



Petroleum and Submarine Pipe-lines Act 1975

CHAPTER 74

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Petroleum and Submarine Pipe-lines Act 1975

CHAPTER 74

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ELIZABETH II



Petroleum and Submarine Pipe-lines Act 1975

1975 CHAPTER 74

An Act to establish the British National Oil Corporation and make provision with respect to the functions of the Corporation; to make further provision about licences to search for and get petroleum and about submarine pipe-lines and refineries; to authorise loans and guarantees in connection with the development of the petroleum resources of the United Kingdom and payments in respect of certain guarantees and loans by the Bank of England; and for purposes connected with the matters aforesaid. [12th November 1975]

BE IT ENACTED by the Queen's most Excellent Majesty, by and with the advice and consent of the Lords Spiritual and Temporal, and Commons, in this present Parliament assembled, and by the authority of the same, as follows:—

PART I

THE BRITISH NATIONAL OIL CORPORATION

Constitution

1.—(1) There shall be a body corporate, to be called the British National Oil Corporation (and hereafter in this Act referred to as “the Corporation”), which shall be constituted in accordance with the following provisions of this section.

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(2) The Corporation shall consist of not less than eight and not more than twenty persons appointed by the Secretary of State to be members of the Corporation from among persons appearing to him to have had wide experience of, and shown capacity in, activities connected with petroleum, other industrial, commercial or financial matters, administration or the organisation of workers.

(3) The Secretary of State—

(a) shall appoint one member to be the chairman of the Corporation ;

(b) may appoint another member or other members to be the deputy chairman or deputy chairmen of the Corporation ;

(c) shall ensure that two members are persons employed in the civil service of the State ;

(d) shall in appointing members have regard to the desirability of there being members who are familiar with the special requirements and circumstances of particular areas of the United Kingdom.

(4) The provisions of Schedule 1 to this Act shall have effect with respect to the Corporation.

(5) It is hereby declared that the Corporation is not to be regarded as a servant or (except in pursuance of an express provision in that behalf made by or under this Act) as an agent of the Crown or as enjoying any status, privilege or immunity of the Crown or (subject to section 9 of this Act) as exempt from any tax, duty, rate, levy or other charge whatsoever, whether general or local, and that its property is not to be regarded as property of or held on behalf of the Crown ; but nothing in this Act shall be construed as derogating from any privilege, immunity or exemption of the Crown in relation to any matter as respects which the Corporation acts as agent of the Crown by virtue of such an express provision as aforesaid.

1975 c. 24.

(6) In Part II of Schedule 1 to the House of Commons Disqualification Act 1975, after the entry relating to the British Gas Corporation there shall be inserted the words "The British National Oil Corporation"; and in Part II of Schedule 1 to the Northern Ireland Assembly Disqualification Act 1975, after the entry relating to the British Airways Board there shall be inserted the words aforesaid.

1975 c. 25.

General functions of the Corporation

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2.—(1) Subject to the following provisions of this Part of this Act, the Corporation shall have power— General powers.

- (a) to search for and get petroleum existing in its natural condition in strata in any part of the world ;
- (b) to move, store and treat petroleum and anything derived from it ;
- (c) to buy, sell and otherwise deal in petroleum and anything derived from it ;
- (d) to perform for any Minister of the Crown or Northern Ireland department such services connected with petroleum and anything derived from it as the Minister or department may request the Corporation to perform on his or its behalf ;
- (e) without prejudice to the generality of the preceding paragraph, to do anything required for the purpose of giving effect to agreements entered into by the Secretary of State with a view to securing participation by the Government of the United Kingdom, or by the Corporation or any other body on behalf of the Government, in activities connected with petroleum beneath controlled waters ;
- (f) to provide any person with advice or assistance of any kind, including research services and training facilities, as respects any matter in which the Corporation has skill or experience ;
- (g) to do anything which the Corporation considers is calculated to facilitate, or is conducive or incidental to, the performance of any of the Corporation's functions.

(2) Without prejudice to the generality of the powers conferred by the preceding subsection, those powers include in particular power—

- (a) to provide and operate pipe-lines, tanker-ships and refineries in connection with petroleum ;
- (b) to carry out research in connection with petroleum or anything derived from it and to promote activities for the purpose of turning to account the results of such research.

(3) It is hereby declared that the preceding provisions of this section relate only to the capacity of the Corporation as a body

PART I corporate and that nothing in those provisions authorises the Corporation to disregard any enactment or rule of law.

(4) The Corporation shall not, except with the consent of the Secretary of State and in accordance with any conditions specified in the instrument signifying his consent, exercise its powers—

- (a) to search for or get petroleum in any area outside Great Britain and controlled waters ;
- (b) to refine crude liquid petroleum or to treat, buy, sell or otherwise deal in anything derived from petroleum ;
- (c) to promote or participate in the formation of, or acquire or relinquish membership of or any interest in or security issued by, a body corporate ;
- (d) to borrow or lend money, to charge any of its actual or future assets or to guarantee the performance by another person of any obligation ;
- (e) to promote or oppose in Parliament any Bill or any order under the Private Legislation Procedure (Scotland) Act 1936 ;
- (f) to provide any person outside the United Kingdom with advice or assistance ;

1936 c. 52.

and the Secretary of State shall not give his consent for the exercise of any power mentioned in paragraph (c) or (d) of this subsection except with the approval of the Treasury.

General duties.

3.—(1) It shall be the duty of the Corporation, in formulating and carrying out plans for the general conduct of its undertaking and the undertakings of its subsidiaries, to act on lines settled from time to time by the Corporation with the approval of the Secretary of State.

(2) It shall be the duty of the Corporation to ensure that, where the Corporation proposes to engage to a substantial extent in an activity in which it is not currently engaged or to increase substantially the extent of any activity in which it is currently engaged, the Corporation gives notice of the proposal to the Secretary of State before carrying out the proposal.

(3) It shall be the duty of the Corporation to tender advice to the Secretary of State with respect to any matter connected

with petroleum as to which the Corporation considers it appropriate to provide advice for the Secretary of State or he requires the Corporation to give him advice.

PART I

(4) It shall be the duty of the Corporation, from time to time when the Corporation considers it appropriate or the Secretary of State so requires,—

- (a) to undertake a review of the affairs of the Corporation and its subsidiaries for the purpose of determining how the management of the activities of the Corporation and its subsidiaries can most efficiently be organised ; and
- (b) to make a report to the Secretary of State upon the Corporation's conclusions arising from the review.

(5) It shall be the duty of the Corporation, if so required by the Secretary of State, to undertake on behalf of the Crown such activities as the Secretary of State may specify with respect to—

- (a) any pipe-lines and any installations for the storage of petroleum which belong to or are held on behalf of the Crown ;
- (b) any petroleum belonging to or held on behalf of the Crown.

4.—(1) The Secretary of State may, after consultation with the Corporation, give to the Corporation such general or specific directions as the Secretary of State thinks fit. Directions by Secretary of State.

(2) Nothing in any provision of this Act, excluding the preceding subsection, which provides for the giving of a direction or notice to the Corporation by the Secretary of State or for the making in any form by the Secretary of State of a requirement relating to the Corporation shall be construed as prejudicing the generality of the preceding subsection.

Financial provisions

5.—(1) The Secretary of State may, by notice given to the Corporation, require the Corporation to perform such duties of a financial nature as are specified in the notice, and it shall be the duty of the Corporation to comply with the notice. financial duties.

PART I

(2) A notice in pursuance of this section shall not be given except with the approval of the Treasury and after consultation with the Corporation.

(3) A notice in pursuance of this section may—

- (a) specify different duties in respect of different activities of the Corporation ;
- (b) relate to a period beginning before the notice is given ;
- (c) contain such incidental and supplemental provisions as the Secretary of State considers appropriate ; and
- (d) be varied or revoked by a subsequent notice in pursuance of this section.

(4) The Secretary of State may, with a view to deciding whether to give a notice to the Corporation in pursuance of this section or what the terms of such a notice should be, require the Corporation to furnish him with proposals for expenditure by the Corporation or any of its subsidiaries which are prepared in such a form and by reference to such factors and for such periods as the Secretary of State may specify ; and it shall be the duty of the Corporation to comply with the requirement.

Borrowing
powers etc.

6.—(1) Any sum required by the Corporation for the purpose of performing its functions may be borrowed by the Corporation in sterling from the Secretary of State or, with the consent of or in accordance with a general authority given by the Secretary of State, in any currency from a person other than the Secretary of State.

(2) The Secretary of State shall not give consent or an authority in pursuance of the preceding subsection except with the approval of the Treasury.

(3) The aggregate amount outstanding at any time in respect of money borrowed temporarily by the Corporation and relevant subsidiaries shall not exceed such amount as is for the time being specified by the Secretary of State, and the aggregate amount outstanding at any time in respect of the principal of any money borrowed by the Corporation or relevant subsidiaries and the sums of which the repayment is guaranteed by the Corporation or relevant subsidiaries shall not exceed £600 million or such larger amount, not exceeding £900 million, as is for the time being specified by an order made by the Secretary of State.

(4) In calculating any amount outstanding for the purposes of the preceding subsection any money borrowed by the Corporation from a relevant subsidiary or by a relevant subsidiary from the Corporation or another relevant subsidiary shall be disregarded. PART I

7.—(1) The Secretary of State may, with the approval of the Treasury, lend to the Corporation any sums which the Corporation has power to borrow from the Secretary of State by virtue of the preceding section. Loans by Secretary of State.

(2) Any sum lent by the Secretary of State in pursuance of the preceding subsection shall be paid by him into the National Oil Account established by this Act.

(3) Any loan which the Secretary of State makes in pursuance of subsection (1) of this section shall be repaid to him at such times and by such methods, and interest on the loan shall be paid to him at such rates and at such times, as the Secretary of State may with the approval of the Treasury from time to time determine.

(4) The Treasury may issue out of the National Loans Fund to the Secretary of State such sums as are necessary to enable him to make loans in pursuance of subsection (1) of this section ; and any sums received by the Secretary of State in pursuance of the preceding subsection shall be paid into that Fund.

(5) It shall be the duty of the Secretary of State as respects each financial year—

(a) to prepare, in such form as the Treasury may direct, an account of sums issued to him in pursuance of the preceding subsection or received by him in pursuance of subsection (3) of this section in that year and of the disposal of the sums by him ; and

(b) to send the account to the Comptroller and Auditor General not later than the end of the month of November next following that year ;

and the Comptroller and Auditor General shall examine, certify and report on the account and shall lay copies of it and of his report on it before each House of Parliament.

8.—(1) The Treasury may guarantee, in such manner and on such conditions as they think fit, the repayment of the principal of and the payment of interest on any sums which the Corporation borrows from a person other than the Secretary of State. Guarantees.

PART I

(2) Immediately after a guarantee is given under this section the Treasury shall lay a statement of the guarantee before each House of Parliament; and where any sum is issued for fulfilling a guarantee so given the Treasury shall, as soon as possible after the end of each financial year (beginning with that in which the sum is issued and ending with that in which all liability in respect of the principal of the sum and in respect of interest thereon is finally discharged), lay before each House of Parliament a statement relating to that sum.

(3) Any sums required by the Treasury for fulfilling a guarantee under this section shall be paid out of the Consolidated Fund.

(4) If any sums are issued in fulfilment of a guarantee given under this section, the Corporation shall make to the Treasury, at such times and in such manner as the Treasury from time to time direct, payments of such amounts as the Treasury so direct in or towards repayment of the sums so issued and payments of interest, at such rate as the Treasury so direct, on what is outstanding for the time being in respect of sums so issued.

(5) Any sums received by the Treasury in pursuance of the preceding subsection shall be paid into the Consolidated Fund.

Exemption
from
petroleum
revenue tax
and stamp
duty.

9.—(1) Petroleum revenue tax shall not be payable by the Corporation or a relevant subsidiary.

(2) Stamp duty shall not be payable on any instrument as to which the Corporation certifies to the Commissioners of Inland Revenue that it was executed—

- (a) solely for the purpose of transferring property from a Minister of the Crown to the Corporation; or
- (b) solely for the purpose of transferring, in pursuance of a direction given by virtue of section 12(3) of this Act, property to the Corporation or any of its subsidiaries from the British Gas Corporation or any of its subsidiaries,

and shall not be payable on any instrument as to which the British Gas Corporation certifies to the said Commissioners that it was executed solely for the purpose of transferring, in pursuance of such a direction, property to the British Gas Corporation or any of its subsidiaries from the British National Oil Corporation or any of its subsidiaries.

(3) No such instrument as is mentioned in the preceding subsection shall be deemed to be duly stamped unless it is stamped with the duty to which it is liable apart from that

subsection or is stamped in accordance with section 12 of the Stamp Act 1891 with a particular stamp denoting that it is not chargeable with any duty or that it is duly stamped. PART I
1891 c. 39.

10.—(1) It shall be the duty of the Corporation—

Accounts
and audit.

- (a) to keep proper accounts and proper records in relation to the accounts ; and
- (b) to prepare in respect of each accounting year, in such form as the Secretary of State may specify with the approval of the Treasury, a statement of those accounts showing the state of affairs and, subject to the following subsection, the profit or loss of the Corporation and giving separate information with respect to, and showing as far as may be the financial and operating results of, each of the main activities of the Corporation.

(2) If the Secretary of State with the approval of the Treasury gives notice to the Corporation requiring it to prepare statements of accounts in accordance with this subsection, it shall be the duty of the Corporation to prepare, in respect of each accounting year during which the notice is in force and in the form specified in the notice, statements of the consolidated accounts of the group consisting of the Corporation and its subsidiaries, or, if the notice so requires, of the group consisting of the Corporation and any specified subsidiary or subsidiaries of the Corporation, showing—

- (a) the state of affairs and the profit or loss of the group in question ; and
- (b) the financial and operating results as far as may be of each of the main activities of the group in question ;

and a notice in pursuance of this subsection may provide that the statement of accounts to be prepared by the Corporation in pursuance of the preceding subsection in respect of any accounting year during which the notice is in force shall not be required to show the Corporation's profit or loss.

(3) If the Secretary of State with the approval of the Treasury gives notice to the Corporation requiring it to prepare statements of accounts in pursuance of this subsection, it shall be the duty of the Corporation to prepare, in respect of each accounting year while the notice is in force and in the form specified in the notice, statements of accounts showing—

- (a) the state of affairs and the profit or loss of such of the following as are specified in the notice, namely—
 - (i) a group consisting of such of the Corporation's subsidiaries as are so specified ; and

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(ii) each of the Corporation's subsidiaries so specified ; and

(b) if the notice so requires, the financial and operating results as far as may be of each of the main activities of the group or of each subsidiary in question.

(4) The accounts kept and the statements prepared in pursuance of the preceding provisions of this section shall be audited by auditors appointed annually by the Secretary of State ; and a person shall not be qualified to be so appointed unless he is a member of one or more of the following bodies—

the Institute of Chartered Accountants in England and Wales ;

the Institute of Chartered Accountants of Scotland ;

the Association of Certified Accountants ;

the Institute of Chartered Accountants in Ireland ;

any other body of accountants established in the United Kingdom and for the time being recognised for the purposes of section 161(1)(a) of the Companies Act 1948 by the Secretary of State ;

1948 c. 38.

but a Scottish firm may be so appointed if each of the partners is qualified to be so appointed.

(5) As soon as any accounts and statements have been audited in pursuance of the preceding subsection, the auditors shall send to the Secretary of State copies of the statements and any report made by the auditors on the accounts or statements and shall send to the Corporation a copy of any such report ; and it shall be the duty of the Secretary of State to lay before each House of Parliament a copy of every document received by him in pursuance of this subsection.

Miscellaneous

Provision by Corporation of information for Secretary of State.

