

## SCHEDULE 5

### CURRENT MODEL CLAUSES FOR SEAWARD PRODUCTION LICENCES DERIVING FROM SCHEDULE 5 TO THE PETROLEUM (PRODUCTION) REGULATIONS 1976 AS IT FROM TIME TO TIME HAD EFFECT

#### PART I

1. This Schedule has effect in relation to the following paragraphs of Schedule 1 to the Act, namely—

- (a) paragraph 9 of that Schedule (Schedule 5 to the Petroleum (Production) Regulations 1976<sup>(1)</sup>);
- (b) paragraph 10 of that Schedule (the said Schedule 5 as amended by the Petroleum (Production) (Amendment) Regulations 1978<sup>(2)</sup>);
- (c) paragraph 11 of that Schedule (the said Schedule 5 as amended as aforesaid and further amended by the Petroleum (Production) (Amendment) Regulations 1980<sup>(3)</sup>), and
- (d) paragraph 12 of that Schedule (the said Schedule 5 as amended as aforesaid and further amended by the Oil and Gas (Enterprise) Act 1982<sup>(4)</sup>).

2. Subject to paragraphs 3, 4, 6, 7 and 8, the current model clauses in relation to the said paragraphs 9 to 12 are those reproduced in Part II.

3.—(1) Where the licensed area is in Scotland or the Scottish area, as defined in article 1(2) of the Civil Jurisdiction (Offshore Activities) Order 1987<sup>(5)</sup>, Part II shall have effect as provided in the two following sub-paragraphs.

(2) Part II shall have effect in such a case as if for model clause 36 (distress) there were substituted the following clause—

#### “Diligence

36. If and whenever any of the payments mentioned in clause 8(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 be 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 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.”.

(3) Part II shall also have effect in such a case as if, in model clause 41 (arbitration)—

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(1) S.I.1976/1129.  
(2) S.I. 1978/929.  
(3) S.I. 1980/721.  
(4) 1982 c. 23.  
(5) S.I. 1987/2197.

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- (a) for the word “arbitrator”, wherever it occurs in paragraphs (2) and (3), there were substituted the word “arbiter”, and
- (b) for the words “the Lord Chief Justice of England for the time being”, in paragraph (2), there were substituted the words “the Lord President of the Court of Session”.

4. Where the licensed area is in both a designated area, within the meaning of the Continental Shelf Act 1964<sup>(6)</sup>, and the Northern Irish area, as defined in article 1(2) of the Civil Jurisdiction (Offshore Activities) Order 1987, Part II shall have effect as if in model clause 41 (arbitration) for the words “the Lord Chief Justice of England”, in paragraph (2), there were substituted the words “the Lord Chief Justice of Northern Ireland”.

5. In paragraphs 3 and 4, any reference to the licensed area is a reference to the licensed area within the meaning of model clause 1(1) in Part II.

6.—(1) In relation to paragraph 10, 11 or 12 of Schedule 1 to the Act, Part II shall have effect as provided in the following sub-paragraph.

(2) Part II shall have effect in such a case as if in model clause 22(1) for the words “as respects that function” there were substituted the words “and the function in question is one to which the approval relates”.

7.—(1) In relation to paragraph 11 or 12 of Schedule 1 to the Act, Part II shall also have effect as provided in the five following sub-paragraphs.

(2) Part II shall have effect in such a case as if in model clause 3—

(a) in paragraph (1)—

- (i) for the word “four” there were substituted the word “six”,
- (ii) the words “Part I of” were omitted; and
- (iii) for the word “three” there were substituted the word “thirty”; and

(b) paragraph (2) were omitted.

(3) Part II shall also have effect in such a case as if for model clauses 4 and 5 there were substituted the following clause—

**“Option to continue licence as to part of the licensed area**

4.—(1) At any time not later than three months before the expiration of the initial term the Licensee paying the payments and royalties hereinafter provided and observing and performing the terms and conditions herein contained may give notice in writing to the Minister that he desires the licence to continue as to a part of the licensed area (hereinafter called “the continuing part”) in the manner hereinafter provided and to determine as to the residue thereof (hereinafter called “the surrendered part”).

