum won and saved from the licensed area.

(3) Subject to paragraph (4) of this clause, a notice served in pursuance of paragraph (1) of this clause—

- (a) shall specify the date on which the notice is to come into force and may contain provisions with respect to the time when it shall cease to be in force;
- (b) shall specify the quantity of petroleum won and saved in the licensed area during each half year in which the notice is in force which, up to any maximum quantities specified in the notice in pursuance of paragraph (4)(b) of this clause, is to be delivered to the Minister in consequence of the notice;
- (c) may relate to all petroleum so won and saved or may be limited to and specify different quantities of such petroleum which is of one or more of the following kinds, namely, crude oil, condensate, natural gas and natural gas liquids, in each case of a quality or composition or of each quality or composition determined in the manner specified in the notice;
- (d) shall contain provisions with respect to the place or places at which any petroleum or kind of petroleum is to be delivered in pursuance of the notice and may contain provisions with respect to the times at which any quantities of it are to be so delivered.

(4) Such a notice—

- (a) shall not specify as the date on which it is to come into force a date before the expiration of the period of six months beginning with the date on which the notice is served on the Licensee but shall, if the Minister serves on the Licensee a further notice in writing stating that it is to cease to be in force at a time specified in the further notice which is not earlier than six months after the date of service of the further notice, cease to be in force at that time;
- (b) shall not specify, as the quantity of petroleum won and saved in any half year which is to be delivered in pursuance of the notice or as the quantity of any kind of such petroleum, a percentage of all the petroleum or of all that kind of petroleum which is won and saved in the licensed area in that half year exceeding the percentage at which, apart from the notice, royalty for that half year would be payable in respect of the petroleum in pursuance of clause 8(1) of this licence, but may provide that the quantities of petroleum or of a kind of petroleum so won and saved which are to be so delivered shall not in the aggregate exceed a quantity specified in the notice;
- (c) shall not specify, or enable to be specified, as a place at which delivery is to be made in pursuance of the notice a place which is not a point at which the Licensee normally delivers petroleum of any kind from the licensed area.

Measurement of petroleum obtained from the licensed area.

11.—(1) The Licensee shall measure or weigh by a method or methods customarily used in good oilfield practice and from time to time approved by the Minister all petroleum won and saved from the licensed area.

(2) The Licensee shall not make any alteration in the method or methods of measurement or weighing used by him or any appliances used for that purpose without the consent in writing of the Minister and the Minister may in any case require that no alteration shall be made save in the presence of a person authorised by the Minister.

(3) The Minister may from time to time direct that any weighing or measuring appliance shall be tested or examined in such manner, upon such occasions or at such intervals and by such persons as may be specified by the Minister's direction and the Licensee shall pay to any such person or to the Minister such fees and expenses for the test or examination as the Minister may specify.

(4) If any measuring or weighing appliance shall upon any such test or examination as is mentioned in the last foregoing paragraph be found to be inaccurate to a material degree the same shall, if the Minister so determines after considering any representations in writing made by the Licensee, be deemed to have existed in that condition during the period since the last occasion upon which the same was tested or examined pursuant to the last foregoing paragraph.

Keeping of accounts

12.—(1) The Licensee shall keep in the United Kingdom full and correct accounts in a form from time to time approved by the Minister of—

- (a) the quantity of petroleum in the form of gas won and saved;
- (b) the quantity of petroleum in any other form won and saved;
- (c) the name and address of any person to whom any petroleum has been supplied by the Licensee, the quantity so supplied, the price or other consideration therefor and the place to which the petroleum was conveyed pursuant to the agreement for such supply; and
- (d) such other particulars as the Minister may from time to time direct.

(2) The quantities of petroleum stated in such accounts may exclude any water separated from the petroleum and shall be expressed as volumes in cubic metres measured at, or calculated as if measured at, a temperature of 15 degrees Celsius and a pressure of 1.0132 bar but if the Minister serves notice in writing on the Licensee determining any other manner in which any quantity of petroleum or any quantity of any form of petroleum is to be expressed that quantity shall be so expressed.

(3) Such accounts shall state separately the quantities used for the purposes of carrying on drilling and production operations and pumping to field storage, and quantities not so used, and in the case of petroleum not in the form of gas shall state the specific gravity of the petroleum and, if petroleum of different specific gravities has been won and saved, the respective quantities of petroleum of each specific gravity.

(4) The Licensee shall within two months after the end of each half year in which this licence is in force and within two months after the expiration or determination of this licence deliver to the Minister an abstract in a form from time to time approved by the Minister of the accounts for that half year or for the period prior to such expiration or determination as the case may be.

Development and production programmes

13.—(1) The Licensee shall not—

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- (a) erect or carry out any relevant works, either in the licensed area or elsewhere, for the purpose of getting petroleum from that area or for the purposes of conveying to a place on land petroleum got from that area; or
- (b) get petroleum from that area otherwise than in the course of searching for petroleum or drilling wells,

except with the consent in writing of the Minister or in accordance with any programme approved by the Minister or served on the Licensee in pursuance of the following provisions of this clause.

(2) The Licensee shall prepare and submit to the Minister, in such form and by such time and in respect of such period during the term of this licence as the Minister may direct, a programme specifying—

- (a) the relevant works which the Licensee proposes to erect or carry out during that period for either of the purposes mentioned in paragraph (1)(a) of this clause;
- (b) the proposed locations of the works, the purposes for which it is proposed to use the works and the times at which it is proposed to begin and to complete the erection or carrying out of the works;
- (c) the maximum and minimum quantities of petroleum in the form of gas and the maximum and minimum quantities of petroleum in other forms which, in each calendar year during the period aforesaid or in such other periods during that period as the Minister may specify, the Licensee proposes to get as mentioned in paragraph (1)(b) of this clause.