11. It shall be the duty of the Corporation to provide the Secretary of State with such information as he may from time to time require with respect to the property, activities or proposed activities of the Corporation or any of its subsidiaries ; but a requirement in pursuance of this section shall not impose upon the Corporation the duty of providing the Secretary of State with information which the Corporation does not possess and cannot reasonably be expected to obtain.

12.—(1) If the Secretary of State gives to the Corporation and the British Gas Corporation notice requiring them to consider together the relevant activities specified in the notice with a view to determining the extent (if any) to which those activities can, in the national interest, best be carried on by one or both of the corporations or any of their subsidiaries, it shall be the duty of the corporations to comply with the notice and to make to the Secretary of State, before such date as he may specify after consulting the corporations, a report upon their conclusions in consequence of complying with the notice.

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Co-ordination
of activities of
Corporation
and British
Gas
Corporation
and their
subsidiaries.

(2) It shall be the duty of the Secretary of State to lay before each House of Parliament a copy of each report made in pursuance of the preceding subsection.

(3) The Secretary of State may, after considering any report made in pursuance of subsection (1) of this section and laying a copy of it before each House of Parliament and after consulting the said corporations about it, give to those corporations or either of them such directions as he considers appropriate with a view to securing that the arrangements which he considers are best in the national interest are made with respect to the activities in question; and, without prejudice to the operation of section 16(2) of this Act, it shall be the duty of the British Gas Corporation to comply with any directions given to it in pursuance of this subsection.

(4) In subsection (1) of this section "relevant activities" means any activities in which one of the said corporations or any of its subsidiaries and the other of those corporations or any of its subsidiaries are engaged or might in the opinion of the Secretary of State become engaged; and the power to give directions which is conferred by the preceding subsection is without prejudice to the generality of the power to give directions which is conferred by section 7 of the Gas Act 1972.

1972 c. 60.

13. On the day on which this section comes into force there shall by virtue of this section be transferred to and vest in the Corporation the interest of NCB (Coal Products) Limited in shares issued by National Coal Board (Exploration) Limited; and the first-mentioned company shall be entitled to receive from the Corporation a sum equal to the face value of those shares.

Transfer to
Corporation
of shares
of NCB
(Exploration)
Ltd.

14.—(1) It shall be the duty of the Corporation to ensure, so far as it is able to do so, that no person is appointed as a director of a subsidiary of the Corporation unless his appointment has been approved by the Secretary of State.

Control of
subsidiaries.

(2) It shall be the duty of the Corporation to ensure that a relevant subsidiary does not, except with the consent of the

PART I Secretary of State and in accordance with any conditions specified in the instrument signifying his consent,—

- (a) exercise any power corresponding to a power for the exercise of which the Corporation is required by virtue of subsection (4) of section 2 of this Act to obtain such consent ; or
- (b) issue any of its shares, stock or debentures to a person other than the Corporation ;

and the Secretary of State shall not give his consent in pursuance of this subsection in relation to a power corresponding to such a power as is mentioned in paragraph (c) or (d) of that subsection except with the approval of the Treasury.

(3) It shall be the duty of the Corporation to ensure that, where a relevant subsidiary proposes to engage to a substantial extent in an activity in which it is not currently engaged or to increase substantially the extent of any activity in which it is currently engaged, the subsidiary gives notice of the proposal to the Secretary of State before carrying out the proposal.

(4) It shall be the duty of the Corporation to ensure—

- (a) that no relevant subsidiary borrows money otherwise than from the Corporation or from another relevant subsidiary except with the consent of the Secretary of State given with the approval of the Treasury ; and
- (b) that all sums received by a relevant subsidiary from any source or standing to the credit of a relevant subsidiary in any bank account, except such sums as the Secretary of State specifies from time to time for the purposes of this paragraph with the approval of the Treasury, are paid into the National Oil Account.

**Annual
report.**

15.—(1) It shall be the duty of the Corporation to make to the Secretary of State, as soon as possible after the end of each accounting year, a report on the performance of its functions during that year.

(2) The report for any accounting year shall include—

- (a) such information as the Secretary of State may specify with respect to the plans and the past and present activities of the Corporation ;
- (b) particulars of any consents in pursuance of section 2(4), any directions in pursuance of section 4 and any notices in pursuance of section 5 of this Act which the Secretary of State has given during that year, except any

PART I

- particulars as to which he has given notice to the Corporation that in his opinion the publication of them would be contrary to the national interest or to the commercial interests of the Corporation or some other person ;
- (c) the text of any report made to the Secretary of State during that year in pursuance of section 3(4)(b) of this Act and a statement about changes in the management of the activities of the Corporation and its subsidiaries which have been or are to be made in consequence of the review to which the report relates ;
 - (d) a statement of the amount by way of petroleum revenue tax and the amount by way of corporation tax which the Corporation estimates would, but for section 9(1) of this Act, have been payable by the Corporation and relevant subsidiaries in respect of their profit for that year ;
 - (e) particulars of the remuneration paid by the Corporation to its members during that year.
- (3) The Secretary of State shall lay before each House of Parliament a copy of each report made to him in pursuance of this section.

16.—(1) Except where the context otherwise requires, in this Part of this Act the following expressions have the following meanings—

“ accounting year ” means the period of twelve months ending with the 31st March in any year except that—

(a) the first accounting year of the Corporation shall, if the Secretary of State so directs, be such period shorter or longer than twelve months (but not longer than two years) and ending on a 31st day of March as is specified in the direction ; and

(b) the Secretary of State may by order direct that for a reference in the preceding provisions of this definition to 31st March there shall be substituted a reference to 31st December ; and

“ petroleum ” means any of the following (other than coal) namely—

(a) mineral oil, natural gas and bituminous shales ;

(b) deposits not mentioned in the preceding paragraph from which oil can be extracted by destructive distillation ; and

(c) hydrocarbons which are related to mineral oil and are not mentioned in the preceding paragraphs.

PART I (2) It shall be the duty of the Corporation to comply with any directions given to it by the Secretary of State in pursuance of any provision of this Act.

1934 c. 36. (3) Section 5 of the Petroleum (Production) Act 1934 (which relates to accounts of receipts and expenditure under that Act) is hereby repealed.

PART II

PETROLEUM PRODUCTION LICENCES

Modification of model clauses for incorporation in petroleum production licences.

S.I. 1966/898.
S.I. 1971/814.

17.—(1) The model clauses set out in Schedule 4 to the Petroleum (Production) Regulations 1966 as amended by the Petroleum (Production) (Amendment) Regulations 1971 (which are clauses relating to production licences for seaward areas within the meaning of the regulations) shall have effect subject to the provisions of Part I of Schedule 2 to this Act; and in accordance with the preceding provisions of this subsection the said Schedule 4 shall have effect, after the coming into force of this subsection and the said Schedule 2, as set out in Part II of the said Schedule 2 (which reproduces the said Schedule 4 as further amended by the said Part I and with consequential adjustments in the numbering of the model clauses).

S.I. 1972/1522. (2) The model clauses set out in Schedule 3 to the Petroleum (Production) Regulations 1966 as amended by the Petroleum (Production) (Amendment) Regulations 1972 (which are clauses relating to production licences for landward areas within the meaning of the regulations) shall have effect subject to the provisions of Part I of Schedule 3 to this Act; and in accordance with the preceding provisions of this subsection Schedule 3 to the said Regulations of 1966 shall have effect, after the coming into force of this subsection and Schedule 3 to this Act, as set out in Part II of Schedule 3 to this Act (which reproduces Schedule 3 to the said Regulations as further amended by the said Part I and with consequential adjustments in the numbering and side-notes of the model clauses).

(3) It is hereby declared that the provisions of the Schedule 4 set out in Part II of Schedule 2 to this Act and the provisions of the Schedule 3 set out in Part II of Schedule 3 to this Act may be varied, revoked, modified or excluded as if those provisions were contained in regulations in force by virtue of section 6 of the Petroleum (Production) Act 1934.

- 18.—**(1) Each licence under the Petroleum (Production) Act 1934 incorporating—
- | | |
|---|---|
| | PART II |
| | Incorporation of modified model clauses into existing licences. |
| (a) model clauses set out in Schedule 2 to the Petroleum (Production) (Continental Shelf and Territorial Sea) Regulations 1964 (which relates to production licences for areas in controlled waters) ; or | 1934 c. 36.
S.I. 1964/708. |
| (b) model clauses set out in Schedule 4 to the Petroleum (Production) Regulations 1966 (which relates to production licences in seaward areas within the meaning of the regulations) ; or | S.I. 1966/898. |
| (c) model clauses set out in the said Schedule 4 as amended by the Petroleum (Production) (Amendment) Regulations 1971, | S.I. 1971/814. |

shall have effect, subject to subsections (3) and (4) of this section, as if in the place of those model clauses the licence incorporated all the clauses set out in Part II of Schedule 2 to this Act (which reproduces the model clauses mentioned in paragraph (c) of this subsection with the amendments of them made by Part I of Schedule 2 to this Act and with consequential adjustments in the numbering of the clauses).

(2) Each licence under the said Act of 1934 incorporating model clauses set out in Schedule 3 to the Petroleum (Production) Regulations 1966 (which relates to production licences for landward areas within the meaning of the regulations) shall have effect, subject to subsection (3) of this section, as if in the place of those model clauses the licence incorporated all the clauses set out in Part II of Schedule 3 to this Act (which reproduces the model clauses set out in Schedule 3 to the said Regulations of 1966 with the amendments of them made by the Petroleum (Production) (Amendment) Regulations 1972 and Part I of Schedule 3 to this Act and with consequential adjustments in the numbering and side-notes of the clauses).

(3) Clause 2 of the clauses set out in Part II of Schedule 2 to this Act or in Part II of Schedule 3 to this Act is excluded from the clauses incorporated in a licence by virtue of subsection (1) or subsection (2) of this section ; and—

- (a) clause 3 of the clauses incorporated in a licence by virtue of the said subsection (1) shall have effect as if it specified, as the date following which the term of the licence began, the date specified in clause 3 of the clauses replaced by virtue of that subsection ; and

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(b) nothing in the preceding subsection affects clauses 1 and 3 to 7 of the model clauses set out in Schedule 3 to the said Regulations of 1966 as incorporated in a licence granted before the passing of this Act.

1934 c. 36.

(4) A licence under the Petroleum (Production) Act 1934 incorporating some but not all of the model clauses mentioned in paragraph (c) of subsection (1) of this section shall have effect as if there were excluded from the model clauses set out in Part II of Schedule 2 to this Act such of those clauses as correspond to the clauses mentioned in the said paragraph (c) which immediately before the coming into force of that paragraph were not incorporated in the licence; and for the purposes of this subsection a clause mentioned in the said paragraph (c) is incorporated in a licence immediately before the coming into force of that paragraph if any of its provisions is then stated in the licence to be incorporated in the licence with or without modifications.

(5) It is hereby declared that—

- (a) any alteration of the model clauses set out in Part II of Schedule 2 or Part II of Schedule 3 to this Act which is made after the passing of this Act by virtue of section 6 of the said Act of 1934 does not affect any model clauses as incorporated in a licence by virtue of the preceding provisions of this section; and
- (b) any model clauses as incorporated in a licence by virtue of those provisions may be altered or deleted by an instrument under seal executed by the Secretary of State and the licensee.

Provisions
supplementary
to s. 18.

19.—(1) In Schedule 2 to each such licence as is mentioned in subsection (1) of the preceding section, sub-paragraphs (1) and (3) of paragraph 3 (which relate to royalties and are superseded by provisions included in Part I of Schedule 2 to this Act) shall cease to have effect; and in Schedule 2 to each such licence as is mentioned in subsection (2) of the preceding section, sub-paragraphs (1) and (3) to (5) of paragraph 2 (which relate to royalties and are superseded by provisions included in Part I of Schedule 3 to this Act) shall cease to have effect.

(2) Any information which the Commissioners of Inland Revenue possess in connection with petroleum won by virtue of a licence granted under the Petroleum (Production) Act 1934—

- (a) may be disclosed by the Commissioners to the Secretary of State, or to an officer of his who is authorised by him to receive such information, in connection with provisions of the licence relating to royalty payments; but

(b) shall not be disclosed by a person to whom it is disclosed in pursuance of this subsection except as authorised by the licence or to a person to whom it could have been disclosed in pursuance of the preceding paragraph or for the purposes of proceedings (which may be arbitration proceedings) in connection with the licence.

PART II

(3) Any act or omission which occurred at a time before a licence was altered by virtue of the preceding section shall not be treated as contravening the provisions of the licence as so altered or as authorising the revocation of the licence if at that time it did not contravene the provisions of the licence or authorise the revocation of it.

(4) Any reference in any document to provisions of a licence which is altered by virtue of the preceding section shall, except so far as the nature of the document or the context requires otherwise, be construed as a reference to the corresponding provisions of the licence as so altered.

(5) The issue of an authorisation within the meaning of Part III of this Act shall be deemed not to derogate from a licence.

(6) If, immediately before the date when clause 22 of the clauses set out in Part II of Schedule 2 or Part II of Schedule 3 to this Act is incorporated in a licence by virtue of the preceding section, a person is exercising in connection with the licence such a function as is mentioned in that clause, he shall be deemed to be approved on that date by the Secretary of State in pursuance of that clause as respects that function in connection with the licence.

(7) In subsections (3) to (6) of this section " a licence " means a licence for the time being in force by virtue of the Petroleum (Production) Act 1934.

1934 c. 36.

PART III

SUBMARINE PIPE-LINES

Construction and use of pipe-lines

20.—(1) No person shall—

(a) execute in, under or over any controlled waters any works for the construction of a pipe-line except works for the completion of a pipe-line of which the construction was begun before the coming into force of this subsection ; or

Control of construction and use of pipe-lines in territorial and continental-shelf waters.

PART III

(b) use a controlled pipe-line of which the construction was begun after the coming into force of this subsection,

unless he is authorised in writing by the Secretary of State to do so and the works are or the use is in accordance with the terms of the authorisation.

(2) In this Act—

“controlled pipe-line” means so much of any pipe-line as is in, under or over controlled waters ; and

“controlled waters” means the territorial sea adjacent to the United Kingdom and the sea in any designated area within the meaning of the Continental Shelf Act 1964.

1964 c. 29.

Authorisations
for pipe-lines.

21.—(1) The provisions of Part I of Schedule 4 to this Act shall have effect with respect to applications for and notice of works authorisations, and the provisions of Part II of that Schedule shall have effect with respect to notice of other authorisations.

(2) It shall be the duty of the Secretary of State not to issue an authorisation to a person other than a body corporate.

(3) Any authorisation in respect of a controlled pipe-line may contain such terms as the Secretary of State thinks appropriate including in particular, without prejudice to the generality of the preceding provisions of this subsection, terms as to—

- (a) the duration of the authorisation, including the method of ascertaining its duration ;
- (b) the persons or kinds of persons who are authorised to execute the works in question or to use the pipe-line or are so authorised if the Secretary of State consents to the execution of the works or the use of the pipe-line by them ;
- (c) in the case of a works authorisation, the route of the pipe-line, the boundaries within which any works may be executed in pursuance of the authorisation, the design and capacity of the pipe-line or of part of it and the steps to be taken to avoid or reduce interference by the pipe-line with fishing or with other activities connected with the sea or the sea bed or subsoil ;
- (d) the things authorised to be conveyed by the pipe-line ;
- (e) the steps to be taken for the purpose of ensuring that funds are available to discharge any liability for damage attributable to the release or escape of any thing from the pipe-line ;

- (f) the transactions relating to the pipe-line which are not to be entered into, and the other things relating to the pipe-line which are not to be done, without the consent of the Secretary of State ;
- (g) the persons who may be permitted to acquire an interest in the pipe-line and who may not be permitted to retain such an interest ;
- (h) the operation of the pipe-line, including the methods by which it is to be operated and the persons by whom it may be operated ;
- (i) the information to be furnished in respect of the pipe-line ; and
- (j) the giving by the Secretary of State, with respect to matters specified in the authorisation, of directions which shall have effect as terms of the authorisation.

