SCHEDULE 1

CURRENT MODEL CLAUSES FOR MINING LICENCES DERIVING FROM PARTS 1 AND III OF SCHEDULE 2 TO THE PETROLEUM (PRODUCTION) REGULA TIONS 1935 AS THEY HAD EFFECT ON AND AFTER 1ST OCTOBER 1957

PART I

1. This Schedule has effect in relation to paragraph 1 of Schedule 1 to the Act (Parts I and III of Schedule 2 to the Petroleum (Production) Regulations 1935(**1**) as amended by the Petroleum (Production) (Amendment) Regulations 1954(**2**) and the Petroleum (Production) (Amendment) Regulations 1957(**3**)).

2. In relation to the said paragraph 1, the current model clauses are those reproduced in Part II.

PART II

Interpretation

In these model clauses:—

(1) "The Act of 1934" and "the Act of 1998" mean, respectively, the Petroleum (Production) Act 1934(**4**) and the Petroleum Act 1998(**5**).

(2) The "Regulations" mean the Petroleum (Production) Regulations 1935.

(3) "Licensee" means a person to whom a licence under the Act is granted his successors in title and the persons deriving title under him.

(4) "The licensed area" means the area for the time being upon which the Licensee may exercise powers and privileges granted by this licence.

(5) "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.

(6) "Crude oil" means oil in its natural state before the same has been refined or otherwise treated but excluding water and foreign substances.

(7) "Natural gas" means gas obtained from boreholes and wells and consisting primarily of hydrocarbons.

(8) "Casinghead petroleum spirit" means any liquid hydrocarbons obtained from natural gas by separation or by any chemical or physical process.

(9) "Ancillary right" means any facility right or privilege other than the rights granted by this licence at any time vested in the Licensee in respect of any part of the licensed area.

(10) "The Minister" means the Secretary of State.

(**1**) S.R&O 1935/426.
(**2**) S.I.1954/1378.
(**3**) S.I. 1957/1697.
(**4**) 1934 c. 36.
(**5**) 1998 c. 17.

Extension of licensed area

The Licensee may at any time during the term hereby granted or any renewal thereof, but subject nevertheless to the payment of all minimum annual payments and royalties hereby reserved and the performance and observance by the Licensee of all the terms and conditions hereof, apply to the Minister to extend this licence to any lands, the boundaries of which are delineated in manner prescribed by paragraph (5) of regulation 2, adjoining the licensed area:

Provided that the licensed area as thus extended shall comply in all respects with regulation 3.

Right of Licensee to determine Licence

Without prejudice to any obligation or liability imposed by or incurred under the terms and conditions hereof the Licensee may at any time during the term hereby granted or any renewal thereof determine this licence by giving to the Minister not less than eighteen months previous notice in writing to that effect.

Right of Licensee to abandon portions of the licensed area

Without prejudice to any obligation or liability imposed by or incurred under the terms and conditions hereof the Licensee shall be entitled at any time during the term hereby granted or any renewal thereof by giving six months notice in writing to the Minister to surrender the rights granted by this licence in respect of any part or parts of the licensed area:

Provided that—

(a) the part of the licensed area in respect of which the said rights are retained shall comply with the Regulations; and

(b) the part of the licensed area in respect of which the said rights are surrendered shall either be an area in respect of which a licence could be granted in accordance with regulation 3 or be of such shape and size as the Minister may determine.

To the notice hereinbefore referred to shall be attached two copies of the Ordnance Survey Map annexed to the licence upon which shall be delineated the boundaries of the area to be surrendered.

Refund of minimum annual payment on determination or surrender

Upon the determination by the Licensee of the term hereby granted or any renewal thereof, or upon the surrender by him of the rights granted by this licence in respect of any part or parts of the licensed area, the Minister will refund to the Licensee an apportioned part of any minimum annual payment paid by the Licensee in advance in respect of the licensed area or any such part or parts thereof for a period the whole of which has not expired at the date of such determination or surrender.

Avoidance of harmful methods of working

(1) The Licensee shall maintain all apparatus and appliances and all boreholes and wells capable of producing petroleum 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 and 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; and

(b) to conserve the licensed area for productive operations; and

(c) to prevent damage to adjoining petroleum bearing strata; and

(d) to prevent the entrance of water through boreholes and wells to petroleum bearing strata; and

(e) to prevent the escape of petroleum into any water-well spring stream river lake reservoir estuary or harbour.

(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 sub-clause (1) hereof. If the Licensee objects to any such instruction on the ground that it is unreasonable he may, within 14 days from the date upon which the same was given, refer the matter to arbitration in manner provided by clause ... ... hereof (the marginal note whereof is "Arbitration").

Provision of storage tanks pipes pipelines or other receptacles

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. No petroleum shall, save as a temporary measure during an emergency, be placed or kept in an earthen reservoir.

Protection of mines and coal seams

Where any borehole or well drilled within the licensed area shall penetrate any mine or any workable seam of coal the Licensee shall case such borehole or well in such manner as to prevent any water or petroleum in the borehole or well from entering such mine or workable seam of coal.

Disposal of waste oil, salt water and refuse

The Licensee shall drain all waste oil, salt water and refuse from tanks gasholders boreholes and wells into proper receptacles erected and maintained by him for that purpose at a safe distance from such tanks gasholders boreholes and wells and from any buildings or structures whether situate within the licensed area or not and shall dispose of such waste oil salt water and refuse in manner from time to time approved by the Minister. The Licensee shall not use or permit any waste oil, salt water or refuse to flow into or over or to be deposited upon any land, whether situate within the licensed area or not.

Distance of boreholes or wells from boundaries of licensed area

No borehole or well shall except with the consent in writing of the Minister be drilled or made within a distance of 121.92 metres from the boundaries of the licensed area.

Preservation of amenities

The Licensee shall carry out all operations within the licensed area in such a manner as not to interfere unnecessarily with the amenities of the locality in which the licensed area is situate.

Measurement of petroleum obtained from the licensed area

(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 crude oil and natural gas won and saved, other than natural gas used for the purpose of carrying on drilling and production operations and pumping to field storage and refineries, and all casinghead petroleum spirit recovered from the licensed area.

(2) If any measuring or weighing appliance shall at any time be found to be false or unjust 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 of three months prior to the discovery thereof or the period elapsed since the last occasion upon which the same was examined or tested whichever shall be the less and accordingly the royalties payable in respect of such period shall be adjusted.

(3) 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 first informing 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 him.

Disposal of crude oil and products thereof

So long as the crude oil or products thereof obtained from the licensed area can be consumed in Great Britain or Northern Ireland, the Licensee shall if so required by the Minister ensure that such crude oil or products thereof shall be sold only for consumption in Great Britain or Northern Ireland.

Licensee to keep records of boreholes

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 boreholes and wells and of any alterations to the casing thereof. A log of all boreholes and wells shall be kept in a form from time to time approved by the Minister containing particulars of the following matters—

(a) the strata and subsoil through which the borehole or well was drilled; and

(b) the casing inserted in any borehole or well and any alteration to such casing; and

(c) any petroleum, water, mines or workable seams of coal encountered; and

(d) such other matters as the Minister may from time to time require.

The Licensee shall deliver copies of the said records and log to the Minister as and when required.

Plans and records

(1) The Licensee shall furnish to the Minister on or before the ... ... day of each month during the term hereby granted or any renewal thereof a record in a form from time to time approved by the Minister of the progress of his operations in the licensed area. Such record shall contain—

(a) a statement of the depth drilled in each borehole or well; and

(b) a statement of any petroleum, water, mines or workable seams of coal encountered in the course of the said operations; and

(c) a statement of all crude oil produced, and casinghead petroleum spirit recovered; and

(d) a statement of the areas in which any geological work has been carried out.

(2) Within two months after the end of each year comprised in the term hereby granted or any renewal thereof the Licensee shall furnish to the Minister a record in a form from time to time approved by him of the operations conducted in the licensed area during each such year together with a plan upon a scale approved by the Minister showing the situation of all boreholes or wells. The Licensee shall also indicate on the said plan—

(a) all development and other works executed by him in connection with searching boring for and getting petroleum; and

(b) full particulars of any ancillary rights acquired for the exercise of the rights granted by this Licence.

(3) The Licensee shall also keep accurate geological plans, maps and records relating to the licensed area.

(4) The Licensee shall furnish to the Minister such other plans and information as to the progress of operations in the licensed area as he may from time to time require.

(5) The functions of the Minister under sub-clause (4) of this clause shall not only be exerciseable by him but also be concurrently exerciseable by the Chancellor of the Exchequer.

Licensee to keep samples of strata petroleum and water

As far as reasonably practicable the Licensee shall correctly label and preserve for reference for a period of six months characteristic samples of the strata encountered in any borehole or well and samples of any petroleum or water discovered in any borehole or well in the licensed area. The Minister or any person authorised by him shall be entitled to require that representative specimens of any such sample be delivered to the Minister and to retain any specimen so delivered.

Reports to be treated as confidential

All logs records plans maps accounts and information 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 (except with the consent in writing of the Licensee which shall not be unreasonably withheld) be treated by the Minister as confidential. The Minister shall nevertheless be entitled at any time to make use of any information received from the Licensee for the purpose of preparing and publishing aggregated returns and general reports on the extent of operations under the Act of 1998.

Ancillary rights

(1) The Licensee shall give notice in writing to the Minister forthwith upon the service or receipt by the Licensee of any notice as to the determination or forfeiture of any ancillary right and shall give at least six months previous notice in writing to the Minister of the date on which the term for which any such right was granted will expire.

(2) The Licensee shall inform the Minister in writing forthwith of the commencement of any action suit proceeding or arbitration either in connection with any ancillary right or arising out of the exercise of the rights and privileges granted by this licence and shall furnish to the Minister such information as to any such action suit proceeding or arbitration as he may from time to time require.

Notice of the site and commencement of boreholes and wells

(1) As soon as the site of any borehole or well has been decided the Licensee shall notify the Minister in writing of the situation thereof and the same shall be described by a certain number in the plans and records which the Licensee is required to keep under the provisions of this licence. The Licensee shall notify the Minister of any change of the number of any such borehole or well which may be made.

(2) No borehole or well shall be commenced and no borehole or well shall be recommenced after work has been discontinued thereat for more than six months unless three clear days notice in writing shall first have been given to the Minister.

Abandonment and plugging of boreholes

(1) The Licensee shall give to the Minister not less than seven days previous notice in writing of his intention to abandon any borehole or well and no cemented string or other permanent form of casing shall be withdrawn from any borehole or well which it is proposed to abandon without the prior consent in writing of the Minister.

(2) Every borehole or well which the Licensee intends to abandon shall, unless the Minister otherwise determines, be so securely plugged by the Licensee as to shut off all water from all petroleum bearing strata mines or any workable seams of coal.

(3) Before commencing to plug any borehole or well which it is intended to abandon the Licensee shall submit to the Minister for his approval particulars in writing of the method of plugging which it is proposed to adopt.

(4) The Minister may in any case require that no borehole or well shall be plugged or any works be executed for that purpose save in the presence of a person authorised by him.

Local Resident Manager

The Licensee shall before commencing any operations in the licensed area furnish to the Minister the name and address of the manager resident in the locality of the licensed area under whose supervision such operations are to be carried on. Any notice which the Minister or any person authorised by him is in accordance with the terms of this licence required or entitled to serve upon the Licensee shall be sufficiently served if the same shall be delivered or sent by post to such manager at such address.

Advertisements, prospectuses, etc.

(1) 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.

(2) The foregoing provisions of this clause or a statement to the effect thereof shall be included in or indorsed on any prospectus, statement in lieu of prospectus, notice, circular, advertisement, or other invitation issued by, or to the knowledge of, the Licensee offering to the public for subscription or purchase any shares or debentures of a company or intended company.

Indemnity against third party claims

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.

Security

(1) In this clause—

(a) "deposit" means the sum deposited with the Minister of Power by the Licensee on the execution of this licence, and

(b) "banker's guarantee" means the banker's guarantee furnished to that Minister by the Licensee on the execution of this licence as an alternative to a deposit,

in accordance with this licence as it had effect when granted and as security for the observance and performance by the Licensee of the terms and conditions of this licence and for the purposes hereinafter mentioned.

(2) If the Licensee shall, within 28 days of the receipt from the Minister of an account of expenditure incurred in respect of any works executed by him under the provisions of this licence, fail to discharge any such account the Minister may recoup himself for such expenditure from and to the extent of any such deposit or, as the case may be, the bankers guarantee.

(3) Subject to the provisions of sub-clause (2) hereof upon the determination of this licence any such deposit shall be returned to the Licensee or any such bankers guarantee shall be released.

Assignment of Licence

(1) The Licensee shall not assign or attempt to assign the rights granted by this licence to any person other than a Commonwealth citizen or a company incorporated in Great Britain or Northern Ireland.

(2) Subject as aforesaid the Licensee shall not assign or attempt to assign the rights granted by this licence in respect of the licensed area or any part thereof without the prior consent in writing of the Minister which shall not be unreasonably withheld in any case where the Licensee shall comply with the terms and conditions following—

(a) the Licensee shall apply to the Minister in writing for his consent and such application shall state, where the proposed assignee is an individual, his address, nationality and occupation, and where the proposed assignee is a company, the nature of and the principal place of business of the company, the names and nationality of the directors thereof and the names and holdings of the principal shareholders;

(b) the Licensee shall with his application furnish evidence as to the financial and technical qualifications of the proposed assignee and as to the latter's ability to comply with the terms and conditions of this licence and shall forthwith upon request by the Minister furnish any further evidence as to such matters which may be required; and

(c) where the Licensee is applying for the consent of the Minister to an assignment of the said rights in respect of part only of the licensed area he shall with his application deliver two copies of the Ordnance Survey map annexed to the licence upon which shall be delineated both the part or parts of the licensed area in respect of which the said rights are proposed to be assigned and the part or parts thereof in respect of which the said rights are to be retained.

(3) No assignment may be made of the rights granted by this licence in respect of part only of the licensed area unless the part of the licensed area in respect of which such rights are proposed to be assigned and the part thereof in respect of which such rights are to be retained by the Licensee comply with regulation 3.

(4) The Licensee shall not sublicence or subject as aforesaid part with the possession of any of the rights hereby granted.

Licensee ceasing to be a Commonwealth citizen

(1) If the Licensee shall cease to be a Commonwealth citizen he shall forthwith inform the Minister and apply to him for his consent to an assignment of the rights granted by this licence in accordance with clause ... ... hereof (the marginal note whereof is "Assignment of Licence") and in the event of the Licensee failing to obtain such consent within such time as the Minister may in his discretion appoint, the Minister may revoke this licence.

(2) The revocation of this licence in pursuance of the foregoing provisions of this clause shall be subject and without prejudice to any obligation or liability imposed by or incurred under the terms and conditions hereof.

Special clause

(1) If—

(a) the Licensee, being a company, shall be or become controlled directly or indirectly by an alien or a company incorporated outside Great Britain or Northern Ireland; or

(b) the Licensee shall, with the consent in writing of the Minister, assign the rights granted by this licence in respect of the licensed area or any part thereof to a company controlled directly or indirectly by an alien or by a company incorporated outside Great Britain or Northern Ireland;

then and in any such case the following provisions shall apply—

(a) at least one of the directors shall be a Commonwealth citizen.

(b) at all times during the term hereby granted or any renewal thereof a majority of the persons employed by the Licensee in or about the licensed area in connection with the exercise of the rights granted by this licence shall be Commonwealth citizens.

(2) This licence shall be determined if the Licensee shall be or become controlled directly or indirectly by a national of or by a company incorporated in any country the laws and customs of which do not permit Commonwealth citizens or companies incorporated in Great Britain or Northern Ireland or companies incorporated in that country controlled directly or indirectly by Commonwealth citizens or companies incorporated in Great Britain or Northern Ireland to acquire hold and operate petroleum concessions on conditions which in the opinion of the Minister are reasonably comparable with the conditions upon which such rights are granted to nationals of that country with the addition of conditions corresponding to those imposed by this clause.

Power of revocation

If and whenever the minimum annual payments and royalties hereby reserved or any part thereof shall be in arrear for two months next after any of the days whereon the same ought to have been paid or if there shall be any breach or non-observance by the Licensee of any of the terms and conditions herein contained or if the Licensee shall become bankrupt or make or enter into any arrangement or composition with his creditors or, if, where the Licensee is a company, a receiver shall be appointed or the company shall enter into liquidation whether compulsory or voluntary (except a voluntary liquidation of a solvent company for the purpose of reconstruction) or if the Licensee shall fail to perform and observe the terms and conditions of any development scheme prepared in accordance with the provisions of clause ... ... hereof (the marginal note whereof is "Unit Development"), 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 imposed by or incurred under the terms and conditions hereof.

Power to execute works and to inspect accounts, etc.

(1) If the Licensee shall at any time fail to perform the obligations arising under the terms and conditions of any of the clauses of this licence whereof the marginal notes are as follows:—

(a) (Avoidance of harmful methods of working);

(b) (Provision of storage tanks pipes pipelines or other receptacles);

(c) (Protection of mines and coal seams);

(d) (Disposal of waste oil, salt water and refuse);

(e) (Measurement of petroleum obtained from the licensed area);

(f) (Abandonment and plugging of boreholes);

(g) (Expiry or determination of rights);

then and in any such case the Minister shall be entitled after giving to the Licensee reasonable notice in writing of such his intention to execute any works which in the opinion of the Minister or his agents 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.

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

Rights of access and distress

It is a condition of this licence that the Licensee shall simultaneously with the grant thereof execute a deed in such form as the Minister may require whereby the Licensee agrees to perform and observe all the terms and conditions of this licence and whereby it is provided as follows—

(1) 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 for the purposes hereinafter mentioned—

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

(b) to inspect and check the accuracy of the weighing or measuring appliances weights measurements logs records plans and maps which the Licensee is required to keep or make in accordance with the provisions of this licence; and

(c) to inspect the samples of strata petroleum or water and the accounts which the Licensee is required to keep in accordance with the provisions of this licence; and

(d) to execute any works which the Minister may be entitled to execute in accordance with the provisions of this licence;

(2) if and whenever any of the minimum annual payments or royalties reserved by this licence or any part thereof respectively 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 the power of distress and other rights and remedies to which they 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 and may seize and distrain and sell as landlords may do for rent in arrear all or any of the stocks of petroleum, and products thereof, horses, engines, machinery, tools, implements, chattels and effects belonging to the Licensee which shall be found in or upon the land 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 rents and royalties and also the costs and expenses incident to any such distress and sale rendering the surplus (if any) to the Licensee.

Arbitration

If at any time hereafter any dispute difference or question shall arise between the Minister and the Licensee touching the construction meaning or effect of this licence or any clause or matter herein contained or any instruction given by the Minister or the rights or liabilities of the Minister and Licensee respectively under this licence or otherwise howsoever in relation to the premises, then every such dispute difference or question shall, save where it is expressly provided by this licence that the matter or thing to which the same relates shall be determined or decided by the Minister or the Licensee, be referred to the arbitration of two independent persons (one to be appointed by the Minister and the other by the Licensee), who shall have power in case of disagreement between them to appoint an umpire.

Expiry or determination of rights

Not less than one month before the determination or expiry of any right in respect of any part of the licensed area, whether an ancillary right or a right granted by this licence, the Licensee shall unless the Minister otherwise determine plug in accordance with the directions of the Minister all boreholes and wells in that part of the licensed area.

Term of Licence

This licence, unless sooner determined under any of the provisions hereof, shall be and continue in force for the term of 50 years next after the ... ... day of ... ... 19 .

Renewal

(1) The Licensee paying the minimum annual payments and royalties hereby reserved and performing the terms and conditions herein contained shall be entitled, on giving to the Minister not less than 12 months' previous notice in writing in that behalf not more than two years nor less than one year before the termination of the term hereby granted, to a renewal of this licence in respect of the whole of the licensed area or any part thereof which complies with the Regulations for the time being in force for a further term of twenty five years under the terms and conditions contained in the model clauses comprised in the Regulations for the time being in force subject to such modifications or exclusions as the Minister may in his discretion determine:

Provided that the rates of royalty payable during the said further term shall be rates of royalty greater by 25 per cent. than the rates of royalty payable in accordance with the provisions of this licence at the date of the said notice, or, the rates or royalty which shall have been ordinarily reserved in original mining licences granted by the Minister during the three years next before the date of the said notice, whichever rates shall be the less, or if no such licences shall have been granted during the said period of three years such rates of royalty as may be determined by agreement between the Minister and the Licensee or in default of agreement by arbitration but so that such rates of royalty shall not be greater by more than 25 per cent. than the rates payable in accordance with the provisions of this licence at the date of the said notice.

(2) In this clause the expression “rates of royalty” includes minimum annual payments.

Establishment of boundary marks

Where the area covered by this licence adjoins another licensed area, the Licensee shall, if so required by the Minister in writing at any time during the term hereby granted or any renewal thereof and so far as he lawfully may, erect and maintain substantial boundary marks of brick stone or concrete not less than 30.40 centimetres high at every angle or corner of the boundary line of the licensed area. Such boundary marks shall be referenced by survey to at least two readily identifiable points in such a manner that the boundaries of the licensed area can be accurately traced on the ground. The Licensee shall ensure that the area demarcated on the ground shall conform as closely as possible to the area delineated on the map attached to this licence.

Unit Development

If at any time during the term hereby granted or any renewal thereof the Minister shall be satisfied that the licensed area or any part thereof forms part of a single geological petroleum structure or petroleum field (hereinafter referred to as “an oil field”) in respect of other parts of which other licences granted in pursuance of the Act of 1934, or of Part I of the Act of 1998, 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 to avoid unnecessary competitive drilling that the oil field should

be worked and developed as a unit in co-operation by all the persons, including the Licensee, whose licences extend to or include any part thereof, the following provisions shall apply—

(a) (1) (a) the Licensee shall upon being so required by notice in writing by the Minister co-operate with such other persons, being persons holding licences under the Act of 1934, or under Part I of the Act of 1998, 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 by the other Licensees in co-operation and shall, jointly with the other Licensees, submit such scheme for the approval of the Minister;

(b) the said notice shall also contain a description by reference to a map 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 required to be submitted for approval by the Minister;

(2) if a development scheme shall not be submitted to the Minister within the period limited in that behalf by the said notice, or if a development scheme submitted in pursuance of the foregoing provisions of this clause shall not be approved by the Minister, he shall himself prepare a development scheme which shall be fair and equitable to the Licensee and the other Licensees, and the Licensee shall perform and observe all the terms and conditions thereof;

(3) 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 a single arbitrator. The said arbitrator shall be appointed either by agreement between the Minister the Licensee and the other Licensees or in default of agreement by the Lord Chief Justice of England for the time being. Notwithstanding any such reference to arbitration the Licensees shall, unless the arbitrator otherwise determines, perform and observe the terms and conditions of the development scheme pending the decision of the arbitrator.