(3) If the Minister directs the Licensee—

- (a) to prepare different programmes in pursuance of paragraph (2) of this clause in respect of petroleum from such different parts of the licensed area as are specified in the direction; or
- (b) where a programme approved or served in pursuance of this clause relates to a particular period during the term of this licence, to prepare a programme or programmes in pursuance of paragraph (2) of this clause in respect of a further period or further periods during that term,

(4) It shall be the duty of the Minister expeditiously to consider any programme submitted to him in pursuance of paragraph (2) of this clause and when he has done so to give notice in writing to the Licensee stating—

- (a) that the Minister approves the programme; or
- (b) that the Minister approves the programme subject to the condition that such of the relevant works as are specified in the notice shall not be used before the expiration of the period so specified in relation to the works or shall not be used without the consent in writing of the Minister; or
- (c) that the Minister rejects the programme on one or both of the following grounds, namely—
 - (i) that the carrying out of any proposals included in the programme in pursuance of paragraph (2) of this clause would be contrary to good oilfield practice;
 - (ii) that the proposals included in the programme in pursuance of sub-paragraph (c) of the said paragraph (2) are, in the opinion of the Minister, not in the national interest;

and a notice in pursuance of sub-paragraph (b) of this paragraph may contain different conditions in respect of different works.

(5) Where the Minister gives notice of rejection of a programme in pursuance of sub-paragraph (c) of paragraph (4) of this clause, then—

- (a) if the grounds of the rejection consist of or include the ground mentioned in paragraph (i) of that sub-paragraph he shall include in the notice a statement of the matters in consequence of which he rejected the programme on that ground; and

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- (b) if the grounds of the rejection consist of or include the ground mentioned in paragraph (ii) of that sub-paragraph he shall include in the notice a statement of the rates at which he considers that, in the national interest, petroleum should be got from the area to which the programme relates; and
- (c) the Licensee shall prepare and submit to the Minister, before the time specified in that behalf in the notice—
 - (i) where the notice contains such a statement as is mentioned in sub-paragraph (a) above, modifications of the programme which ensure that the carrying out of the programme with those modifications would not be contrary to good oilfield practice;
 - (ii) where the notice contains such a statement as is mentioned in sub-paragraph (b) above, modifications of the programme which ensure the getting of petroleum from the area there mentioned at the rates specified in the statement and which (except so far as may be necessary in order to get petroleum at those rates) are not such that the carrying out of the programme with those modifications would be contrary to good oilfield practice;

but the Licensee shall not be required by virtue of paragraph (i) of this sub-paragraph to submit modifications if the carrying out of the programme without modifications would not be contrary to good oilfield practice.

(6) If the Minister gives notice in writing to the Licensee that the Minister approves the modifications of a programme which have been submitted to him in pursuance of sub-paragraph (c) of paragraph (5) of this clause, the programme with those modifications shall be deemed to be approved by the Minister, but if the Licensee fails to perform the duty imposed on him by that sub-paragraph the Minister may, if he thinks fit, instead of revoking this licence in consequence of the failure, serve on the Licensee such a programme as the Minister considers that the Licensee should have submitted to him in respect of the area and period to which the rejected programme related.

(7) Where the Minister proposes to approve a programme subject to a condition in pursuance of paragraph (4)(b) of this clause or to reject a programme in pursuance of paragraph (4)(c) of this clause or to serve a programme on the Licensee in pursuance of paragraph (6) of this clause he shall before doing so—

- (a) give the Licensee particulars of the proposal and an opportunity of making representations to the Minister about the technical and financial factors which the Licensee considers are relevant in connection with the proposal; and
- (b) consider any such representations then made to him by the Licensee;

and the Minister shall not approve a programme subject to such a condition unless he is satisfied that the condition is required in the national interest.

(8) The Licensee shall carry out any programme approved by the Minister or served on the Licensee in pursuance of this clause or, if such a programme is varied in pursuance of clause 14 of this licence, the programme as so varied, except so far as the Licensee is authorised in writing by the Minister to do otherwise or is required to do otherwise by such a condition as is mentioned in paragraph (4)(b) of this clause; but if it is necessary to carry out certain works in order to comply with provisions included in a programme by virtue of paragraph (5)(c) of this clause or provisions of a programme served on the Licensee in pursuance of paragraph (6) of this clause or provisions of a programme as varied in pursuance of clause 14 of this licence, then, notwithstanding anything in the programme as to the time when those provisions are to be complied with, the Licensee shall not be treated as having failed to comply with those provisions before the expiration of the period reasonably required for carrying out the works.

(9) In this clause “relevant works” means any structures and any other works whatsoever which are intended by the Licensee to be permanent and are neither designed to be moved from place to

place without major dismantling nor intended by the Licensee to be used only for searching for petroleum.

Provisions supplementary to clause 13

14.—(1) A consent or approval given by the Minister in pursuance of clause 13(1) of this licence may be given subject to such conditions as are specified in the document signifying the consent or approval and may in particular, without prejudice to the generality of the preceding provisions of this paragraph, be limited to a period so specified.