PART III

(4) Except in a case where the Secretary of State considers that there are special circumstances by reason of which the duration of an authorisation should be limited, the terms as to its duration which are included in an authorisation shall provide for its duration to be unlimited unless the authorisation ceases to be in force by virtue of the following provisions of this Part of this Act.

(5) Where a works authorisation contains a term requiring that the capacity of the controlled pipe-line to which it relates or of any part of the pipe-line shall be greater than that proposed in the application for the authorisation or requiring that any of the route of the pipe-line shall be different from that so proposed then, subject to section 23(4) of this Act, the Secretary of State may serve on the holder of the authorisation, and on any other person who made representations to the Secretary of State that the capacity proposed as aforesaid should be greater or that any of the route so proposed should be different, a notice—

- (a) specifying the sums or the method of determining the sums which the Secretary of State considers should be paid to the holder by the other person for the purpose of defraying so much of the cost of constructing the pipe-line as is attributable to the term ;
- (b) requiring the other person to make, within a period specified in that behalf in the notice, arrangements which the Secretary of State considers are appropriate for the purpose of securing that those sums will be paid to the holder if he constructs the pipe-line or a relevant part of it in accordance with the term or satisfies the Secretary of State that he will so construct it ;

PART III

(c) providing that the holder may, if such arrangements are not made by the other person within that period, elect in the manner specified in the notice that—

(i) the term shall have effect with such modifications as are so specified with a view to eliminating the consequences of the representations of the other person, and

(ii) the provisions included in the notice by virtue of the following paragraph shall cease to have effect ; and

(d) authorising the holder, if he satisfies the Secretary of State that the pipe-line or a relevant part of it has been or will be constructed in accordance with the term, to recover those sums from the other person.

Compulsory
increases in
capacity etc of
pipe-lines.

22.—(1) If in the case of a controlled pipe-line it appears to the Secretary of State, on the application of a person other than the owner of the pipe-line—

(a) that the capacity of the pipe-line can and should be increased by modifying apparatus and works associated with the pipe-line ; or

(b) that the pipe-line can and should be modified by installing in it a junction through which a pipe may be connected to the pipe-line,

then, subject to subsection (5) of the following section, the Secretary of State may, after giving to the owner of the pipe-line an opportunity of being heard about the matter, serve on the owner and the applicant a notice—

(i) specifying the modifications connected with the pipe-line which the Secretary of State considers should be made in consequence of the application ;

(ii) specifying the sums or the method of determining the sums which the Secretary of State considers should be paid to the owner by the applicant for the purpose of defraying the cost of the modifications ;

(iii) requiring the applicant to make, within a period specified in that behalf in the notice, arrangements which the Secretary of State considers appropriate for the purpose of securing that those sums will be paid to the owner if he carries out the modifications or satisfies the Secretary of State that he will carry them out ;

- (iv) requiring the owner, if the applicant makes those arrangements within the period aforesaid, to carry out the modifications within a period specified in that behalf in the notice ; and
- (v) authorising the owner, if he satisfies the Secretary of State that he has carried out or will carry out the modifications, to recover those sums from the applicant.

(2) References in the preceding subsection to modifications include, in the case of modifications of any apparatus and works, references to changes in, substitutions for and additions to the apparatus and works.

(3) It is hereby declared that for the purposes of section 20(1) of this Act a notice in pursuance of this section requiring a person to carry out modifications authorises him to carry out the modifications ; but nothing in Schedule 4 to this Act shall apply to such a notice.

23.—(1) If a person applies to the Secretary of State for a notice in pursuance of this section which secures to the applicant a right to have conveyed, by a controlled pipe-line of which he is not the owner, quantities specified in the application of things which are of a kind so specified and which the pipe-line is designed to convey, it shall be the duty of the Secretary of State to consider the application and, before he considers it, to give to the owner of the pipe-line and the applicant—

Acquisition by persons of rights to use pipe-lines belonging to others.

- (a) notice that he proposes to consider it ; and
- (b) an opportunity, after the expiration of the period of twenty-one days beginning with the date of service of the notice, of being heard with respect to the application.

(2) Where after considering an application in pursuance of the preceding subsection the Secretary of State is satisfied that, if he served notice in accordance with the following subsection in consequence of the application, the pipe-line in question could be operated in accordance with the notice without prejudicing the efficient operation of it for the purpose of conveying, on behalf of its owner, the quantities which the owner requires or may reasonably be expected to require of the things which may be conveyed by it in pursuance of an authorisation (or, if no authorisation for the use of the pipe-line is required by section 20 of this Act, of the things which the pipe-line is designed to convey), the Secretary of State may serve such a notice on the owner and the applicant.

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(3) A notice served in pursuance of the preceding subsection may contain such provisions as the Secretary of State considers appropriate for all or any of the following purposes, namely—

- (a) for securing to the applicant, without prejudicing the efficient operation of the pipe-line for the purpose mentioned in the preceding subsection, the right to have conveyed by the pipe-line the quantities specified in the application of the things so specified ;
- (b) for securing that the exercise of the right is not prevented or impeded ;
- (c) for regulating the charges which may be made for the conveyance of things by virtue of the right ;
- (d) for securing to the applicant the right to have a pipe and apparatus of his connected to the pipe-line by the applicant or the owner ;

and such a notice may also authorise the owner to recover from the applicant payments by way of consideration for any such right of such amounts as may be specified in the notice or determined in accordance with provisions in that behalf contained in the notice.

(4) Where the Secretary of State proposes to serve a notice in pursuance of subsection (5) of section 21 of this Act on a person other than the holder of the relevant authorisation, it shall be his duty before doing so to give that person an opportunity of making an application in pursuance of subsection (1) of this section in respect of the proposed pipe-line to which the authorisation relates ; and subsections (1) to (3) of this section shall have effect in relation to such an application made by virtue of this subsection as if for references to a pipe-line and the owner of it there were substituted references to the proposed pipe-line and the proposed owner of it.

(5) Where the Secretary of State proposes to serve a notice in pursuance of subsection (1) of the preceding section on a person other than the owner of the relevant pipe-line, it shall be his duty before doing so to give that person particulars of the modifications which he proposes to specify in the notice and an opportunity of making an application in pursuance of subsection (1) of this section in respect of the pipe-line ; and subsections (1) to (3) of this section shall have effect in relation to such an application made by virtue of this subsection as if for references to a pipe-line there were substituted references to the pipe-line as it would be with those modifications.

(6) The use of a pipe-line by any person in accordance with a right secured to him by virtue of this section is not a contravention of section 20(1) of this Act; but a person to whom a right is so secured shall not be entitled to assign the right to any other person.

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24.—(1) An authorisation shall cease to be in force—

Termination of authorisations.

- (a) in the case of an authorisation which does not contain terms providing for its duration to be unlimited, on the expiration of the period of its duration as specified by or ascertained under the terms of the authorisation unless it has previously ceased to be in force by virtue of the following provisions of this subsection; or
- (b) if the holder and the Secretary of State agree in writing that the authorisation is to cease to be in force at a particular time during its currency, at that time; or
- (c) if the Secretary of State serves a notice on the holder in pursuance of—
 - (i) the duty imposed on the Secretary of State by the following subsection, or
 - (ii) the provisions of subsection (4) of this section,at the time specified in the notice.

(2) If it appears to the Secretary of State that the execution of works authorised by a works authorisation (disregarding the execution of any of the works which he considers should be disregarded for the purposes of this subsection) has not been begun at the expiration of—

- (a) the period of three years beginning with the date when the authorisation is expressed to come into force; or
- (b) such longer period beginning with that date as the Secretary of State has, on the application of the holder, specified in a notice served for the purposes of this paragraph on the holder during the said period of three years,

it shall be the duty of the Secretary of State to serve on the holder a notice stating that the authorisation is to cease to be in force at a time specified in the notice.

(3) The Secretary of State shall not serve notice in pursuance of an application made by virtue of paragraph (b) of the preceding subsection unless—

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(a) he is satisfied that notice of the application has been served on—

(i) the persons on whom, in pursuance of Schedule 4 to this Act, notice was served of the application in consequence of which the relevant authorisation was issued or on such of those persons as the Secretary of State considers appropriate in the circumstances, and

(ii) such other persons, if any, as he considers appropriate in the circumstances ; and

(b) he has considered any representations about the application made by virtue of the said paragraph (b) which were made to him in writing, during such a period as he considers reasonable, by any of the persons as to whom he is satisfied as mentioned in the preceding paragraph.

(4) If the Secretary of State is of opinion, after giving the holder of an authorisation an opportunity of making representations in writing to him about the matter and considering any such representations then made by the holder, that the holder—

(a) has contravened a term of the authorisation ; or

(b) has contravened any provision of a notice which, in pursuance of section 22 or 23 of this Act, was served on him in his capacity as the owner of the pipe-line or the proposed owner of the proposed pipe-line to which the authorisation relates,

the Secretary of State may serve on the holder a notice stating that the authorisation is to cease to be in force at a time specified in the notice ; but the Secretary of State shall not serve such a notice on the holder in consequence of a contravention if the Secretary of State considers that, having regard to the nature and consequences of the contravention and to any previous contravention, it would be unreasonable to terminate the authorisation in consequence of the contravention and that the holder has taken adequate steps to prevent similar contraventions in future.

(5) When an authorisation ceases to be in force it shall be the duty of the Secretary of State to publish in the London and Edinburgh and Belfast Gazettes, or in such of them as he considers appropriate, a notice stating that it has ceased to be in force.

25.—(1) When an authorisation ceases to be in force the controlled pipe-line to which it relates shall, by virtue of this subsection, be transferred to and vest in the Secretary of State free from encumbrances, except that nothing in this subsection prejudices—

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Vesting of
pipe-lines on
termination or
subsequent
issue of
authorisations.

- (a) any interest belonging to the Crown Estate or to Her Majesty in right of the Duchy of Lancaster or to the Duchy of Cornwall ; or
- (b) any right conferred by a notice served in respect of the pipe-line in pursuance of section 23 of this Act.

(2) Where the Secretary of State proposes to issue an authorisation to any person in respect of a pipe-line vested in the Secretary of State by virtue of the preceding subsection he may agree with that person, on terms which may include provision for the making of payments by that person to the Secretary of State, that the authorisation is to include a statement that this subsection applies to the authorisation ; and where an authorisation includes such a statement the pipe-line to which the authorisation relates shall, by virtue of this subsection and at the time specified in that behalf in the authorisation, be transferred to and vest in the holder of the authorisation subject to any interest or right then subsisting in respect of the pipe-line by virtue of paragraph (a) or (b) of the preceding subsection.

(3) It shall be the duty of the Secretary of State to pay into the National Oil Account any sums received by him by way of such payments as are mentioned in the preceding subsection.

Safety and inspection

26.—(1) The Secretary of State may by regulations make such provision as he considers appropriate for the purpose of securing the proper construction and safe operation of pipe-lines, preventing damage to pipe-lines and securing the safety, health and welfare of persons engaged on pipe-line works ; and, without prejudice to the generality of the preceding provisions of this subsection, regulations in pursuance of this subsection may include provision with respect to the use of any aircraft, vessel, vehicle, structure, plant, equipment or other thing for the purposes of any pipe-line works and with respect to the movement of and the precautions to be taken on or in connection with any of those things which are used for the purposes of any pipe-line works or are in the vicinity of a pipe-line or pipe-line works.

(2) In the preceding subsection “ pipe-line works ” means works of any of the following kinds, namely—

- (a) assembling or placing a pipe-line or length of pipe-line ;

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- (b) inspecting, testing, maintaining, adjusting, repairing, altering or renewing a pipe-line or length of pipe-line ;
- (c) changing the position of or dismantling or removing a pipe-line or length of pipe-line ;
- (d) opening the bed of the sea for the purposes of works mentioned in the preceding paragraphs, tunnelling or boring for those purposes and other works needed for or incidental to those purposes ;
- (e) works for the purpose of determining whether a place is suitable as part of the site of a proposed pipe-line, and the carrying out of surveying operations for the purpose of settling the route of a proposed pipe-line.

(3) References to a pipe-line in the preceding provisions of this section are to a controlled pipe-line but shall be construed as excluding—

(a) any pipe-line so far as it forms part of—

§ 1971 c. 61. (i) an offshore installation within the meaning of the Mineral Workings (Offshore Installations) Act 1971, or

(ii) such an other installation as is mentioned in section 44(1) of this Act, or

(iii) the equipment of a vessel or vehicle ; and

(b) any apparatus and works associated with a pipe or system of pipes and prescribed for the purposes of this paragraph.

Inspectors etc. **27.**—(1) The Secretary of State may appoint, as inspectors to assist him in the execution of this Part of this Act, such number of persons appearing to him to be qualified for the purpose as he considers appropriate from time to time ; and the Secretary of State may make, to or in respect of any person appointed in pursuance of this subsection, such payments by way of remuneration or otherwise as the Secretary of State determines with the approval of the Minister for the Civil Service.

(2) Provision may be made by regulations with respect to the powers and duties of inspectors appointed in pursuance of the preceding subsection and of any other persons acting on the directions of the Secretary of State in connection with the execution of this Part of this Act and with respect to the facilities to be accorded to such inspectors and other persons ; and, without prejudice to the generality of the power conferred by the preceding provisions of this subsection, regulations made in the exercise of that power may include provisions as to—

(a) powers to inspect pipe-lines ;

- (b) powers to enter upon premises, vessels and installations used or intended to be used in connection with a pipe-line or with activities relating to a pipe-line or a proposed pipe-line ;
- (c) powers to inspect and test equipment and, in special circumstances, to dismantle, test to destruction or take possession of articles of equipment ;
- (d) powers to require, in connection with the inspection of a pipe-line, the carrying out of procedures and the conduct of tests and, in special circumstances, the shutting down of the pipe-line or the discontinuance of the conveyance of things through the pipe-line ;
- (e) powers exercisable in case of immediate or apprehended danger ;
- (f) powers to require the conveyance of persons and things to and from, and the provision for persons of reasonable accommodation and means of subsistence while they are on or in transit to or from, any vessel or installation ;
- (g) duties of persons to keep and produce records and to furnish information.

(3) Provision may also be made by regulations with respect to the notification of and the holding of public inquiries into accidents connected with pipe-lines ; and, without prejudice to the generality of the power conferred by the preceding provisions of this subsection, regulations made in the exercise of that power may include provisions as to—

- (a) powers of entry and inspection for the purposes of an inquiry ;
- (b) powers for such purposes of summoning witnesses to give evidence or produce documents, of taking evidence on oath and of administering oaths or requiring the making of declarations ;
- (c) the making by the Secretary of State of payments to a person holding an inquiry, to any assessor appointed to assist him and to witnesses at an inquiry ;
- (d) the persons by whom and the manner in which the costs of an inquiry, including the remuneration of a person holding the inquiry, are to be defrayed.

(4) The provision as to costs in pursuance of paragraph (d) of the preceding subsection may include—

- (a) provision for the payment of any costs out of money provided by Parliament ;

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- (b) provision requiring any costs to be defrayed by any person who appears to the person holding the inquiry to be responsible in any degree for the accident in question by reason of any act or default of the first-mentioned person or of any servant or agent of his.
- (5) If an inquiry is held by virtue of subsection (3) of this section into an accident which causes the death of any person, no inquiry in respect of the death shall be held in pursuance of the Fatal Accidents Inquiry (Scotland) Act 1895 unless the Lord Advocate directs that such an inquiry is to be held in pursuance of that Act.
- 1895 c. 36.
- (6) References to a pipe-line in the preceding provisions of this section are to a controlled pipe-line.

