

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⁽¹⁾).

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⁽²⁾ applies, or

(b) section 1 of the Petroleum Royalties (Relief) and Continental Shelf Act 1989⁽³⁾ 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⁽⁴⁾;

“the Act of 1964” means the Continental Shelf Act 1964⁽⁵⁾;

“the Act of 1998” means the Petroleum Act 1998⁽⁶⁾;

“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;

“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;

(1) S.I.1966/898.

(2) 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).

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

(4) 1934 c. 36.

(5) 1964 c. 29.

(6) 1998 c. 17.

Status: This is the original version (as it was originally made).

“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(7) 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.

(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.

(7) 1975 c. 27.

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—

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- (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⁽⁸⁾, 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—

- (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

⁽⁸⁾ 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) 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(9) 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

(9) 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

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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 subparagraph (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.

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(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⁽¹⁰⁾ or the Town and Country Planning (Scotland) Act 1997⁽¹¹⁾ 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.

⁽¹⁰⁾ 1990 c. 8.

⁽¹¹⁾ 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;

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- (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

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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

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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.

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(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 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 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

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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 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.

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(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.