Provision for periodical review of royalties

(1) By notice in writing given not later than 30th September in the year 2000, or in a year which is a decennial anniversary of that year, either the Minister or the Licensee may request the other party to agree to a revision, as from 1st January in the following year ("the revision date"), of the rates of royalty hereby reserved to take account of any marked change in the average market prices in Great Britain of crude oil and petroleum products (whether produced in Great Britain or not) during the three years immediately preceding the revision date as compared with the average market prices which ruled during the three years immediately preceding the reference date within the meaning of sub-clause (3) below:

Provided always that the rate of royalty payable in respect of crude oil shall not be less than 15p, and shall not exceed 30p, per 1.0160469088 tonnes and that the rate of royalty payable in respect of casinghead petroleum spirit shall not be less than 1p, and shall not exceed 16p, per 87.284928 litres.

(2) A revision of the rates of royalty in pursuance of this clause shall be determined by agreement between the Minister and the Licensee or, in default of agreement, by arbitration.

(3) In this clause "the reference date" means—

(a) where the rates of royalty have previously been revised in accordance with this licence as then in force, the date as from which the last such revision took effect;

(b) in any other case, 1st January 1941.

Keeping of accounts

(1) The Licensee shall at all times during the term hereby granted or any renewal thereof keep full and correct accounts which shall contain accurate entries of—

(a) the quantity of crude oil won and saved from the licensed area; and

(b) the method and results of tests made on the crude oil; and

(c) the quantity of crude oil refined and the products recovered therefrom; and

(d) the quantity of crude oil otherwise disposed of and the manner of its disposal; and

(e) the quantity of natural gas won and saved from the licensed area other than natural gas used for the purpose of carrying on drilling and production operations and pumping to field storage and refineries; and

(f) the quantity in litres of the casinghead petroleum spirit recovered; and

(g) the quantity of crude oil or products thereof or casinghead petroleum spirit used for drilling or production operations or pumping to field storage and refineries; and

(h) such further particulars and statistics as the Minister may from time to time require.

(2) The Licensee shall within two months after the end of each year of the term hereby granted or any renewal thereof deliver to the Minister an abstract in a form from time to time approval by the Minister of the said accounts for each such year together with a statement in like form of all royalties payable in respect of each such year.

SCHEDULE 2

CURRENT MODEL CLAUSES FOR CONTROLLED WATERS OR SEAWARD PRODUCTION LICENCES DERIVING FROM SCHEDULE 2 TO THE PETROLEUM (PRODUCTION) (CONTINENTAL SHELF AND TERRITORIAL SEA) REGULATIONS 1964 OR SCHEDULE 4 TO THE PETROLEUM (PRODUCTION) REGULATIONS 1966 AS THEY 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 2 of that Schedule (Schedule 2 to the Petroleum (Production) (Continental Shelf and Territorial Sea) Regulations 1964(**6**));

(b) paragraph 4 of that Schedule (Schedule 4 to the Petroleum (Production) Regulations 1966(**7**));

(c) paragraph 5 of that Schedule (the said Schedule 4 as amended by the Petroleum (Production) (Amendment) Regulations 1971(**8**)); and

(d) paragraph 6 of that Schedule (Part II of Schedule 2 to the Petroleum and Submarine Pipelines Act 1975(**9**)).

2. Subject to paragraphs 3, 4 and 6, the current model clauses in relation to the said paragraphs 2, 4, 5 and 6 are those reproduced in Part II.

(**6**) S.I. 1964/708.
(**7**) S.I. 1966/898.
(**8**) S.I. 1971/814.
(**9**) 1975 c. 74.

3.—(1) Where the licensed area is in the Scottish area, as defined in article 1(2) of the Civil Jurisdiction (Offshore Activities) Order 1987(**10**), Part II shall have effect as provided in the two following subparagraphs.

(2) Part II shall have effect in such a case as if for model clause 35 (distress) there were substituted the following clause—

"**Diligence**

35. 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 40 (arbitration)—

(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 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 40 (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. Where—

(a) section 1 of the Petroleum Royalties (Relief) Act 1983(**11**) applies, or

(b) section 1 of the Petroleum Royalties (Relief) and Continental Shelf Act 1989(**12**) 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.

PART II

Interpretation

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

(**10**) S.I. 1987/2197.

(**11**) 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).

(**12**) 1989 c. 1; modified by paragraph 8 of Schedule 3 to the Petroleum Act 1998 (c. 17).

"the Act of 1934" means the Petroleum (Production) Act 1934(**13**);

"the Act of 1964" means the Continental Shelf Act 1964(**14**);

"the Act of 1998" means the Petroleum Act 1998(**15**);

"block" means an area comprised in the licence which is delineated on the reference map deposited at the principal office of the Minister's department and to which a reference number was assigned at the date of this licence;

"continuing part" has the meaning assigned thereto by clause 5;

"development scheme" has the meaning assigned thereto by clause 25;

"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 the licence;

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

"the Minister" means the Secretary of State;

"oil field" has the meaning assigned thereto by clause 25;

"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;

"section" means a part of a block comprising an area bounded by minute lines of latitude and longitude one minute apart respectively;

"surrendered part" has the meaning assigned thereto by clause 5;

"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.

(3) Any clause of this licence which refers to any provision of Part I of the Oil Taxation Act 1975(**16**) shall, unless a contrary intention appears, be construed as referring to that provision as it has effect for the time being for the purposes of petroleum revenue tax.

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 six years next after 19 , but may be further continued as to a part of the area comprised in this licence in manner hereinafter provided.

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

4. Without prejudice to any obligations or liability imposed by or incurred under the terms and conditions hereof the Licensee may, at any time during the said term of six years, by giving to the Minister not less than six months' previous notice in writing to that effect, to expire on the anniversary of the date upon which the said term of six years commenced, determine this licence or surrender any part of the licensed area, being a part which complies with clause 7 hereof.

(**13**) 1934 c. 36.
(**14**) 1964 c. 29.
(**15**) 1998 c. 17.
(**16**) 1975 c. 27.

Option to continue licence as to part of the licensed area

5.—(1) At any time not later than three months before the expiration of the said term of six years the Licensee paying the payments and royalties hereinafter provided and observing and performing the 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 describe the surrendered part which together with any area previously surrendered in accordance with clause 4 hereof shall be not less than one half of the number of sections contained in the area originally comprised in this licence.

(3) Such notice shall specify a date (hereinafter called "the surrender date") not later than the expiry of the said term of six years upon which the surrendered part is to be surrendered.

(4) 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.

(5) This licence shall upon the option conferred by this clause being duly exercised and subject to the provisions of this licence continue in respect of the continuing part for a term of forty years next after the surrender date.

Right of the Licensee to determine extended term or surrender part of the licensed area

6.—(1) Without prejudice to any obligation or liability imposed by or incurred under the terms hereof the Licensee may at any time during such term of forty years by giving to the Minister not less than six months' notice in writing to that effect to expire on the anniversary of the date upon which the said term of forty years shall have commenced, determine this licence or surrender any part of the licensed area being a part which complies with clause 7 hereof.

(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.

Area surrendered

7.—(1) Within a block any area to be surrendered by the Licensee pursuant to any of the last three foregoing clauses and any area accordingly retained by him or, where the surrendered or retained area is comprised of separate parts, each such part shall unless the Minister has otherwise agreed in writing prior to the date at which the appropriate notice is given by the Licensee to the Minister comply with the following requirements—

(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) consist of not less than thirty sections;

(c) each separate part of an area surrendered or retained shall be not less than two sections distant from any other part of the same category (surrendered or retained as the case may be); and

(d) the boundaries shall, in the case of those which run due north and south, either coincide with the corresponding boundaries of the block or be not less than two sections distant therefrom and, in the case of those which run due east and west, either coincide with the corresponding boundaries of the block or be not less than two sections distant therefrom.

(2) Upon the date upon which any determination of the licence or any surrender of part of the licensed area in manner provided by the last three foregoing clauses is to take effect the rights granted by the 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 the licence prior to that date.

Payment of consideration for licence

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

(a) payments of royalty in accordance with clauses 9 and 10 of this licence;

(b) deliveries of petroleum in accordance with clause 11 of this licence; and

(c) payments in accordance with Schedule 2 to this licence.

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

Royalty payments

9.—(1) Subject to paragraph (1A) of this clause the Licensee shall pay to the Minister, in respect of each half year in which this licence is in force (hereafter in this clause and in clauses 9A, 10 and 11A of this licence referred to as a "chargeable period"), a royalty of an amount equal to twelve and a half per cent of the value of the petroleum relating to that period.

(1A) Paragraph (1) of this clause shall not apply to a chargeable period in which the Licensee delivers petroleum to the Minister in pursuance in clause 11 of this licence; but if the petroleum delivered has a value of less than 12½ per cent of the aggregate of—

(a) the value of the petroleum delivered (ignoring any such excess as is mentioned in paragraph (11) of this clause), and

(b) the value of the petroleum relating to that period,

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

(5) For the purposes of this clause and clauses 9A and 10 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(**17**), 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—

(a) the total of the market value which would in pursuance of the said paragraph (b) fall to be taken into account as aforesaid; and

(b) a sum ascertained in pursuance of paragraph (7) of this clause in respect of the cost of conveying and treating petroleum.

(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—

(a) the amount of the price received or receivable for any petroleum consisting of gas won and saved in the licensed area in that period which is sold to British Gas Trading Ltd. in that period under a contract made before the end of June 1975; and

(**17**) Section 2(4) and (5) was amended by section 133 of, and Schedule 19 to, the Finance Act 1982 (c. 39), sections 61 and 62 of the Finance Act 1987 (c. 16) and section 236 of, and Schedule 23 to, the Finance Act 1994 (c. 9).

(b) 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)(b) 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) The Minister may from time to time, by notice in writing given to the Licensee, determine the mode of ascertaining any sum for the purposes of sub-paragraph (b) of paragraph (5) of this clause but—

(a) the Minister shall not give notice in pursuance of this paragraph unless he has consulted persons appearing to him to be representative of the holders of petroleum production licences about the terms of the notice; and

(b) any dispute between the Minister and the Licensee as to the amount of such a sum shall, in default of agreement before the expiration of fourteen months beginning with the last day of the chargeable period to which the sum relates and subject to sub-paragraph (c) of this paragraph, be determined by the Minister; and

(c) the Licensee may, during the period of 28 days beginning with the day on which he receives from the Minister particulars of a determination in pursuance of sub-paragraph (b) of this paragraph, refer to arbitration in the manner provided by clause 40 of this licence any questions as to whether the determination is in accordance with the relevant notice given to the Licensee in pursuance of this paragraph.

(7A) A notice under paragraph (7) of this clause may, if the Minister thinks fit, provide for the costs in respect of which a sum is ascertained for the purposes of paragraph (5)(b) to include, to such extent as may be specified in the notice—

(a) costs incurred in relation to assets which have ceased to be used in connection with the conveying or treating of petroleum;

(b) costs incurred after the end of the chargeable period to which the sum relates.

(7B) If a notice under paragraph (7) of this clause contains a provision relating to costs incurred after the end of a chargeable period, sub-paragraph (b) of paragraph (7) shall have effect in relation to a dispute concerning such costs as if the chargeable period there referred to were that in which the costs were incurred.

(8) Subject to paragraphs (9) and (10) of this clause, the value of petroleum delivered to the Minister in pursuance of clause 11 of this licence shall be ascertained for the purposes of this clause and clause 9A on such basis (or, where petroleum of more than one kind is delivered, such bases) as the Minister and the Licensee agree.

(9) If the Minister and the Licensee fail to agree on the value of any petroleum delivered to the Minister in pursuance of clause 11 of this licence, it shall be ascertained on such basis as the Minister may specify as fair in a notice in writing given by him to the Licensee.

(10) The Licensee may, during the period of 28 days beginning with the day on which he receives a notice from the Minister under paragraph (9) of this clause, refer to arbitration in the manner provided by clause 40 of this licence any question as to whether the basis of valuation specified in the notice is fair.

(11) In this clause and clauses 9A, 10 and 11A, references to petroleum delivered to the Minister in pursuance of clause 11 include references to any excess over the quantity required to be delivered by a notice served in pursuance of paragraph (1) of that clause.

Payments by the Minister

9A. If in any chargeable period the Licensee delivers to the Minister in pursuance of clause 11 of this licence petroleum having a value greater than 12½ per cent of the aggregate of—

(a) the value of the petroleum delivered (ignoring any such excess as is mentioned in clause 9(11) of this licence), and

(b) the value of the petroleum relating to that period,

the Minister shall pay to the Licensee a sum equal to the difference.

Provisions supplementary to clauses 9 and 9A

10.—(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 11 of this licence;

(c) the amounts of the prices and market values which are required by paragraph 2 of Schedule 2 to the Oil Taxation Act 1975(**18**) to be stated in the returns made for that period in pursuance of that paragraph in consequence of this licence;

(d) the amount mentioned in clause 9(6)(a) of this licence; and

(e) the amount which the Licensee estimates will be the sum ascertained as respects that period for the purposes of clause 9(5)(b) of this licence (ignoring, in a case where they might otherwise be taken into account in the estimate, any costs incurred after the end of the period).

(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 9(1) of this licence, make to the Minister a payment on account of royalty for that period equal to one-eighth of the sum produced by aggregating the amounts which in pursuance of sub-paragraphs (c) and (d) of paragraph (1) of this clause are specified in the statement and reducing the aggregate by the amount so specified in pursuance of sub-paragraph (e) of that paragraph and by the amount which, by virtue of paragraph 2(2)(d)(ii) of Schedule 2 to the said 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; but the Licensee may reduce the amount of the payment by the amount of any deduction from it authorised by paragraph 3(2) of Schedule 2 to this licence.

(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 9(1A) 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 delivered to the Minister in pursuance of paragraph (1) of this clause in respect of the preceding chargeable period; but the Licensee may reduce the amount of the payment as mentioned in paragraph (2) of this clause.

(4) The Minister shall make to the Licensee payments equal to the amounts by which in consequence of paragraph (1A) of clause 9 of this licence, deductions which the Licensee was entitled to make in pursuance of paragraph 3(2) of Schedule 2 to this licence fall short of the deductions which the Licensee would have been so entitled to make if royalty were only payable in pursuance of paragraph (1) of that clause and paragraph (1A) of it were omitted and payments by the Minister in pursuance of this paragraph shall be made as soon as the amounts of the relevant deductions have been determined.

(**18**) Paragraph 2 was amended by section 62 of, and Part X of Schedule 16 to, the Finance Act 1987 (c. 16), section 187 of the Finance Act 1993 (c. 34) and section 236 of, and Schedule 23 to, the Finance Act 1994 (c. 9).

(5) 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 (6) 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 9 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.

(6) 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 9 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 (8) 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.

(7) If after the date when the Minister gave notice to the Licensee in pursuance of paragraph (6) 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 (8) 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.

(7A) If, after the date when the Minister gave notice to the Licensee in pursuance of paragraph (6) of this clause or this paragraph in respect of a chargeable period, it appears to the Minister that as a result of costs incurred after the end of the period there is an increase in the sum to be taken into account by virtue of clause 9(5)(b) of this licence, and accordingly a reduction in the amount payable by the Licensee in respect of that period, he may give notice in writing to the Licensee specifying the reduced amount; and where he does so he shall forthwith pay to the Licensee an amount equal to the difference between the reduced amount and the total amount already paid by the Licensee in pursuance of this clause in respect of the period.

(8) A decision made by the Minister for the purposes of paragraph (5), (6), (7) or (7A) 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 (6), (7) or (7A) is payable by virtue of clause 9 of this licence may, during the period of 28 days beginning with the day on which the Licensee receives the notice, be referred to arbitration in the manner provided by clause 40 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.

(9) An amount in respect of interest shall be payable when a notice is given under paragraph (5), (6), (7) or (7A) of this clause, 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;

(b) any such amount in respect of interest shall be disregarded in calculating for the purposes of paragraph (5), (6), (7) or (7A) of this clause any amount already paid by the Licensee in pursuance of this clause;

(c) where costs of the kind mentioned in clause 9(7A)(b) of this licence are taken into account, they shall not affect the amount of interest payable in respect of any period ending earlier two months after the chargeable period in which they were incurred.

(9A) If a payment is made by the Minister in pursuance of clause 9A of this licence more than two months after the end of the chargeable period to which the payment relates, an amount in respect of interest on the payment from the end of those two months shall also be payable by him to the Licensee.

(9B) Interest under paragraph (9A) of this clause 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 sub-paragraph (a) of paragraph (9) of this clause shall apply to such a notice as it applies to a notice under paragraph (9)).

(10) In this clause "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.

(11) For the purposes of this clause any amount paid by the Licensee or the Minister on account of a prospective liability under paragraph (5), (6), (7) or (7A) of this clause shall be treated as paid in pursuance of that paragraph.

Deliveries of petroleum in place of royalties

11.—(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 quantity greater than 12½ per cent of all the petroleum, or as the case may be of all the petroleum of that kind, which is won and saved by the Licensee in the licensed area in that half year, but may provide that the quantities of the 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 neither a point at sea at which the Licensee normally loads, nor a point on land at which the Licensee normally lands, petroleum of any kind from the licensed area.

Cost of delivery and treatment of petroleum

11A.—(1) Where petroleum or petroleum of any kind is delivered to the Minister in pursuance of clause 11 of this licence, the Minister shall pay to the Licensee a sum in respect of the cost of conveying and treating petroleum; and clause 9(7) to (7B) of this licence shall apply for the purpose of ascertaining that sum as if references to clause 9(5)(b) were references to this paragraph.

(2) Where, in any chargeable period, petroleum or petroleum of any kind is delivered to the Minister as mentioned in paragraph (1) of this clause, the Licensee shall, within two months after the end of that period, deliver to the Minister, in such form as the Minister may specify, a statement of the amount which the Licensee estimates is payable by the Minister in pursuance of this clause in respect of that period; and where the amount specified in the statement is larger or smaller than the total amount (if any) already paid by the Minister in pursuance of this clause in respect of that period, then—

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

(b) if it is smaller the difference shall be paid forthwith by the Licensee to the Minister.

(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 (2) 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 him in pursuance of this clause 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 Minister in pursuance of this clause in respect of that period, then—

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

(b) if it is smaller the difference shall be paid forthwith by the Licensee to the Minister.

(4) When it appears to the Minister that the amount payable by him in pursuance of this clause in respect of any chargeable period has been finally ascertained, he may give to the Licensee a notice in writing specifying the amount which the Minister considers is so payable; and where the amount specified in the notice is larger or smaller than the total amount already paid by the Minister in pursuance of this clause in respect of that period, then, subject to paragraph (5) of this clause—

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

(b) if it is smaller the difference shall be paid forthwith by the Licensee to the Minister.

(4A) 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 that as a result of costs incurred after the end of the period there is an increase in the amount payable by him in pursuance of this clause in respect of the period, he may give notice in writing to the Licensee specifying the increased amount; and where he does so he shall forthwith pay to the Licensee an amount equal to the difference between the increased amount and the total amount already paid by the Minister in pursuance of this clause in respect of the period.

(5) A decision made by the Minister for the purposes of paragraph (3), (4) or (4A) 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 (4A) is payable in pursuance of this clause may, during the period of 28 days beginning with the day on which the Licensee receives the notice, be referred to arbitration in the manner provided by clause 40 of this licence.

(6) An amount in respect of interest shall be payable when a notice is given under paragraph (3), (4) or (4A) of this clause, 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;

(b) any such amount in respect of interest shall be disregarded in calculating for the purposes of paragraphs (3), (4) or (4A) of this clause any amount already paid by the Minister in pursuance of this clause;

(c) where costs of the kind mentioned in clause 9(7A)(b) of this licence are taken into account, they shall not affect the amount of interest payable in respect of any period ending earlier than two months after the chargeable period in which they were incurred.

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

Measurement of petroleum obtained from the licensed area

12.—(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.

(1A) If and to the extent that the Minister so directs, the duty imposed by paragraph (1) of this clause shall be discharged separately in relation to petroleum won and saved—

(a) from each part of the licensed area which is an oil field for the purposes of the Oil Taxation Act 1975,

(b) from each part of the licensed area which forms part of such an oil field extending beyond the licensed area, and

(c) from each well producing petroleum from a part of the licensed area which is not within such an oil field.

(1B) If and to the extent that the Minister so directs, the preceding provisions of this clause shall apply as if the duty to measure or weigh petroleum included a duty to ascertain its quality or composition or both; and where a direction under this paragraph is in force, the following provisions of this clause shall have effect as if references to measuring or weighing included references to ascertaining quality or composition.

(2) The Licensee shall not make any alteration in the method or methods of measurement or weighing used by him or any appliance 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 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 false or unjust 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

13.—(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—

(a) in the case of petroleum in the form of gas, as volumes in cubic metres measured at, or calculated as if measured at, a temperature of 0 degrees centigrade and a pressure of one kilogramme force per square centimetre;

(b) in any other case as weights in metric tons.

(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 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

14.—(1) The Licensee shall during the term hereby granted carry out with due diligence such scheme of prospecting and development including any geological survey by any physical or chemical means or programme of test drilling, if any, as may be set out in Schedule 3 to this licence.

(2) If during the said term 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 said term and begin after the expiration of the term of six years mentioned in clause 3 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 40 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 sub-paragraph (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 39 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.

Development and production programmes

15.—(1) The Licensee shall not—

(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 purpose 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 a programme which the Minister has approved 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,

the Licensee shall comply with the direction.

(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 periods 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 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

(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 or served on him by the Minister in pursuance of this clause, or if such a programme is varied in pursuance of clause 16 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 16 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 15

16.—(1) A consent given by the Minister in pursuance of clause 15(1) of this licence 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 the preceding provisions of this paragraph, be limited to a period so specified.

(2) Where—

(a) the Minister gives notice in respect of a programme in pursuance of paragraph (4)(a) or (b) or paragraph (6) of clause 15 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 15(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 15(4)(c) of this licence,

the Minister may give to the Licensee, with the 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 should 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 15(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 notice 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 15 of this licence or this clause as to what is, is not 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 any approval is subject in pursuance of clause 15(4)(b) of this licence or a consent 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 has been given in pursuance of paragraph (1) of clause 15 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 39 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 15 in connection with a different part of the licensed area.

(9) Where in consequence of any breach or non-observance by the Licensee of any provision of clause 15 of this licence the Minister has power by virtue of paragraph (1) of clause 39 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

17.—(1) The Licensee shall not commence, or after abandoning in 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 condition subject to which any consent under either of the foregoing paragraphs is given.

(4) If any such condition under paragraph (1) of this clause relates to the position depth or direction of the well, or to any casing of the well or if any condition under either paragraph (1) or paragraph (2) of this clause 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 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.

Distance of wells from boundaries of licensed area

18. 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

19.—(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, pipe-lines or other receptacles

20. 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 pipe-lines or other receptacles constructed for that purpose.

Avoidance of harmful methods of working

21.—(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 17 hereof 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 and, 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 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 manner provided by clause 40 hereof.

(3) Nothwithstanding 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; and subject to paragraph (5) of this clause that date must not be before the expiration of the period of two years 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 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

22.—(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 operations for searching or boring for or getting petroleum in pursuance of this licence unless the other person is a person approved in writing by the Minister as respects that function.

(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 not competent to exercise that function the Minister may, by notice in writing given to the Licensee, revoke his approval.