Criminal and civil liability

- Enforcement. **28.**—(1) Any person who—
- (a) contravenes any provision of section 20(1) of this Act ;
or
- (b) contravenes any provision of a notice which, in pursuance of section 22 or 23 of this Act, was served on him in his capacity as the owner of the pipe-line or the proposed owner of the proposed pipe-line to which the notice relates in a case where no authorisation for the use of the pipe-line is required by section 20(1) of this Act ;
or
- (c) makes a statement which he knows is false in a material particular, or recklessly makes a statement which is false in a material particular, for the purpose of inducing the Secretary of State—
- (i) to issue any authorisation ; or
- (ii) to agree in pursuance of section 24(1)(b) of this Act that an authorisation is to cease to be in force ;
or
- (iii) to specify a period in pursuance of section 24(2)(b) of this Act ; or
- (iv) not to serve a notice in pursuance of section 24(4) of this Act,

shall be guilty of an offence and liable on summary conviction to a fine not exceeding £400 or on conviction on indictment to a fine.

(2) If a person executes any works in contravention of section 20(1) of this Act the Secretary of State may at any time serve on him a notice requiring him to comply with one or both of the following requirements, namely—

- (a) to remove such of the works as are specified in the notice as works to be removed ;
- (b) to take, in respect of such of the works as are specified in the notice as works which the Secretary of State considers are unsafe, such steps as are specified in the notice as steps which the Secretary of State considers are needed in order to make the works safe.

(3) It shall be the duty of the recipient of a notice in pursuance of the preceding subsection to comply with the notice within the period specified in that behalf in the notice ; and if he fails to perform that duty the Secretary of State may comply with the notice on his behalf and recover from him any expenses reasonably incurred in doing so.

(4) If a person executes any works in contravention of section 20(1) of this Act and the Secretary of State considers that it is urgently necessary to do such things in relation to the works as he could have required that person to do by a notice in pursuance of subsection (2) of this section, the Secretary of State may do those things and recover from that person any expenses reasonably incurred in doing so.

(5) The fact that any thing is done or omitted—

- (a) by the recipient of a notice served in pursuance of subsection (2) of this section for the purpose of complying with the notice ; or
- (b) by the Secretary of State in pursuance of subsection (3) or (4) of this section,

shall not relieve him from liability for any damage which is attributable to the act or omission and for which he would have been liable had the act or omission not been authorised by this section ; but the Secretary of State shall be entitled to recover from the person who executed the works in question the amount of any damages which, in consequence of the works, are paid by the Secretary of State by virtue of this subsection.

29.—(1) Proceedings for an offence under subsection (1) of Criminal the preceding section or created by regulations made by virtue of proceedings. this Part of this Act (hereafter in this section referred to as a “relevant offence”) may be taken, and the offence may for incidental purposes be treated as having been committed, in any place in the United Kingdom.

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(2) No proceedings shall be instituted in England and Wales or Northern Ireland for a relevant offence alleged to have been committed in, under or over controlled waters except—

- (a) in the case of proceedings in England and Wales, by or with the consent of the Director of Public Prosecutions ;
or
- (b) in the case of proceedings in Northern Ireland, by or with the consent of the Director of Public Prosecutions for Northern Ireland ; or
- (c) in any case, by the Secretary of State or a person authorised by him in that behalf.

(3) In proceedings for a relevant offence an averment in the information, complaint or indictment that anything was done or situated in, under or over controlled waters shall, unless the contrary is proved, be sufficient evidence of the matter stated in the averment.

(4) Where a relevant offence has been committed by a body corporate and is proved to have been committed with the consent or connivance of, or to be attributable to any neglect on the part of, a director, manager, secretary or other similar officer of the body corporate or any person who was purporting to act in any such capacity, he as well as the body corporate shall be guilty of that offence and shall be liable to be proceeded against and punished accordingly.

In this subsection “director”, in relation to a body corporate which—

- (a) is established by or under any enactment for the purpose of carrying on under public ownership any industry or part of an industry or undertaking ; and
- (b) is a body whose affairs are managed by its members, means a member of the body corporate.

(5) In any proceedings for—

- (a) an offence under subsection (1)(a) of the preceding section of executing works or using a pipe-line otherwise than in accordance with the terms of the relevant authorisation ; or
- (b) an offence under subsection (1)(b) of that section of contravening any provision of a notice,

it shall be a defence to prove that the accused used all due diligence to comply with those terms or, as the case may be, with that provision.

1878 c. 73.

(6) Section 3 of the Territorial Waters Jurisdiction Act 1878 (which relates to consents for prosecutions) shall not apply to any proceedings for a relevant offence.

30.—(1) Breach of a duty imposed on any person by a provision of regulations which are made in pursuance of this Part of this Act and which state that this subsection applies to such a breach shall be actionable so far, and only so far, as the breach causes personal injury; and references in section 1 of the Fatal Accidents Act 1846, as it applies in England, Wales and Northern Ireland, to a wrongful act, neglect or default shall include references to any such breach which is so actionable.

PART III
Civil liability
for breach of
statutory duty.

1846 c. 93.

(2) Nothing in the preceding subsection prejudices any action which lies apart from the provisions of that subsection.

(3) A defence to a charge which is available by virtue of section 32(3)(c) of this Act shall not be a defence in any civil proceedings which are brought either in pursuance of this section or otherwise.

(4) For the purposes of subsection (1) of this section any such regulations as are mentioned in that subsection shall bind the Crown, and references in those regulations to employees shall for those purposes include persons in the service of the Crown; but nothing in this subsection confers any right of action on a person as a member of the armed forces of the Crown or authorises proceedings against Her Majesty in her private capacity or in right of the Duchy of Lancaster or against the Duke of Cornwall.

(5) In subsection (1) of this section “personal injury” includes any disease, any impairment of a person’s physical or mental condition and any fatal injury.

Supplemental

31.—(1) A pipe-line of which no initial or terminal point is situated in the United Kingdom or controlled waters shall be disregarded for the purposes of this Part of this Act except this subsection and the following subsection.

Exclusion etc.
of application
of Part III.

(2) The Secretary of State may by order provide that provisions of this Part of this Act which are specified in the order shall apply, with such modifications as are so specified or without modification, to the whole or any part of such a pipe-line as is mentioned in the preceding subsection; but an order in pursuance of this subsection shall contain only such provisions as the Secretary of State considers are consistent with the jurisdiction which belongs to the United Kingdom under international law.

(3) Regulations may provide that prescribed provisions of this Part of this Act shall not apply to a pipe-line of a prescribed kind or shall not apply to such a pipe-line while any condition specified in the regulations is satisfied.

PART III
Regulations.

32.—(1) It shall be the duty of the Secretary of State, before he makes any regulations in pursuance of this Part of this Act, to consult such organisations in the United Kingdom as he considers are representative of persons who will be affected by the regulations.

(2) It shall be the duty of the Secretary of State, in making regulations in pursuance of section 26 or 27 of this Act, to have regard to the extent of the jurisdiction which belongs to the United Kingdom under international law.

(3) Any regulations in pursuance of this Part of this Act may provide—

(a) for the creation of offences which, subject to the following paragraph, are punishable on summary conviction by a fine not exceeding £400 and on conviction on indictment by imprisonment for a term not exceeding two years and a fine ;

(b) for the maximum punishment for an offence created by the regulations to be less than that authorised by the preceding paragraph and for such an offence to be punishable only on summary conviction ;

(c) for the matters which are to be a defence to a charge of an offence created by the regulations.

(4) Regulations in pursuance of this Part of this Act—

(a) may be limited so as to apply only in prescribed cases or may exclude prescribed cases from the application of the regulations ;

(b) may specify the conditions which must be satisfied in order that a case may be excluded from the application of the regulations and may provide for any exclusion to cease to operate in a case where the conditions are contravened ;

and the Secretary of State may, by directions given to such persons as he considers appropriate, provide for a case specified in the directions to be excluded from the application of any such regulations and specify the conditions which must be satisfied in order that the exclusion may take effect and provide for the exclusion to cease to operate if the conditions are contravened.

Interpretation
etc of Part III.

33.—(1) Except where the context otherwise requires, in this Part of this Act “ pipe-line ” means a pipe or system of pipes (excluding a drain or sewer) for the conveyance of any thing, together with any apparatus and works associated with such a pipe or system ; and for the purposes of this Part of this Act the

following apparatus and works and no other shall be treated as associated with such a pipe or system, namely— PART III

- (a) any apparatus for inducing or facilitating the flow of any thing through, or through a part of, the pipe or system ;
- (b) valves, valve chambers and similar works which are annexed to, or incorporated in the course of, the pipe or system ;
- (c) apparatus for supplying energy for the operation of any such apparatus or works as are mentioned in the preceding paragraphs ;
- (d) apparatus for the transmission of information for the operation of the pipe or system ;
- (e) apparatus for the cathodic protection of the pipe or system ; and
- (f) a structure used or to be used solely for the support of a part of the pipe or system.

(2) The Secretary of State may by order provide that a part of a pipe-line specified in the order shall be treated for the purposes of this Part of this Act, except this subsection, as a pipe-line.

(3) For the purposes of this Part of this Act “ owner ” in relation to a pipe-line, and “ proposed owner ” in relation to a proposed pipe-line, mean the person for the time being designated as the owner of the pipe-line, or as the case may be as the proposed owner of the proposed pipe-line, by an order made by the Secretary of State, and an order designating a person as the proposed owner of a proposed pipe-line may also contain provision for him to be designated as the owner of the pipe-line in question at a time determined by or under the order ; but it shall be the duty of the Secretary of State—

- (a) before designating a person in pursuance of this subsection, to give him an opportunity of being heard with respect to the matter ; and
- (b) if a person for the time being designated in pursuance of this subsection requests the Secretary of State in writing to cancel the designation, to consider the request and, if the Secretary of State considers it appropriate to do so, to give that person an opportunity of being heard in connection with the request.

(4) The Secretary of State may by order revoke any order made in pursuance of subsection (2) or (3) of this section.

(5) Except where the context otherwise requires, in this Part of this Act the following expressions have the following meanings—

“ authorisation ” means an authorisation required by section 20 of this Act ;

PART III

- “ construction ”, in relation to a pipe-line, includes placing, and cognate expressions shall be construed accordingly ;
- “ heard ” means heard on behalf of the Secretary of State by a person appointed by him for the purpose ;
- “ holder ”, in relation to an authorisation, means the person to whom the authorisation was issued ;
- “ pipe-line ”, in relation to an application for a works authorisation, means the proposed pipe-line in respect of which the application is made ; and
- “ works authorisation ” means an authorisation for works for the construction of a pipe-line or for such works and for the use of the pipe-line.

(6) For the purposes of this Part of this Act, works at any place in, under or over controlled waters for the purpose of determining whether the place is suitable as part of the site of a proposed pipe-line and the carrying out of surveying operations for the purpose of settling the route of a proposed pipe-line are not works for the construction of a pipe-line.

(7) Any reference in this Part of this Act to a contravention of a provision of that Part or of regulations made or directions given by virtue of that Part includes a reference to a failure to comply with that provision.

(8) Any reference in this Part of this Act, except this subsection, to that Part includes a reference to Schedule 4 to this Act.

(9) This Part of this Act, so far as it applies to individuals or bodies corporate, applies to them notwithstanding that they are not British subjects or, as the case may be, are not incorporated under the law of any part of the United Kingdom.

PART IV

REFINERIES

Control of
construction
and extension
of refineries.

34.—(1) No person shall execute any works for the construction of a controlled refinery or a controlled extension of a refinery or for converting plant into a controlled refinery, unless—

(a) he is authorised in writing by the Secretary of State to do so and the works are in accordance with the terms of the authorisation ; or

(b) the works are executed in accordance with planning permission in force in pursuance of the Town and Country Planning Act 1971 and granted (otherwise than by a development order within the meaning of that Act) either before the passing of this Act or in consequence of an application for such permission which was made before 7th December 1974.

1971 c. 78.

(2) In this Part of this Act—

PART IV

“ refinery ” means crude petroleum distillation plant which is designed for the treatment of crude liquid petroleum ;

“ controlled refinery ” means a refinery designed to be capable of treating more than one million tons a year of the kind of crude liquid petroleum which it is designed to treat ;

“ controlled extension ”, in relation to a refinery, means works designed to extend, adapt or be used in conjunction with the refinery, or to extend or adapt works so used, and to increase by more than half a million tons a year the quantity of crude liquid petroleum which the refinery apart from the works is capable of treating ; and

“ authorisation ” means an authorisation required by the preceding subsection ;

and for the purposes of this Part of this Act the quantity of crude liquid petroleum which any plant is or will be capable of treating shall be determined on the assumption that throughout every day the plant is or will be capable of being used to its maximum capacity and is or will be so used.

(3) The Secretary of State may by order provide that for any number of tons for the time being specified in the preceding subsection there shall be substituted another number specified in the order ; and the order may—

(a) without prejudice to the generality of section 46(1)(a) of this Act, contain such transitional provisions as the Secretary of State considers appropriate in consequence of any amendment of that subsection made by the order (including provision dispensing with authorisations in cases for which they would not be required apart from the order) ; and

(b) vary or revoke any previous order made in pursuance of this subsection.

35.—(1) It shall be the duty of the Secretary of State—

Authorisations to construct or extend refineries.

(a) to satisfy himself before he issues an authorisation that it is consistent with the national policy relating to petroleum to authorise the execution of the works in question ;

(b) not to issue an authorisation to a person other than a body corporate.

(2) An authorisation may contain such terms as the Secretary of State thinks appropriate including in particular, without

PART IV prejudice to the generality of the preceding provisions of this subsection, terms as to—

- (a) the duration of the authorisation, including the method of ascertaining its duration ;
- (b) the persons or kinds of persons who are authorised to execute the works in question or are so authorised if the Secretary of State consents to the execution of the works by them ;
- (c) the area in which the works may be executed ;
- (d) the conditions (which may include conditions requiring the execution of further works) which are to be satisfied before any works authorised by the authorisation are used ;

and the Secretary of State may, with the consent of the body to which an authorisation was issued, alter any of its terms at any time.

(3) Where an authorisation contains such conditions as are mentioned in paragraph (d) of the preceding subsection, no person shall, before the conditions are satisfied, use any works of which the execution was authorised by the authorisation except to the extent specified, in a notice given by the Secretary of State to the body to which the authorisation was issued, as the extent to which the works may be used notwithstanding that any of the conditions is not satisfied ; and the Secretary of State may at any time revoke such a notice by a further notice so given.

(4) Where an authorisation contains such conditions as are mentioned in the said paragraph (d), a notice given as aforesaid which states that such of them as are specified in the notice are satisfied shall be conclusive evidence for the purposes of this Part of this Act that, on and after the date on which the notice is given, the conditions so specified are satisfied.

(5) If it appears to the Secretary of State that since the issue of an authorisation there has been a change in the control of the body to which it was issued, it shall be his duty to give to that body a notice—

- (a) cancelling the authorisation at a time specified in the notice ; or
- (b) identifying the change and stating that he has decided not to cancel the authorisation in consequence of it ;
or
- (c) stating that he proposes to cancel the authorisation unless, before a time specified in the notice, such requirements as are so specified with respect to the control of that body are satisfied ;

and where it appears to the Secretary of State that any requirement specified in a notice served by virtue of paragraph (c) of this subsection is not satisfied at the time specified in the notice he may give to that body a further notice cancelling the authorisation at a time specified in the further notice.

PART IV

(6) There is a change in the control of a body to which an authorisation was issued whenever a person has control of that body who did not have control of it when the authorisation was issued; and subsections (2) and (4) to (6) of section 302 of the Income and Corporation Taxes Act 1970 shall apply, for the purpose of determining whether for the purposes of this subsection a person has or had control of such a body, with the following modifications—

1970 c. 10.