(2) Where—

- (a) the Minister approves a programme in pursuance of clause 13(1) or gives notice in respect of a programme in pursuance of paragraph (4)(a) or (b) or paragraph (6) of clause 13 of this licence or serves a programme in pursuance of the said paragraph (6); or
- (b) it is determined by arbitration that the Licensee is not required by virtue of paragraph (i) of clause 13(5)(c) of this licence to submit modifications of a programme in respect of which notice of rejection containing such a statement as is mentioned in the said paragraph (i) was given by the Minister in pursuance of clause 13(4)(c) of this licence,

the Minister may give to the Licensee, with the approval or notice given or the programme served as mentioned in sub-paragraph (a) of this paragraph or, in a case falling within sub-paragraph (b) of this paragraph, within the period of three months beginning with the date of the arbitrator's or arbiter's determination, a notice (hereafter in this clause referred to as a "limitation notice") authorising the Minister, by a further notice given to the Licensee from time to time after the expiration of the period specified in that behalf in the limitation notice, to provide that the programme to which the limitation notice relates shall have effect while the further notice is in force with the substitution for any quantity of petroleum or any period specified in the programme in pursuance of clause 13(2)(c) of this licence of a different quantity of petroleum or a different period specified in the further notice.

(3) A quantity or period specified in such a further notice as that to be substituted for a quantity or period which is specified in the programme in question shall be within the limits specified in the limitation notice as those applicable to that quantity or period specified in the programme; and those limits shall be such as to secure that the expenditure to be incurred by the Licensee in complying with the further notice, in a case where an effect of the notice is to increase the quantity of petroleum which the Licensee is required to get from the licensed area in any period, is less than the cost of drilling a new well in the licensed area at the time when the further notice is given.

(4) Where the Minister proposes to give a limitation period or any such further notice as aforesaid he shall before doing so—

- (a) give the Licensee particulars of the proposal and an opportunity of making representations to the Minister about the technical and financial factors which the Licensee considers are relevant in connection with the proposal; and
- (b) consider any such representations then made to him by the Licensee;

and the Minister shall not give such a further notice of which an effect is to increase the quantity of petroleum which the Licensee is required to get from the licensed area during any period unless the Minister is satisfied that the notice is required by reason of a national emergency and shall not give any other such further notice as aforesaid, unless he is satisfied that the notice is required in the national interest.

(5) A limitation notice or such a further notice as aforesaid may—

- (a) specify any quantity or period by reference to such factors as the Minister thinks fit; and
- (b) in the case of such a further notice, contain provisions as to—
 - (i) the date when the notice is to come into force,

- (ii) the date when the notice is to cease to be in force,
and specify different dates in pursuance of this sub-paragraph for different provisions of the notice;

and the Minister may revoke such a further notice at a particular time by serving on the Licensee a notice in writing stating that the further notice is revoked at that time.

(6) Any question arising under clause 13 of this licence or this clause as to what is, or is required, in the national interest or as to what is, or is required by reason of, a national emergency shall be determined by the Minister.

(7) The Licensee shall ensure that any conditions to which an approval is subject in pursuance of clause 13(4)(b) of this licence or a consent or approval is subject in pursuance of paragraph (1) of this clause are complied with.

- (8) If in respect of part of the licensed area—
 - (a) a consent or approval has been given in pursuance of paragraph (1) of clause 13 of this licence; or
 - (b) the Licensee has submitted to the Minister, in accordance with a direction given by virtue of paragraph (3)(a) of that clause, a programme in pursuance of paragraph (2) of that clause—
 - (i) as respects which the Minister has served notice in pursuance of paragraph (4)(a) or (b) or paragraph (6) of that clause, or
 - (ii) in consequence of which the Minister has served a programme on the Licensee in pursuance of the said paragraph (6), or
 - (iii) in respect of which it has been determined by arbitration that the Licensee is not required by virtue of paragraph (5)(c)(i) of that clause to submit modifications,

paragraph (1) of clause 35 of this licence shall not authorise the Minister to revoke this licence in relation to that part of the licensed area in consequence of any breach or non-observance, while the consent is in force or during the period to which the programme relates, of any provision of the said clause 13 in connection with a different part of the licensed area.

(9) Where in consequence of any breach or non-observance by the Licensee or any provision of clause 13 of this licence the Minister has power by virtue of paragraph (1) of clause 35 of this licence to revoke this licence, or in consequence of paragraph (8) of this clause, to revoke it in respect of part only of the licensed area, he may if he thinks fit—

- (a) in a case where he has power to revoke this licence, exercise the power in relation to such part only of the licensed area as he may specify; and
- (b) in a case where by virtue of the said paragraph (8) he has power to revoke it in respect of part only of the licensed area, exercise the power in relation to such portion only of that part as he may specify;

and where in consequence of the said paragraph (8) or by virtue of the preceding provisions of this paragraph the Minister revokes this licence in respect of a part or portion of the licensed area, the rights granted by this licence shall cease in respect of that part or portion without prejudice to any obligation or liability imposed upon the Licensee or incurred by him under the terms of this licence.

Commencement and abandonment and plugging of wells

15.—(1) The Licensee shall not commence, or after abandoning in the manner hereinafter provided, shall not recommence the drilling of any well without the consent in writing of the Minister.

- (2) The Licensee shall not abandon any well without the consent in writing of the Minister.

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(3) The Licensee shall ensure compliance with any conditions subject to which any consent under either of the foregoing paragraphs is given.

(4) If any condition subject to which a consent under paragraph (1) of this clause is given relates to the position, depth or direction of the well, or to any casing of the well, or if any condition subject to which a consent under either paragraph (1) or paragraph (2) of this clause is given relates to any plugging or sealing of the well, the Minister may from time to time direct that the well and all records relating thereto shall be examined in such manner, upon such occasions or at such intervals and by such persons as may be specified by the Minister's direction and the Licensee shall pay to any such person or to the Minister such fees and expenses for such examination as the Minister may specify.