Fishing and navigation

23. 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 with navigation or fishing in the waters of the licensed area or with the conservation of the living resources of the sea.

Unit development

25.—(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—

(a) the Act of 1934, or

(b) that Act as applied by the Act of 1964, or

(c) Part I of the Act of 1998,

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—

(a) the Act of 1934, or

(b) that Act as applied by the Act of 1964, or

(c) Part I of the Act of 1998,

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 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 40 hereof.

(6) Any such development scheme or the award of any arbitrator in relation thereto shall have regard to any direction pursuant to clause 26 in force at the date of such scheme.

Directions as to oil fields across boundaries

26.—(1) Where the Minister is satisfied that any strata in the licensed area or any part thereof form part of an oil field, other parts whereof are in an area to which the Minister's powers to grant licences pursuant to Part I of the Act of 1998 do not apply and the Minister is satisfied that it is expedient that the oil field should be worked and developed as a unit in co-operation by the Licensee and all other persons having an interest in any part of the oil field, the Minister may from time to time by notice in writing give to the Licensee such directions as the Minister may think fit, as to the manner in which the rights conferred by this licence shall be exercised.

(2) The Licensee shall observe and perform all such requirements in relation to the licensed area as may be specified in any such direction.

(3) Any such direction may add to, vary or revoke the provisions of a development scheme.

Disposal of petroleum

27.—(1) The Licensee shall ensure that all petroleum won and saved from the licensed area other than petroleum used therein for the purpose of carrying on drilling and production operations or pumping to field storage and refineries shall be delivered on shore in the United Kingdom unless the Minister gives notice of his consent in writing to delivery elsewhere, and in such case the Licensee shall ensure compliance with any conditions subject to which that consent is given.

(2) Any conditions imposed by the Minister on a consent under the foregoing paragraph may, without prejudice to the generality of the Minister's right to impose conditions of any nature, include provision—

(a) as to the place of delivery;

(b) as to the price to be obtained for the petroleum to which such consent relates;

(c) as to the time within which, and the manner in which, payment of the price is to be made; and

(d) requiring payment to be made to a person resident in the United Kingdom.

Licensee to keep records

28.—(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 and number 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

29.—(1) The Licensee shall furnish to the Minister three months from the date of this licence and at intervals of three months thereafter during the period in 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 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 such period of three months, 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

(e) a statement of all petroleum won and saved.

(2) Within two months after the end of each calendar year in which this licence is in force and within two months after the expiration or determination of this licence or any renewal thereof the Licensee shall furnish to the Minister an annual return in a form from time to time approved by the Minister of the operations conducted in the licensed area during that year or the period prior to such expiration or determination as the case may be together with a plan upon a scale approved by the Minister showing the situation of all wells. The Licensee shall also indicate on the said plan all development and other words executed by him in connection with searching, boring for or getting petroleum.

(3) The Licensee shall furnish the Minister with such information as the Minister may from time to time request about any aspect of 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.

(4) The functions of the Minister under paragraph (3) of this clause shall not only be exercisable by him but also be concurrently exerciseable by the Chancellor of the Exchequer.

Licensee to keep samples

30. As far as reasonably practicable the Licensee shall correctly label and preserve for reference for a period of six months samples of the sea bed and of the strata encountered in any well and samples of any petroleum or water discovered in any well in the licensed area. The Minister or any person authorised by him shall be entitled to require that part of any such sample be delivered to him and to retain any sample or part thereof so delivered, and shall be entitled to inspect and analyse any samples kept by the Licensee.

Reports to be treated as confidential

31. 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 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 Institute of Geological Sciences 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 those at present performed by the Institute of Geological Sciences;

(iii) the Minister, the said Institute 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 Institute 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.

32. 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 clause 29(3) 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

33. Any person or persons authorised by the Minister shall be entitled at all reasonable times 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 purpose hereinafter mentioned—

(a) to examine the installations wells plant appliances and works made or executed by the Licensee in pursuance of the 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

34. If the Licensee shall at any time fail to perform the obligations arising under the terms and conditions of any of clauses 12, 17, 20 and 21 of this licence, the Minister shall be entitled after giving to the Licensee reasonable notice in writing of such his intention, 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

35. 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 the power of distress and any other rights and remedies to which he would be entitled) enter 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 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 incident to any such distress and sale rendering the surplus (if any) to the Licensee.

Indemnity against third party claims

36. The Licensee shall at all times keep the Minister effectually indemnified against all actions proceedings cost 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.

37. 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 assignment etc.

38.—(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) An agreement permitting the carrying out of geological surveys by physical or chemical means in the licensed area otherwise than by drilling is not prohibited by paragraph (1) of this clause if the person by whom such surveys are to be carried out is—

(a) the holder of a licence granted by the Minister of the right, in common with all other persons to whom the like right may have been granted, to search for petroleum in respect of an area which would include the licensed area, but for a proviso therein excluding the exercise of such rights in the licensed area without the consent of the Licensee; or

(b) the holder of a licence granted by the Minister to search and bore for, and get petroleum in an area adjacent to the licensed area,

and if the information intended to be obtained by such survey is reasonably necessary to enable that holder more efficiently to exercise rights granted by the licence which he holds from the Minister.

(3) 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 in so far as it provides that, after any petroleum has been won and saved from the licensed area, it shall be exchanged for other petroleum.

(4) 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 (3) of this clause; and subsections (2) and (4) to (6) of section 416 of the Income and Corporation Taxes Act 1988(**19**) 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.

(5) 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; or

(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 in so far 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

39.—(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 8(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;

(**19**) 1988 c. 1.

(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 38(3) of this licence;

(i) any breach of clause 38(5) 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 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 38(4) 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

40.—(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 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 that scheme, as to his appointment, shall be appointed by the Lord Chief Justice of England for the time being.

(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.

SCHEDULE 3

CURRENT MODEL CLAUSES FOR LANDWARD PRODUCTION LICENCES DERIVING FROM SCHEDULE 3 TO THE PETROLEUM (PRODUCTION) REGULATIONS 1966

PART I

1. This Schedule has effect in relation to paragraph 3 of Schedule 1 to the Act (Schedule 3 to the Petroleum (Production) Regulations 1966(**20**)).

2. Subject to paragraph 3, the current model clauses in relation to the said paragraph 3 are those reproduced in Part II.

3. Where—

(a) section 1 of the Petroleum Royalties (Relief) Act 1983(**21**) applies, or

(b) section 1 of the Petroleum Royalties (Relief) and Continental Shelf Act 1989(**22**) 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.

PART II

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(**23**);

"the Act of 1964" means the Continental Shelf Act 1964(**24**);

"the Act of 1998" means the Petroleum Act 1998(**25**);

"block" means an area delineated on the reference map deposited at the principal office of the Minister's department;

"continuing part" has the meaning assigned thereto by clause 5 (the marginal note whereof is "Option to continue licence as to part of the licensed area");

"development scheme" has the meaning assigned thereto by clause 25 (the marginal note whereof is "Unit development");

"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;

(**20**) S.I. 1966/898.
(**21**) 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).
(**22**) 1989 c. 1; modified by paragraph 8 of Schedule 3 to the Petroleum Act 1998 (c. 17).
(**23**) 1934 c. 36.
(**24**) 1964 c. 29.
(**25**) 1998 c. 17.

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

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

"the Minister" means the Secretary of State;

"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;

"surrendered part" has the meaning assigned thereto by clause 5 (the marginal note whereof is "Option to continue licence as to part of the licensed area");

"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.

(3) Any clause of this licence which refers to any provision of Part I of the Oil Taxation Act 1975(**26**) shall, unless the contrary intention appears, be construed as referring to that provision as it has effect for the time being for the purposes of petroleum revenue tax.

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 six years next after ... ... 19 ... ... , but may be renewed as to a part of the area comprised in this licence in manner hereinafter provided.

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

4. Without prejudice to any obligation or liability imposed by or incurred under the terms and conditions hereof the Licensee may, at any time during the said term of six years, by giving to the Minister not less than six months' previous notice in writing to that effect, determine this licence or surrender any part of the licensed area, being a part which complies with clause 7 hereof (the marginal note whereof is "Areas surrendered").

Option to continue licence as to part of the licensed area

5.—(1) At any time not later than three months before the expiration of the said term of six years the Licensee paying the payments and royalties hereinafter provided and observing and performing the 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 describe the surrendered part which shall, together with any area previously surrendered in accordance with clause 4 hereof (the marginal note whereof is "Right of Licensee to determine licence or surrender part of licensed area"), not be less than one half of the area originally comprised in the licence or such smaller part of the area as the Minister may have agreed to in writing prior to the giving of such notice.

(3) Such notice shall specify a date not later than the expiry of the said term of six years upon which the surrendered part is to be surrendered.

(**26**) 1975 c. 27.

(4) This licence shall upon the option conferred by this clause being duly exercised and subject to the provisions of this licence continue in respect of the continuing part for a term of forty years next after the date specified in the said notice.

Right of Licensee to determine extended term or surrender part of the licensed area

6. Without prejudice to any obligation or liability imposed by or incurred under the terms hereof the Licensee may at any time during such term of forty years by giving the Minister not less than twelve months' notice in writing to that effect, determine this licence or surrender any part of the licensed area, being a part which complies with clause 7 hereof (the marginal note whereof is "Areas surrendered").

Areas surrendered

7.—(1) Any area to be surrendered by the Licensee pursuant to the last three foregoing clauses in any case where, at the date at which the notice is given by the Licensee to the Minister, the licensed area is a block or has been divided into blocks, shall unless the Minister has otherwise agreed in writing prior to the date at which the notice is given by the Licensee to the Minister—

(a) be bounded by lines which unless they are boundaries of the area originally comprised in the licence run either due north and south or due east and west;

(b) not comprise any part of a block being a part having an area of less than twenty square kilometres.

(2) Any area to be surrendered by the Licensee pursuant to the last three foregoing clauses, in any case where the foregoing paragraph does not apply, shall unless the Minister has otherwise agreed in writing prior to the date at which the notice is given by the Licensee to the Minister be—

(a) not less than twenty square kilometres in extent and such that the area remaining subject to this licence after such surrender will be not less than ten square kilometres in extent;

(b) clearly defined and as far as possible compact;

(c) such that any area remaining subject to this licence after such surrender will be clearly defined and as far as possible compact; and

(d) such that the greatest length of any area remaining subject to this licence after such surrender will not exceed three times the average width thereof.

(3) Upon the date upon which any determination of the licence or any surrender of part of the licensed area in manner provided by the last three foregoing clauses is to take effect the rights granted by the 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 the licence prior to that date.

Payment of consideration for licence

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

(a) payments of royalty in accordance with clauses 9 and 10 of this licence;

(b) deliveries of petroleum in accordance with clause 11 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

9.—(1) Subject to paragraph (1A) of this clause the Licensee shall pay to the Minister, in respect of each chargeable period, a royalty equal to the sum of the following amounts, namely—

(a) 5 per cent of the value of all relevant units up to the first 100,000 units won and saved in the year which includes that period;

(b) 7½ per cent of the value of all further relevant units up to the next 50,000 units so won and saved;

(c) 10 per cent of the value of all further relevant units up to the next 50,000 units so won and saved; and

(d) 12½ per cent of the value of all further relevant units so won and saved;

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.

(1A) Paragraph (1) of this clause shall not apply to a chargeable period in which the Licensee delivers petroleum to the Minister in pursuance of clause 11 of this licence; but if the petroleum delivered has a value of less than the relevant percentage of the aggregate of—

(a) the value of the petroleum delivered (ignoring any such excess as is mentioned in paragraph (7F) of this clause), and

(b) the value of the petroleum relating to that period,

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

(5) For the purposes of this clause and clauses 9A and 10 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(**27**), 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—

(a) the total of the market values which would in pursuance of the said paragraph (b) fall to be taken into account as aforesaid; and

(b) a sum ascertained in pursuance of paragraph (7) of this clause in respect of the cost of conveying and treating petroleum.

(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—

(a) the amount of the price received or receivable for any petroleum consisting of gas won and saved in the licensed area in that period which is sold to British Gas Trading Ltd in that period under a contract made before the end of June 1975; and

(b) 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)(b) 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) The Minister may from time to time, by notice in writing given to the Licensee, determine the mode of ascertaining any sum for the purposes of sub-paragraph (b) of paragraph (5) of this clause; but—

(**27**) Section 2(4) and (5) was amended by section 133 of, and Schedule 19 to, the Finance Act 1982 (c. 39), sections 61 and 62 of the Finance Act 1987 (c. 16) and section 236 of, and Schedule 23 to, the Finance Act 1994 (c. 9).

(a) the Minister shall not give a notice in pursuance of this paragraph unless he has consulted persons appearing to him to be representative of the holders of petroleum production licences about the terms of the notice; and

(b) any dispute between the Minister and the Licensee as to the amount of such a sum shall, in default of agreement before the expiration of fourteen months beginning with the last day of the chargeable period to which the sum relates and subject to sub-paragraph (c) of this paragraph, be determined by the Minister; and

(c) the Licensee may, during the period of 28 days beginning with the day on which he receives from the Minister particulars of a determination in pursuance of sub-paragraph (b) of this paragraph, refer to arbitration in the manner provided by clause 38 of this licence any question as to whether the determination is in accordance with the relevant notice given to the Licensee in pursuance of this paragraph.

(7A) A notice under paragraph (7) of this clause may, if the Minister thinks fit, provide for the costs in respect of which a sum is ascertained for the purposes of paragraph (5)(b) to include, to such extent as may be specified in the notice—

(a) costs incurred in relation to assets which have ceased to be used in connection with the conveying or treating of petroleum;

(b) costs incurred after the end of the chargeable period to which the sum relates.

(7B) If a notice under paragraph (7) of this clause contains a provision relating to costs incurred after the end of a chargeable period, sub-paragraph (b) of paragraph (7) shall have effect in relation to a dispute concerning such costs as if the chargeable period there referred to were that in which the costs were incurred.

(7C) Subject to paragraphs (7D) and (7E) of this clause, the value of petroleum delivered to the Minister in pursuance of clause 11 of this licence shall be ascertained for the purposes of this clause and clause 9A on such basis (or, where petroleum of more than one kind is delivered, such bases) as the Minister and the Licensee agree.

(7D) If the Minister and the Licensee fail to agree on the value of any petroleum delivered to the Minister in pursuance of clause 11 of this licence, it shall be ascertained on such basis as the Minister may specify as fair in a notice in writing given by him to the Licensee.

(7E) The Licensee may, during the period of 28 days beginning with the day on which he receives a notice from the Minister under paragraph (7D) of this clause, refer to arbitration in the manner provided by clause 38 of this licence any question as to whether the basis of valuation specified in the notice is fair.

(7F) In this clause and clauses 9A, 10 and 11A, references to petroleum delivered to the Minister in pursuance of clause 11 include references to any excess over the quantity required to be delivered by a notice served in pursuance of paragraph (1) of that clause.

(8) In this clause—

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

"relevant percentage", in relation to a chargeable period, means the effective rate at which, apart from any notice under clause 11 of this licence, royalty would be payable for that period in pursuance of paragraph (1) of this clause;

"unit" means one metric ton 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 1400 cubic metres of the gas at a temperature of 0 degrees centigrade and a pressure of one kilogramme force per square centimetre; 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.

Payments by the Minister

9A.—(1) If in any chargeable period the Licensee delivers to the Minister in pursuance of clause 11 of this licence petroleum having a value greater than the relevant percentage of the aggregate of—

(a) the value of the petroleum delivered (ignoring any such excess as is mentioned in clause 9(7F) of this licence), and

(b) the value of the petroleum relating to that period,

the Minister shall pay to the Licensee a sum equal to the difference.

(2) In this clause, "chargeable period" and "relevant percentage" have the same meanings as in clause 9 of this licence.

Provisions supplementary to clauses 9 and 9A

10.—(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 11 of this licence;

(c) the amounts of the prices and market values which are required by paragraph 2 of Schedule 2 to the Oil Taxation Act 1975(**28**) to be stated in the returns made for that period in pursuance of that paragraph in consequence of this licence;

(d) the amount mentioned in clause 9(6)(a) of this licence; and

(e) the amount which the Licensee estimates will be the sum ascertained as respects that period for the purposes of clause 9(5)(b) of this licence (ignoring, in a case where they might otherwise be taken into account in the estimate, any costs incurred after the end of the period).

(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 9(1) of this licence, make to the Minister a payment on account of royalty for that period equal to the relevant percentage of the sum produced by aggregating the amounts which in pursuance of sub-paragraphs (c) and (d) of paragraph (1) of this clause are specified in the statement and reducing the aggregate by the amount so specified in pursuance of sub-paragraph (e) of that paragraph and by the amount which, by virtue of paragraph 2(2)(d)(ii) of Schedule 2 to the said 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; but the Licensee may reduce the amount of the payment by the amount of any deduction from it authorised by paragraph 2(2) of Schedule 2 to this licence.

(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 9(1A) 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 delivered to the Minister in pursuance of paragraph (1) of this clause in respect of the preceding chargeable period; but the Licensee may reduce the amount of the payment as mentioned in paragraph (2) of this clause.

(4) The Minister shall make to the Licensee payments equal to the amounts by which, in consequence of paragraph (1A) of clause 9 of this licence, the deductions which the Licensee was

(**28**) Paragraph 2 was amended by section 62 of, and Part X of Schedule 16 to, the Finance Act 1987 (c. 16), section 187 of the Finance Act 1993 (c. 34) and section 236 of, and Schedule 23 to, the Finance Act 1994 (c. 9).

entitled to make in pursuance of paragraph 2(2) of Schedule 2 to this licence fall short of the deductions which the Licensee would have been so entitled to make if royalty were only payable in pursuance of paragraph (1A) of that clause and paragraph (2) of it were omitted; and payments by the Minister in pursuance of this paragraph shall be made as soon as the amounts of the relevant deductions have been determined.

(5) 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 (6) 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 9 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.

(6) 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 that clause 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 clause 9 of this licence in respect of that period, then, subject to paragraph (8) 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.

(7) If after the date when the Minister gave notice to the Licensee in pursuance of paragraph (6) 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 (8) 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.

(7A) If, after the date when the Minister gave notice to the Licensee in pursuance of paragraph (6) of this clause or this paragraph in respect of a chargeable period, it appears to the Minister that as a result of costs incurred after the end of the period there is an increase in the sum to be taken into account by virtue of clause 9(5)(b) of this licence, and accordingly a reduction in the amount payable by the Licensee in respect of that period, he may give notice in writing to the Licensee specifying the reduced amount; and where he does so he shall forthwith pay to the Licensee an amount equal to the difference between the reduced amount and the total amount already paid by the Licensee in pursuance of this clause in respect of the period.

(8) A decision made by the Minister for the purposes of paragraph (5), (6), (7) or (7A) 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 (6), (7) or (7A) is payable by virtue of clause 9 of this licence may, during the period of 28 days beginning with the day on which the Licensee receives the notice, be referred to arbitration in the manner provided by clause 38 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.

(9) An amount in respect of interest shall be payable when a notice is given under paragraph (5), (6), (7) or (7A) of this clause, 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;

(b) any such amount in respect of interest shall be disregarded in calculating for the purposes of paragraph (5), (6), (7) or (7A) of this clause any amount already paid by the Licensee in pursuance of this clause;

(c) where costs of the kind mentioned in clause 9(7A)(b) of this licence are taken into account, they shall not affect the amount of interest payable in respect of any period ending earlier than two months after the chargeable period in which they were incurred.

(9A) If a payment is made by the Minister in pursuance of clause 9A of this licence more than two months after the end of the chargeable period to which the payment relates, an amount in respect of interest on the payment from the end of those two months shall also be payable by him to the Licensee.

(9B) Interest under paragraph (9A) of this clause 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 sub-paragraph (a) of paragraph (9) of this clause shall apply to such a notice as it applies to a notice under paragraph (9)).

(10) In this clause—

"chargeable period" and "relevant percentage" have the same meanings as in clause 9 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.

(11) For the purposes of this clause any amount paid by the Licensee or the Minister on account of a prospective liability under paragraph (5), (6), (7) or (7A) of this clause shall be treated as paid in pursuance of that paragraph.

Deliveries of petroleum in place of royalties

11.—(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 9(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.

Cost of delivery and treatment of petroleum

11A.—(1) Where petroleum or petroleum of any kind is delivered to the Minister in pursuance of clause 11 of this licence, the Minister shall pay to the Licensee a sum in respect of the cost of conveying and treating petroleum; and clause 9(7) to (7B) of this licence shall apply for the purpose of ascertaining that sum as if references to clause 9(5)(b) were references to this paragraph.

(2) Where, in any chargeable period, petroleum or petroleum of any kind is delivered to the Minister as mentioned in paragraph (1) of this clause, the Licensee shall, within two months after the end of that period, deliver to the Minister, in such form as the Minister may specify, a statement of the amount which the Licensee estimates is payable by the Minister in pursuance of this clause in respect of that period; and where the amount specified in the statement is larger or smaller than the total amount (if any) already paid by the Minister in pursuance of this clause in respect of that period, then—

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

(b) if it is smaller the difference shall be paid forthwith by the Licensee to the Minister.

(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 (2) 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 him in pursuance of this clause 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 Minister in pursuance of this clause in respect of that period, then—

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

(b) if it is smaller the difference shall be paid forthwith by the Licensee to the Minister.

(4) When it appears to the Minister that the amount payable by him in pursuance of this clause in respect of any chargeable period has been finally ascertained, he may give to the Licensee a notice in writing specifying the amount which the Minister considers is so payable; and where the amount specified in the notice is larger or smaller than the total amount already paid by the Minister in pursuance of this clause in respect of that period, then, subject to paragraph (5) of this clause—

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

(b) if it is smaller the difference shall be paid forthwith by the Licensee to the Minister.

(4A) 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 that as a result of costs incurred after the end of the period there is an increase in the amount payable by him in pursuance of this clause in respect of the period, he may give notice in writing to the Licensee specifying the increased amount; and where he does so he shall forthwith pay to the Licensee an amount equal to the difference between the increased amount and the total amount already paid by the Minister in pursuance of this clause in respect of the period.

(5) A decision made by the Minister for the purposes of paragraph (3), (4) or (4A) 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 (4A) is payable in pursuance of this clause may, during the period of 28 days beginning with the day on which the Licensee receives the notice, be referred to arbitration in the manner provided by clause 38 of this licence.

(6) An amount in respect of interest shall be payable when a notice is given under paragraph (3), (4) or (4A) of this clause, 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;

(b) any such amount in respect of interest shall be disregarded in calculating for the purposes of paragraph (3), (4) or (4A) of this clause any amount already paid by the Minister in pursuance of this clause;

(c) where costs of the kind mentioned in clause 9(7A)(b) of this licence are taken into account, they shall not affect the amount of interest payable in respect of any period ending earlier than two months after the chargeable period in which they were incurred.

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

(8) In this clause "chargeable period" has the same meaning as in clause 9 of this licence.

Measurement of petroleum obtained from the licensed area

12.—(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.