- (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 303(4) of that Act), a partner of his and a trustee of a settlement (as defined by section 454(3) of that Act) of which he is a beneficiary.

(7) If an authorisation contains such conditions as are mentioned in subsection (2)(d) of this section and, at the time when apart from this subsection the authorisation is cancelled or otherwise ceases to be in force, any works authorised by the authorisation have been executed and any of those conditions is not satisfied, the authorisation shall, so far only as it contains the unsatisfied conditions, continue in force until those conditions are satisfied.

36.—(1) An application made after the coming into force of this section for planning permission for works for the construction or extension of any refinery or for converting plant into a refinery shall be of no effect unless it is accompanied by—

Planning permission for works requiring authorisations.

- (a) a copy of an authorisation in force for all of those works in the area of the local planning authority for which an authorisation is required; or
- (b) a certificate signed by or on behalf of the applicant and stating that no authorisation is required for any of those works in that area.

PART IV

(2) Where at the time when this section comes into force—

- (a) an application for planning permission made after 6th December 1974 is pending or any appeal to the Secretary of State connected with such an application is pending or the time within which such an appeal may be begun has not expired ; and
- (b) if the application had been made after the coming into force of this section it would have been of no effect by virtue of the preceding subsection,

the application shall be of no effect, or as the case may be the appeal shall be stayed or not begun, until the authority to which the application was made is furnished with such a copy or certificate as is mentioned in that subsection in respect of the works to which the application relates.

(3) Where by virtue of the preceding subsection a prohibition imposed by that subsection on the beginning of an appeal ceases to be so imposed, the appeal may be begun during a period which begins with the cesser and is equal to so much of the time within which the appeal could have been begun apart from the prohibition as was unexpired when the prohibition was so imposed.

(4) In the preceding provisions of this section “ local planning authority ” and “ planning permission ” have the same meanings as in the Town and Country Planning Act 1971.

1971 c. 78.

Inspectors.

37.—(1) The Secretary of State may appoint, as inspectors to assist him in the execution of this Part of this Act, such number of persons appearing to him to be qualified for the purpose as he considers appropriate from time to time ; and the Secretary of State may make, to or in respect of any person appointed in pursuance of this subsection, such payments by way of remuneration or otherwise as the Secretary of State determines with the approval of the Minister for the Civil Service.

(2) An inspector appointed in pursuance of the preceding subsection may, at all reasonable times and on producing written evidence of his authority if required to do so,—

- (a) inspect any refinery and for that purpose enter on any land on or near which any part of the refinery is situated ;
- (b) without prejudice to the preceding paragraph, inspect any land on which a refinery is being provided and for that purpose enter on the land and any land near it ;
- (c) require any person having control of any refinery or land which the inspector is authorised to inspect or enter by virtue of either of the preceding paragraphs

to give the inspector such assistance and afford him such facilities as the inspector may reasonably ask for in connection with the powers conferred on him in relation to the refinery or land by either of those paragraphs ;

PART IV

- (d) require any body to which an authorisation for the time being in force has been issued to produce and permit the inspector to inspect any documents in that body's possession or control which relate to the issued share capital of that body ;
- (e) require any person to produce and permit the inspector to inspect any documents in that person's possession or control which relate to—
 - (i) any works for the provision or extension of a refinery, or
 - (ii) the use of any works at a time when a notice in pursuance of section 35(3) of this Act was in force in respect of them.

38.—(1) Any person who—

Offences.

- (a) contravenes any provision of section 34(1) or 35(3) of this Act ; or
- (b) makes a statement which he knows is false in a material particular or recklessly makes a statement which is false in a material particular—
 - (i) for the purpose of inducing the Secretary of State to issue or to alter or not to cancel an authorisation or to give a notice in pursuance of section 35(3) or (4) of this Act, or
 - (ii) in any document purporting to be such a certificate as is mentioned in section 36(1)(b) of this Act,

shall be guilty of an offence and liable on summary conviction to a fine not exceeding £400 or on conviction on indictment to a fine.

(2) Any person who—

- (a) wilfully obstructs an inspector appointed in pursuance of the preceding section in the exercise of the powers conferred on him by paragraph (a) or (b) of subsection (2) of that section ; or
- (b) without reasonable excuse fails to provide facilities or assistance or to produce or permit the inspection of any document which he is required to provide or produce in pursuance of any other paragraph of that subsection,

PART IV shall be guilty of an offence and liable on summary conviction to a fine not exceeding £400.

(3) Where an offence under any of the preceding provisions of this section has been committed by a body corporate and is proved to have been committed with the consent or connivance of, or to be attributable to any neglect on the part of, a director, manager, secretary or other similar officer of the body corporate or any person who was purporting to act in any such capacity, he as well as the body corporate shall be guilty of that offence and shall be liable to be proceeded against and punished accordingly.

In this subsection "director", in relation to a body corporate which—

(a) is established by or under any enactment for the purpose of carrying on under public ownership any industry or part of an industry or undertaking; and

(b) is a body whose affairs are managed by its members, means a member of the body corporate.

(4) No proceedings shall be instituted in England and Wales for an offence under any of the preceding provisions of this section except by or with the consent of the Director of Public Prosecutions or by the Secretary of State or a person authorised by him in that behalf.

Modifications
of Part IV for
Scotland and
Northern
Ireland.
1971 c. 78.
1972 c. 52.

39.—(1) This Part of this Act shall have effect in its application to Scotland with the following modifications, namely—

(a) in section 34(1)(b) for the words "Town and Country Planning Act 1971" there shall be substituted the words "Town and Country Planning (Scotland) Act 1972";

(b) in section 36(1)(a) for the words "area of the local" there shall be substituted the words "district of the";

(c) in section 36(2) for the word "stayed" there shall be substituted the word "sisted"; and

(d) for subsection (4) of section 36 there shall be substituted

"(4) In the preceding provisions of this section (4) In the preceding provisions of this section "planning authority" and "planning permission" have the same meanings as in the Town and Country Planning (Scotland) Act 1972.

(2) This Part of this Act shall have effect in its application to Northern Ireland with the following modifications, namely—

PART IV

- (a) for any reference to the Secretary of State there shall be substituted a reference to the Department of Commerce for Northern Ireland except in section 34(3), 36(2)(a) and 37 and in subsection (4) of section 38 so far as it relates to an offence under subsection (2) of that section and to an offence under subsection (3) of that section committed by reference to an offence under subsection (2) ;
- (b) in section 34(1)(b) for the words “ Town and Country Planning Act 1971 ” there shall be substituted the words “ Planning (Northern Ireland) Order 1972 ” and for the words “ that Act ” there shall be substituted the words “ that Order ” ;
- (c) in section 36(1) the words “ in the area of the local planning authority ” in paragraph (a) and the words “ in that area ” in paragraph (b) shall be omitted ;
- (d) in section 36(2) for the words “ Secretary of State ” there shall be substituted the words “ Planning Appeals Commission ” and for the words “ authority to which the application was made ” there shall be substituted the words “ Department of Housing, Local Government and Planning for Northern Ireland ” ;
- (e) in section 36(4) for the words from “ ‘ local planning authority ’ ” onwards there shall be substituted the words “ ‘ planning permission ’ has the same meaning as in the Planning (Northern Ireland) Order 1972 ” ;
- (f) in section 37(1) after the words “ assist him ” there shall be inserted the words “ and the Department of Commerce for Northern Ireland ” ;
- (g) in section 38(4) for the words “ England and Wales ” there shall be substituted the words “ Northern Ireland ” and after the word “ Prosecutions ” there shall be inserted the words “ for Northern Ireland ” .

PART V

MISCELLANEOUS AND GENERAL

Miscellaneous

40.—(1) There shall be an account, to be called the National Oil Account (and hereafter in this section referred to as “ the Oil Account ”), which subject to the following provisions of this section shall be under the control and management of the Secretary of State.

PART V

(2) There shall be paid into the Account, in addition to any sums required to be paid into it by virtue of any other provision of this Act,—

- 1934 c. 36.
- (a) all sums received by the Corporation from any source or standing to the credit of the Corporation in any bank account, except such sums as the Secretary of State specifies from time to time for the purposes of this paragraph with the approval of the Treasury ;
 - (b) all sums which, after the coming into force of this paragraph, are received by the Secretary of State by virtue of the Petroleum (Production) Act 1934 or from the sale of any petroleum delivered to him under the terms of a licence granted in pursuance of that Act ;
 - (c) all sums which are payable to the Corporation in respect of services performed by the Corporation for a Minister of the Crown or a Northern Ireland department.

(3) There shall be paid out of the Account, in addition to any sums required to be paid out of it by virtue of any other provision of this Act,—

- (a) such sums as the Secretary of State considers are needed to enable the Corporation and any relevant subsidiary to defray expenditure properly chargeable to revenue or capital account ;
- (b) any sums which, after the coming into force of this paragraph, are payable by the Secretary of State by reference to any licence granted in pursuance of the Petroleum (Production) Act 1934 ;
- (c) any sums which the Treasury direct are to be paid out of the Account to a Minister of the Crown or a Northern Ireland department in respect of the revenue accruing to the Minister or department in connection with such services as are mentioned in paragraph (c) of the preceding subsection ;

and when the Secretary of State considers and the Treasury agree that the amount standing to the credit of the Account exceeds the amount required for the purposes of the Account the Secretary of State shall pay the excess into the Consolidated Fund.

(4) It shall be the duty of the Secretary of State as respects the financial year ending on 31st March 1976 and each subsequent financial year—

- (a) to prepare, in such form as he may determine with the approval of the Treasury, an account of the sums paid into and out of the Account in that year ; and

- (b) to send a copy of the account to the Comptroller and Auditor General not later than the end of the month of November next following that year ;

PART V

and the Comptroller and Auditor General shall examine, certify and report on each account of which a copy is sent to him in pursuance of this subsection and shall lay copies of it and of his report on it before each House of Parliament.

41.—(1) The Secretary of State may by order make provision for the making by the Corporation, or by another person specified in the order, of payments to or in respect of persons who are or have been entitled to the benefit of licences granted in pursuance of the Petroleum (Production) Act 1934 and are parties to such agreements as are mentioned in section 2(1)(e) of this Act or similar participation agreements made with the Corporation or a relevant subsidiary ; and, without prejudice to the generality of the power conferred by the preceding provisions of this subsection, such an order may include provision for the making of payments—

Payments to petroleum licence holders etc from the Account.
1934 c. 36.

- (a) to the Secretary of State in settlement of any sums payable to him by such persons in pursuance of licences so granted ;
- (b) to the Commissioners of Inland Revenue in settlement of any sums payable by such persons by way of petroleum revenue tax, income tax or corporation tax.

(2) An order in pursuance of this section may be varied or revoked by a subsequent order in pursuance of this section.

(3) Where any person has paid to the Secretary of State a sum by way of royalty under the terms of a licence granted in pursuance of the Petroleum (Production) Act 1934, the Secretary of State may with the approval of the Treasury repay to him the whole or a part of that sum if the Secretary of State considers it expedient to do so for the purpose of facilitating or maintaining the development of the petroleum resources of the United Kingdom ; and any repayment and right to a repayment in pursuance of this subsection shall be disregarded for the purposes of income tax, corporation tax and petroleum revenue tax.

(4) Any sums required for making payments in pursuance of the preceding subsection or an order made by virtue of this section shall be paid by the Secretary of State out of the National Oil Account.

PART V
Loans etc to
promote
development
of United
Kingdom
petroleum
resources.

42.—(1) Where it appears to the Secretary of State expedient to do so for the purpose of facilitating or maintaining the development of the petroleum resources of the United Kingdom, he may with the approval of the Treasury—

- (a) make loans to an oil company on terms determined by him ; or
- (b) guarantee on such terms the repayment of the principal of and the payment of interest on loans made to an oil company by another person.

(2) Any sums required by the Secretary of State for the purposes of the preceding subsection shall be defrayed out of money provided by Parliament ; but the aggregate amount for the time being outstanding in respect of the principal of loans made in pursuance of that subsection shall not exceed £50 million and the aggregate amount of the principal sums in respect of which guarantees in pursuance of that subsection are for the time being in force and of the payments on account of principal sums which have been made by the Secretary of State under such guarantees and not recovered by him shall not exceed a further £600 million.

(3) Immediately after a loan is made or a guarantee is given in pursuance of subsection (1) of this section, the Secretary of State shall lay a statement relating to it before each House of Parliament ; and where any sum is issued for fulfilling a guarantee so given the Secretary of State shall, as soon as possible after the end of each financial year (beginning with that in which the sum is issued and ending with that in which all liability in respect of the principal of the sum and in respect of interest thereon is finally discharged), lay before each House of Parliament a statement relating to that sum.

(4) In subsection (1) of this section “ oil company ” means a body corporate which, in the opinion of the Secretary of State, has as its principal object—

- (a) the production or refining of petroleum or the production and refining of petroleum ; or
- (b) the supplying of petroleum in a case where any of its other objects is one of those mentioned in the preceding paragraph.

Payments in
respect of
Burmah Oil
Co. Ltd.

43. The Secretary of State may, out of money provided by Parliament, pay to the Bank of England (hereafter in this section referred to as “ the Bank ”) such sums, not exceeding in the aggregate £350 million, as may be needed, in pursuance of arrangements made between the Secretary of State and the

Bank, for the purpose of making good any losses sustained by the Bank in consequence of guarantees given by the Bank in respect of loans to the Burmah Oil Company Limited or any of that Company's subsidiaries or in consequence of loans made by the Bank to that Company or any of its subsidiaries.

PART V

44.—(1) The Mineral Workings (Offshore Installations) Act 1971, except section 1, shall have effect as if any reference to an offshore installation within the meaning of that Act included a reference to any other installation, whether floating or not, which—

Extension of Mineral Workings (Offshore Installations) Act 1971.

- (a) is maintained or intended to be established, in controlled waters or waters in the United Kingdom, for use in connection with the conveyance of things by means of a pipe constructed in or under the sea ; and
- (b) is, or when established will be, capable of being manned by one or more persons ;

1971 c. 61.

and in relation to any such other installation subsection (4) of section 3 of that Act (which includes the concession owner among the persons having the duty to ensure that regulations under that section relating to an installation are complied with) shall have effect as if references to the concession owner were omitted.

(2) In relation to any such offshore installation which comprises only apparatus or works which are associated with a pipe or system of pipes for the purposes of Part III of this Act and are capable of being manned by one or more persons, the said subsection (4) shall have effect as if references to the concession owner were omitted except, in a case where the concession owner has the right to exploit the mineral resources in the area in which the installation is situated, in relation to minerals from those resources which are included among the things in connection with the conveyance of which the installation is or was or will be for use.

(3) At the end of section 12(3) of the said Act of 1971 (which provides that references in that Act to an offshore installation do not include an installation which at the relevant time consists exclusively of a pipe-line) there shall be inserted the words " and do not include any apparatus and works which are treated as associated with a pipe or system of pipes in pursuance of section 33(1) of the Petroleum and Submarine Pipe-lines Act 1975 and are at the relevant time incapable of being manned by one or more persons "

(4) Provision may be made by regulations as to what things are, for the purposes of subsection (1) or (2) of this section or any provision of section 12 of the said Act of 1971 as amended by this section, capable or incapable of being manned by one or more persons.

PART V

(5) It is hereby declared that the powers to make regulations conferred by section 6 of the said Act of 1971 include power to make regulations—

- (a) providing for an inspector appointed in pursuance of that section to enter upon any premises or vessel used or intended to be used in connection with an offshore installation within the meaning of that Act and to inspect the premises or vessel and anything on the premises or vessel which is used or intended to be used as aforesaid ; and
- (b) requiring the payment of fees in connection with any examination or test required by regulations under that section and of fees for the issue of certificates in pursuance of regulations under that section.