(5) The plugging of any well shall be done in accordance with a specification approved by the Minister applicable to that well or to wells generally or to a class of wells to which that well belongs and shall be carried out in an efficient and workmanlike manner.

(6) Any well drilled by the Licensee pursuant to this licence, which at the expiry or determination of the Licensee's rights in respect of the area or part thereof in which that well is drilled has not with the consent of the Minister been abandoned, shall be left in good order and fit for further working together with all casings and any well head fixtures the removal whereof would cause damage to such well, or, if the Minister so directs in the manner provided by paragraph (8) of this clause, be plugged and sealed in accordance with the Minister's direction.

(7) All casings and fixtures left in position pursuant to the last foregoing paragraph shall be the property of the Minister.

(8) In any case to which paragraph (6) of this clause applies, a direction by the Minister may be given by notice in writing to the Licensee not less than one month before the Licensee's rights in respect of the area or part thereof in which the well is situated expire or determine, specifying the manner in which the well is to be plugged and sealed and the time within which such work is to be done.

(9) An application for the consent of the Minister to the drilling of a well at any place above the low water line shall be accompanied by evidence that the planning authority for the relevant place has been consulted about the drilling and that any planning permission required by the Town and Country Planning Act 1990 or the Town and Country Planning (Scotland) Act 1972 for the drilling of that well has been granted.

Distance of wells from boundaries of licensed area

16. No well shall except with the consent in writing of the Minister be drilled or made so that any part thereof is less than one hundred and twenty-five metres from any of the boundaries of the licensed area.

Control of development wells

17.—(1) The Licensee shall not suspend work on the drilling of a development well, or having suspended it in accordance with this paragraph shall not begin it again, except with the consent in writing of the Minister and in accordance with the conditions, if any, subject to which the consent is given.

(2) When work on the drilling of a development well is suspended in accordance with paragraph (1) of this clause, the Licensee shall forthwith furnish the Minister with such information relating to the well as the Minister may specify.

(3) The Licensee—

- (a) shall not do any completion work in respect of a well in the licensed area except in accordance with a programme of completion work approved by the Minister in respect of the well;

- (b) shall furnish to the Minister, in accordance with the provisions of such a programme, particulars of any completion work done by him in respect of a well in the licensed area; and
 - (c) shall not remove or alter any casing or equipment installed by way of completion work in respect of a well except with the consent in writing of the Minister and in accordance with the conditions, if any, subject to which the consent is given.
- (4) In this clause—
- “completion work”, in relation to a well, means work, by way of the installation of a casing or equipment or otherwise after the well has been drilled, for the purpose of bringing the well into use as a development well; and
- “development well” means a well which the Licensee uses or intends to use in connection with the getting of petroleum in the licensed area, other than a well which for the time being he uses or intends to use only for searching for petroleum.

Provision of storage tanks, pipes, pipelines or other receptacles

18. The Licensee shall use methods and practice customarily used in good oilfield practice for confining the petroleum obtained from the licensed area in tanks, gasholders, pipes, pipelines or other receptacles constructed for that purpose.

Avoidance of harmful methods of working

19.—(1) The Licensee shall maintain all apparatus and appliances and all wells in the licensed area which have not been abandoned and plugged as provided by clause 15 of this licence in good repair and condition and shall execute all operations in or in connection with the licensed area in a proper and workmanlike manner in accordance with methods and practice customarily used in good oilfield practice. Without prejudice to the generality of the foregoing provision the Licensee shall take all steps practicable in order—

- (a) to control the flow and to prevent the escape or waste of petroleum discovered in or obtained from the licensed area;
- (b) to conserve the licensed area for productive operations;
- (c) to prevent damage to adjoining petroleum bearing strata;
- (d) to prevent the entrance of water through wells to petroleum bearing strata except for the purposes of secondary recovery; and
- (e) to prevent the escape of petroleum into any waters or water-bearing strata in or in the vicinity of the licensed area.

(2) The Licensee shall comply with any instructions from time to time given by the Minister in writing relating to any of the matters set out in the foregoing paragraph. If the Licensee objects to any such instruction on the ground that it is unreasonable he may, within fourteen days from the date upon which the same was given, refer the matter to arbitration in the manner provided by clause 36 of this licence.

- (3) Notwithstanding anything in the preceding provisions of this clause, the Licensee shall not—
- (a) flare any gas from the licensed area; or
 - (b) use gas for the purpose of creating or increasing the pressure by means of which petroleum is obtained from that area,

except with the consent in writing of the Minister and in accordance with the conditions, if any, of the consent.

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(4) An application for consent in pursuance of paragraph (3) of this clause must be made in writing to the Minister and must specify the date on which the Licensee proposes to begin the flaring or use in question; and subject to paragraph (5) of this clause that date must not be before the expiration of the period of 12 months beginning with the date when the Minister receives the application.

(5) If the Minister gives notice in writing to the Licensee stating that, in consequence of plans made by the Licensee which the Minister considers are reasonable, the Minister will entertain an application for consent in pursuance of paragraph (3) of this clause which specifies a date after the expiration of a period mentioned in the notice which is shorter than the period mentioned in paragraph (4) of this clause, an application made in consequence of the notice may specify, as the date on which the applicant proposes to begin the flaring or use in question, a date after the expiration of that shorter period.

(6) Before deciding to withhold consent or to grant it subject to conditions in pursuance of paragraph (3) of this clause, the Minister shall give the Licensee an opportunity of making representations in writing to the Minister about the technical and financial factors which the Licensee considers are relevant in connection with the case and shall consider any such representations then made to him by the Licensee.