1A) If and to the extent that the Minister so directs, the duty imposed by paragraph (1) of this clause shall be discharged separately in relation to petroleum won and saved—

(a) from each part of the licensed area which is an oil field for the purposes of the Oil Taxation Act 1975,

(b) from each part of the licensed area which forms part of such an oil field extending beyond the licensed area, and

(c) from each well producing petroleum from a part of the licensed area which is not within such an oil field.

(1B) If and to the extent that the Minister so directs, the preceding provisions of this clause shall apply as if the duty to measure or weigh petroleum included a duty to ascertain its quality or composition or both; and where a direction under this paragraph is in force, the following provisions of this clause shall have effect as if references to measuring or weighing included references to ascertaining quality or composition.

(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 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 false or unjust 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

13.—(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—

(a) in the case of petroleum in the form of gas, as volumes in cubic metres measured at, or calculated as if measured at, a temperature of 0 degrees centigrade and a pressure of one kilogramme force per square centimetre;

(b) in any other case as weights in metric tons.

(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 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

14.—(1) The Licensee shall during the initial term of this licence carry out with due diligence the scheme of prospecting and development 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 the 1" Ordnance Survey map 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(**29**) or the Town and Country Planning (Scotland) Act 1997(**30**) 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) 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 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 and begin after the expiration of the initial term of this licence.

(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 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.

(**29**) 1990 c. 8.
(**30**) 1997 c. 8.

(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 twenty-eight days beginning with the date of service of the notice refer to arbitration, in the manner provided by clause 38 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 sub-paragraph (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 37 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.

(9) 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 (4) of this clause in respect of another part of that term.

Development and production programmes

15.—(1) The Licensee shall not—

(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 purpose 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 a programme which the Minister has approved 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,

the Licensee shall comply with the direction.

(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 periods 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

(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 or served on him by the Minister in pursuance of this clause or, if such a programme is varied in pursuance of clause 16 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 16 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 15

16.—(1) A consent given by the Minister in pursuance of clause 15(1) of this licence 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 the preceding provisions of this paragraph, be limited to a period so specified.

(2) Where—

(a) the Minister gives notice in respect of a programme in pursuance of paragraph (4)(a) or (b) or paragraph (6) of clause 15 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 15(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 15(4)(c) of this licence,

the Minister may give to the Licensee, with the 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 15(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 notice 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 15 of this licence or this clause as to what is, is not 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 to pursuance of clause 15(4)(b) of this licence or a consent 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 has been given in pursuance of paragraph (1) of clause 15 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 37 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 15 in connection with a different part of the licensed area.

(9) Where in consequence of any breach or non-observance by the Licensee of any provision of clause 15 of this licence the Minister has power by virtue of paragraph (1) of clause 37 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

17.—(1) The Licensee shall not commence, or after abandoning in 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 such condition under paragraph (1) of this clause relates to the position, depth or direction of the well, or to any casing of the well, or if any condition under either paragraph (1) or paragraph (2) of this clause 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 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 1997 for the drilling of that well has been granted.

Distance of wells from boundaries of licensed area

18. 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

19.—(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, pipe-lines, or other receptacles

20. 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, pipe-lines or other receptacles constructed for that purpose.

Avoidance of harmful methods of working

21.—(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 17 hereof 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 and 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 manner provided by clause 38 hereof.

(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; and subject to paragraph (5) of this clause that date must not be before the expiration of the period of two years 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 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

22.—(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 operations for searching or boring for or getting petroleum in pursuance of this licence unless the other person is a person approved in writing by the Minister as respects that function.

(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 not competent to exercise that function the Minister may, by notice in writing given to the Licensee, revoke his approval.

Fishing and navigation

23. 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.

Unit development

25.—(1) If at any time in which this licence is in force the Minister shall be satisified 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—

(a) the Act of 1934, or

(b) that Act as applied by the Act of 1964, or

(c) Part I of the Act of 1998,

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—

(a) the Act of 1934, or

(b) that Act as applied by the Act of 1964, or

(c) Part I of the Act of 1998,

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 38 hereof.

Licensee to keep records

26.—(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 and number 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

27.—(1) The Licensee shall furnish to the Minister three months from the date of this licence and at intervals of three months thereafter during the period in 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 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 such period of three months, 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

(e) a statement of all petroleum won and saved.

(2) Within two months after the end of each calendar year in which this licence is in force and within two months after the expiration or determination of this licence or any renewal thereof the Licensee shall furnish to the Minister an annual return in a form from time to time approved by the Minister of the operations conducted in the licensed area during that year or the period prior to such expiration or determination as the case may be together with a plan upon a scale approved by the Minister showing the situation of all wells. The Licencee shall also indicate on the said plan all development and other works executed by him in connection with searching, boring for or getting petroleum.

(3) The Licensee shall furnish the Minister with such information as the Minister may from time to time request about any aspect of 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.

(4) The functions of the Minister under paragraph (3) of this clause shall not only be exercisable by him but also be concurrently exercisable by the Chancellor of the Exchequer.

Licensee to keep samples

28. As far as reasonably practicable the Licensee shall correctly label and preserve for reference for a period of six months 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. The Minister or any person authorised by him shall be entitled to require that part of any such sample be delivered to him and to retain any sample or part thereof so delivered, and shall be entitled to inspect and analyse any samples kept by the Licensee.

Reports to be treated as confidential

29. 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 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 Institute of Geological Sciences 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 those at present performed by the Institute of Geological Sciences;

(iii) the Minister, the said Institute 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 Institute 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.

30. 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 clause 27(3) 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

31. 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 the 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

32. If the Licensee shall at any time fail to perform the obligations arising under the terms and conditions of any of clauses 12, 17, 20 and 21 of this licence the Minister shall be entitled, after giving to the Licensee reasonable notice in writing of such his intention, 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

33. 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 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 incident to any such distress and sale rendering the surplus (if any) to the Licensee.

Indemnity against third party claims

34. 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.

35. 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 assignment, etc.

36.—(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 in so far 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; or

(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 in so far 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

37.—(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 8(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 36(2) of this licence;

(i) any breach of clause 36(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 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 36(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

38.—(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 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 that scheme, as to his appointment, shall be appointed by the Lord Chief Justice of England for the time being.

(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.

SCHEDULE 4

CURRENT MODEL CLAUSES FOR LANDWARD PRODUCTION LICENCES DERIVING FROM SCHEDULE 4 TO THE PETROLEUM (PRODUCTION)

REGULATIONS 1976, AS IT FROM TIME TO TIME HAD EFFECT, OR SCHEDULE 4 TO THE PETROLEUM (PRODUCTION) REGULATIONS 1982

PART I

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

(a) paragraph 7 of that Schedule (Schedule 4 to the Petroleum (Production) Regulations 1976)(**31**));

(b) paragraph 8 of that Schedule (the said Schedule 4 as amended by the Oil and Gas (Enterprise) Act 1982(**32**)), and

(c) paragraph 13 of that Schedule (Schedule 4 to the Petroleum (Production) Regulations 1982(**33**)).

2. Subject to paragraphs 3 and 4, the current model clauses in relation to the said paragraphs 7, 8 and 13 are those reproduced in Part II.

3.—(1) In relation to paragraph 13 of Schedule 1 to the Act, 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 in model clause 22(1) for the words "as respects that function" there was substituted the words "and the function in question is one to which the approval relates".

(3) Part II shall also have effect in such a case as if in model clause 23 for paragraph (b) and the words following that paragraph there were substituted the following paragraph—

"(b) with fishing in or conservation of the living resources of any waters in or in the vicinity of the licensed area.".

4. Where section 1 of the Petroleum Royalties (Relief) and Continental Shelf Act 1989(**34**) applies, Part II has effect subject to the provisions of that Act.

PART II

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(**35**);

"the Act of 1964" means the Continental Shelf Act 1964(**36**);

"the Act of 1998" means the Petroleum Act 1998(**37**);

"block" means an area delineated on the reference map deposited at the principal office of the Minister's department;

(**31**) S.I. 1976/1129.
(**32**) 1982 c. 23.
(**33**) S.I. 1982/1000.
(**34**) 1989 c. 1; modified by paragraph 8 of Schedule 3 to the Petroleum Act 1998 (c. 17).
(**35**) 1934 c. 36.
(**36**) 1964 c. 29.
(**37**) 1998 c. 17.

"development scheme" has the meaning assigned thereto by clause 26;

"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 Trade and Industry;

"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.

(3) Any clause of this licence which refers to any provisions of Part I of the Oil Taxation Act 1975(**38**) shall, unless the contrary intention appears, be construed as referring to that provision as it has effect for the time being for the purposes of petroleum revenue tax.

Term of licence

3.—(1) This licence unless sooner determined under any of the provisions hereof shall be and continue in force for the term of four years next after ... ... 19 ... ... (hereinafter called "the initial term"); but if the terms and conditions hereof are duly performed and observed and in particular, if the work programme described in Schedule 4 to this licence has been duly performed, it may be continued for a further period of twenty years in respect of part of the relevant area in the manner hereinafter provided.

(2) If the Minister sees fit and petroleum is then being got under this licence, it may be further continued for a period of ten years at the expiry of the said period of twenty years.

Extension of term for part of licensed area

4.—(1) The Licensee, if he wishes this licence to continue for a further period of twenty years in respect of a part of the licensed area as provided by clause 3, shall at least three months before the expiry of the initial term give the Minister written notice of continuance and, unless notice has been given under clause 6(1) to surrender at least one half of the original licensed area before such expiry, give written notice of surrender from a date not later than such expiry in respect of an area which satisfied the requirements of clause 6(3) and whose surrender reduces the licensed area to not more than one half its original size.

(2) The Licensee may at any time not less than one month before the surrender date specified in any notice of surrender 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 paragraph (1) 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 of surrender.

(3) Where notice of continuance is duly given and such area (if any) as may be required to be surrendered by notice under paragraph (1) is duly surrendered, this licence shall, subject to the

(**38**) 1975 c. 27.

provisions of clause 3 of this licence, continue in respect of the residual area for a term of twenty years after the expiry of the initial term.

Further extension of term

5. The Licensee, if he wishes the Minister to assent to the further continuance of this licence for a period of ten years following the expiry of the twenty year term, shall apply in writing for such assent during the nineteenth year of that term; and where assent is given, this licence shall, subject to the provisions of clause 3 of this licence, continue in respect of the area to which it then relates for a further period of ten years after the expiry of the said twenty year term.

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

6.—(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 the following paragraph 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 the preceding provisions of this licence shall, unless the Minister has otherwise agreed in writing prior to the date on which the appropriate notice is given by the Licensee to the Minister, be a clearly defined compact area—

(a) which comprises at least ten square kilometres or one fifth of the subsisting licensed area (whichever is the greater) and has a length not more than three times its average breadth; and

(b) whose surrender leaves as the licensed area one or more clearly defined and reasonably compact areas none of which is less than ten square kilometres or has a length more than three times its average breadth.

Consequences of determination or surrender by Licensee

7. 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

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

(a) payments of royalty in accordance with clauses 9 and 10 of this licence;

(b) deliveries of petroleum in accordance with clause 11 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

9.—(1) Subject to paragraph (1A) 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.

(1A) Paragraph (1) of this clause shall not apply to a chargeable period in which the Licensee delivers petroleum to the Minister in pursuance of clause 11 of this licence; but if the petroleum delivered has a value of less than the relevant percentage of the aggregate of—

(a) the value of the petroleum delivered (ignoring any such excess as is mentioned in paragraph (6D) of this clause), and

(b) the value of petroleum relating to that period,

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

(5) For the purposes of this clause and clauses 9A and 10 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(**39**), 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)(b) 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).

(6A) Subject to paragraphs (6B) and (6C) of this clause, the value of petroleum delivered to the Minister in pursuance of clause 11 of this licence shall be ascertained for the purposes of this clause and clause 9A on such basis (or, where petroleum of more than one kind is delivered, such bases) as the Minister and the Licensee agree.

(6B) If the Minister and the Licensee fail to agree on the value of any petroleum delivered to the Minister in pursuance of clause 11 of this licence, it shall be ascertained on such basis as the Minister may specify as fair in a notice in writing given by him to the Licensee.

(6C) The Licensee may, during the period of 28 days beginning with the day on which he receives a notice from the Minister under paragraph (6B) of this clause, refer to arbitration in the manner provided by clause 39 of this licence any question as to whether the basis of valuation specified in the notice is fair.

(6D) In this clause and clauses 9A and 10, references to petroleum delivered to the Minister in pursuance of clause 11 include references to any excess over the quantity required to be delivered by a notice served in pursuance of paragraph (1) of that clause.

(7) In this clause—

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

"relevant percentage", in relation to a chargeable period, means the effective rate at which, apart from any notice under clause 11 of this licence, royalty would be payable for that period in pursuance of paragraph (1) of this clause;

(**39**) Section 2(4) and (5) was amended by section 133 of, and Schedule 19 to, the Finance Act 1982 (c. 39), sections 61 and 62 of the Finance Act 1987 (c. 16) and section 236 of, and Schedule 23 to, the Finance Act 1994 (c. 9).

"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.

Payments by the Minister

9A.—(1) If in any chargeable period the Licensee delivers to the Minister in pursuance of clause 11 of this licence petroleum having a value greater than the relevant percentage of the aggregate of—

(a) the value of the petroleum delivered (ignoring any such excess as is mentioned in clause 9(6D) of this licence), and

(b) the value of the petroleum relating to that period,

the Minister shall pay to the Licensee a sum equal to the difference.

(2) In this clause, "chargeable period" and "relevant percentage" have the same meanings as in clause 9 of this licence.

Provisions supplementary to clauses 9 and 9A

10.—(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 11 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(**40**) 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 9(1) of this licence, make to the Minister a payment on account of royalty for that period equal to the relevant percentage 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 said 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 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 9(1A) 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 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

(**40**) Paragraph 2 was amended by section 62 of, and Part X of Schedule 16 to, the Finance Act 1987 (c. 16), section 187 of the Finance Act 1993 (c. 34) and section 236 of, and Schedule 23 to, the Finance Act 1994 (c. 9).

the Licensee in pursuance of clause 9 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 9 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 so 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 9 of this licence may, during the period of 28 days beginning with the day on which the Licensee receives the notice, be referred to arbitration in the manner provided by clause 39 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), (5) or (6) any amount already paid by the Licensee in pursuance of this clause.

(8A) If a payment is made by the Minister in pursuance of clause 9A of this licence more than two months after the end of the chargeable period to which the payment relates, an amount in respect of interest on the payment from the end of those two months shall also be payable by him to the Licensee.

(8B) Interest under paragraph (8A) of this clause 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 sub-paragraph (a) of paragraph (8) of this clause shall apply to such a notice as it applies to a notice under paragraph (8)).

(9) In this clause—

"chargeable period" and "relevant percentage" have the same meanings as in clause 9 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.

(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.

Deliveries of petroleum in place of royalties

11.—(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 9(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

12.—(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.

(1A) If and to the extent that the Minister so directs, the duty imposed by paragraph (1) of this clause shall be discharged separately in relation to petroleum won and saved—

(a) from each part of the licensed area which is an oil field for the purposes of the Oil Taxation Act 1975,

(b) from each part of the licensed area which forms part of such an oil field extending beyond the licensed area, and

(c) from each well producing petroleum from a part of the licensed area which is not within such an oil field.

(1B) If and to the extent that the Minister so directs, the preceding provisions of this clause shall apply as if the duty to measure or weigh petroleum included a duty to ascertain its quality or composition or both; and where a direction under this paragraph is in force, the following provisions of this clause shall have effect as if references to measuring or weighing included references to ascertaining quality or composition.

(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 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 false or unjust 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

13.—(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

14.—(1) The Licensee shall during the initial 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 4 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 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(**41**) or the Town and Country Planning (Scotland) Act 1997(**42**) 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

(**41**) 1990 c. 8.
(**42**) 1997 c. 8.

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 and begin after the expiration of the initial term of this licence.

(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 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 39 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 sub-paragraph (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 38 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.

(9) 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 (4) of this clause in respect of another part of that term.

Development and production programmes

15.—(1) The Licensee shall not—

(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 purpose 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 a programme which the Minister has approved 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,

the Licensee shall comply with the direction.

(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

(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 or served on him by the Minister in pursuance of this clause or, if such a programme is varied in pursuance of clause 16 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 16 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 15

16.—(1) A consent given by the Minister in pursuance of clause 15(1) of this licence 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 the preceding provisions of this paragraph, be limited to a period so specified.

(2) Where—

(a) the Minister gives notice in respect of a programme in pursuance of paragraph (4)(a) or (b) or paragraph (6) of clause 15 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 15(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 15(4)(c) of this licence,

the Minister may give to the Licensee, with the 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 15(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 notice 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 15 of this licence or this clause as to what is, is not 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 15(4)(b) of this licence or a consent 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 has been given in pursuance of paragraph (1) of clause 15 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 a 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 38 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 15 in connection with a different part of the licensed area.

(9) Where in consequence of any breach or non-observance by the Licensee of any provision of clause 15 of this licence the Minister has power by virtue of paragraph (1) of clause 38 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

17.—(1) The Licensee shall not commence, or after abandoning in 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 such condition under paragraph (1) of this clause relates to the position, depth or direction of the well, or to any casing of the well or if any condition under either paragraph (1) of paragraph (2) of this clause 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 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 1997 for the drilling of that well has been granted.

Distance of wells from boundaries of licensed area

18. 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

19.—(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, pipe-lines or other receptacles

20. 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, pipe-lines or other receptacles constructed for that purpose.

Avoidance of harmful methods of working

21.—(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 17 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 and 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 manner provided by clause 39 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; and subject to paragraph (5) of this clause that date must not be before the expiration of the period of two years 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 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

22.—(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 operations for searching or boring for or getting petroleum in pursuance of this licence unless the other person is a person approved in writing by the Minister as respects that function.

(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

23. 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

25.—(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 Minister shall not give instructions in pursuance of paragraph (1) of this clause unless he has consulted as to the provisions proposed to be included in such instructions the Petroleum Industry Training Board or such other body of a like nature as may from time to time be carrying on activities of a substantially similar kind to those at present performed by the said Board.

(3) 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

26.—(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—

(a) the Act of 1934, or

(b) that Act as applied by the Act of 1964, or

(c) Part I of the Act of 1998,

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—

(a) the Act of 1934, or

(b) that Act as applied by the Act of 1964, or

(c) Part I of the Act of 1998,

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 39 hereof.

Licensee to keep records

27.—(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 and number 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

28.—(1) The Licensee shall furnish to the Minister three months from the date of this licence and at intervals of three months thereafter during the period in 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 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 such period of three months, 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

(e) a statement of all petroleum won and saved.

(2) Within two months after the end of each calendar year in which this licence is in force and within two months after the expiration or determination of this licence or any renewal thereof the Licensee shall furnish to the Minister an annual return in a form from time to time approved by the Minister of the operations conducted in the licensed area during that year or the period prior to such expiration or determination as the case may be together with a plan upon a scale approved by the Minister showing the situation of all wells. The Licensee shall also indicate on the said plan all development and other works executed by him in connection with searching, boring for or getting petroleum.

(3) The Licensee shall furnish the Minister with such information as the Minister may from time to time request about any aspect of 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.

(4) The functions of the Minister under paragraph (3) of this clause shall not only be exerciseable by him but also be concurrently exerciseable by the Chancellor of the Exchequer.

Licensee to keep samples

29.—(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

30. 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 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 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.

31. 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 25(3) and 28(3) 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

32. 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

33. If the Licensee shall at any time fail to perform the obligations arising under the terms and conditions of any of clauses 12, 17, 20 and 21 of this licence the Minister shall be entitled, after giving to the Licensee reasonable notice in writing of such his intention, 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

34. 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 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 incident to any such distress and sale rendering the surplus (if any) to the Licensee.

Indemnity against third party claims

35. 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.

36. 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 assignment etc.

37.—(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 in so far 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(**43**) 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.

(**43**) 1988 c. 1.

(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; or

(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 in so far 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

38.—(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 8(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 37(2) of this licence;

(i) any breach of clause 37(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 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(**44**) 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 37(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

39.—(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 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 that scheme as to his appointment, shall be appointed by the Lord Chief Justice of England for the time being.

(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.

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(**45**));

(b) paragraph 10 of that Schedule (the said Schedule 5 as amended by the Petroleum (Production) (Amendment) Regulations 1978(**46**));

(**44**) 1988 c. 1.
(**45**) S.I. 1976/1129.
(**46**) S.I. 1978/929.

(c) paragraph 11 of that Schedule (the said Schedule 5 as amended as aforesaid and further amended by the Petroleum (Production) (Amendment) Regulations 1980(**47**)), 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(**48**)).

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(**49**), 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)—

(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(**50**), 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.

(**47**) S.I. 1980/721.
(**48**) 1982 c. 23.
(**49**) S.I. 1987/2197.
(**50**) 1964 c. 29.

(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;

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 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 sub-paragraph (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(**51**) applies, or

(b) section 1 of the Petroleum Royalties (Relief) and Continental Shelf Act 1989(**52**) 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.

(**51**) 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).

(**52**) 1989 (c. 1); modified by paragraph 8 of Schedule 3 to the Petroleum Act 1998 (c. 17).

PART II

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(**53**);

"the Act of 1964" means the Continental Shelf Act 1964(**54**);

"the Act of 1998" means the Petroleum Act 1998(**55**);

"appropriate percentage" has the meaning assigned thereto by clause 9;

"block" means an area comprised in this licence which is delineated on the reference map deposited at the principal office of the Minister's department and to which a reference number was assigned at the date of this licence;

"chargeable period" has the meaning assigned thereto by clause 9;

"development scheme" has the meaning assigned thereto by clause 26;

"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 Trade and Industry;

"oil field" has the meaning assigned thereto by clause 26;

"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;

"second term" has the meaning assigned thereto by clause 4;

"section" means a part of a block comprising an area bounded by minute lines of latitude and longitude one minute apart respectively;

"third term" has the meaning assigned thereto by clause 5;

"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.

(3) Any clause of this licence which refers to any provision of Part I of the Oil Taxation Act 1975(**56**) shall, unless the contrary intention appears, be construed as referring to that provision as it has effect for the time being for the purposes of petroleum revenue tax.

(**53**) 1934 c. 36.
(**54**) 1964 c. 29.
(**55**) 1998 c. 17.
(**56**) 1975 c. 27.

Term of licence

3.—(1) This licence unless sooner determined under any of the provisions hereof shall be and continue in force for the term of four years next after ... ... (hereinafter called "the initial term"); but if the terms and conditions hereof are duly performed and observed and, in particular, if the work programme described in Part I of Schedule 4 to this licence has been duly performed it may be continued for a further term of three years as hereinafter provided.

(2) If the terms and conditions of this licence are duly performed and observed and, in particular, if the work programme described in Part II of Schedule 4 to this licence has been duly performed, this licence may be continued for a further term of thirty years in respect of part of the licensed area as hereinafter provided.

Option to continue licence

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 on the expiration of the initial term in respect of the area to which it then relates.

(2) This licence shall upon the option conferred by this clause being duly exercised and subject to the provisions of clause 3 of this licence continue for a term of three years next after the expiration of the initial term (hereinafter called "the second term") in respect of the area to which it then relates.