General

Amendments
of enactments.
1964 c. 29.

45.—(1) It is hereby declared that the reference to pipe-lines under the high seas in section 8(1) of the Continental Shelf Act 1964 (which among other things relates to the punishment of persons who damage such pipe-lines) includes pipe-lines under the territorial sea adjacent to the United Kingdom.

1971 c. 60.

(2) In section 23 of the Prevention of Oil Pollution Act 1971 (which among other things authorises the Secretary of State to exempt vessels from provisions of that Act) the words “ any vessels or classes of vessels ” shall be omitted and at the end of the section there shall be inserted the words “ —

- (a) any vessels or classes of vessels ;
- (b) any discharge of, or of a mixture containing, crude oil produced as a result of operations for the exploration of the sea-bed and subsoil or the exploitation of their natural resources in a case where the discharge occurs in the course of such operations or is from a pipe-line or a place on land.”

1974 c. 20.

(3) Nothing in the Dumping at Sea Act 1974 shall apply to anything done—

- (a) for the purpose of constructing or maintaining a pipe-line as respects any part of which an authorisation (within the meaning of Part III of this Act) is in force ;
or
- (b) for the purpose of establishing or maintaining an offshore installation within the meaning of the Mineral Workings (Offshore Installations) Act 1971 or any such other installation as is mentioned in section 44(1) of this Act.

1971 c. 61.

46.—(1) Any power conferred by this Act to make an order or regulations—

PART V
Orders and regulations.

(a) includes power to make different provision by the order or regulations for different circumstances and to include in the order or regulations such incidental, supplemental and transitional provisions (including, in the case of regulations, provisions for the payment of fees in respect of consents and certificates required by the regulations) as the Secretary of State considers appropriate in connection with the order or regulations ; and

(b) shall be exercisable by statutory instrument ;

and any statutory instrument made by virtue of this subsection, except an instrument containing only an order made by virtue of section 6(3), 33(2), (3) or (4) or 49(2) of this Act, shall be subject to annulment in pursuance of a resolution of either House of Parliament.

(2) No order shall be made in pursuance of section 6(3) of this Act unless a draft of the order has been approved by a resolution of the House of Commons.

47. Any administrative expenses of the Secretary of State or a government department which are attributable to this Act shall be defrayed out of money provided by Parliament.

Expenses.

48.—(1) In this Act—

Interpretation
etc—general.

“ controlled pipe-line ” and “ controlled waters ” have the meanings assigned to them by section 20(2) of this Act ;

“ the Corporation ” has the meaning assigned to it by section 1(1) of this Act ;

“ enactment ” includes an enactment of the Parliament of Northern Ireland or of the Northern Ireland Assembly ;

“ functions ” includes powers and duties ;

“ notice ” means notice in writing ;

“ prescribed ” means prescribed by regulations ;

“ regulations ” means regulations made by the Secretary of State ;

“ relevant subsidiary ” means a wholly owned subsidiary of the Corporation ; and

“ subsidiary ” shall be construed in accordance with section 154 of the Companies Act 1948 or section 148 of the 1948 c. 38. Companies Act (Northern Ireland) 1960 and “ wholly owned subsidiary ” shall be construed in accordance (N.I.).

- PART V with section 150(4) of the said Act of 1948 or section 144(5) of the said Act of 1960.
- 1962 c. 58. (2) Subsections (1) to (3) of section 49 of the Pipe-lines Act 1962 (which relates to the service of documents in pursuance of that Act) shall have effect as if references to that Act included references to this Act and as if after the words "arrangements agreed" in subsection (3) there were inserted the words "or in accordance with regulations made by virtue of the Petroleum and Submarine Pipe-lines Act 1975"; and in the application of this subsection to Northern Ireland the said subsections (1) to (3) shall have effect as if they extended to Northern Ireland.
- 1889 c. 63. (3) Except so far as this Act expressly provides otherwise and subject to the provisions of section 33 of the Interpretation Act 1889 (which relates to offences under two or more laws), nothing in this Act—
- (a) confers a right of action in any civil proceedings (other than proceedings for the recovery of a fine) in respect of any contravention of this Act or an instrument made in pursuance of this Act;
 - (b) affects any restriction imposed by or under any other enactment, whether public, local or private; or
 - (c) derogates from any right of action or other remedy (whether civil or criminal) in proceedings instituted otherwise than under this Act.
- (4) References in this Act to any enactment are references to it as amended by or under any other enactment.
- 1934 c. 36. (5) Without prejudice to the generality of the preceding subsection, references in this Act to licences granted under the Petroleum (Production) Act 1934 include references to licences granted under section 2 of that Act as applied by section 1(3) of the Continental Shelf Act 1964; but nothing in this Act affects the extent of the said Act of 1934.
- 1964 c. 29.
- Short title, commencement and extent. **49.**—(1) This Act may be cited as the Petroleum and Submarine Pipe-lines Act 1975.
- (2) This Act shall come into force on such day as the Secretary of State may by order appoint; and, without prejudice to the generality of section 46(1)(a) of this Act, different days may be appointed in pursuance of this subsection for different provisions of this Act and for such different purposes of the same provision as may be specified in the order.

(3) This Act, except Part II and Schedules 2 and 3, extends to Northern Ireland and the following provisions of this Act extend to controlled waters and places above and below those waters, namely,—

PART V

- (a) Parts II and III and Schedules 2 and 3 ;
- (b) sections 44 and 45 ; and
- (c) sections 46 and 48 and this section so far as they relate to any provision mentioned in paragraph (a) or (b) of this subsection.

SCHEDULES

Section 1(4).

SCHEDULE 1

ADDITIONAL PROVISIONS RELATING TO CONSTITUTION ETC OF
BRITISH NATIONAL OIL CORPORATION*Appointment and tenure of members*

1. Provision may be made by regulations with respect to the appointment of members and the tenure of office as the chairman, a deputy chairman and a member.

Remuneration etc. of members

2. The Corporation shall—

(a) pay to each member, except an official member, such remuneration and expenses as the Secretary of State may determine with the consent of the Minister for the Civil Service ;

(b) reimburse to each official member any expenses incurred by him in carrying out his functions as a member.

3.—(1) The Corporation shall make such provision as may be determined by the Secretary of State with the consent of the said Minister for the payment of pensions, allowances or gratuities to or in respect of such members and former members as may be so determined.

(2) Where a person ceases to be a member otherwise than on the expiry of his term of office and it appears to the Secretary of State that there are special circumstances which make it right for that person to receive compensation, the Secretary of State may with the consent of the said Minister direct the Corporation to make to that person a payment of such amount as the Secretary of State may determine with the consent of the said Minister.

(3) References to a member in the preceding provisions of this paragraph do not include an official member.

Proceedings

4. Provision may be made by regulations with respect to the proceedings of the Corporation including, without prejudice to the generality of the preceding provisions of this paragraph, the meetings and determinations of the Corporation and the quorum of the Corporation.

5. An official member shall not be entitled to a vote on any matter.

6. Subject to any regulations made in pursuance of paragraph 4 of this Schedule and to the preceding paragraph, the Corporation may regulate its own proceedings.

7. The validity of any proceedings of the Corporation shall not be affected by any vacancy among the members or by any defect in the appointment of a member.

Staff

SCH. 1

8.—(1) The Corporation shall appoint one member (who may be the chairman or a deputy chairman or another member but must not be an official member) to be the chief executive of the Corporation on such terms as are specified in his instrument of appointment; but a person shall not be appointed in pursuance of this sub-paragraph except with the prior approval of the Secretary of State.

(2) The functions of the chief executive shall be such as the Secretary of State and the chairman acting jointly may from time to time determine.

9. The Corporation may appoint, on such terms as it thinks fit, such officers and servants of the Corporation as it thinks fit; and references in the following provisions of this Schedule to employees of the Corporation are references to persons appointed in pursuance of this paragraph.

10.—(1) The Corporation may pay such pensions, allowances or gratuities as it thinks fit to or in respect of any of its employees, make such payments as it thinks fit towards the provision of pensions, allowances or gratuities to or in respect of any of its employees or provide and maintain such schemes as it thinks fit (whether contributory or not) for the payment of pensions, allowances or gratuities to or in respect of any of its employees.

(2) If an employee of the Corporation becomes a member and was by reference to his employment by the Corporation a participant in a pension scheme maintained by the Corporation for the benefit of any of its employees, the Corporation may determine that his service as a member shall be treated for the purposes of the scheme as service as an employee of the Corporation whether or not any benefits are to be payable to or in respect of him by virtue of paragraph 3(1) of this Schedule.

11. It shall be the duty of the Corporation, except so far as it is satisfied that adequate machinery exists for achieving the purpose of this paragraph, to seek consultation with any organisation appearing to the Corporation to be appropriate with a view to the conclusion between the Corporation and that organisation of such agreements as appear to the parties to be desirable with respect to the establishment and maintenance of machinery for—

- (a) the settlement by negotiation of terms and conditions of employment of employees of the Corporation, with provision for reference to arbitration in default of such a settlement in such cases as may be determined by or under the agreements; and
- (b) the promotion and encouragement of measures affecting the safety, health and welfare of employees of the Corporation and the discussion of other matters of mutual interest to the Corporation and its employees, including the education and training of its employees and efficiency in the performance of the Corporation's functions.

SCH. 1

Performance of functions

12. The Corporation may authorise any member or employee of the Corporation and, except so far as regulations provide otherwise, any other person to perform on behalf of the Corporation such of the Corporation's functions (including the function conferred on the Corporation by this paragraph) as are specified in the authorisation.

Instruments and contracts

13. Provision may be made by regulations with respect to—

- (a) the execution of documents by or on behalf of the Corporation ;
- (b) the admission in evidence of documents purporting to be executed or issued by the Corporation or signed by a member or an employee of the Corporation ;
- (c) the mode of entering into contracts by or on behalf of the Corporation.

Supplemental

14. In this Schedule references to the chairman, a deputy chairman and a member are respectively references to the chairman, a deputy chairman and a member of the Corporation and references to an official member are to a member appointed in pursuance of section 1(3)(c) of this Act.

Sections 17, 18
and 19.

SCHEDULE 2

PRODUCTION LICENCES FOR SEAWARD AREAS

PART I

FURTHER AMENDMENTS OF SCHEDULE 4 TO THE PETROLEUM
(PRODUCTION) REGULATIONS 1966 AS AMENDED

S.I. 1966/898.
S.I. 1971/814.

1. For paragraph (1) of clause 8 of the model clauses set out in Schedule 4 to the Petroleum (Production) Regulations 1966 as amended by the Petroleum (Production) (Amendment) Regulations 1971 (hereafter in this Part of this Schedule referred to as "the relevant clauses") there shall be substituted the following paragraph:—

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

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

2. After clause 8 of the relevant clauses there shall be inserted the following clauses:—

Royalty
payments. 8A.—(1) Subject to paragraphs (2) to (4) 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 clause 8B of this licence

referred to as a "chargeable period"), a royalty of an amount equal to $12\frac{1}{2}$ per cent. of the value of the petroleum relating to that period.

(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 8C 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 8C 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—

$$\frac{A(12\frac{1}{2}-B)}{100-B}$$

where A is the value of the petroleum relating to that period and B 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 B 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 8B of this licence the value of the petroleum relating to a chargeable period is, subject to paragraph (6) of this clause, the total of the amounts which, if the words "one-half of" were omitted from paragraph (b) of subsection (4) and paragraph (d) of subsection (5) of section 2 of the Oil Taxation Act 1975, would in pursuance of

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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 the British Gas Corporation 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
- (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 34 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.

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(8) In this clause "royalty petroleum", in relation to a chargeable period, means the petroleum which by virtue of clause 8C of this licence the Minister is entitled to require the Licensee to deliver to him in that period.

8B.—(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 8C 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 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 8A(6)(a) of this licence ; and
- (e) the amount which the Licensee estimates will, as respects that period, be the amount of the sum mentioned in clause 8A(5)(b) 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 8A(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 8A(3) or (4) of this licence, make to the Minister a payment on account of

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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 paragraphs (2) to (4) of clause 8A of this licence, the 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 (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 8A 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 8A 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 amount specified in the previous notice 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.

(8) A decision made by the Minister for the purposes of paragraph (5), (6) or (7) 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) or (7) is payable by virtue of clause 8A 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.

(9) When any payment falls to be made by the Licensee or the Minister in pursuance of paragraph (5), (6) or (7) 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 (5) or (6) any amount already paid by the Licensee in pursuance of this clause.

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Deliveries of
petroleum in
place of
royalties.

(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.

8C.—(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 of a quality or of each quality determined in the manner specified in the notice, condensate, natural gas and natural gas liquids;

(d) shall specify 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 $12\frac{1}{2}$ 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 as a place at which delivery is to be made in pursuance of the notice a place which is neither a well head in the licensed area nor a point on land at which the Licensee normally lands petroleum of any kind from that area.

(5) Where petroleum or petroleum of any kind is delivered to the Minister, otherwise than at a well head, in pursuance of a notice served by virtue of paragraph (1) of this clause, the Minister shall pay to the Licensee a sum in respect of the cost of the delivery and treatment of the petroleum ; and clause 8A(7) of this licence shall apply for the purpose of ascertaining that sum as if for the reference to paragraph (5)(b) of that clause there were substituted a reference to this paragraph.

3. Clause 11 of the relevant clauses shall be omitted.

4. Clause 12 of the relevant clauses shall be renumbered as paragraph (1) of that clause and after it the following paragraphs shall be inserted in that clause:—

(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

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- (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 34 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 33 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.

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(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.

5. After clause 12 of the relevant clauses there shall be inserted the following clauses—

Development and production programmes. 12A.—(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.

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(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)

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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 fac-

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tors 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 12B 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 12B 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 12A.

12B.—(1) A consent given by the Minister in pursuance of clause 12A(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 12A 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 12A(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 12A(4)(c) of this licence, SCH. 2

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 12A(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

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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 12A 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 12A(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 12A 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 33 of this licence shall not authorise the Minister to revoke this licence in relation to

SCH. 2

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 12A 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 12A of this licence the Minister has power by virtue of paragraph (1) of clause 33 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.

6. After clause 14 of the relevant clauses there shall be inserted the following clause:—

Control of development wells. 14A.—(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

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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.

7.—(1) In Clause 16 of the relevant clauses, after paragraph (2) there shall be inserted the following paragraphs:—

(2A) 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.

(2B) An application for consent in pursuance of paragraph (2A) 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 (2C) 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.

(2C) 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 (2A) 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 (2B) 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.

(2D) Before deciding to withhold consent or to grant it subject to conditions in pursuance of paragraph (2A) 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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(2E) Consent in pursuance of paragraph (2A) 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.

(2) In paragraph (3) of the said clause 16, for the words “ within three days of ” there shall be substituted the words “ forthwith after ” and after the words “ that event ” there shall be inserted the words “ 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 ”.

(3) In the said clause 16, after paragraph (3) there shall be inserted the following paragraph:—

(4) 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.

8. After clause 16 of the relevant clauses there shall be inserted the following clause:—

Appoint-
ment of
operators.

16A.—(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

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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.

9. For paragraph (3) of clause 23 of the relevant clauses there shall be substituted the following paragraph:—

(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.

10.—(1) In clause 25 of the relevant clauses, in paragraph (i) for the words “Act of 1934” there shall be substituted the words “Petroleum and Submarine Pipe-lines Act 1975”.

(2) Paragraph (ii) of the said clause 25 shall be omitted and for paragraphs (iv) to (vi) of that clause there shall be substituted the following paragraphs:—

(iv) 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 ;

(v) 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.

11. For clause 26 of the relevant clauses there shall be substituted the following clause:—

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 clause 23(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.