(7) Consent in pursuance of paragraph (3) of this clause shall not be required for any flaring which, in consequence of an event which the Licensee did not foresee in time to deal with it otherwise than by flaring, is necessary in order—

- (a) to remove or reduce the risk of injury to persons in the vicinity of the well in question; or
- (b) to maintain a flow of petroleum from that or any other well;

but when the Licensee does any flaring which is necessary as aforesaid he shall forthwith inform the Minister that he has done it and shall, in the case of flaring to maintain a flow of petroleum, stop the flaring upon being directed by the Minister to stop it.

(8) The Licensee shall give notice to the Minister of any event causing escape or waste of petroleum, damage to petroleum bearing strata or entrance of water through wells to petroleum bearing strata except for the purposes of secondary recovery forthwith after the occurrence of that event and shall, forthwith after the occurrence of any event causing escape of petroleum into the sea, give notice of the event to the Chief Inspector of Her Majesty's Coastguard.

(9) The Licensee shall comply with any reasonable instructions from time to time given by the Minister with a view to ensuring that funds are available to discharge any liability attributable to the release or escape of petroleum in the course of activities connected with the exercise of rights granted by this licence; but where the Minister proposes to give such instructions he shall before giving them—

- (a) give the Licensee particulars of the proposal and an opportunity of making representations to the Minister about the proposal; and
- (b) consider any representations then made to him by the Licensee about the proposal.

Appointment of operators

20.—(1) The Licensee shall ensure that another person (including, in the case where the Licensee is two or more persons, any of those persons) does not exercise any function of organising or supervising all or any of the operations of searching or boring for or getting petroleum in pursuance of this licence unless that other person is a person approved in writing by the Minister and the function in question is one to which that approval relates.

(2) The Minister shall not refuse to give his approval of a person in pursuance of paragraph (1) of this clause if that person is competent to exercise the function in question; but where an approved person is no longer competent to exercise that function the Minister may, by notice in writing given to the Licensee, revoke his approval.

Fishing and navigation

21. The Licensee shall not carry out any operations authorised by this licence in or about the licensed area in such manner as to interfere unjustifiably—

- (a) with navigation in any navigable waters; or
- (b) with fishing in or conservation of the living resources of any waters in or in the vicinity of the licensed area.

Training

22.—(1) The Minister may from time to time give to the Licensee instructions in writing as to the training of persons employed or to be employed, whether by the Licensee or by any other person, in any activity which is related to the exercise of the rights granted by this licence and the Licensee shall ensure that any instructions so given are complied with.

(2) The Licensee shall furnish the Minister with such information relating to the training of persons referred to in paragraph (1) of this clause as the Minister may from time to time request.

Unit development

23.—(1) If at any time in which this licence is in force the Minister shall be satisfied that the strata in the licensed area or any part thereof form part of a single geological petroleum structure or petroleum field (hereinafter referred to as “an oil field”) other parts whereof are formed by strata in areas in respect of which other licences granted in pursuance of the Act of 1934 or of that Act as applied by that Act of 1964 are then in force and the Minister shall consider that it is in the national interest in order to secure the maximum ultimate recovery of petroleum and in order to avoid unnecessary competitive drilling that the oil field should be worked and developed as a unit in co-operation by all persons including the Licensee whose licences extend to or include any part thereof the following provisions of this clause shall apply.

(2) Upon being so required by notice in writing by the Minister the Licensee shall co-operate with such other persons, being persons holding licences under the Act of 1934 or that Act as applied by the Act of 1964 in respect of any part or parts of the oil field (hereinafter referred to as “the other Licensees”) as may be specified in the said notice in the preparation of a scheme (hereinafter referred to as “a development scheme”) for the working and development of the oil field as a unit by the Licensee and the other Licensees in co-operation, and shall, jointly with the other Licensees, submit such scheme for the approval of the Minister.

(3) The said notice shall also contain or refer to a description of the area or areas in respect of which the Minister requires a development scheme to be submitted and shall state the period within which such scheme is to be submitted for approval by the Minister.

(4) If a development scheme shall not be submitted to the Minister within the period so stated or if a development scheme so submitted shall not be approved by the Minister, the Minister may himself prepare a development scheme which shall be fair and equitable to the Licensee and all other Licensees, and the Licensee shall perform and observe all the terms and conditions thereof.

(5) If the Licensee shall object to any such development scheme prepared by the Minister he may within 28 days from the date on which notice in writing of the said scheme shall have been given to him by the Minister refer the matter to arbitration in the manner provided by clause 36 hereof.

Licensee to keep records

24.—(1) The Licensee shall keep accurate records in a form from time to time approved by the Minister of the drilling, deepening, plugging or abandonment of all wells and of any alterations in the casing thereof. Such records shall contain particulars of the following matters—

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- (a) the site of, number and name (if any) assigned to every well;
- (b) the subsoil and strata through which the well was drilled;
- (c) the casing inserted in any well and any alteration to such casing;
- (d) any petroleum, water, mines or workable seams of coal encountered; and
- (e) such other matters as the Minister may from time to time direct.

(2) The Licensee shall keep in the United Kingdom accurate geological plans and maps relating to the licensed area and such other records in relation thereto as may be necessary to preserve all information which the Licensee has about the geology of the licensed area.

(3) The Licensee shall deliver copies of the said records, plans and maps referred to in the two foregoing paragraphs to the Minister as and when required.