Option to continue licence further as to part of licensed area

5.—(1) At any time not later than three months before the expiration of the second 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 a part which complies with clause 7 hereof and shall together with any area previously surrendered in accordance with clause 6 hereof be not less than two-thirds of the number of sections contained in the area originally comprised in this licence; and

(b) specify a date (hereinafter called "the surrender date") not later than the expiry of the second 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 and 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 second surrender date (hereinafter called "the third term").

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

6.—(1) Without prejudice to any obligation or liability imposed by or incurred under the terms hereof the Licensee may at any time by giving to the Minister not less than six months' notice in writing to that effect to expire on an anniversary of the date of commencement of the initial term,

determine this licence or surrender any part of the licensed area being a part which complies with clause 7 hereof.

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

Areas surrendered

7.—(1) Within a block any area to be surrendered by the Licensee pursuant to any of the last three foregoing clauses and any area accordingly retained by him or, where the surrendered or retained area is comprised of separate parts, each such part shall unless the Minister has otherwise agreed in writing prior to the date at which the appropriate notice is given by the Licensee to the Minister comply with the following requirements—

(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) consist of not less than thirty sections;

(c) each separate part of an area surrendered or retained shall be not less than two sections distant from any other part of the same category (surrendered or retained as the case may be); and

(d) the boundaries shall, in the case of those which run due north and south, either coincide with the corresponding boundaries of the block or be not less than two sections distant therefrom and, in the case of those which run due east and west, either coincide with the corresponding boundaries of the block or be not less than two sections distant therefrom.

(2) Upon the date upon which any determination of this licence or any surrender of part of the licensed area in manner provided by the last three foregoing clauses 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.

Payment of consideration for licence

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

(a) payments of royalty in accordance with clauses 9 and 10 of this licence;

(b) deliveries of petroleum in accordance with clause 11 of this licence; and

(c) payments in accordance with Schedule 2 to this licence.

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

Royalty payments

9.—(1) Subject to paragraph (1A) of this clause the Licensee shall pay to the Minister, in respect of each half year in which this licence is in force (hereafter in this clause and in clauses 9A and 10 of this licence referred to as a "chargeable period"), a royalty of an amount equal to the percentage specified in Schedule 3 to this licence (hereinafter referred to as "the appropriate percentage") of the value of the petroleum relating to that period.

(1A) Paragraph (1) of this clause shall not apply to a chargeable period in which the Licensee delivers petroleum to the Minister in pursuance of clause 11 of this licence; but if the petroleum delivered has a value of less than the appropriate percentage of the aggregate of—

(a) the value of the petroleum delivered (ignoring any such excess as is mentioned in paragraph (10) of this clause), and

(b) the value of the petroleum relating to that period,

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

(5) For the purposes of this clause and clauses 9A and 10 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(**57**) 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)(b) 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) Subject to paragraphs (8) and (9) of this clause, the value of petroleum delivered to the Minister in pursuance of clause 11 of this licence shall be ascertained for the purposes of this clause and clause 9A on such basis (or, where petroleum of more than one kind is delivered, such bases) as the Minister and the Licensee agree.

(8) If the Minister and the Licensee fail to agree on the value of any petroleum delivered to the Minister in pursuance of clause 11 of this licence, it shall be ascertained on such basis as the Minister may specify as fair in a notice in writing given by him to the Licensee.

(9) The Licensee may, during the period of 28 days beginning with the day on which he receives a notice from the Minister under paragraph (8) of this clause, refer to arbitration in the manner provided by clause 41 of this licence any question as to whether the basis of valuation specified in the notice is fair.

(10) In this clause and clauses 9A and 10, references to petroleum delivered to the Minister in pursuance of clause 11 include references to any excess over the quantity required to be delivered by a notice served in pursuance of paragraph (1) of that clause.

Payments by the Minister

9A. If in any chargeable period the Licensee delivers to the Minister in pursuance of clause 11 of this licence petroleum having a value greater than the appropriate percentage of the aggregate of—

(a) the value of the petroleum delivered (ignoring any such excess as is mentioned in clause 9(10) of this licence), and

(b) the value of the petroleum relating to that period,

the Minister shall pay to the Licensee a sum equal to the difference.

Provisions supplementary to clauses 9 and 9A

10.—(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—

(**57**) Section 2(4) and (5) was amended by section 133 of, and Schedule 19 to, the Finance Act 1987 (c. 16) and section 236 of, and Schedule 23 to, the Finance Act 1994 (c. 9).

(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 11 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(**58**) 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 9(1) of this licence, make to the Minister a payment on account of royalty for that period equal to the appropriate percentage of the sum produced by aggregating the amounts which in pursuance of sub-paragraph (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 9(1A) 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 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 9 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 9 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 so 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—

(**58**) Paragraph 2 was amended by section 62 of, and part X of Schedule 16 to, the Finance Act 1987 (c. 16), section 187 of the Finance Act 1993 (c. 34) and section 236 of, and Schedule 23 to, the Finance Act 1994 (c. 9).

(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 9 of this licence may, during the period of 28 days beginning with the day on which the Licensee receives the notice, be referred to arbitration in the manner provided by clause 41 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), (5) or (6) any amount already paid by the Licensee in pursuance of this clause.

(8A) If a payment is made by the Minister in pursuance of clause 9A of this licence more than two months after the end of the chargeable period to which the payment relates, an amount in respect of interest on the payment from the end of those two months shall also be payable by him to the Licensee.

(8B) Interest under paragraph (8A) of this clause 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 sub-paragraph (a) of paragraph (8) of this clause shall apply to such a notice as it applies to a notice under paragraph (8)).

(9) In this clause "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.

(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.

Deliveries of petroleum in place of royalties

11.—(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 quantity greater than the appropriate percentage of all the petroleum, or as the case may be of all the petroleum of that kind, which is won and saved by the Licensee in the licensed area in that half year, but may provide that the quantities of the 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 neither a point at sea at which the Licensee normally loads, nor a point on land at which the Licensee normally lands, petroleum of any kind from the licensed area.

Measurement of petroleum obtained from the licensed area

12.—(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.

(1A) If and to the extent that the Minister so directs, the duty imposed by paragraph (1) of this clause shall be discharged separately in relation to petroleum won and saved—

(a) from each part of the licensed area which is an oil field for the purposes of the Oil Taxation Act 1975,

(b) from each part of the licensed area which forms part of such an oil field extending beyond the licensed area, and

(c) from each well producing petroleum from a part of the licensed area which is not within such an oil field.

(1B) If and to the extent that the Minister so directs, the preceding provisions of this clause shall apply as if the duty to measure or weigh petroleum included a duty to ascertain its quality or composition or both; and where a direction under this paragraph is in force, the following provisions of this clause shall have effect as if references to measuring or weighing included references to ascertaining quality or composition.

(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 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 false or unjust 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

13.—(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 service 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

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

(2) The Licensee shall before the expiry of the second term of this licence carry out such further prospecting and test drilling as, together with the prospecting and test drilling required to be carried out in accordance with the provisions of paragraph (1) of this clause, comprises such work programme as may be set out in Part II of Schedule 4 to this licence.

(3) 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 third term of this licence.

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

(5) Where notice in respect of a programme is served on the Licensee in pursuance of paragraph (4) 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 sub-paragraph (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.

(6) 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.

(7) Where, in consequence of any breach or non-observance by the Licensee of any provision of paragraph (3), (5) or (6) 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.

(8) 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 (3) of this clause in respect of another part of that term.

Development and production programmes

15.—(1) The Licensee shall not—

(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 purpose 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 a programme which the Minister has approved 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,

the Licensee shall comply with the direction.

(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

(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 or served on him by the Minister in pursuance of this clause or, if such a programme is varied in pursuance of clause 16 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 16 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 15

16.—(1) A consent given by the Minister in pursuance of clause 15(1) of this licence 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 the preceding provisions of this paragraph, be limited to a period so specified.

(2) Where—

(a) the Minister gives notice in respect of a programme in pursuance of paragraph (4)(a) or (b) or paragraph (6) of clause 15 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 15(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 15(4)(c) of this licence,

the Minister may give to the Licensee, with the 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 15(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 notice 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 15 of this licence or this clause as to what is, is not 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 15(4)(b) of this licence or a consent 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 has been given in pursuance of paragraph (1) of clause 15 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 40 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 15 in connection with a different part of the licensed area.

(9) Where in consequence of any breach or non-observance by the Licensee of any provision of clause 15 of this licence the Minister has power by virtue of paragraph (1) of clause 40 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

17.—(1) The Licensee shall not commence, or after abandoning in 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 such condition under paragraph (1) of this clause relates to the position, depth or direction of the well, or to any casing of the well or if any condition under either paragraph (1) or paragraph (2) of this clause 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 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.

Distance of wells from boundaries of licensed area

18. 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

19.—(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, pipe-lines or other receptacles

20. 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, pipe-lines or other receptacles constructed for that purpose.

Avoidance of harmful methods of working

21.—(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 17 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 and 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 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 manner provided by clause 41 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; and subject to paragraph (5) of this clause that date must not be before the expiration of the period of two years 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 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

22.—(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 operations for searching or boring for or getting petroleum in pursuance of this licence unless the other person is a person approved in writing by the Minister as respects that function.

(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

23. 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 with navigation or fishing in the waters of the licensed area or with the conservation of the living resources of the sea.

Training

25.—(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 Minister shall not give instructions in pursuance of paragraph (1) of this clause unless he has consulted as to the provisions proposed to be included in such instructions the Petroleum Industry Training Board or such other body of a like nature as may from time to time be carrying on activities of a substantially similar kind to those at present performed by the said Board.

(3) 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

26.—(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—

(a) the Act of 1934, or

(b) that Act as applied by the Act of 1964, or

(c) Part I of the Act of 1998,

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—

(a) the Act of 1934, or

(b) that Act as applied by the Act of 1964, or

(c) Part I of the Act of 1998,

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 41 of this licence.

(6) Any such development scheme or the award of any arbitrator in relation thereto shall have regard to any direction pursuant to clause 27 of this licence in force at the date of such scheme.

Directions as to oil fields across boundaries

27.—(1) Where the Minister is satisfied that any strata in the licensed area or any part thereof form part of an oil field, other parts whereof are in an area as to which the Minister's powers to grant licences pursuant to Part I of the Act of 1998 do not apply, and the Minister is satisfied that it is expedient that the oil field should be worked and developed as a unit in co-operation by the Licensee and all other persons having an interest in any part of the oil field, the Minister may from time to time by notice in writing give to the Licensee such directions as the Minister may think fit, as to the manner in which the rights conferred by this licence shall be exercised.

(2) The Licensee shall observe and perform all such requirements in relation to the licensed area as may be specified in any such direction.

(3) Any such direction may add to, vary or revoke the provisions of a development scheme.

Disposal of petroleum

28.—(1) The Licensee shall ensure that all petroleum won and saved from the licensed area other than petroleum used therein for the purpose of carrying on drilling and production operations or pumping to field storage and refineries shall be delivered on shore in the United Kingdom unless the Minister gives notice of his consent in writing to delivery elsewhere, and in such case the Licensee shall ensure compliance with any conditions subject to which that consent is given.

(2) Any conditions imposed by the Minister on a consent under the foregoing paragraph may, without prejudice to the generality of the Minister's right to impose conditions of any nature, include provision—

(a) as to the place of delivery;

(b) as to the price to be obtained for the petroleum to which such consent relates;

(c) as to the time within which and the manner in which payment of the price is to be made; and

(d) requiring payment to be made to a person resident in the United Kingdom.

Licensee to keep records

29.—(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 and number 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

30.—(1) The Licensee shall furnish to the Minister three months from the date of this licence and at intervals of three months thereafter during the period in 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 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 such period of three months, 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

(e) a statement of all petroleum won and saved.

(2) Within two months after the end of each calendar year in which this licence is in force and within two months after the expiration or determination of this licence or any renewal thereof the Licensee shall furnish to the Minister an annual return in a form from time to time approved by the Minister of the operations conducted in the licensed area during that year or the period prior to such expiration or determination as the case may be together with a plan upon a scale approved by the Minister showing the situation of all wells. The Licensee shall also indicate on the said plan all development and other works executed by him in connection with searching, boring for or getting petroleum.

(3) The Licensee shall furnish the Minister with such information as the Minister may from time to time request about any aspect of 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.

(4) The functions of the Minister under paragraph (3) of this clause shall not only be exerciseable by him but also be concurrently exerciseable by the Chancellor of the Exchequer.

Licensee to keep samples

31.—(1) As far as reasonably practicable the Licensee shall correctly label and preserve for reference for a period of five years samples of the sea bed and of the strata encountered in any well 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

32. 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 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.

33. 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 25(3) and 30(3) 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

34. Any person or persons authorised by the Minister shall be entitled at all reasonable times 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 purpose hereinafter mentioned—

(a) to examine the installations, wells, plant, appliances and works made or executed by the Licensee in pursuance of the 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

35. If the Licensee shall at any time fail to perform the obligations arising under the terms and conditions of any of clauses 12, 17, 20 and 21 of this licence, the Minister shall be entitled, after giving to the Licensee reasonable notice in writing of such his intention, 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

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 the power of distress and any other rights and remedies to which he would be entitled) enter 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 installation 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 incident to any such distress and sale rendering the surplus (if any) to the Licensee.

Indemnity against third party claims

37. 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.

38. 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 assignment, etc.

39.—(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) An agreement permitting the carrying out of geological surveys by physical or chemical means in the licensed area otherwise than by drilling is not prohibited by paragraph (1) of this clause if the person by whom such surveys are to be carried out is—

(a) the holder of a licence granted by the Minister of the right, in common with all other persons to whom the like right may have been granted to search for petroleum in respect of an area which would include the licensed area, but for a proviso therein excluding the exercise of such rights in the licensed area without the consent of the Licensee; or

(b) the holder of a licence granted by the Minister to search and bore for and get petroleum in an area adjacent to the licensed area,

and if the information intended to be obtained by such survey is reasonably necessary to enable that holder more efficiently to exercise the rights granted by the licence which he holds from the Minister.

(3) 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 in so far as it provides that, after any petroleum has been won and saved from the licensed area, it shall be exchanged for other petroleum.

(4) 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, fulfill or enable another person to fulfill obligations which a person who controls the Licensee, or a person who is controlled by a person who controls the Licensee, is required to fulfill by an agreement which, if the person required to fulfill the obligations were the Licensee, would be an agreement of which the terms require approval by virtue of paragraph (3) of this clause; and subsections (2) and (4) to (6) of section 416 of the Income and Corporation Taxes Act 1988(**59**) 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.

(5) 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—

(**59**) 1988 c. 1.

(a) the benefit of any right granted by this licence; or

(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 in so far 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

40.—(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 8(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 39(3) of this licence;

(i) any breach of clause 39(5) 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 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 39(4) 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

41.—(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 things 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 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 that scheme, as to his appointment, shall be appointed by the Lord Chief Justice of England for the time being.

(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.

SCHEDULE 6

CURRENT MODEL CLAUSES FOR SEAWARD PRODUCTION LICENCES DERIVING FROM SCHEDULE 5 TO THE PETROLEUM (PRODUCTION) REGULATIONS 1982 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 14 of that Schedule (Schedule 5 to the Petroleum (Production) Regulations 1982)(**60**)); and

(b) paragraph 15 of that Schedule (the said Schedule 5 as amended by the Petroleum Act 1987(**61**)).

2. Subject to paragraphs 3, 4 and 6, the current model clauses in relation to the said paragraphs 14 and 15 are those reproduced in Part II.

(**60**) S.I. 1982/1000.
(**61**) 1987 c. 12.

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(**62**), 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 35 (distress) there were substituted the following clause—

"**Diligence**

35. 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 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 40 (arbitration)—

(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(**63**), 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 40 (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. Where—

(a) section 1 of the Petroleum Royalties (Relief) Act 1983(**64**) applies, or

(b) section 1 of the Petroleum Royalties (Relief) and Continental Shelf Act 1989(**65**) 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.

(**62**) S.I. 1987/2197.
(**63**) 1964 c. 29.
(**64**) 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).
(**65**) 1989 c. 1; modified by paragraph 8 of Schedule 3 to the Petroleum Act 1998 (c. 17).

PART II

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(**66**);

"the Act of 1964" means the Continental Shelf Act 1964(**67**);

"the Act of 1998" means the Petroleum Act 1998(**68**);

"appropriate percentage" has the meaning assigned thereto by clause 8;

"block" means an area comprised in this licence which is delineated on the reference map deposited at the principal office of the Minister's department and to which a reference number was assigned at the date of this licence;

"chargeable period" has the meaning assigned thereto by clause 8;

"development scheme" has the meaning assigned thereto by clause 25;

"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 Trade and Industry;

"oil field" has the meaning assigned thereto by clause 25;

"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;

"section" means a part of a block comprising an area bounded by minute lines of latitude and longitude one minute apart respectively;

"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.

(3) Any clause of this licence which refers to any provision of Part I of the Oil Taxation Act 1975(**69**) shall, unless the contrary intention appears, be construed as referring to that provision as it has effect for the time being for the purposes of petroleum revenue tax.

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 six years next after ... ... 19 ... ... (hereinafter called "the initial term"); but if the terms and conditions hereof are duly performed and

(**66**) 1934 c. 36.
(**67**) 1964 c. 29.
(**68**) 1998 c. 17.
(**69**) 1975 c. 27.

observed and, in particular, if the work programme described in Schedule 4 to this licence has been duly performed, it may be continued for a further term of thirty years as hereinafter provided.

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 5 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;

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 6 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.

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 hereof, the Licensee may at any time, by giving to the Minister not less than six months' notice in writing to that effect to expire on an anniversary of the date of commencement of the initial term, determine this licence or surrender any part of the licensed area being a part which complies with clause 6 hereof.

(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.

Areas surrendered

6.—(1) Within a block any area surrendered by the Licensee pursuant to either clause 4 or clause 5 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 5 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.

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 the licence or the surrender of any part of the licensed area be entitled to be repaid or allowed any sum payable to the Minister pursuant to this licence before the date of the determination or surrender.

Royalty payments

8.—(1) Subject to paragraph (1A) of this clause the Licensee shall pay to the Minister, in respect of each half year in which this licence is in force (hereafter in this clause and in clauses 8A and 9 of this licence referred to as a "chargeable period"), a royalty of an amount equal to the percentage specified in Schedule 3 to this licence (hereinafter referred to as "the appropriate percentage") of the value of the petroleum relating to that period.

(1A) Paragraph (1) of this clause shall not apply to a chargeable period in which the Licensee delivers petroleum to the Minister in pursuance of clause 10 of this licence; but if the petroleum delivered has a value of less than the appropriate percentage of the aggregate of—

(a) the value of the petroleum delivered (ignoring any such excess as is mentioned in paragraph (10) of this clause), and

(b) the value of the petroleum relating to that period,

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

(5) For the purposes of this clause and clauses 8A and 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(**70**), 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.

(**70**) Section 2(4) and (5) was amended by section 133 of, and Schedule 19 to, the Finance Act 1982 (c. 39), sections 61 and 62 of the Finance Act 1987 (c. 16) and section 236 of, and Schedule 23 to, the Finance Act 1994 (c. 9).

(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)(b) 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) Subject to paragraphs (8) and (9) of this clause, the value of petroleum delivered to the Minister in pursuance of clause 10 of this licence shall be ascertained for the purposes of this clause and clause 8A on such basis (or, where petroleum of more than one kind is delivered, such bases) as the Minister and the Licensee agree.

(8) If the Minister and the Licensee fail to agree on the value of any petroleum delivered to the Minister in pursuance of clause 10 of this licence, it shall be ascertained on such basis as the Minister may specify as fair in a notice in writing given by him to the Licensee.

(9) The Licensee may, during the period of 28 days beginning with the day on which he receives a notice from the Minister under paragraph (8) of this clause, refer to arbitration in the manner provided by clause 40 of this licence any question as to whether the basis of valuation specified in the notice is fair.

(10) In this clause and clauses 8A and 9, references to petroleum delivered to the Minister in pursuance of clause 10 include references to any excess over the quantity required to be delivered by a notice served in pursuance of paragraph (1) of that clause.

Payments by the Minister

8A If in any chargeable period the Licensee delivers to the Minister in pursuance of clause 10 of this licence petroleum having a value greater than the appropriate percentage of the aggregate of—

(a) the value of the petroleum delivered (ignoring any such excess as is mentioned in clause 8(10) of this licence), and

(b) the value of the petroleum relating to that period,

the Minister shall pay to the Licensee a sum equal to the difference.

Provisions supplementary to clauses 8 and 8A

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(**71**) 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 appropriate percentage 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 said Act of

(**71**) Paragraph 2 was amended by section 62 of, and Part X of Schedule 16 to, the Finance Act 1987 (c. 16), section 187 of the Finance Act 1993 (c. 34) and section 236 of, and Schedule 23 to, the Finance Act 1994 (c. 9).

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(1A) 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 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 so 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, during the period of 28 days beginning with the day on which the Licensee receives the notice, be referred to arbitration in the manner provided by clause 40 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), (5) or (6) any amount already paid by the Licensee in pursuance of this clause.

(8A) If a payment is made by the Minister in pursuance of clause 8A of this licence more than two months after the end of the chargeable period to which the payment relates, an amount in respect of interest on the payment from the end of those two months shall also be payable by him to the Licensee.

(8B) Interest under paragraph (8A) of this clause 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 sub-paragraph (a) of paragraph (8) of this clause shall apply to such a notice as it applies to a notice under paragraph (8)).

(9) In this clause "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.

(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.

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 quantity greater than the appropriate percentage of all the petroleum, or as the case may be of all the petroleum of that kind, which is won and saved by the Licensee in the licensed area in that half year, but may provide that the quantities of the 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 neither a point at sea at which the Licensee normally loads, nor a point on land at which the Licensee normally lands, 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.

(1A) If and to the extent that the Minister so directs, the duty imposed by paragraph (1) of this clause shall be discharged separately in relation to petroleum won and saved—

(a) from each part of the licensed area which is an oil field for the purposes of the Oil Taxation Act 1975,

(b) from each part of the licensed area which forms part of such an oil field extending beyond the licensed area, and

(c) from each well producing petroleum from a part of the licensed area which is not within such an oil field.

(1B) If and to the extent that the Minister so directs, the preceding provisions of this clause shall apply as if the duty to measure or weigh petroleum included a duty to ascertain its quality or composition or both; and where a direction under this paragraph is in force, the following provisions of this clause shall have effect as if references to measuring or weighing included references to ascertaining quality or composition.

(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 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 false or unjust 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.

Working obligations

13.—(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 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 40 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 sub-paragraph (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 39 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.

Development and production programmes

14.—(1) The Licensee shall not—

(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 purpose 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 a programme which the Minister has approved 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,

the Licensee shall comply with the direction.

(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

(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 or served on him by the Minister in pursuance of this clause or, if such a programme is varied in pursuance of clause 15 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 15 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 14

15.—(1) A consent given by the Minister in pursuance of clause 14(1) of this licence 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 the preceding provisions of this paragraph, be limited to a period so specified.