(2) Such notice shall—

- (a) describe the surrendered part which shall be an area which shall together with any area previously surrendered in accordance with clause 6 hereof—
  - (i) if the area originally comprised in this licence consisted of sixty or more sections, be not less than half the number of such sections; or
  - (ii) if the area originally comprised in this licence consisted of more than thirty but less than sixty sections, be such a number of sections as will leave a continuing part consisting of thirty sections;

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(6) 1964 c. 29.

provided that if the area originally comprised in this licence consisted of not more than thirty sections the Licensee shall not be obliged to surrender any part of the licensed area and provided that any area surrendered in accordance with this clause shall comply with clause 7 hereof; and

- (b) specify a date (hereinafter called “the surrender date”) not later than the expiry of the initial term upon which the surrendered part is to be surrendered.

(3) The Licensee may at any time not less than one month before the surrender date give further notice in writing to the Minister varying the part of the licensed area to be surrendered and in the event of such further notice being given the provisions of the previous paragraphs of this clause shall apply *mutatis mutandis* to such notice but so that the surrender date specified in such notice shall be the same as that specified in the first notice.

(4) This licence shall upon the option conferred by this clause being duly exercised but subject to the provisions of clause 3 of this licence continue in respect of the continuing part for a term of thirty years next after the surrender date.”,

and the definitions of “second term” and “third term” in model clause 1(1) were omitted.

(4) Part II shall also have effect in such a case as if for model clause 7 there were substituted the following clause—

#### **“Areas Surrendered**

7.—(1) Within a block any area surrendered by the Licensee pursuant to either clause 4 or clause 6 of this licence and any area accordingly retained by him or, where the surrendered or retained area comprises separate parts, each part of each area shall, unless the Minister has otherwise agreed in writing before the date at which the appropriate notice is given by the Licensee to the Minister,—

- (a) be bounded by minute lines of latitude extending not less than two minutes of longitude and minute lines of longitude extending not less than two minutes of latitude;
- (b) subject to clause 4(2)(a) hereof, consist of not less than thirty sections; and
- (c) have boundaries which, whether they run north and south or east and west, either coincide with the corresponding boundaries of the block or are not less than two sections distant from those boundaries;

and where the surrendered or retained area comprises separate parts, each part of that area shall be not less than two sections distant from any other part of that area.

(2) Upon the date upon which any determination of this licence or any surrender of part of the licensed area in manner provided by either clause 4 or clause 6 of this licence is to take effect the rights granted by this licence shall cease in respect of the licensed area or 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 of this licence prior to that date.”.

(5) Part II shall also have effect in such a case as if in model clause 9(6) for the words “section 10(1)(b)” there were substituted the words “section 10(1)”.

(6) Part II shall also have effect in such a case as if for model clause 14 there were substituted the following clause—

#### **“Working obligations**

14.—(1) The Licensee shall before the expiry of the initial term of this licence carry out such scheme of prospecting including any geological survey by any physical or chemical means and

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such programme of test drilling (hereinafter collectively referred to as a “work programme”) as may be set out in Schedule 4 to this licence.

(2) If at any time 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 entitled to exploit the rights granted by this licence; and
- (b) had the competence and resources needed to exploit those rights to the best commercial advantage; and
- (c) were seeking to exploit those rights to the best commercial advantage,

could reasonably be expected to carry out during the period specified in the notice, and that period must be within the term of this licence.

(3) If a programme is submitted to the Minister in consequence of a notice served by him in pursuance of paragraph (2) 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 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.

(4) Where notice in respect of a programme is served on the Licensee in pursuance of paragraph (3) 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 41 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.

(5) 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.

(6) Where, in consequence of any breach or non-observance by the Licensee of any provision of paragraph (2), (4) or (5) of this clause, the Minister has power by virtue of paragraph (1) of clause 40 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.

(7) Where the Licensee has a duty by virtue of this clause to carry out a programme during a part of the term of this licence, the Minister may serve notice in pursuance of paragraph (2) of this clause in respect of another part of that term.”.

**8.** Where—

- (a) section 1 of the Petroleum Royalties (Relief) Act 1983<sup>(7)</sup> applies, or
- (b) section 1 of the Petroleum Royalties (Relief) and Continental Shelf Act 1989<sup>(8)</sup> applies

Part II has effect subject to the provisions of the said Act of 1983 or, as the case may be, the said Act of 1989.

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(7) 1983 c. 59; extended by section 2 of the Petroleum Royalties (Relief) and Continental Shelf Act 1989 (c. 1) and modified by paragraph 8 of Schedule 3 to the Petroleum Act 1998 (c. 17).

(8) 1989 (c. 1); modified by paragraph 8 of Schedule 3 to the Petroleum Act 1998 (c. 17).