Returns

25.—(1) The Licensee shall furnish to the Minister not later than 6 weeks after the end of each half year which falls wholly or partly within the period during which this licence is in force a return in a form from time to time approved by the Minister of the progress of his operations in the licensed area. Such return shall contain—

- (a) a statement of all geological work, including surveys and tests, which has been carried out, and the areas in which and the persons by whom the work has been carried out and the results thereof;
- (b) the number and name (if any) assigned to each well and, in the case of any well the drilling of which was begun or the number of which has been changed during the period to which the return relates, the site thereof;
- (c) a statement of the depth drilled in each well;
- (d) a statement of any petroleum, water, mines or workable seams of coal or other minerals encountered in the course of the said operations; and

(2) The Licensee shall furnish the Minister with such information as the Minister may from time to time request about any aspect of the activities of the Licensee which are attributable directly or indirectly to the grant of this licence, except that the Licensee shall not by virtue of this paragraph be required to furnish information in respect of his activities in connection with any crude oil after he has appropriated it for refining by him.

Licensee to keep samples

26.—(1) As far as reasonably practicable the Licensee shall correctly label and preserve for reference for a period of five years samples of the strata encountered in any well (including, where the site of such well is on land covered by water, the surface of such land) and samples of any petroleum or water discovered in any well in the licensed area.

(2) the Licensee shall not dispose of any sample after the expiry of the said period of five years unless—

- (a) he has at least six months before the date of the disposal given notice in writing to the Minister of his intention to dispose of the sample; and
- (b) the Minister or any person authorised by him has not within the said period of six months informed the Licensee in writing that he wishes the sample to be delivered to him.

(3) The Minister or any person authorised by him shall be entitled at any time—

- (a) to inform the Licensee in writing that he wishes part of any sample preserved by the Licensee to be delivered to him; or

(b) to inspect and analyse any sample preserved by the Licensee.

(4) The Licensee shall forthwith comply with any request for the delivery of the whole or any part of any sample which is made in accordance with the preceding provisions of this clause.

Reports to be treated as confidential

27. All records, returns, plans, maps, samples, accounts and information (in this clause referred to as “the specified data”) which the Licensee is or may be from time to time required to furnish under the provisions of this licence shall be supplied at the expense of the Licensee and shall not (except with the consent in writing of the Licensee which shall not be unreasonably withheld) be disclosed at any time to any person not in the service or employment of the Crown:

Provided that—

- (i) the Minister shall be entitled at any time to make use of any of the specified data for the purpose of preparing and publishing such returns and reports as may be required of the Minister by law;
- (ii) the Minister shall be entitled at any time to furnish any of the specified data to the Natural Environment Research Council and to any other body of a like nature as may from time to time be carrying on activities of a substantially similar kind to the geological activities at present carried on by the said Council;
- (iii) the Minister, the said Council and any such other body shall be entitled at any time to prepare and publish reports and surveys of a general nature using information derived from any of the specified data;
- (iv) the Minister, the said Council and any such other body shall be entitled to publish any of the specified data of a geological, scientific or technical kind after the expiration of the period of five years beginning with the date when the Minister received the data or after the expiration of such longer period as the Minister may determine after considering any representations made to him by the Licensee about the publication of data in pursuance of this sub-paragraph.

Inspection of records etc.

28. The Licensee shall—

- (a) permit any person in the service or employment of the Crown who is appointed by the Minister for the purpose to inspect, and to take copies of and make notes from, all books, papers, maps and other records of any kind kept by the Licensee in pursuance of this licence or in connection with activities about which the Minister is entitled to obtain information in pursuance of clauses 22(2) and 25(2) of this licence; and
- (b) furnish that person at reasonable times with such information and provide him at reasonable times with such reasonable assistance as he may request in connection with or arising out of an inspection in pursuance of this clause.

Rights of access

29. Any person or persons authorised by the Minister shall be entitled at all reasonable times to enter into and upon any land for the time being possessed or occupied by the Licensee in the licensed area or to enter into and upon any of the Licensee’s installations or equipment used or to be used in connection with searching, boring for or getting petroleum in the licensed area for the purposes hereinafter mentioned—

- (a) to examine the installations, wells, plant, appliances and works made or executed by the Licensee in pursuance of this licence and the state of repair and condition thereof; and

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- (b) to execute any works or to provide and install any equipment which the Minister may be entitled to execute or provide and install in accordance with the provisions hereof.

Power to execute works

30. If the Licensee shall at any time fail to perform the obligations arising under the terms and conditions of any of clauses 11, 15, 18, 19 or 22 of this licence the Minister shall be entitled, after giving to the Licensee reasonable notice in writing of his intention to do so, to execute any works and to provide and install any equipment which in the opinion of the Minister may be necessary to secure the performance of the said obligations or any of them and to recover the costs and expenses of so doing from the Licensee.

Right of distress

31. If and whenever any of the payments mentioned in clause 7(1) of this licence or any part thereof shall be in arrear or unpaid for 28 days next after any of the days whereon the same ought to have been paid (whether the same shall have been legally demanded or not) then and so often as the same may happen the Minister may (as an additional remedy and without prejudice to the power of distress and any other rights and remedies to which he would be entitled) enter into and upon any land which shall for the time being be possessed or occupied by the Licensee for the purposes of this licence or the exercise of any of the rights thereby granted or into and upon any of the Licensee's installations and equipment used or to be used in connection with searching, boring for or getting petroleum in the licensed area and may seize and distrain and sell, as a landlord may do for rent in arrear, all or any of the stocks of petroleum, engines, machinery, tools, implements, chattels and effects belonging to the Licensee which shall be found in or upon or about the land, installations and equipment so entered upon, and out of the moneys arising from the sale of such distress may retain and pay all the arrears of the said payments and also the costs and expenses of and incidental to any such distress and sale rendering the surplus (if any) to the Licensee.