(2) Where—

(a) the Minister gives notice in respect of a programme in pursuance of paragraph (4)(a) or (b) or paragraph (6) of clause 14 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 14(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 14(4)(c) of this licence,

the Minister may give to the Licensee, with the 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 14(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 notice 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 14 of this licence or this clause as to what is, is not 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 14(4)(b) of this licence or a consent 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 has been given in pursuance of paragraph (1) of clause 14 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 a 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 39 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 14 in connection with a different part of the licensed area.

(9) Where in consequence of any breach or non-observance by the Licensee of any provision of clause 14 of this licence the Minister has power by virtue of paragraph (1) of clause 39 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

16.—(1) The Licensee shall not commence, or after abandoning in 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 such condition under paragraph (1) of this clause relates to the position, depth or direction of the well, or to any casing of the well or if any condition under either paragraph (1) or paragraph (2) of this clause 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 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.

Distance of wells from boundaries of licensed area

17. 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

18.—(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, pipe-lines or other receptacles

19. 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, pipe-lines or other receptacles constructed for that purpose.

Avoidance of harmful methods of working

20.—(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 16 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 and 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 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 manner provided by clause 40 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; and subject to paragraph (5) of this clause that date must not be before the expiration of the period of two years 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 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

21.—(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

22. 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 with navigation or fishing in the waters of the licensed area or with the conservation of the living resources of the sea.

Training

24.—(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 Minister shall not give instructions in pursuance of paragraph (1) of this clause unless he has consulted as to the provisions proposed to be included in such instructions the Petroleum Industry Training Board or such other body of a like nature as may from time to time be carrying on activities of a substantially similar kind to those at present performed by the said Board.

(3) 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

25.—(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—

(a) the Act of 1934, or

(b) that Act as applied by the Act of 1964, or

(c) Part I of the Act of 1998,

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—

(a) the Act of 1934, or

(b) that Act as applied by the Act of 1964, or

(c) Part I of the Act of 1998,

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 40 of this licence.

(6) Any such development scheme or the award of any arbitrator in relation thereto shall have regard to any direction pursuant to clause 26 of this licence in force at the date of such scheme.

Directions as to oil fields across boundaries

26.—(1) Where the Minister is satisfied that any strata in the licensed area or any part thereof form part of an oil field, other parts whereof are in an area as to which the Minister's powers to grant licences pursuant to Part I of the Act of 1998 do not apply and the Minister is satisfied that it is expedient that the oil field should be worked and developed as a unit in co-operation by the Licensee and all other persons having an interest in any part of the oil field, the Minister may from time to time by notice in writing give to the Licensee such directions as the Minister may think fit, as to the manner in which the rights conferred by this licence shall be exercised.

(2) The Licensee shall observe and perform all such requirements in relation to the licensed area as may be specified in any such direction.

(3) Any such direction may add to, vary or revoke the provisions of a development scheme.

Disposal of petroleum

27.—(1) The Licence shall ensure that all petroleum won and saved from the licensed area other than petroleum used therein for the purpose of carrying on drilling and production operations or pumping to field storage and refineries shall be delivered on shore in the United Kingdom unless the Minister gives notice of his consent in writing to delivery elsewhere, and in such case the Licensee shall ensure compliance with any conditions subject to which that consent is given.

(2) Any conditions imposed by the Minister on a consent under the foregoing paragraph may, without prejudice to the generality of the Minister's right to impose conditions of any nature, include provision—

(a) as to the place of delivery;

(b) as to the price to be obtained for the petroleum to which such consent relates;

(c) as to the time within which and the manner in which payment of the price is to be made; and

(d) requiring payment to be made to a person resident in the United Kingdom.

Licensee to keep records

28.—(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 and number 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

29.—(1) The Licensee shall furnish to the Minister three months from the date of this licence and at intervals of three months thereafter during the period in 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 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 such period of three months, 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

(e) a statement of all petroleum won and saved.

(2) Within two months after the end of each calendar year in which this licence is in force and within two months after the expiration or determination of this licence or any renewal thereof the Licensee shall furnish to the Minister an annual return in a form from time to time approved by the Minister of the operations conducted in the licensed area during that year or the period prior to such expiration or determination as the case may be together with a plan upon a scale approved by the Minister showing the situation of all wells. The Licensee shall also indicate on the said plan all development and other works executed by him in connection with searching, boring for or getting petroleum.

(3) The Licensee shall furnish the Minister with such information as the Minister may from time to time request about any aspect of 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.

(4) The functions of the Minister under paragraph (3) of this clause shall not only be exerciseable by him but also be concurrently exerciseable by the Chancellor of the Exchequer.

Licensee to keep samples

30.—(1) As far as reasonably practicable the Licensee shall correctly label and preserve for reference for a period of five years samples of the sea bed and of the strata encountered in any well 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

31. 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 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.

32. 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 24(3) and 29(3) 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

33. Any person or persons authorised by the Minister shall be entitled at all reasonable times 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 purpose hereinafter mentioned—

(a) to examine the installations, wells, plant, appliances and works made or executed by the Licensee in pursuance of the 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

34. If the Licensee shall at any time fail to perform the obligations arising under the terms and conditions of any of clauses 11, 16, 19 and 20 of this licence, the Minister shall be entitled, after giving to the Licensee reasonable notice in writing of such his intention, 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

35. 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 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 the power of distress and any other rights and remedies to which he would be entitled) enter 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 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 incident to any such distress and sale rendering the surplus (if any) to the Licensee.

Indemnity against third party claims

36. 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 not purported to be done in pursuance thereof.

Advertisements, prospectuses etc.

37. 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 assignment, etc.

38.—(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) An agreement permitting the carrying out of geological surveys by physical or chemical means in the licensed area otherwise than by drilling is not prohibited by paragraph (1) of this clause if the person by whom such surveys are to be carried out is—

(a) the holder of a licence granted by the Minister of the right, in common with all other persons to whom the like right may have been granted, to search for petroleum in respect of an area which would include the licensed area, but for a proviso therein excluding the exercise of such rights in the licensed area without the consent of the Licensee; or

(b) the holder of a licence granted by the Minister to search and bore for and get petroleum in an area adjacent to the licensed area,

and if the information intended to be obtained by such survey is reasonably necessary to enable that holder more efficiently to exercise the rights granted by the licence which he holds from the Minister.

(3) 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 in so far as it provides that, after any petroleum has been won and saved from the licensed area, it shall be exchanged for other petroleum.

(4) 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 (3) of this clause; and subsections (2) and (4) to (6) of section 416 of the Income and Corporation Taxes Act 1988(**72**) 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" shall be substituted the word "shall", the words from "and such attributions" onwards there 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 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; or

(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 in so far 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

39.—(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

(**72**) 1988 c. 1.

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 38(3) of this licence;

(i) any breach of clause 38(5) 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 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 38(4) 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

40.—(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 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 that scheme, as to his appointment, shall be appointed by the Lord Chief Justice of England for the time being.

(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.

SCHEDULE 7

CURRENT MODEL CLAUSES FOR METHANE DRAINAGE LICENCES DERIV ING FROM SCHEDULE 8 TO THE PETROLEUM (PRODUCTION) REGULATIONS 1982

PART I

1. This Schedule has effect in relation to paragraph 16 of Schedule 1 to the Act (Schedule 8 to the Petroleum (Production) Regulations 1982(**73**)).

2. The current model clauses in relation to the said paragraph 16 are those reproduced in Part II.

PART II

Interpretation

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

"the licensed area" means the area 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;

"mine" has the same meaning as in the Mines and Quarries Act 1954(**74**);

"the Minister" means the Secretary of State for Trade and Industry.

(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.

(**73**) S.I. 1982/1000.
(**74**) 1954 c. 70; section 180 (meaning of "mine" and "quarry") was modified by Part II of Schedule 3 to the Management and Administration of Safety and Health at Mines Regulations 1993 (S.I. 1993/1897).

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-five years after ... ... 19 ... .

Right of Licensee to determine licence

4. Without prejudice to any obligation or liability imposed by or incurred under the terms and conditions hereof the Licensee may at any time during the term hereby granted determine this licence by giving to the Minister not less than one month's previous notice in writing to that effect.

Payment of consideration for licence

5.—(1) The Licensee shall pay to the Minister during the term of this licence the consideration for the grant of this licence specified in the Schedule to this licence at the times and in the manner so specified.

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

Records

6. The Licensee shall keep and furnish to the Minister such records relating to the operations conducted in the licensed area under this licence, the result thereof and the disposal of any natural gas won and saved as the Minister may from time to time determine.

Power to inspect accounts, etc.

7. Any person authorised by the Minister may at all reasonable times enter into and upon any land for the time being possessed or occupied by the Licensee in the licensed area and inspect and make abstracts or copies of any records or accounts which the Licensee is required to keep or make in accordance with the provisions of this licence.

Records to be treated as confidential

8. All records, accounts and information 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. The Minister shall nevertheless be entitled at any time to make use of any information received from the Licensee for the purpose of preparing and publishing such returns and reports as may be required of the Minister by law.

Notice of commencement and termination of operations

9. As soon as the Licensee has decided to get natural gas at any place he shall notify the Minister in writing of the situation thereof stating—

(a) the name of the mine for the safety of which the operations are to be undertaken;

(b) whether such mine is a disused mine or not.

The Licensee shall also give to the Minister notice in writing of the termination of any such operations within one month of the date of termination.

Indemnity against third party claims

10. 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

11. 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

12. If there shall be any breach or non-observance by the Licensee of any of the terms and conditions herein contained 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 imposed by or incurred under the terms and conditions hereof.

Arbitration

13.—(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 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 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 for the time being.

SCHEDULE 8

CURRENT MODEL CLAUSES FOR LANDWARD DEVELOPMENT LICENCES DERIVING FROM SCHEDULE 5 TO THE PETROLEUM (PRODUCTION) (LANDWARD AREAS) REGULATIONS 1984 AS AMENDED BY THE PETROLEUM ACT 1987

PART I

1. This Schedule has effect in relation to paragraph 17 of Schedule 1 to the Act (Schedule 5 to the Petroleum (Production) (Landward Areas) Regulations 1984(**75**) as amended by the Petroleum Act 1987(**76**)).

2. Subject to paragraph 3, the current model clauses in relation to the said paragraph 17 are those reproduced in Part II.

3. Where section 1 of the Petroleum Royalties (Relief) and Continental Shelf Act 1989(**77**) applies, Part II has effect subject to the provisions of that Act.

(**75**) S.I. 1984/1832.
(**76**) 1987 c. 12.
(**77**) 1989 c. 1; modified by paragraph 8 of Schedule 3 to the Petroleum Act 1998 (c. 17).

PART II

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(**78**);

"the Act of 1964" means the Continental Shelf Act 1964(**79**);

"the Act of 1998" means the Petroleum Act 1998(**80**);

"block" means an area delineated on the reference map deposited at the principal office of the Minister's department;

"development scheme" has the meaning assigned thereto by clause 24;

"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 Trade and Industry;

"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.

(3) Any clause of this licence which refers to any provision of Part I of the Oil Taxation Act 1975(**81**) shall, unless the contrary intention appears, be construed as referring to that provision as it has effect for the time being for the purposes of petroleum revenue tax.

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 ... ... 19 ... ..., 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.

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.

(**78**) 1934 c. 36.
(**79**) 1964 c. 29.
(**80**) 1998 c. 17.
(**81**) 1975 c. 27.

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—

(a) which comprises at least 20 square kilometres;

(b) the boundaries of which run north, south, east and west; and

(c) the shortest boundary of which extends for at least 2 kilometres;

Provided that if the licensed area is contiguous to an area which is comprised in a licence granted under—

(i) the Act of 1934, or

(ii) Part I of the Act of 1998,

the boundaries of which do not coincide with the grid marked on the reference map deposited at the principal office of the Minister's department or is bounded by a line drawn in accordance with the provisions of Schedule 1 to the Petroleum (Production) (Landward Areas) Regulations 1984 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 paragraph (1A) 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.

(1A) Paragraph (1) of this clause shall not apply to a chargeable period in which the Licensee delivers petroleum to the Minister in pursuance of clause 10 of this licence; but if the petroleum delivered has a value of less than the relevant percentage of the aggregate of—

(a) the value of the petroleum delivered (ignoring any such excess as is mentioned in paragraph (6D) of this clause), and

(b) the value of the petroleum relating to that period,

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

(5) For the purposes of this clause and clauses 8A and 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(**82**), 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).

(6A) Subject to paragraphs (6B) and (6C) of this clause, the value of petroleum delivered to the Minister in pursuance of clause 10 of this licence shall be ascertained for the purposes of this clause and clause 8A on such basis (or, where petroleum of more than one kind is delivered, such bases) as the Minister and the Licensee agree.

(6B) If the Minister and the Licensee fail to agree on the value of any petroleum delivered to the Minister in pursuance of clause 10 of this licence, it shall be ascertained on such basis as the Minister may specify as fair in a notice in writing given by him to the Licensee.

(6C) The Licensee may, during the period of 28 days beginning with the day on which he receives a notice from the Minister under paragraph (6B) of this clause, refer to arbitration in the manner provided by clause 37 of this licence any question as to whether the basis of valuation specified in the notice is fair.

(6D) In this clause and clauses 8A and 9, references to petroleum delivered to the Minister in pursuance of clause 10 include references to any excess over the quantity required to be delivered by a notice served in pursuance of paragraph (1) of that clause.

(7) In this clause—

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

"relevant percentage", in relation to a chargeable period, means the effective rate at which, apart from any notice under clause 11 of this licence, royalty would be payable for that period in pursuance of paragraph (1) of this clause;

"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

(**82**) Section 2(4) and (5) was amended by section 133 of, and Schedule 19 to, the Finance Act 1987 (c. 16) and section 236 of, and Schedule 23 to, the Finance Act 1994 (c. 9).

"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.

Payments by the Minister

8A.—(1) If in any chargeable period the Licensee delivers to the Minister in pursuance of clause 10 of this licence petroleum having a value greater than the relevant percentage of the aggregate of—

(a) the value of the petroleum delivered (ignoring any such excess as is mentioned in clause 8(6D) of this licence), and

(b) the value of the petroleum relating to that period,

the Minister shall pay to the Licensee a sum equal to the difference.

(2) In this clause, "chargeable period" and "relevant percentage" have the same meanings as in clause 8 of this licence.

Provisions supplementary to clauses 8 and 8A

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(**83**) 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 percentage of the sum produced by aggregating the amounts which in pursuance of sub-paragraph (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(1A) 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—

(**83**) Paragraph 2 was amended by section 62 of, and Part X of Schedule 16 to, the Finance Act 1987 (c. 16), section 187 of the Finance Act 1993 (c. 34) and section 236 of, and Schedule 23 to, the Finance Act 1994 (c. 9).

(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, during the period of 28 days beginning with the day on which the Licensee receives the notice, be referred to arbitration in the manner provided by clause 37 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), (5) or (6) any amount already paid by the Licensee in pursuance of this clause.

(8A) If a payment is made by the Minister in pursuance of clause 8A of this licence more than two months after the end of the chargeable period to which the payment relates, an amount in respect of interest on the payment from the end of those two months shall also be payable by him to the Licensee.

(8B) Interest under paragraph (8A) of this clause 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 sub-paragraph (a) of paragraph (8) of this clause shall apply to such a notice as it applies to a notice under paragraph (8)).

(9) In this clause—

"chargeable period" and "relevant percentage" 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.

(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.

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.

(1A) If and to the extent that the Minister so directs, the duty imposed by paragraph (1) of this clause shall be discharged separately in relation to petroleum won and saved—

(a) from each part of the licensed area which is an oil field for the purposes of the Oil Taxation Act 1975,

(b) from each part of the licensed area which forms part of such an oil field extending beyond the licensed area, and

(c) from each well producing petroleum from a part of the licensed area which is not within such an oil field.

(1B) If and to the extent that the Minister so directs, the preceding provisions of this clause shall apply as if the duty to measure or weigh petroleum included a duty to ascertain its quality or composition or both; and where a direction under this paragraph is in force, the following provisions of this clause shall have effect as if references to measuring or weighing included references to ascertaining quality or composition.

(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—

(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,

the Licensee shall comply with the direction.

(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

(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 a 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 notice 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 36 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 36 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.

(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 such condition under paragraph (1) of this clause relates to the position, depth or direction of the well, or to any casing of the well, or if any condition under either paragraph (1) or paragraph (2) of this clause 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 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 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 37 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; 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

23.—(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

24.—(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—

(a) the Act of 1934, or

(b) that Act as applied by the Act of 1964, or

(c) Part I of the Act of 1998,

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—

(a) the Act of 1934, or

(b) that Act as applied by the Act of 1964, or

(c) Part I of the Act of 1998,

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 37 hereof.

Licensee to keep records

25.—(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 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

26.—(1) The Licensee shall furnish to the Minister 3 months from the date of this licence and at intervals of 3 months thereafter during the period in 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 such period of 3 months, 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

(e) a statement of all petroleum won and saved.

(2) Within 2 months after the end of each calendar year in which this licence is in force and within 2 months after the expiration or determination of this licence or any renewal thereof the Licensee shall furnish to the Minister an annual return in a form from time to time approved by the Minister of the operations conducted in the licensed area during that year or the period prior to such expiration or determination as the case may be together with a plan upon a scale approved by the Minister showing the situation of all wells. The Licensee shall also indicate on the said plan all development and other works executed by him in connection with searching, boring for or getting petroleum.

(3) 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.

(4) The functions of the Minister under paragraph (3) of this clause shall not only be exercisable by him but also be concurrently exercisable by the Chancellor of the Exchequer.

Licensee to keep samples

27.—(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

28. 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.

29. 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 23(2) and 26(3) 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

30. 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

31. 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 or 19 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

32. 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.

Indemnity against third party claims

33. 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.

34. 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.

35.—(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(**84**) 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 that, after any petroleum has been won and saved from the licensed area, it shall be exchanged for other petroleum.

Power of revocation

36.—(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;

(**84**) 1988 c. 1.

(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 35(2) of this licence;

(i) any breach of clause 35(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 35(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

37.—(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 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.

SCHEDULE 9

CURRENT MODEL CLAUSES FOR SEAWARD PRODUCTION LICENCES DERIVING FROM SCHEDULE 4 TO THE PETROLEUM (PRODUCTION) (SEAWARD AREAS) REGULATIONS 1988 AS IT FROM TIME TO TIME HAD EFFECT BEFORE 16TH DECEMBER 1996

PART I

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

(a) paragraph 18 (Schedule 4 to the Petroleum (Production) (Seaward Areas) Regulations 1988(**85**));

(b) paragraph 19 (the said Schedule 4 as amended by the Offshore Safety Act 1992)(**86**)), and

(c) paragraph 20 (the said Schedule 4 as amended as aforesaid and further amended by the Petroleum (Production) (Seaward Areas) (Amendment) Regulations 1995(**87**)).

2. Subject to paragraphs 3, 4, 6 and 7, the current model clauses in relation to the said paragraphs 18, 19 and 20 are those reproduced in Part II.

3.—(1) Where the licensed area is in the Scottish area, as defined in article 1(2) of the Civil Jurisdiction (Offshore Activities) Order 1987(**88**), 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 38 (distress) there were substituted the following clause—

"**Diligence**

38. If and whenever any of the payments mentioned in clause 9(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

(**85**) S.I. 1988/1213.
(**86**) 1992 c. 15.
(**87**) S.I. 1995/1435.
(**88**) S.I. 1987/2197.

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 43 (arbitration)—

(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 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 43 (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 20 of Schedule 1 to the Act, Part II shall have effect as provided in the following nine sub-paragraphs.

(2) Part II shall have effect in such a case as if in model clause 9(1)—

(a) at the end of sub-paragraph (a) there were inserted the word "and"; and

(b) sub-paragraph (b) were omitted.

(3) Part II shall also have effect in such a case as if in model clause 10—

(a) in paragraph (1)—

(i) the words "Subject to paragraph (2) of this clause" were omitted, and

(ii) for the words "clauses 11 and 12" there were substituted the words "clause 12";

(b) paragraph (2) were omitted;

(c) in paragraph (3), for the words "clauses 11 and 12" there were substituted the words "clause 12"; and

(d) paragraphs (5) to (8) were omitted.

(4) Part II shall also have effect in such a case as if model clause 11 were omitted.

(5) Part II shall also have effect in such a case as if in model clause 12(1)—

(a) at the end of sub-paragraph (a) there were inserted the word "and"; and

(b) sub-paragraph (b) were omitted.

(6) Part II shall also have effect in such a case as if model clauses 13 and 30 were omitted.

(7) Part II shall also have effect in such a case as if for model clause 31(3) there were substituted the following paragraph—

"(3) The Licensee shall deliver copies of the said records, plans and maps referred to in the two foregoing paragraphs to the Minister when requested to do so either—

(a) within any time limit specified in the request; or

(b) if there is no time limit specified, within four weeks of the request.".

(8) Part II shall also have effect in such a case as if at the end of model clause 32 there were added the following paragraph—

"(4) The Licensee shall comply with any request for information made in accordance with paragraph (3) above either—

(a) within any time limit specified in the request; or

(b) if there is no time limit specified, within four weeks of the request.”.

(9) Part II shall also have effect in such a case as if for proviso (iv) to model clause 34 there were substituted the following proviso—

“(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 either—

(a) after the expiration of the period of five years beginning with the date when the data was due to be supplied to the Minister in accordance with clause 31 or 32 of this licence, or if earlier, the date when the Minister received that data; or

(b) 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.”.

(10) Part II shall also have effect in such a case as if for model clause 42(2)(g) there were substituted the following sub-paragraph—

“(g) if the Licensee is a company, the Licensee’s ceasing to direct and control either—

(i) its operations under the licence; or

(ii) any commercial activities in connection with those operations from a fixed place within the United Kingdom;”.

7. Where

(a) section 1 of the Petroleum Royalties (Relief Act) 1983(**89**) applies, or

(b) section 1 of the Petroleum Royalties (Relief) and Continental Shelf Act 1989(**90**) 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.

PART II

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(**91**);

“the Act of 1964” means the Continental Shelf Act 1964(**92**);

“the Act of 1998” means the Petroleum Act 1998(**93**);

“appropriate percentage” has the meaning assigned thereto by clause 10;

“block” means an area comprised in this licence which is delineated on the reference map deposited at the principal office of the Minister’s department and to which a reference number was assigned at the date of this licence;

“chargeable period” has the meaning assigned thereto by clause 10;

“development scheme” has the meaning assigned thereto by clause 28;

(**89**) 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).
(**90**) 1989 (c. 1) and modified by paragraph 8 of Schedule 3 to the Petroleum Act 1998 (c. 17).
(**91**) 1934 c. 36.
(**92**) 1964 c. 29.
(**93**) 1998 c. 17.

"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 and "second term" has the meaning assigned thereto by clause 4(4);

"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 Trade and Industry;

"oil field" has the meaning assigned thereto by clause 28;

"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;

"section" means a part of a block comprising an area bounded by minute lines of latitude and longitude one minute apart respectively;

"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.