12. In both versions of clause 29 of the relevant clauses for the words "considerations by way of royalty or otherwise specified by Schedule 2 hereto" there shall be substituted the words "payments mentioned in clause 8(1) of this licence" and for the word "consideration" there shall be substituted the word "payments".

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13.—(1) For clause 32(1) and the side-note to clause 32 of the relevant clauses there shall be substituted the following:—

Restrictions on assignment 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) In paragraph (2) of the said clause 32, for the words "shall be deemed not to be an assignment or sub-licence in respect of any of the rights granted by this Licence" there shall be substituted the words "is not prohibited by paragraph (1) of this clause".

(3) In the said clause 32, after paragraph (2) there shall be inserted the following paragraphs:—

(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 302 of the Income and Corporation Taxes Act 1970 shall apply, for the purpose of determining whether for the purposes

SCH. 2 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 303(4) of that Act), a partner of his and a trustee of a settlement (as defined by section 454(3) 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.

14.—(1) In clause 33 of the relevant clauses—

- (a) in paragraph (2)(a) for the words “consideration specified in Schedule 2 hereto” there shall be substituted the words “payments mentioned in clause 8(1) of this licence”; and
- (b) in paragraph (2)(g) the words “to be a citizen of the United Kingdom and Colonies or to be resident in the United Kingdom, or” and the word “ceasing” after those words shall be omitted.

(2) In the said clause 33, at the end of paragraph (2) there shall be inserted the following words:—

“(h) any breach of a condition subject to which the Minister gave his approval in pursuance of clause 32(3) of this licence ;

(i) any breach of clause 32(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) In the said clause 33, after paragraph (2) there shall be inserted the following paragraphs:—

(3) The Minister may revoke this licence, with the like consequences as are mentioned in paragraph (1) of this clause, if— SCH. 2

- (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 302 of the Income and Corporation Taxes Act 1970 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(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”.

15.—(1) In the relevant clauses all the words in brackets beginning with the words “the marginal note whereof is” and the brackets enclosing the words so beginning shall be omitted ; and accordingly in clause 28 of those clauses for the words from “the Clauses” to “case” there shall be substituted the words “clauses 9, 13, 15, 16 or 18 of this licence”.

(2) In the provisions included in the relevant clauses by virtue of the Petroleum (Production) (Amendment) Regulations 1971, for the words “Secretary of State” wherever they occur there shall be substituted the word “Minister”. S.I. 1971/814.

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PART II

SCHEDULE 4 TO THE PETROLEUM (PRODUCTION) REGULATIONS 1966
AS FURTHER AMENDED

SCHEDULE 4

MODEL CLAUSES FOR PRODUCTION LICENCES IN SEAWARD AREAS

Interpretation.

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

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

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

“block” means an area comprised in the licence which is delineated on the reference map deposited at the principal office of the Department of the Secretary of State 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.

Right to
search and
bore for and
get petroleum.

2. In consideration of the payments and royalties hereinafter provided and the performance and observance by the Licensee of all the terms and conditions hereof, the Minister, in exercise of the powers conferred upon him by the Act of 1934 [and the Act of 1964]

hereby grants to the Licensee **EXCLUSIVE LICENCE AND LIBERTY** during the continuance of this licence and subject to the provisions hereof to search and bore for, and get, petroleum in the sea bed and subsoil under the seaward area comprising an area of square kilometres more particularly described in Schedule 1 hereto being the area comprising block(s) No. on the reference map deposited at the principal office of the Department of the Secretary of State :

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

Note: *The reference to the Act of 1964 is to be omitted where the licensed area is not in an area designated pursuant to that Act.*

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.

Term of 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 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.

Right of Licensee to determine licence or surrender part of 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 ").

Option to continue licence as to part of the licensed area.

(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

SCH. 2 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 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.

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 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.

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(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.

9.—(1) Subject to paragraphs (2) to (4) 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 clause 10 of this licence referred to as a “chargeable period”), a royalty of an amount equal to $12\frac{1}{2}$ per cent. of the value of the petroleum relating to that period. Royalty payments.

(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 11 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 11 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—

$$\frac{A(12\frac{1}{2}-B)}{100-B}$$

where A is the value of the petroleum relating to that period and B 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 B 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.

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(5) For the purposes of this clause and clause 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, 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 the British Gas Corporation 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
- (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 question as to

whether the determination is in accordance with the relevant notice given to the Licensee in pursuance of this paragraph. SCH. 2

(8) In this clause "royalty petroleum", in relation to a chargeable period, means the petroleum which by virtue of clause 11 of this licence the Minister is entitled to require the Licensee to deliver to him in that period.

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— Provisions supplementary to clause 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 ;
- (c) the amounts of the prices and market values which are required by paragraph 2 of Schedule 2 to the Oil Taxation Act 1975 to be stated in the returns made for that period in pursuance of that paragraph in consequence of this licence ;
- (d) the amount mentioned in clause 9(6)(a) of this licence ; and
- (e) the amount which the Licensee estimates will, as respects that period, be the amount of the sum mentioned in clause 9(5)(b) 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 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(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 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.

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(4) The Minister shall make to the Licensee payments equal to the amounts by which, in consequence of paragraphs (2) to (4) of clause 9 of this licence, the 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 (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 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 amount specified in the previous notice 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. SCH. 2

(8) A decision made by the Minister for the purposes of paragraph (5), (6) or (7) 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) or (7) is payable by virtue of clause 9 of this licence may 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) When any payment falls to be made by the Licensee or the Minister in pursuance of paragraph (5), (6) or (7) 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 (5) or (6) any amount already paid by the Licensee in pursuance of this clause.

(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.—(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. Deliveries of petroleum in place of royalties.

(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

SCH. 2 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 of a quality or of each quality determined in the manner specified in the notice, condensate, natural gas and natural gas liquids ;
- (d) shall specify 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 as a place at which delivery is to be made in pursuance of the notice a place which is neither a well head in the licensed area nor a point on land at which the Licensee normally lands petroleum of any kind from that area.

(5) Where petroleum or petroleum of any kind is delivered to the Minister, otherwise than at a well head, in pursuance of a notice

served by virtue of paragraph (1) of this clause, the Minister shall pay to the Licensee a sum in respect of the cost of the delivery and treatment of the petroleum ; and clause 9(7) of this licence shall apply for the purpose of ascertaining that sum as if for the reference to paragraph (5)(b) of that clause there were substituted a reference to this paragraph.

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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.

Measurement of petroleum obtained 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 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.

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—

Keeping of accounts.

- (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.

SCH. 2 (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

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- (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.

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,

Development
and production
programmes.

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.

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(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.

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(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

Sch. 2 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,

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(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 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 ;

SCH. 2

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.

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.

Commence-
ment and
abandonment
and plugging
of wells.

(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 situated expire or determine, specifying the manner in which the well is to be plugged and sealed and the time within which such work is to be done.

SCH. 2
Distance of
wells from
boundaries of
licensed area.

Control of
development
wells.

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.

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— SCH. 2

- (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) 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.

SCH. 2

(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.

24. The Licensee shall comply with any instructions from time to time given by the Minister in writing for securing the safety health and welfare of persons employed in or about the licensed area.

SCH. 2
Safety, health
and welfare of
employees.

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 the Act of 1934 or of that Act as applied by the Act of 1964 are then in force and the Minister shall consider that it is in the national interest in order to secure the maximum ultimate recovery of petroleum and in order to avoid unnecessary competitive drilling that the oil field should be worked and developed as a unit in co-operation by all persons including the Licensee whose licences extend to or include any part thereof the following provisions of this clause shall apply.

Unit
development.

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

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

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

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

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 the Act of 1934 or the Act of 1964 do not apply and the Minister is satisfied that it is expedient that the oil field should be

Directions as
to oil fields
across
boundaries.

SCH. 2 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. SCH. 2

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— Returns.

- (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.

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. Licensee to keep samples.

SCH. 2
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 pursuant to the Petroleum and Submarine Pipe-lines Act 1975 or the Act of 1964 or otherwise required 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 subparagraph.

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 con-

nection with searching, boring for or getting petroleum in the licensed area for the purpose hereinafter mentioned— SCH. 2

- (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.

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, 21 or 24 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. Power to execute works.

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

Note: When the licensed area is situate in Scotland or waters adjacent thereto or in a designated area or part of a designated area in respect of which an Order in Council has been made pursuant to section 3(2) of the Act of 1964 making provision for the determination of questions in accordance with the law in force in Scotland the following provision will be substituted for the foregoing clause.

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

SCH. 2 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.

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 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.

SCH. 2

(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 302 of the Income and Corporation Taxes Act 1970 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 303(4) of that Act), a partner of his and a trustee of a settlement (as defined by section 454(3) 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

SCH. 2 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 ;
- (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 302 of the Income and Corporation Taxes Act 1970 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.

SCH. 2

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

Note: Where the licensed area is situate in Scotland or waters adjacent thereto or in a designated area or part of a designated area in respect of which an Order in Council has been made pursuant to section 3(2) of the Act of 1964 making provision for the determination of questions in accordance with the law in force in Scotland, paragraph (2A) following will be substituted for the foregoing paragraph (2).

Where the licensed area is situate in a designated area or part of a designated area in respect of which such an Order in Council has been made making provision for the determination of questions in accordance with the law in force in Northern Ireland, paragraph (2B) following will be substituted for the foregoing paragraph (2).

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

(2B) The arbitration referred to in the foregoing paragraph shall be in accordance with the Arbitration Act (Northern Ireland) 1937 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 Northern Ireland for the time being.

SCH. 2 (3) In the case of any such arbitration which relates to a development scheme the Licensee shall unless the arbitrator otherwise determines perform and observe the terms and conditions of the development scheme pending the decision of the arbitrator.

Note: *In any licence incorporating paragraph (2A) in substitution for paragraph (2) of this clause, the paragraph (3A) following will be substituted for the foregoing paragraph (3).*

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

Note: *Schedules to each Licence will (1) identify the blocks to which the licence relates, (2) provide for the payment by the Licensee of sums agreed between the Minister and the Treasury which may include initial payments on the grant of the Licence, annual payments payable in advance and royalties based upon the value of petroleum recovered, (3) set out working obligations.*

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

Sections
17, 18 and 19.

SCHEDULE 3

PRODUCTION LICENCES FOR LANDWARD AREAS

PART I

FURTHER AMENDMENTS OF SCHEDULE 3 TO THE PETROLEUM (PRODUCTION) REGULATIONS 1966 AS AMENDED

S.I. 1966/898. 1. For paragraph (1) of clause 8 of the model clauses set out in
S.I. 1972/1522. Schedule 3 to the Petroleum (Production) Regulations 1966 as amended by the Petroleum (Production) (Amendment) Regulations 1972 (hereafter in this Part of this Schedule referred to as "the relevant clauses") there shall be substituted the following paragraph:—

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

(a) payments of royalty in accordance with clauses 8A and 8B of this licence ;

(b) deliveries of petroleum in accordance with clause 8C of this licence ; and

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

2. After clause 8 of the relevant clauses there shall be inserted the following clauses:—

Royalty
payments. 8A.—(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 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.

(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 8C 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 8C 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 and 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

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(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 8B of this licence the value of the petroleum relating to a chargeable period is, subject to paragraph (6) of this clause, the total of the amounts which, if the words "one-half of" were omitted from paragraph (b) of subsection (4) and paragraph (d) of subsection (5) of section 2 of the Oil Taxation Act 1975, would in pursuance of paragraph (a) of the said subsection (4) fall to be taken into account in relation to that period in respect of the persons who by reference to this licence are or are treated as participators for the purposes of those subsections, reduced by—

(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 the British Gas Corporation 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

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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 32 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.

(8) 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 8C of this licence the Minister is entitled to require the Licensee to deliver to him in that period ;

“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.

Provisions supplementary to clause 8A.

8B.—(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 8C of this licence ;
- (c) the amounts of the prices and market values which are required by paragraph 2 of Schedule 2

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- to the Oil Taxation Act 1975 to be stated in the returns made for that period in pursuance of that paragraph in consequence of this licence ;
- (d) the amount mentioned in clause 8A(6)(a) of this licence ; and
 - (e) the amount which the Licensee estimates will, as respects that period, be the amount of the sum mentioned in clause 8A(5)(b) 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 8A(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-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 8A(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 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 paragraphs (2) to (4) of clause 8A of this licence, the deductions which the Licensee was 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 (1) 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 8A 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 8A 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 amount specified in the previous notice 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.

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(8) A decision made by the Minister for the purposes of paragraph (5), (6) or (7) 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) or (7) is payable by virtue of clause 8A of this licence may be referred to arbitration in the manner provided by clause 32 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) When any payment falls to be made by the Licensee or the Minister in pursuance of paragraph (5), (6) or (7) 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 (5) or (6) any amount already paid by the Licensee in pursuance of this clause.

(10) In this clause—

“chargeable period” and “royalty petroleum” have the same meanings as in clause 8A 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 1400 cubic metres of petroleum in the form of gas at a temperature of 0 degrees centigrade and a

pressure of one kilogramme force per square centimetre shall be treated as the equivalent of one metric ton of petroleum in any other form.

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Deliveries of petroleum in place of royalties.

8C.—(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, at the place where it was won, 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 of a quality or of each quality determined in the manner specified in the notice, condensate, natural gas and natural gas liquids ;

(d) shall specify 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.

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(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 8A(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.

(5) Where petroleum or petroleum of any kind is delivered to the Minister in pursuance of a notice served by virtue of paragraph (1) of this clause, the Minister shall pay to the Licensee a sum in respect of the cost of the treatment of the petroleum ; and clause 8A(7) of this licence shall apply for the purpose of ascertaining that sum as if for the reference to paragraph (5)(b) of that clause there were substituted a reference to this paragraph.

3. Clause 11 of the relevant clauses shall be omitted.

4.—(1) In clause 12 of the relevant clauses, after the words “ seismic survey ” in paragraphs (2) and (3) there shall be inserted the words “ during the term of this licence ”.

(2) In the said clause 12, after paragraph (3) there shall be inserted the following paragraphs :—

(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,
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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 32 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)

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of clause 31 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.

5. After clause 12 of the relevant clauses there shall be inserted the following clauses—

Develop-
ment and
production
programmes.

12A.—(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—

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- (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

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(b) if the grounds of the rejection consist of or include the ground mentioned in paragraph (ii) of that sub-paragraph he shall include in the notice a statement of the rates at which he considers that, in the national interest, petroleum should be got from the area to which the programme relates ; and

(c) the Licensee shall prepare and submit to the Minister, before the time specified in that behalf in the notice,—

(i) where the notice contains such a statement as is mentioned in sub-paragraph (a) above, modifications of the programme which ensure that the carrying out of the programme with those modifications would not be contrary to good oilfield practice ;

(ii) where the notice contains such a statement as is mentioned in sub-paragraph (b) above, modifications of the programme which ensure the getting of petroleum from the area there mentioned at the rates specified in the statement and which (except so far as may be necessary in order to get petroleum at those rates) are not such that the carrying out of the programme with those modifications would be contrary to good oilfield practice ;

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

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

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

(a) give the Licensee particulars of the proposal and an opportunity of making representations to

the Minister about the technical and financial factors which the Licensee considers are relevant in connection with the proposal; and

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(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 12B 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 12B 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 12A.

12B.—(1) A consent given by the Minister in pursuance of clause 12A(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 12A 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 12A(5)(c) of this licence to submit modifications of a programme in respect of which notice of rejection containing such a statement

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as is mentioned in the said paragraph (i) was given by the Minister in pursuance of clause 12A(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 12A(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.

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(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 12A 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 12A(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 12A 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 31 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

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any provision of the said clause 12A 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 12A of this licence the Minister has power by virtue of paragraph (1) of clause 31 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.

6. After clause 14 of the relevant clauses there shall be inserted the following clause:—

Control of
development
wells.