Note: When the licensed area is situate in Scotland or in waters adjacent thereto the following provision will be substituted for the foregoing clause.

31. If and whenever any of the payments mentioned in clause 7(1) of this licence or any part thereof shall be in arrear or unpaid for 28 days next after any of the days whereon the same ought to have been paid (whether the same shall have been legally demanded or not) then and so often as the same may happen the Minister may (as an additional remedy and without prejudice to any other rights and remedies to which he would be entitled) do diligence in respect thereof in like manner as a landlord may do diligence in respect of unpaid arrears of rent and such diligence shall be effectual to attach all or any of the stocks of petroleum, engines, machinery, tools, implements and other effects belonging to the Licensee which shall be found in or upon any land which shall for the time being be possessed or occupied by the Licensee for the purposes of this licence or the exercise of any of the rights thereby granted or on or about any of the Licensee's installations and equipment used or to be used in connection with searching, boring for or getting petroleum in the licensed area, and where in pursuance of such a diligence a sale of such effects as shall have been attached thereby takes place the Minister may out of the proceeds thereof retain and pay all the arrears of the said payments and also the expenses of and incident to such diligence and sale and shall pay the surplus thereof (if any) to the Licensee.

Indemnity against third party claims

32. The Licensee shall at all times keep the Minister effectually indemnified against all actions, proceedings, costs, charges, claims and demands whatsoever which may be made or brought against the Minister by any third party in relation to or in connection with this licence or any matter or thing done or purported to be done in pursuance thereof.

Advertisements, prospectuses etc.

33. No statement shall be made either in any notice, advertisement, prospectus or other document issued by or to the knowledge of the Licensee or in any other manner claiming or suggesting whether expressly or by implication that Her Majesty or any Government Department or any person or body acting on behalf of Her Majesty has or have formed or expressed an opinion that the licensed area is from its geological formation or otherwise one in which petroleum is likely to be obtainable.

Restrictions on assignments etc.

34.—(1) The Licensee shall not, except with the consent in writing of the Minister and in accordance with the conditions (if any) of the consent, do anything whatsoever whereby, under the law (including the rules of equity) of any part of the United Kingdom or of any other place, any right granted by this licence or derived from a right so granted becomes exercisable by or for the benefit of or in accordance with the directions of another person.

(2) The Licensee shall not enter into any agreement providing for a person other than the Licensee to become entitled to, or to any proceeds of sale of, any petroleum which, at the time when the agreement is made, has not been but may be won and saved from the licensed area unless the terms of the agreement have been approved in writing by the Minister either unconditionally or subject to conditions; but the preceding provisions of this paragraph do not apply to—

- (a) an agreement for the sale of such petroleum under which the price is payable after the petroleum is won and saved; and
- (b) an agreement insofar as it provides that, after any petroleum has been won and saved from the licensed area, it shall be exchanged for other petroleum.

(3) The Licensee shall not, without the consent of the Minister, dispose of any petroleum won and saved in the licensed area or any proceeds of sale of such petroleum in such a manner that the disposal does, to the knowledge of the Licensee or without his knowing it, fulfil or enable another person to fulfil obligations which a person who controls the Licensee, or a person who is controlled by a person who controls the Licensee, is required to fulfil by an agreement which, if the person required to fulfil the obligations were the Licensee, would be an agreement of which the terms require approval by virtue of paragraph (2) of this clause; and subsections (2) and (4) to (6) of section 416 of the Income and Corporation Taxes Act 1988 shall apply, for the purpose of determining whether for the purposes of this paragraph a person has control of another person, with the following modifications, namely—

- (a) for the words “the greater part” wherever they occur in the said subsection (2) there shall be substituted the words “one-third or more”; and
- (b) in the said subsection (6), for the word “may” there shall be substituted the word “shall”, the words from “and such attributions” onwards shall be omitted and in the other provisions of that subsection any reference to an associate of a person shall be construed as including only a relative of his (as defined by section 417(4) of that Act), a partner of his and a trustee of a settlement (as defined by section 681(4) of that Act) of which he is a beneficiary.

(4) Where the Licensee is two or more persons, then without prejudice to the preceding provisions of this clause, none of those persons shall enter into an agreement with respect to the entitlement of any of them to—

- (a) the benefit of any right granted by this licence;
- (b) any petroleum won and saved from the licensed area; or
- (c) any proceeds of sale of such petroleum,

unless the terms of the agreement have been approved in writing by the Minister; but the preceding provisions of this paragraph do not apply to an agreement for the sale of such petroleum under which the price is payable after the petroleum is won and saved and an agreement insofar as it provides

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that, after any petroleum has been won and saved from the licensed area, it shall be exchanged for other petroleum.

Power of revocation

35.—(1) If any of the events specified in the following paragraph shall occur then and in any such case the Minister may revoke this licence and thereupon the same and all the rights hereby granted shall cease and determine but subject nevertheless and without prejudice to any obligation or liability incurred by the Licensee or imposed upon him by or under the terms and conditions hereof.