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 six years next after 19 , (hereinafter called "the initial term"); but if the terms and conditions of this licence are duly performed and observed and, in particular, if the work programme described in Schedule 4 to this licence has been duly performed, it may be continued for a further term of twelve years as provided by clause 4 of this licence and, if the terms and conditions of this licence continue to be duly performed and observed, thereafter as provided by clause 5 (and subject to the provisions of clause 6) of this licence for a further maximum period of eighteen years.

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 7 thereof—

(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;

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 8 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 twelve years next after the surrender date ("the second term").

Continuance of licence after the second term

5.—(1) At any time not later than three months before the expiry of the second 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 this licence to continue in force thereafter.

(2) If such notice is given this licence shall continue in force after the expiry of the second term as provided by the following paragraphs of this clause in the event that before that date—

(a) the Minister has given a consent in pursuance of clause 17(1) of this licence and such consent is still in force at that date, or

(b) the Minister has in pursuance of clause 17(4) of this licence approved a programme submitted to him in pursuance of clause 17(2) and such approval is still in force at that date, or

(c) the Minister has served a programme on the Licensee in pursuance of clause 17(6) of this licence and such programme is still in force at that date, or

(d) the Minister has in his discretion so directed in writing.

(3) Where the Minister has given a direction extending the second term of this licence in pursuance of paragraph (2)(d) of this clause he may in his discretion, on notice in writing being given to him by the Licensee not later than three months before the expiry of such extension or any further extension that he desires the licence to continue in force thereafter, give a further direction that this licence shall so continue in force.

(4) Where this licence continues in force by virtue of paragraph (2)(a), (b) or (c) of this clause it shall, subject to the provisions of clause 3 of this licence, so continue in force for a further period of eighteen years after the expiry of the second term.

(5) Where this licence continues in force by virtue of a direction given in pursuance of paragraph (2)(d) or further direction given in pursuance of paragraph (3) of this clause it shall, subject to the provisions of clause 3 hereof, continue in force for such further period after the expiry of the second term as the Minister may prescribe provided that in any event the period for which this licence continues in force after the expiry of the second term by virtue of any such directions shall not in aggregate exceed eighteen years.

(6) A direction given by the Minister in pursuance of paragraph (2)(d) of this clause or further direction given by the Minister in pursuance of paragraph (3) of this clause may be given subject to such conditions as he may specify and (without prejudice to the generality of the foregoing) such

conditions may, subject to the provisions of paragraph (5) of this clause, include conditions as to the duration of the extension or further extension (as the case may be) of the second term.

Power further to extend term of licence

6. Where this licence has continued in force by virtue of clause 5 of this licence for a total period of eighteen years after the expiry of the second term, the Minister, on application being made to him in writing not later than three months before the expiry of such period, may in his discretion agree with the Licensee that this licence shall continue in force thereafter for such further period as the Minister and the Licensee may agree and subject to such modification of the terms and conditions of this licence (which modification may include making provision for any further extension of the term of this licence) as the Minister and the Licensee may then agree is appropriate.

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

7.—(1) Without prejudice to any obligation or liability imposed by or incurred under the terms hereof the Licensee may at any time by giving to the Minister not less than six months' notice in writing to that effect to expire on an anniversary of the date of commencement of the initial term, determine this licence or surrender any part of the licensed area being a part which complies with clause 8 hereof.

(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.

Areas surrendered

8.—(1) Within a block any area surrendered by the Licensee pursuant to either clause 4 or clause 7 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 on which any determination of this licence or any surrender of part of the licensed area in manner provided by any of clauses 4, 5 and 7 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.

Payment of consideration for licence

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

(a) payments of royalty in accordance with clauses 10 to 12 of this licence;

(b) deliveries of petroleum in accordance with clause 13 of this licence; and

(c) payments in accordance with Schedule 2 to this licence.

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

Royalty payments

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

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

(a) the value of the petroleum delivered (ignoring any such excess as is mentioned in paragraph (8) of this clause), and

(b) the value of the petroleum relating to that period,

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

(3) For the purposes of this clause and clauses 11 and 12 of this licence the value of the petroleum relating to a chargeable period is, subject to paragraph (4) of this clause, the total of the amounts which, if the words "one-half of" were omitted from paragraph (b) of subsection (4) and paragraph (d) of subsection (5) of section 2 of the Oil Taxation Act 1975(**94**), would in pursuance of paragraph (a) of the said subsection (4) fall to be taken into account in relation to that period in respect of the persons who by reference to this licence are or are treated as participators for the purposes of those subsections, reduced by the total of the market values which would in pursuance of the said paragraph (b) fall to be taken into account as aforesaid.

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

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

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

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

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

(**94**) 1975 c. 27; section 2(4) and (5) was amended by section 133 of, and Schedule 19 to, the Finance Act 1987 (c. 16) and section 236 of, and Schedule 23 to, the Finance Act 1994 (c. 9).

Payments by the Minister

11. If in any chargeable period the Licensee delivers to the Minister in pursuance of clause 13 of this licence petroleum having a value greater than the appropriate percentage of the aggregate of—

(a) the value of the petroleum delivered (ignoring any such excess as is mentioned in clause 10(8) of this licence), and

(b) the value of the petroleum relating to that period,

the Minister shall pay to the Licensee a sum equal to the difference.

Provisions supplementary to clauses 10 and 11

12.—(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 13 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(**95**) 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 10(1) of this licence, make to the Minister a payment on account of royalty for that period equal to the appropriate percentage of the sum produced by aggregating the amounts which in pursuance of sub-paragraph (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 10(2) 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 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 10 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

(**95**) Paragraph 2 was amended by section 62 of, and Part X of Schedule 16 to, the Finance Act 1987 (c. 16), section 187 of the Finance Act 1993 (c. 34) and section 236 of, and Schedule 23 to, the Finance Act 1994 (c. 9).

10 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 so 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 10 of this licence may during the period of 28 days beginning with the day on which the Licensee receives the notice be referred to arbitration in the manner provided by clause 43 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), (5) or (6) any amount already paid by the Licensee in pursuance of this clause.

(9) If a payment is made by the Minister in pursuance of clause 11 of this licence more than two months after the end of the chargeable period to which the payment relates, an amount in respect of interest on the payment from the end of those two months shall also be payable by him to the Licensee.

(10) Interest under paragraph (9) of this clause 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 sub-paragraph (a) of paragraph (8) of this clause shall apply to such a notice as it applies to a notice under paragraph (8)).

(11) In this clause "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.

(12) 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.

Deliveries of petroleum in place of royalties

13.—(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 representation 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 quantity greater than the appropriate percentage of all the petroleum, or as the case may be of all the petroleum of that kind, which is won and saved by the Licensee in the licensed area in that half year, but may provide that the quantities of the 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 neither a point at sea at which the Licensee

normally loads, nor a point on land at which the Licensee normally lands, petroleum of any kind from that area.

Measurement of petroleum obtained from the licensed area

14.—(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) If and to the extent that the Minister so directs, the duty imposed by paragraph (1) of this clause shall be discharged separately in relation to petroleum won and saved—

(a) from each part of the licensed area which is an oil field for the purposes of the Oil Taxation Act 1975,

(b) from each part of the licensed area which forms part of such an oil field extending beyond the licensed area, and

(c) from each well producing petroleum from a part of the licensed area which is not within such an oil field.

(3) If and to the extent that the Minister so directs, the preceding provisions of this clause shall apply as if the duty to measure or weigh petroleum included a duty to ascertain its quality or composition or both; and where a direction under this paragraph is in force, the following provisions of this clause shall have effect as if references to measuring or weighing included references to ascertaining quality or composition.

(4) The Licensee shall not make any alteration in the method or methods of measuring 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.

(5) 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 test or examination as the Minister may specify.

(6) 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 false or unjust 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

15.—(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

16.—(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 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 43 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 sub-paragraph (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 42 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.

Development and production programmes

17.—(1) The Licensee shall not—

(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 purpose 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 a programme which the Minister has approved 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,

the Licensee shall comply with the direction.

(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 in 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

(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 or served on him by the Minister in pursuance of this clause or, if such a programme is varied in pursuance of clause 18 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 18 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 17

18.—(1) A consent given by the Minister in pursuance of clause 17(1) of this licence 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 the preceding provisions of this paragraph, be limited to a period so specified.

(2) Where—

(a) the Minister gives notice in respect of a programme in pursuance of paragraph (4)(a) or (b) or paragraph (6) of clause 17 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 17(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 17(4)(c) of this licence,

the Minister may give to the Licensee, with the 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 17(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 notice 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 17 of this licence or this clause as to what is, is not 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 17(4)(b) of this licence or a consent 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 has been given in pursuance of paragraph (1) of clause 17 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 42 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 17 in connection with a different part of the licensed area.

(9) Where in consequence of any breach or non-observance by the Licensee of any provision of clause 17 of this licence the Minister has power by virtue of paragraph (1) of clause 42 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

19.—(1) The Licensee shall not commence or, after abandoning in 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 such condition under paragraph (1) of this clause relates to the position, depth or direction of the well, or to any casing of the well or if any condition under either paragraph (1) or paragraph (2) of this clause 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 person 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 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.

Distance of wells from boundaries of licensed area

20. 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

21.—(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, pipe-lines or other receptacles

22. 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, pipe-lines or other receptacles constructed for that purpose.

Avoidance of harmful methods of working

23.—(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 19 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 and 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 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 manner provided by clause 43 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 condition, 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; and subject to paragraph (5) of this clause that date must not be before the expiration of the period of two years 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 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

24.—(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

25. 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 with navigation or fishing in the waters of the licensed area or with the conservation of the living resources of the sea.

Training

27.—(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 Minister shall not give instructions in pursuance of paragraph (1) of this clause unless he has consulted as to the provisions proposed to be included in such instructions the Petroleum Industry Training Board or such other body of a like nature as may from time to time be carrying on activities of a substantially similar kind to those at present performed by the said Board.

(3) 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

28.—(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—

(a) the Act of 1934, or

(b) that Act as applied by the Act of 1964, or

(c) Part I of the Act of 1998,

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—

(a) the Act of 1934, or

(b) that Act as applied by the Act of 1964, or

(c) Part I of the Act of 1998,

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 43 of this licence.

(6) Any such development scheme or the award of any arbitrator in relation thereto shall have regard to any direction pursuant to clause 29 of this licence in force at the date of such scheme.

Directions as to oil fields across boundaries

29.—(1) Where the Minister is satisfied that any strata in the licensed area or any part thereof form part of an oil field, other parts whereof are in an area to which the Minister's powers to grant licences pursuant to Part I of the Act of 1998 do not apply, and the Minister is satisfied that it is expedient that the oil field should be worked and developed as a unit in co-operation by the Licensee and all other persons having an interest in any part of the oil field, the Minister may from time to time by notice in writing give to the Licensee such directions as the Minister may think fit, as to the manner in which the rights conferred by this licence shall be exercised.

(2) The Licensee shall observe and perform all such requirements in relation to the licensed area as may be specified in any such direction.

(3) Any such direction may add to, vary or revoke the provisions of a development scheme.

Disposal of petroleum

30.—(1) The Licensee shall ensure that all petroleum won and saved from the licensed area other than petroleum used therein for the purpose of carrying on drilling and production operations or pumping to field storage and refineries shall be delivered on shore in the United Kingdom unless the Minister gives notice of his consent in writing to delivery elsewhere, and in such case the Licensee shall ensure compliance with any conditions subject to which that consent is given.

(2) Any conditions imposed by the Minister on a consent under the foregoing paragraph may, without prejudice to the generality of the Minister's right to impose conditions of any nature, include provision—

(a) as to the place of delivery;

(b) as to the price to be obtained for the petroleum to which such consent relates;

(c) as to the time within which and the manner in which payment of the price is to be made; and

(d) requiring payment to be made to a person resident in the United Kingdom.

Licensee to keep records

31.—(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 and number 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

32.—(1) The Licensee shall furnish to the Minister three months from the date of this licence and at intervals of three months thereafter during the period in 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 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 such period of three months, 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

(e) a statement of all petroleum won and saved.

(2) Within two months after the end of each calendar year in which this licence is in force and within two months after the expiration or determination of this licence or any renewal thereof the Licensee shall furnish to the Minister an annual return in a form from time to time approved by the Minister of the operations conducted in the licensed area during that year or the period prior to such expiration or determination as the case may be together with a plan upon a scale approved by the Minister showing the situation of all wells. The Licensee shall also indicate on the said plan all development and other works executed by him in connection with searching, boring for or getting petroleum.

(3) The Licensee shall furnish the Minister with such information as the Minister may from time to time request about any aspect of 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.

(4) The functions of the Minister under paragraph (3) of this clause shall not only be exercisable by him but also be concurrently exerciseable by the Chancellor of the Exchequer.

Licensee to keep samples

33.—(1) As far as reasonably practicable the Licensee shall correctly label and preserve for reference for a period of five years samples of the sea bed and of the strata encountered in any well 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

34. 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 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.

35. 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 27(3) and 32(3) 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

36. Any person or persons authorised by the Minister shall be entitled at all reasonable times 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 purpose hereinafter mentioned—

(a) to examine the installations, wells, plant, appliances and works made or executed by the Licensee in pursuance of the 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

37. If the Licensee shall at any time fail to perform the obligations arising under the terms and conditions of any of clauses 14, 19, 22 and 23 of this licence, the Minister shall be entitled, after giving to the Licensee reasonable notice in writing of such his intention, 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

38. If and whenever any of the payments mentioned in clause 9(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 the power of distress and any other rights and remedies to which he would be entitled) enter 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 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 incident to any such distress and sale rendering the surplus (if any) to the Licensee.

Indemnity against third party claims

39. 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.

40. 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 assignment, etc.

41.—(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) An agreement permitting the carrying out of geological surveys by physical or chemical means in the licensed area otherwise than by drilling is not prohibited by paragraph (1) of this clause if the person by whom such surveys are to be carried out is—

(a) the holder of a licence granted by the Minister of the right, in common with all other persons to whom the like right may have been granted, to search for petroleum in respect of an area which would include the licensed area, but for a proviso therein excluding the exercise of such rights in the licensed area without the consent of the Licensee; or

(b) the holder of a licence granted by the Minister to search and bore for, and get, petroleum in an area adjacent to the licensed area;

and if the information intended to be obtained by such survey is reasonably necessary to enable that holder more efficiently to exercise the rights granted by the licence which he holds from the Minister.

(3) 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 in so far as it provides that, after any petroleum has been won and saved from the licensed area, it shall be exchanged for other petroleum.

(4) 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 (3) of this clause; and subsections (2) and (4) to (6) of section 416 of the Income and Corporation Taxes Act 1988(**96**) shall apply, for the purposes 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

(**96**) 1988 c. 1.

(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 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; or

(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 in so far 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

42.—(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 9(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 41(3) of this licence;

(i) any breach of clause 41(5) 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 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 41(4) 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

43.—(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 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 that scheme, as to his appointment, shall be appointed by the Lord Chief Justice of England for the time being.

SCHEDULE 10

CURRENT MODEL CLAUSES FOR SEAWARD PRODUCTION LICENCES DERIVING FROM SCHEDULE 4 TO THE PETROLEUM (PRODUCTION) (SEAWARD AREAS) REGULATIONS 1988 AS IT HAD EFFECT ON AND AFTER 16TH DECEMBER 1996

PART I

1. This Schedule has effect in relation to paragraph 21 of Schedule 1 to the Act (Schedule 4 to the Petroleum (Production) (Seaward Areas) Regulations 1988(**97**) as amended by the Offshore Safety Act 1992(**98**), the Petroleum (Production) (Seaward Areas) (Amendment) Regulations 1995(**99**) and the Petroleum (Production) (Seaward Areas) (Amendment) Regulations 1996(**100**)).

(**97**) S.I. 1988/1213.
(**98**) 1992 c. 15.
(**99**) S.I. 1995/1435.
(**100**) S.I. 1996/2946.

2. Subject to paragraphs 3 and 4, the current model clauses in relation to the said paragraph 21 are those reproduced in Part II.

3.—(1) Where the licensed area is in the Scottish area, as defined in article 1(2) of the Civil Jurisdiction (Offshore Activities) Order 1987(**101**), 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 38 (distress) there were substituted the following clause—

"**Diligence**

38. If and whenever any of the payments mentioned in clause 9(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 43 (arbitration)—

(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 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 43 (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.

PART II

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(**102**);

"the Act of 1964" means the Continental Shelf Act 1964(**103**);

(**101**) S.I. 1987/2197.
(**102**) 1934 c. 36.
(**103**) 1964 c. 29.

"the Act of 1998" means the Petroleum Act 1998(**104**);

"appropriate percentage" has the meaning assigned thereto by clause 10;

"block" means an area comprised in this licence which is delineated on the reference map deposited at the principal office of the Minister's department and to which a reference number was assigned at the date of this licence;

"chargeable period" has the meaning assigned thereto by clause 10;

"development scheme" has the meaning assigned thereto by clause 28;

"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" and "second term" have the meanings respectively assigned thereto by clause 3 and "third term" has the meaning assigned thereto by clause 4(4);

"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 Trade and Industry;

"oil field" has the meaning assigned thereto by clause 28;

"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;

"section" means a part of a block comprising an area bounded by minute lines of latitude and longitude one minute apart respectively;

"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.

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 three years next after 19 , (hereinafter called "the initial term"); but if the terms and conditions of this licence are duly performed and observed and, in particular, if the work programme described in Schedule 4 to this licence has been duly performed and the Licensee has submitted a programme for further exploration in accordance with clause 3A(1) of this licence, it may be continued for a further term of six years (hereinafter called the "second term"); and if the terms and conditions of this licence continue to be duly performed and observed and, in particular, if a programme for further exploration in the second term served or approved by the Minister or determined in consequence of a reference to arbitration in accordance with clause 3A(4) has been duly performed, it may be continued for a further term of fifteen years as provided by clause 4 of this licence; and, if the terms and conditions of this licence continue to be duly performed and observed, thereafter as provided by clause 5 (and subject to the provisions of clause 6) of this licence for a further maximum period of twenty-four years.

Option to continue licence into second term

3A.—(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

(**104**) 1998 c. 17.

the terms and conditions herein contained may submit to the Minister a programme for further exploration for petroleum in the second term.

(2) Any programme submitted in accordance with paragraph (1) above shall be such a programme for further exploration in the second term as any person, who, if he—

(a) were entitled to exploit the rights granted by this licence;

(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 second term.

(3) Within one month of receipt of a programme submitted in accordance with paragraph (1) above, the Minister shall serve a notice in writing on the Licensee either—

(a) if he is of the opinion that the programme submitted does not meet the requirements of paragraph (2) above (hereinafter called "the relevant requirements"), stating that that is his opinion and reasons for it; or

(b) stating that he approves the programme.

(4) Where notice in respect of a programme for further exploration is served upon the Licensee in pursuance of paragraph (3)(a) 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 43 of this licence, the question of whether the programme satisfies the relevant requirements; or

(b) with 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 sub-paragraph (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 such requirements.

(5) If the Licensee either—

(a) fails to perform the duty imposed on him by sub-paragraph (4)(b) above; or

(b) where he is required to submit a further programme following the conclusion of an arbitration, fails to submit a programme which satisfies the relevant requirements,

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 period to which the rejected programme related.

(6) The Licensee shall carry out during the second term any programme either—

(a) served upon him by the Minister in accordance with sub-paragraph (5) above; or

(b) submitted by him pursuant to this clause as to which either—

(i) the Minister serves a notice in writing on him stating that he approves the programme; or

(ii) 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 clause shall be deemed for the purposes of this licence to satisfy the relevant requirements.

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 second term the Licensee paying the payments and royalties hereinafter provided and observing and performing the terms and conditions herein contained, and having drilled at least one well in the area described in Schedule 1 to this licence on the date it was granted (hereinafter called "the initial licensed area"), 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 continuing part which, unless the Minister has otherwise agreed in writing before the date on which notice is given by the Licensee to the Minister in accordance with paragraph (1) above, shall be—

(i) one third of the initial licensed area or, if greater 120 sections, if the Licensee has since the grant of the licence drilled one well in the initial licensed area;

(ii) two thirds of the initial licensed area, or, if greater, 120 sections, if the Licensee has since the grant of the licence drilled two or more wells in the initial licensed area;

(b) specify a date (hereinafter called "the surrender date") not later than the expiry of the second 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 retained 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 fifteen years next after the surrender date ("the third term").

Continuance of licence after the third term

5.—(1) At any time not later than three months before the expiry of the third 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 this licence to continue in force thereafter.

(2) If such notice is given this licence shall continue in force after the expiry of the third term as provided by the following paragraphs of this clause in the event that before that date—

(a) the Minister has given a consent in pursuance of clause 17(1) of this licence and such consent is still in force at that date, or

(b) the Minister has in pursuance of clause 17(4) of this licence approved a programme submitted to him in pursuance of clause 17(2) and such approval is still in force at that date, or

(c) the Minister has served a programme on the Licensee in pursuance of clause 17(6) of this licence and such programme is still in force at that date, or

(d) the Minister has in his discretion so directed in writing.

(3) Where the Minister has given a direction extending the third term of this licence in pursuance of paragraph (2)(d) of this clause he may in his discretion, on notice in writing being given to him by the Licensee not later than three months before the expiry of such extension or any further extension that he desires the licence to continue in force thereafter, give a further direction that this licence shall so continue in force.

(4) Where this licence continues in force by virtue of paragraph (2)(a), (b) or (c) of this clause it shall, subject to the provisions of clause 3 of this licence, so continue in force for a further period of twenty-four years after the expiry of the third term.

(5) Where this licence continues in force by virtue of a direction given in pursuance of paragraph (2)(d) or further direction given in pursuance of paragraph (3) of this clause it shall, subject to the provisions of clause 3 hereof, continue in force for such further period after the expiry of the third term as the Minister may prescribe provided that in any event the period for which this licence continues in force after the expiry of the third term by virtue of any such directions shall not in aggregate exceed twenty-four years.

(6) A direction given by the Minister in pursuance of paragraph (2)(d) of this clause or further direction given by the Minister in pursuance of paragraph (3) of this clause may be given subject to such conditions as he may specify and (without prejudice to the generality of the foregoing) such conditions may, subject to the provisions of paragraph (5) of this clause, include conditions as to the duration of the extension or further extension (as the case may be) of the third term.

Power further to extend term of licence

6. Where this licence has continued in force by virtue of clause 5 of this licence for a total period of twenty-four years after the expiry of the third term, the Minister, on application being made to him in writing not later than three months before the expiry of such period, may in his discretion agree with the Licensee that this licence shall continue in force thereafter for such further period as the Minister and the Licensee may agree and subject to such modification of the terms and conditions of this licence (which modification may include making provision for any further extension of the term of this licence) as the Minister and the Licensee may then agree is appropriate.

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

7.—(1) Without prejudice to any obligation or liability imposed by or incurred under the terms hereof the Licensee may at any time by giving to the Minister not less than six months' notice in writing to that effect to expire on an anniversary of the date of commencement of the initial term, determine this licence or surrender any part of the licensed area being a part which complies with clause 8 hereof.

(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.

Areas surrendered

8.—(1) Within a block any area surrendered by the Licensee pursuant to either clause 4 or clause 7 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) 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 on which any determination of this licence or any surrender of part of the licensed area in manner provided by any of clauses 4, 5 and 7 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.