(2) The events referred to in the foregoing paragraph are—

- (a) any payments mentioned in clause 7(1) of this licence or any part thereof being in arrear or unpaid for two months next after any of the days whereon the same ought to have been paid;
- (b) any breach or non-observance by the Licensee of any of the terms and conditions of this licence;
- (c) the bankruptcy of the Licensee;
- (d) the making by the Licensee of any arrangement or composition with his creditors;
- (e) if the Licensee is a company, the appointment of a receiver or any liquidation whether compulsory or voluntary;
- (f) any breach or non-observance by the Licensee of the terms and conditions of a development scheme;
- (g) the Licensee's ceasing in the case of a company to have its central management and control in the United Kingdom;
- (h) any breach of a condition subject to which the Minister gave his approval in pursuance of clause 34(2) of this licence;
- (i) any breach of clause 34(4) of this licence;

and where two or more persons are the Licensee any reference to the Licensee in sub-paragraphs (c) to (g) of this paragraph is a reference to any of those persons.

(3) The Minister may revoke this licence, with the like consequences as are mentioned in paragraph (1) of this clause, if—

- (a) the Licensee is a company; and
- (b) there is a change in the control of the Licensee; and
- (c) the Minister serves a notice in writing on the Licensee stating that the Minister proposes to revoke this licence in pursuance of this paragraph unless such a further change in the control of the Licensee as is specified in the notice takes place within the period of three months beginning with the date of service of the notice; and
- (d) that further change does not take place within that period.

(4) There is a change in the control of the Licensee for the purposes of paragraph (3)(b) of this clause whenever a person has control of the Licensee who did not have control of the Licensee when this licence was granted; and subsections (2) and (4) to (6) of section 416 of the Income and Corporation Taxes Act 1988 shall apply for the purpose of determining whether for the purposes of this paragraph a person has or had control of the Licensee, with the modifications specified in clause 34(3) of this licence.

(5) Where two or more persons are the Licensee and any of them is a company, paragraphs (3) and (4) of this clause shall have effect as if—

- (a) sub-paragraph (a) of paragraph (3) were omitted;

- (b) in sub-paragraph (b) of that paragraph, after the word “of” there were inserted the words “any company included among the persons who together constitute”; and
- (c) for the word “Licensee” in any other provision of those paragraphs, there were substituted the word “company”.

Arbitration

36.—(1) If at any time any dispute, difference or question shall arise between the Minister and the Licensee as to any matter arising under or by virtue of this licence or as to their respective rights and liabilities in respect thereof then the same shall, except where it is expressly provided by this licence that the matter or thing to which the same relates is to be determined, decided, directed, approved or consented to by the Minister, be referred to arbitration as provided by the following paragraph.

(2) The arbitration referred to in the foregoing paragraph shall be in accordance with the Arbitration Act 1950 by a single arbitrator who, in default of agreement between the Minister and the Licensee and, in the case of arbitration in relation to a development scheme, other Licensees affected by the scheme, as to his appointment, shall be appointed by the Lord Chief Justice of England.

(3) In the case of any such arbitration which relates to a development scheme the Licensee shall, unless the arbitrator otherwise determines, perform and observe the terms and conditions of the development scheme pending the decision of the arbitrator.

Note: Where the licensed area is situate in Scotland or in waters adjacent thereto the following provisions will be substituted for the last two foregoing paragraphs.

(2) The arbitration referred to in the foregoing paragraph shall be by a single arbiter who, in default of agreement between the Minister and the Licensee and, in the case of arbitration relating to a development scheme, other Licensees affected by that scheme, as to his appointment, shall be appointed by the Lord President of the Court of Session.

(3) In the case of any such arbitration which relates to a development scheme the Licensee shall, unless the arbiter otherwise determines perform and observe the terms and conditions of the development scheme pending the decision, of the arbiter.

Note: Schedules to each licence will (1) describe the area to which the licence relates, (2) provide for the payment by the Licensee of sums which may include initial payments on the grant of the licence and annual payments payable in advance, (3) specify rates at which royalty is to be assessed.

Licences will be executed as deeds in duplicate by all parties thereto.

EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations provide for applications to the Secretary of State for licences to search for and get petroleum in Great Britain and those islands and waters adjacent to it which are “landward areas” as defined in the Regulations. They also set out model clauses which are to be incorporated in such licences unless the Secretary of State thinks fit to modify or exclude them in any particular case. The Regulations supersede the Petroleum (Production) (Landward Areas) Regulations 1984 ([S.I. 1984/1832](#)), except as respects licences applied for before the date on which these Regulations come into force.

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As in the 1984 Regulations, there is provision for six-year exploration licences (incorporating model clauses set out in Schedule 3), five-year appraisal licences (incorporating model clauses set out in Schedule 5) and twenty-year development licences (incorporating model clauses set out in Schedule 6); all such licences confer exclusive rights in relation to a particular landward area. These Regulations also provide for the first time for a one-year, non-exclusive, supplementary seismic survey licence (incorporating model clauses set out in Schedule 4), which will permit the holder of an exclusive licence to extend a seismic survey for a distance of up to one kilometre beyond the boundary of the area to which that licence relates in order to obtain additional data concerning that area.

Other changes of substance introduced by the Regulations are as follows. In relation to exploration licences, there is provision for the Secretary of State to invite particular persons to apply for a licence in respect of a particular area by serving a notice on them (regulation 6(3)). This is in addition to the established provision for issuing a general invitation to apply for exploration licences by publishing a notice in the London and Edinburgh Gazettes. There are new provisions in the model clauses in Schedule 3 for an exploration licensee to surrender part of the area to which his licence relates (m.c. 4), and to undertake an extended well test of up to 90 days' duration (m.c. 9(1)). The minimum area to which an appraisal or development licence may relate is reduced (regulation 8(1)). Returns relating to the progress of operations under a licence are required to be submitted to the Secretary of State every six months rather than quarterly.