Payment of consideration for licence

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

(a) payments of royalty in accordance with clauses 10 to 12 of this licence; and

(c) payments in accordance with Schedule 2 to this licence.

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

Royalty payments

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

(3) For the purposes of this clause and clause 12 of this licence the value of the petroleum relating to a chargeable period is, subject to paragraph (4) of this clause, the total of the amounts which, if the words "one-half of" were omitted from paragraph (b) of subsection (4) and paragraph (d) of subsection (5) of section 2 of the Oil Taxation Act 1975(**105**), would in pursuance of paragraph (a) of the said subsection (4) fall to be taken into account in relation to that period in respect of the persons who by reference to this licence are or are treated as participators for the purposes of those subsections, reduced by the total of the market values which would in pursuance of the said paragraph (b) fall to be taken into account as aforesaid.

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

Provisions supplementary to clause 10

12.—(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

(c) the amounts of the prices and market values which are required by paragraph 2 of Schedule 2 to the Oil Taxation Act 1975(**106**) 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 10(1) of this licence, make to the Minister a payment on account of royalty for that period equal to the appropriate percentage of the sum produced by aggregating the amounts which in pursuance of sub-

(**105**) 1975 c. 27; section 2(4) and (5) was amended by section 133 of, and Schedule 19 to, the Finance Act 1987 (c. 16) and section 236 of, and Schedule 23 to, the Finance Act 1994 (c. 9).

(**106**) Paragraph 2 was amended by section 62 of, and Part X of Schedule 16 to, the Finance Act 1987 (c. 16), section 187 of the Finance Act 1993 (c. 34) and section 236 of, and Schedule 23 to, the Finance Act 1994 (c. 9).

paragraph (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.

(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 10 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 10 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 so 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 10 of this licence may during the period of 28 days beginning with the day on which the Licensee receives the notice be referred to arbitration in the manner provided by clause 43 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), (5) or (6) any amount already paid by the Licensee in pursuance of this clause.

(11) In this clause "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.

(12) 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.

Measurement of petroleum obtained from the licensed area

14.—(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) If and to the extent that the Minister so directs, the duty imposed by paragraph (1) of this clause shall be discharged separately in relation to petroleum won and saved—

(a) from each part of the licensed area which is an oil field for the purposes of the Oil Taxation Act 1975,

(b) from each part of the licensed area which forms part of such an oil field extending beyond the licensed area, and

(c) from each well producing petroleum from a part of the licensed area which is not within such an oil field.

(3) If and to the extent that the Minister so directs, the preceding provisions of this clause shall apply as if the duty to measure or weigh petroleum included a duty to ascertain its quality or composition or both; and where a direction under this paragraph is in force, the following provisions of this clause shall have effect as if references to measuring or weighing included references to ascertaining quality or composition.

(4) The Licensee shall not make any alteration in the method or methods of measuring 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.

(5) 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 test or examination as the Minister may specify.

(6) 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 false or unjust 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

15.—(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

16.—(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 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 third 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 43 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 sub-paragraph (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 42 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.

Development and production programmes

17.—(1) The Licensee shall not—

(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 purpose 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 a programme which the Minister has approved 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,

the Licensee shall comply with the direction.

(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

(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 or served on him by the Minister in pursuance of this clause or, if such a programme is varied in pursuance of clause 18 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 18 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 17

18.—(1) A consent given by the Minister in pursuance of clause 17(1) of this licence 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 the preceding provisions of this paragraph, be limited to a period so specified.

(2) Where—

(a) the Minister gives notice in respect of a programme in pursuance of paragraph (4)(a) or (b) or paragraph (6) of clause 17 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 17(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 17(4)(c) of this licence,

the Minister may give to the Licensee, with the 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 17(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 notice 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 17 of this licence or this clause as to what is, is not 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 17(4)(b) of this licence or a consent 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 has been given in pursuance of paragraph (1) of clause 17 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 42 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 17 in connection with a different part of the licensed area.

(9) Where in consequence of any breach or non-observance by the Licensee of any provision of clause 17 of this licence the Minister has power by virtue of paragraph (1) of clause 42 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

19.—(1) The Licensee shall not commence or, after abandoning in 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 such condition under paragraph (1) of this clause relates to the position, depth or direction of the well, or to any casing of the well or if any condition under either paragraph (1) or paragraph (2) of this clause 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 person 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 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.

Distance of wells from boundaries of licensed area

20. 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

21.—(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

22. 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, pipe-lines or other receptacles constructed for that purpose.

Avoidance of harmful methods of working

23.—(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 19 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 and 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 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 manner provided by clause 43 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 condition, 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; and subject to paragraph (5) of this clause that date must not be before the expiration of the period of two years 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 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

24.—(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

25. 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 with navigation or fishing in the waters of the licensed area or with the conservation of the living resources of the sea.

Training

27.—(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 Minister shall not give instructions in pursuance of paragraph (1) of this clause unless he has consulted as to the provisions proposed to be included in such instructions the Petroleum Industry Training Board or such other body of a like nature as may from time to time be carrying on activities of a substantially similar kind to those at present performed by the said Board.

(3) 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

28.—(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—

(a) the Act of 1934, or

(b) that Act as applied by the Act of 1964, or

(c) Part I of the Act of 1998,

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—

(a) the Act of 1934, or

(b) that Act as applied by the Act of 1964, or

(c) Part I of the Act of 1998,

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 43 of this licence.

(6) Any such development scheme or the award of any arbitrator in relation thereto shall have regard to any direction pursuant to clause 29 of this licence in force at the date of such scheme.

Directions as to oil fields across boundaries

29.—(1) Where the Minister is satisfied that any strata in the licensed area or any part thereof form part of an oil field, other parts whereof are in an area to which the Minister's powers to grant licences pursuant to Part I of the Act of 1998 do not apply, and the Minister is satisfied that it is expedient that the oil field should be worked and developed as a unit in co-operation by the Licensee and all other persons having an interest in any part of the oil field, the Minister may from time to time by notice in writing give to the Licensee such directions as the Minister may think fit, as to the manner in which the rights conferred by this licence shall be exercised.

(2) The Licensee shall observe and perform all such requirements in relation to the licensed area as may be specified in any such direction.

(3) Any such direction may add to, vary or revoke the provisions of a development scheme.

Licensee to keep records

31.—(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 and number 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 when requested to do so either—

(a) within any time limit specified in the request; or

(b) if there is no time limit specified, within four weeks of the request.

Returns

32.—(1) The Licensee shall furnish to the Minister three months from the date of this licence and at intervals of three months thereafter during the period in 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 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 such period of three months, 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

(e) a statement of all petroleum won and saved.

(2) Within two months after the end of each calendar year in which this licence is in force and within two months after the expiration or determination of this licence or any renewal thereof the Licensee shall furnish to the Minister an annual return in a form from time to time approved by the Minister of the operations conducted in the licensed area during that year or the period prior to such expiration or determination as the case may be together with a plan upon a scale approved by the Minister showing the situation of all wells. The Licensee shall also indicate on the said plan all development and other works executed by him in connection with searching, boring for or getting petroleum.

(3) The Licensee shall furnish the Minister with such information as the Minister may from time to time request about any aspect of 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.

(4) The Licensee shall comply with any request for information made in accordance with paragraph (3) about either—

(a) within any time limit specified in the request; or

(b) if there is no time limit specified, within four weeks of the request.

(5) The functions of the Minister under paragraph (3) above shall not only be exercisable by him but also be concurrently exerciseable by the Chancellor of the Exchequer.

Licensee to keep samples

33.—(1) As far as reasonably practicable the Licensee shall correctly label and preserve for reference for a period of five years samples of the sea bed and of the strata encountered in any well 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

34. 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 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 other such body shall be entitled to publish any of the specified data of a geological, scientific or technical kind either—

(a) after the expiration of the period of five years beginning with the date when the data was due to be supplied to the Minister in accordance with clause 31 or 32 of this licence, or if earlier, the date when the Minister received that data; or

(b) 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.

35. 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 27(3) and 32(3) 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

36. Any person or persons authorised by the Minister shall be entitled at all reasonable times 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 purpose hereinafter mentioned—

(a) to examine the installations, wells, plant, appliances and works made or executed by the Licensee in pursuance of the 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

37. If the Licensee shall at any time fail to perform the obligations arising under the terms and conditions of any of clauses 14, 19, 22 and 23 of this licence, the Minister shall be entitled, after giving to the Licensee reasonable notice in writing of such his intention, 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

38. If and whenever any of the payments mentioned in clause 9(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) enter 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 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 incident to any such distress and sale rendering the surplus (if any) to the Licensee.

Indemnity against third party claims

39. 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.

40. 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 assignment, etc.

41.—(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) An agreement permitting the carrying out of geological surveys by physical or chemical means in the licensed area otherwise than by drilling is not prohibited by paragraph (1) of this clause if the person by whom such surveys are to be carried out is—

(a) the holder of a licence granted by the Minister of the right, in common with all other persons to whom the like right may have been granted, to search for petroleum in respect of an area which would include the licensed area, but for a proviso therein excluding the exercise of such rights in the licensed area without the consent of the Licensee; or

(b) the holder of a licence granted by the Minister to search and bore for, and get, petroleum in an area adjacent to the licensed area;

and if the information intended to be obtained by such survey is reasonably necessary to enable that holder more efficiently to exercise the rights granted by the licence which he holds from the Minister.

(3) 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 in so far as it provides that, after any petroleum has been won and saved from the licensed area, it shall be exchanged for other petroleum.

(4) 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 (3) of this clause; and subsections (2) and (4) to (6) of section 416 of the Income and Corporation Taxes Act 1988(**107**) shall apply, for the purposes 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.

(5) 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; or

(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 in so far 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

42.—(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 9(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) if the Licensee is a company, the Licensee's ceasing to direct and control either—

(i) its operations under the licence; or

(**107**) 1988 c. 1.

(ii) any commercial activities in connection with those operations from a fixed place within the United Kingdom;

(h) any breach of a condition subject to which the Minister gave his approval in pursuance of clause 41(3) of this licence;

(i) any breach of clause 41(5) 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 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 41(4) 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

43.—(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 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 that scheme, as to his appointment, shall be appointed by the Lord Chief Justice of England for the time being.

SCHEDULE 11

CURRENT MODEL CLAUSES FOR SEAWARD EXPLORATION LICENCES DERIVING FROM SCHEDULE 5 TO THE PETROLEUM (PRODUCTION) (SEAWARD AREAS) REGULATIONS 1988 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 22 (Schedule 5 to the Petroleum (Production) (Seaward Areas) Regulations 1988(**108**)),

(b) paragraph 23 (Schedule 5 to the Petroleum (Production) (Seaward Areas) Regulations 1988 as amended by the Offshore Safety Act 1992(**109**)), and

(c) paragraph 24 (the said Schedule 5 as amended as aforesaid and further amended by the Petroleum (Production) (Seaward Areas) (Amendment) Regulations 1995(**110**)).

2. Subject to paragraph 3, the current model clauses in relation to the said paragraphs 22, 23 and 24 are those reproduced in Part II.

3.—(1) In relation to paragraph 24 of Schedule 1 to the Act, Part II shall have effect as provided in the following four sub-paragraphs.

(2) Part II shall have effect in such a case as if for model clause 12(3) there were substituted the following paragraph—

"(3) The Licensee shall deliver copies of the said records, plans and maps referred to in the two foregoing paragraphs to the Minister when requested to do so either—

(a) within any time limit specified in the request; or

(b) if there is no time limit specified, within four weeks of the request.".

(3) Part II shall also have effect in such a case as if at the end of model clause 13 there were added the following paragraph—

"(5) The Licensee shall comply with any request for information made in accordance with paragraph (3) above either—

(a) within any time limit specified in the request; or

(b) if there is no time limit specified, within four weeks of the request.".

(4) Part II shall also have effect in such a case as if for proviso (iv) to model clause 15 there were substituted the following proviso—

"(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 either

(a) after the expiration of the period of five years beginning with the date when the data was due to be supplied to the Minister in accordance with clause 12 or 13 of this licence, or if earlier, the date when the Minister received that data; or

(b) 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.".

(**108**) S.I. 1988/1213.
(**109**) 1992 c. 15.
(**110**) S.I. 1995/1435.

(5) Part II shall also have effect in such a case as if for model clause 21(2)(f) there were substituted the following sub-paragraph—

"(f) if the Licensee is a company, the Licensee's ceasing to direct and control either—

(i) its operations under the licence; or

(ii) any commercial activities in connection with those operations from a fixed place within the United Kingdom;".

PART II

Interpretation

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

"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 Trade and Industry;

"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.

Prospecting methods

3. The right to search for petroleum conferred by this licence shall include prospecting and carrying out geological surveys by physical or chemical means and drilling for the purpose of obtaining geological information about strata in the exploration area but shall not include any right to get petroleum or any right to drill wells for production of petroleum or any other well of a depth exceeding three hundred and fifty metres below the surface of the sea bed or such greater depth as the Minister may from time to time approve either generally or in relation to a particular well or in relation to a class of wells to which that well belongs.

Term of licence

4. This licence unless sooner determined under any of the provisions hereof shall be and continue in force for the term of three years from ... ... 19 ... ... , but may, if the Minister sees fit and the Licensee has at least three months before the expiry of the said term made a written request for its extension, be continued for a further period of three years.

Right of Licensee to determine licence

5. 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 by giving to the Minister not less than six months previous notice in writing to that effect.

Payment of consideration for licence

6.—(1) The Licensee shall pay to the Minister during the term of this licence the consideration for the grant of this licence specified in Schedule 1 to this licence at the times and in the manner so specified.

(2) The Licensee shall not by reason of determination of this licence or of any reduction in the exploration area be entitled to be repaid or allowed any part of any sum payable to the Minister pursuant to this licence.

Commencement, abandonment and plugging of wells

7.—(1) The Licensee shall not commence, or after abandoning in manner hereinafter provided shall not recommence, the drilling of a 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 except as provided in paragraphs (5) and (6) of this clause.

(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 such condition under paragraph (1) of this clause relates to the position, depth or direction of the well or to any casing of the well or any condition under either paragraph (1) or paragraph (2) of this clause 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) Where the Licensee's rights in any area cease for the time being to be exercisable, by reason of the grant of such a licence as is mentioned in the proviso to clause 2 of this licence or by reason of the ending of any such agreement as referred to in that proviso, the Licensee, unless the Minister otherwise determines, shall within one month after the date on which such rights cease to be exercisable plug any of the Licensee's wells in that area.

(6) All the Licensee's wells (other than wells to which the last foregoing paragraph applies) in the exploration area shall, unless the Minister otherwise determines, be plugged by the Licensee not less than one month nor more than three months before the expiry or determination of the Licensee's rights under this licence.

(7) 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.

Distance of wells from boundaries of exploration area

8. 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 exploration area.

Avoidance of harmful methods of working

9.—(1) The Licensee shall maintain all apparatus and appliances and all wells which have not been abandoned and plugged as provided by clause 7 of this licence in good repair and condition and shall execute all operations in or in connection with the exploration area in a proper and workmanlike manner in accordance with methods and practice of exploration customarily used in good oilfield practice and without prejudice to the generality of the foregoing provision the Licensee shall take all steps practicable in order—

(a) to prevent the escape or waste of petroleum discovered in the exploration area;

(b) to conserve the exploration area for productive operations;

(c) to prevent damage to 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 exploration 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 manner provided by clause 22 of this licence.

(3) 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.

Fishing and navigation

10. The Licensee shall not carry out any operations authorised by this licence in or about the exploration area in such manner as to interfere unjustifiably with navigation or fishing in the waters of the exploration area or with the conservation of the living resources of the sea.

Licensee to keep records

12.—(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 and number 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 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.

(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

13.—(1) The Licensee shall furnish to the Minister on or before the fifteenth day of each month in 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 exploration 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 assigned to each well, and in the case of any well the drilling of which was begun or the number of which was changed in that month, 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) Within two months after the end of each calendar year in which this licence is in force and within two months after the expiration or determination of this licence the Licensee shall furnish to the Minister an annual return in a form from time to time approved by the Minister of the operations conducted by him in the exploration area during that year or the period prior to such expiration or determination as the case may be together with a plan upon a scale approved by the Minister showing the situation of all wells. The Licensee shall also indicate on the said plan all works executed by him in connection with searching for petroleum.

(3) 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 exploration areas as the Minister may from time to time require.

(4) The functions of the Minister under paragraph (3) of this clause shall not only be exercisable by him but also be concurrently exercisable by the Chancellor of the Exchequer.

Licensee to keep samples

14.—(1) As far as reasonably practicable the Licensee shall correctly label and preserve for reference for a period of five years samples of the sea bed and of the strata encountered in any of the Licensee's wells in the exploration area and samples of any petroleum or water discovered in any such wells.

(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

15. 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 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.

Power to inspect records

16. 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.

Rights of access

17. Any person or persons authorised by the Minister shall be entitled at all reasonable times to enter into and upon any of the Licensee's installations and equipment used or to be used in connection with searching for petroleum in the exploration 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

18. If the Licensee shall at any time fail to perform the obligations arising under the terms and conditions of clause 7 or 9 of this licence then and in any such case the Minister shall be entitled, after giving to the Licensee reasonable notice in writing of such his intention, 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

19. 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

20. 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 such rights.

Power of revocation

21.—(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 consideration specified in Schedule 1 hereto 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;

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

Arbitration

22.—(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.

(2) The arbitration referred to in the foregoing paragraph shall be 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 for the time being:

Provided that if any such dispute, difference or question arises solely out of any act or omission taking place in the Scottish area, as defined in the Civil Jurisdiction (Offshore Activities) Order 1987(**111**), 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.

And provided further that if any such dispute, difference or question arises solely out of any act or omission taking place in the Northern Irish area, as defined in the Civil Jurisdiction (Offshore Activities) Order 1987, the arbitration referred to in the foregoing paragraph shall be 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 Northern Ireland for the time being.

(**111**) S.I. 1987/2197.

SCHEDULE 12

CURRENT MODEL CLAUSES FOR LANDWARD EXPLORATION LICENCES DERIVING FROM SCHEDULE 3 TO THE PETROLEUM (PRODUCTION) (LANDWARD AREAS) REGULATIONS 1991

PART I

1. This Schedule has effect in relation to paragraph 25 of Schedule 1 to the Act (Schedule 3 to the Petroleum (Production) (Landward Areas) Regulations 1991(**112**)).

2. Subject to paragraph 3, the current model clauses in relation to the said paragraph 25 are those reproduced in Part II.

3.—(1) Where the licensed area is in Scotland or in waters adjacent thereto, 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 29(2) (arbitration)—

(a) for the word "arbitrator" there were substituted the word "arbiter", and

(b) for the words "the Lord Chief Justice of England" there were substituted the words "the Lord President of the Court of Session".

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

PART II

Interpretation

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

"block" means an area delineated on the reference map deposited at the principal office of the Minister's department;

"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 Trade and Industry;

"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.

(**112**) S.I. 1991/981.

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 ... ... 19 ... .

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 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(**113**) or the Town and Country Planning (Scotland) Act 1997(**114**) 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 sub-paragraph (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.

(**113**) 1990 c. 8.
(**114**) 1997 c. 8.

(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.

(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 1997 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, 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 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.

(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 water; 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.

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

(c) the Minister serves 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(**115**) 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

(**115**) 1988 c. 1.

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, 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

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 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.

SCHEDULE 13

CURRENT MODEL CLAUSES FOR LANDWARD APPRAISAL LICENCES DERIVING FROM SCHEDULE 5 TO THE PETROLEUM (PRODUCTION) (LANDWARD AREAS) REGULATIONS 1991

PART I

1. This Schedule has effect in relation to paragraph 26 of Schedule 1 to the Act (Schedule 5 to the Petroleum (Production) (Landward Areas) Regulations 1991(**116**)).

2. The current model clauses in relation to the said paragraph 26 are those reproduced in Part II.

PART II

Interpretation

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

"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 Minister's department;

(**116**) S.I. 1991/981.

"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 Trade and Industry;

"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.

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 ... ... 19 ... ... (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—

(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(**117**), 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.

(**117**) 1975 c. 27; section 2(4) and (5) was amended by section 133 of, and Schedule 19 to, the Finance Act 1982 (c. 39), sections 61 and 62 of the Finance Act 1987 (c. 16) and section 236 of, and Schedule 23 to, the Finance Act 1994 (c. 9).

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(**118**) 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

(**118**) Paragraph 2 was amended by section 62 of, and Part X of Schedule 16 to, the Finance Act 1987 (c. 16), section 187 of the Finance Act 1993 (c. 34) and section 236 of, and Schedule 23 to, the Finance Act 1994 (c. 9).

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

(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.

(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 1997 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.

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 castings 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(**119**) 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.

(**119**) 1990 c. 8.

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.

(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.

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 Environmental 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 and 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.

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(**120**) 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.

(**120**) 1988 c. 1.

(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—

(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 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.

SCHEDULE 14

CURRENT MODEL CLAUSES FOR LANDWARD DEVELOPMENT LICENCES DERIVING FROM SCHEDULE 6 TO THE PETROLEUM (PRODUCTION) (LANDWARD AREAS) REGULATIONS 1991

PART I

1. This Schedule has effect in relation to paragraph 27 of Schedule 1 to the Act (Schedule 6 to the Petroleum (Production) (Landward Areas) Regulations 1991(**121**)).

2. The current model clauses in relation to the said paragraph 27 are those reproduced in Part II.

PART II

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(**122**);

"the Act of 1964" means the Continental Shelf Act 1964(**123**);

(**121**)S.I. 1991/981.
(**122**)1934 c. 36.
(**123**)1964 c. 29.

"the Act of 1998" means the Petroleum Act 1998(**124**);

"block" means an area delineated on the reference map deposited at the principal office of the Minister's department;

"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 the 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 Trade and Industry;

"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.

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 ... ... 19 ... ... 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.

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.

(**124**) 1998 c. 17.

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.

(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 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(**125**), 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;

"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(**126**) 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 sub-paragraph (c) of paragraph (1) of this clause are specified in the statement and reducing the aggregate

(**125**) 1975 c. 27; section 2(4) and (5) was amended by section 133 of, and Schedule 19 to, the Finance Act 1982 (c. 39), sections 61 and 62 of the Finance Act 1987 (c. 16) and section 236 of, and Schedule 23 to, the Finance Act 1994 (c. 9).

(**126**) Paragraph 2 was amended by section 62 of, and Part X of Schedule 16 to, the Finance Act 1987 (c. 16), section 187 of the Finance Act 1993 (c. 34) and section 236 of, and Schedule 23 to, the Finance Act 1994 (c. 9).

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.

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—

(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,

the licensee shall comply with the direction.

(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

(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 notice 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.

(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 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 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.

(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—

(a) the Act of 1934, or

(b) that Act as applied by the Act of 1964, or

(c) Part I of the Act of 1998,

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—

(a) the Act of 1934, or

(b) that Act as applied by the Act of 1964, or

(c) Part I of the Act of 1998,

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—

(a) the site of, number and names (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.

(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

(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.

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(**127**) 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 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;

(**127**) 1988 c. 1.

(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 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.