14A.—(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.

7.—(1) In Clause 16 of the relevant clauses, after paragraph (2) there shall be inserted the following paragraphs:—

(2A) 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.

(2B) An application for consent in pursuance of paragraph (2A) 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 (2C) 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.

(2C) 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 (2A) 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 (2B) 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.

(2D) Before deciding to withhold consent or to grant it subject to conditions in pursuance of paragraph (2A) 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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(2E) Consent in pursuance of paragraph (2A) 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.

(2) In paragraph (3) of the said clause 16, for the words “ within three days of ” there shall be substituted the words “ forthwith after ” and after the words “ that event ” there shall be inserted the words “ 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 ”.

(3) In the said clause 16, after paragraph (3) there shall be inserted the following paragraph:—

(4) 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.

8. After clause 16 of the relevant clauses there shall be inserted the following clause:—

Appoint-
ment of
operators.

16A.—(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.

9.—(1) In paragraph (1) of clause 21 of the relevant clauses— SCH. 3

(a) for the words “on or before the fifteenth day of each month” there shall be substituted the words “three months from the date of this licence and at intervals of three months thereafter during the period”;

(b) for paragraph (a) there shall be substituted the following paragraph—

“(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;

(c) for the words “in that month” in paragraph (b) there shall be substituted the words “during such period of three months”; and

(d) after the word “coal” in paragraph (d) there shall be inserted the words “or other minerals”.

(2) For paragraph (3) of the said clause 21 there shall be substituted the following paragraph:—

(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.

10. For clause 23 of the relevant clauses there shall be substituted the following clause:—

23. 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:

Reports to be treated as confidential.

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 pursuant to the Petroleum and Submarine Pipe-lines Act 1975 or otherwise required 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

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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.

11. For clause 24 of the relevant clauses there shall be substituted the following clause :—

Inspection of records etc. 24. 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 21(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.

12. In both versions of clause 27 of the relevant clauses for the words “ considerations by way of royalty or otherwise specified by Schedule 2 hereto ” there shall be substituted the words “ payments mentioned in clause 8(1) of this licence ” and for the word “ consideration ” there shall be substituted the word “ payments ”.

13. For clause 30 of the relevant clauses there shall be substituted the following clause :—

Restrictions on assignment etc. 30.—(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 302 of the Income and Corporation Taxes Act 1970 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 303(4) of that Act), a partner of his and a trustee of a settlement (as defined by section 454(3) of that Act) of which he is a beneficiary.

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(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.

14.—(1) In clause 31 of the relevant clauses—

(a) in paragraph (2)(a) for the words “ consideration specified in Schedule 2 hereto ” there shall be substituted the words “ payments mentioned in clause 8(1) of this licence ” ; and

(b) in paragraph (2)(g) the words “ to be a citizen of the United Kingdom and Colonies or to be resident in the United Kingdom or ” and the word “ ceasing ” after those words shall be omitted.

(2) In the said clause 31, at the end of paragraph (2) there shall be inserted the following words:—

“ (h) any breach of a condition subject to which the Minister gave his approval in pursuance of clause 30(2) of this licence ;

(i) any breach of clause 30(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) In the said clause 31, after paragraph (2) there shall be inserted the following paragraphs:—

(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. SCH. 3

(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 302 of the Income and Corporation Taxes Act 1970 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 30(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”.

15.—(1) In the relevant clauses all the words in brackets beginning with the words “the marginal note whereof is” and the brackets enclosing the words so beginning shall be omitted; and accordingly in clause 26 of those clauses for the words from “the Clauses” to “case” there shall be substituted the words “clauses 9, 13, 15, 16 or 18 of this licence”.

(2) In the provisions included in the relevant clauses by virtue of the Petroleum (Production) (Amendment) Regulations 1972, for S.I. 1972/1522. the words “Secretary of State” wherever they occur there shall be substituted the word “Minister”.

PART II

SCHEDULE 3 TO THE PETROLEUM (PRODUCTION) REGULATIONS 1966 AS FURTHER AMENDED

SCHEDULE 3

MODEL CLAUSES FOR PRODUCTION LICENCES IN LANDWARD AREAS

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

- “the Act of 1934” means the Petroleum (Production) Act 1934;
- “the Act of 1964” means the Continental Shelf Act 1964;
- “block” means an area delineated on the reference map deposited at the principal office of the Department of the Secretary of State;
- “development scheme” has the meaning assigned thereto by clause 25;

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“ 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 ;

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

“ well ” includes borehole.

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

Right to search and bore for and get petroleum.

2. In consideration of the payments and royalties hereinafter provided and the performance and observance by the Licensee of all the terms and conditions hereof, the Minister, in exercise of the powers conferred upon him by the Act of 1934 hereby grants to the Licensee **EXCLUSIVE LICENCE AND LIBERTY** during the continuance of this licence and subject to the provisions hereof to search and bore for, and get, petroleum in the area of more particularly described in Schedule 1 hereto [being the area comprising block(s) No. _____ on the reference map deposited at the principal office of the Department of the Secretary of State] [and delineated on the map annexed hereto and thereon edged red] :

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

Note: *When the licence is granted pursuant to an invited application, the first set of words in square brackets will generally be appropriate, but when it is granted pursuant to a non-invited application, the second set of words will generally be used instead.*

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 4 years next after [_____] ; but if the terms and conditions hereof are duly performed and observed and, in particular, if the work programme described in Schedule 3 hereto has been duly performed, it may be continued for a further period of 20 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 10 years at the expiry of the said period of 20 years.

4.—(1) The Licensee, if he wishes this licence to continue for a further period of 20 years in respect of a part of the licensed area as provided by clause 3, shall at least six 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 satisfies the requirements of clause 6(2) and whose surrender reduces the licensed area to not more than one half its original size.

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Extension of term for part of licensed area.

(2) 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 provisions hereof, continue in respect of the residual area for a term of 20 years after the expiry of the initial term.

5. The Licensee, if he wishes the Minister to assent to the further continuance of this licence for a period of 10 years following the expiry of the 20 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 hereof, continue in respect of the area to which it then relates for a further period of 10 years after the expiry of the said 20 year term.

Further extension of term.

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.

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

(2) Any area to be surrendered in accordance with the preceding provisions of this licence shall be a clearly defined compact area—

- (a) which comprises at least 10 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 10 square kilometres or has a length more than three times its average breadth.

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 the licence prior to that date.

Consequences of determination or surrender by Licensee.

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

Payment of consideration for 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

SCH. 3 (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 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 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.

(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 11 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 11 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 and 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 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 sub-section (4) and paragraph (d) of sub-section (5) of section 2 of the Oil Taxation Act 1975, would in pursuance of paragraph (a) of the said subsection (4) fall to be taken into account in relation to that period in respect of the persons who by reference to this licence are or are treated as participators for the purposes of those subsections, reduced by—

- (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 the British Gas Corporation 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
- (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

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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.

(8) 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 11 of this licence the Minister is entitled to require the Licensee to deliver to him in that period ;

“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.

Provisions
supplementary
to clause 9.

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 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, as respects that period, be the amount of the sum mentioned in clause 9(5)(b) 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 fraction 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.

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(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(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 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 paragraphs (2) to (4) of clause 9 of this licence, the deductions which the Licensee was 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 (1) 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 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

SCM. 3 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 amount specified in the previous notice 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.

(8) A decision made by the Minister for the purposes of paragraph (5), (6) or (7) 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) or (7) is payable by virtue of clause 9 of this licence may 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) When any payment falls to be made by the Licensee or the Minister in pursuance of paragraph (5), (6) or (7) 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 (5) or (6) any amount already paid by the Licensee in pursuance of this clause.

(10) In this clause—

“chargeable period” and “royalty petroleum” 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; and

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“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 1400 cubic metres of petroleum in the form of gas at a temperature of 0 degrees centigrade and a pressure of one kilogramme force per square centimetre shall be treated as the equivalent of one metric ton of petroleum in any other form.

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, at the place where it was won, part of the petroleum won and saved by the Licensee in the licensed area, the Licensee shall comply with the notice.

Deliveries of
petroleum
in place of
royalties.

(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 of a quality or of each quality determined in the manner specified in the notice, condensate, natural gas and natural gas liquids;

SCH. 3

(d) shall specify 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.

(5) Where petroleum or petroleum of any kind is delivered to the Minister in pursuance of a notice served by virtue of paragraph (1) of this clause, the Minister shall pay to the Licensee a sum in respect of the cost of the treatment of the petroleum ; and clause 9(7) of this licence shall apply for the purpose of ascertaining that sum as if for the reference to paragraph (5)(b) of that clause there were substituted a reference to this 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.

(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. SCH. 3

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— Keeping of accounts.

- (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.

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. Working obligations.

(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 1971 or the Town and Country Planning (Scotland) Act 1972 is required for the survey in question, evidence that such permission has been granted.

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(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.

(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 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 ;

SCH. 3

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.

15.—(1) The Licensee shall not—

Development
and production
programmes.

(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

SCH. 3 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)

SCH. 3 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 subparagraph 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

SCH. 3

(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.

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

(6) Any well drilled by the Licensee pursuant to this licence, which, at the expiry or determination of the Licensee's rights in respect of the area or part thereof in which that well is drilled, has not with the consent of the Minister been abandoned, shall be left in good order and fit for further working together with all casings and any well head fixtures the removal whereof would cause damage to such well or if the Minister so directs in 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 1971 or the Town and Country Planning (Scotland) Act 1972 for the drilling of that well has been granted.

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.

Distance of wells from boundaries of licensed area.

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.

Control of development wells.

(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 ;

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(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 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.

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(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.

Appoint-
ment 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.

Safety, health
and welfare of
employees.

24. The Licensee shall comply with any instructions from time to time given by the Minister in writing for securing the safety health and welfare of persons employed in or about 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 the Act of 1934 or of that Act as applied by the Act of 1964 are then in force and the Minister shall consider that it is in the national interest in order to secure the maximum ultimate recovery of petroleum and in order to avoid unnecessary competitive drilling that the oil field should be worked and developed as a unit in co-operation by all persons including the Licensee whose licences extend to or include any part thereof the following provisions of this clause shall apply.

(2) Upon being so required by notice in writing by the Minister the Licensee shall co-operate with such other persons, being persons holding licences under the Act of 1934 or that Act as applied by the

Act of 1964 in respect of any part or parts of the oil field (hereinafter referred to as "the other Licensees") as may be specified in the said notice in the preparation of a scheme (hereinafter referred to as "a development scheme") for the working and development of the oil field as a unit by the Licensee and the other Licensees in co-operation, and shall, jointly with the other Licensees, submit such scheme for the approval of the Minister.

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(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.

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—

Licensee to keep records.

- (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.

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—

Returns.

- (a) a statement of all geological work, including surveys and tests, which has been carried out and the areas in which

- SCH. 3 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.
- 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

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publishing such returns and reports as may be required of the Minister pursuant to the Petroleum and Submarine Pipe-lines Act 1975 or otherwise required 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 subparagraph.

30. The Licensee shall—

Inspection of records etc.

- (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.

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—

Rights of access.

- (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.

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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, 21 or 24 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.

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

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 any other rights and remedies to which he would be entitled) do diligence in respect thereof in like manner as a landlord may do diligence in respect of unpaid arrears of rent and such diligence shall be effectual to attach all or any of the stocks of petroleum engines machinery tools implements and other effects belonging to the Licensee which shall be found in or upon any land which shall for the time being be possessed or occupied by the Licensee for the purposes of this licence or the exercise of any of the rights thereby granted or on or about any of the Licensee's installations and equipment used or to be used in connection with searching, boring for or getting petroleum in the licensed area, and where in pursuance of such a diligence a sale of such effects as shall have been attached thereby takes place the Minister may out of the proceeds thereof

retain and pay all the arrears of the said payments and also the expenses of and incident to such diligence and sale and shall pay the surplus thereof (if any) to the Licensee. SCH. 3

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. Indemnity
against
third party
claims.

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. Advertisements,
prospectuses
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. Restrictions
on assign-
ment etc.

(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

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(4) to (6) of section 302 of the Income and Corporation Taxes Act 1970 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 303(4) of that Act), a partner of his and a trustee of a settlement (as defined by section 454(3) 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 ;

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- (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 302 of the Income and Corporation Taxes Act 1970 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 ".

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. Arbitration.

(2) The arbitration referred to in the foregoing paragraph shall be in accordance with the Arbitration Act 1950 by a single arbitrator

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

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

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

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

Note: *Schedules to each Licence will (1) describe the area to which the Licence relates, (2) provide for the payment by the Licensee of sums agreed between the Minister and the Treasury which may include initial payments on the grant of the Licence, annual payments payable in advance and royalties based upon the value of petroleum recovered, (3) set out working obligations.*

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

Sections 21(1),
22(3), 24(3).

SCHEDULE 4

AUTHORISATIONS IN PURSUANCE OF SECTION 20

PART I

WORKS AUTHORISATIONS

1. Provisions may be made by regulations as to the manner in which an application for a works authorisation is to be made and as to the information to be included in or furnished in connection with an application ; and, without prejudice to the generality of the power to make regulations conferred by the preceding provisions of this paragraph, regulations in pursuance of this paragraph may require the payment of fees in connection with an application.

2. It shall be the duty of the Secretary of State on receiving an application for a works authorisation—

(a) to decide whether the application is to be considered further or rejected ; and

(b) to serve notice of his decision on the applicant and—

(i) in the case of a decision that the application is to be considered further, to give the applicant such directions

with respect to the application as the Secretary of State considers appropriate for the purposes of paragraph 3 of this Schedule, and

(ii) in the case of a decision to reject the application, to include in the notice a statement of the reasons for the decision except any reason which in the opinion of the Secretary of State it would be against the national interest to state.

3. Where in pursuance of the preceding paragraph the Secretary of State serves notice on an applicant that the application is to be considered further, it shall be the duty of the applicant—

(a) to publish, in such manner as the Secretary of State directs, a notice which—

(i) contains such particulars of the application as the Secretary of State directs, and

(ii) states that representations with respect to the application may be made in writing to the Secretary of State within the period of twenty-eight days beginning with the date on which the notice is first published in pursuance of this paragraph or within such longer period beginning with that date as is specified in the notice in pursuance of a direction of the Secretary of State; and

(iii) states where the map mentioned in sub-paragraph (b) of this paragraph may be inspected during the period specified in the notice in pursuance of paragraph (ii) of this sub-paragraph; and

(b) to secure that a map of such scale and containing such particulars as the Secretary of State directs is available for inspection by the public free of charge from 10 a.m. to 4 p.m. on each weekday during the period so specified; and

(c) to serve a copy of the notice on such persons as the Secretary of State directs;

and it shall be the duty of the Secretary of State to defer his further consideration of the application until he is satisfied that the applicant has performed the duty imposed on the applicant by this paragraph.

4. Where the Secretary of State decides that an application for a works authorisation is to be considered further and is of opinion, either on his own initiative (except in relation to the purpose mentioned in paragraph 6(b) of this Schedule) or in consequence of representations made to him by the applicant or any other person,—

(a) that the route proposed for the pipe-line or part of it in the application ought to be altered in a particular manner for any of the purposes mentioned in paragraph 6 of this Schedule; or

(b) that the capacity proposed for the pipe-line or part of it in the application ought to be increased for any of the purposes mentioned in sub-paragraphs (b) and (d) of the said paragraph 6,

it shall be the duty of the Secretary of State, before deciding whether to issue an authorisation in consequence of the application,

SCH. 4 to serve notice of his opinion on the applicant and, where the opinion relates to an alteration of the route proposed for the pipe-line or part of it, on any persons whom the Secretary of State considers are likely to be affected by the alteration or on any person appearing to the Secretary of State to represent such persons.

5. Where the Secretary of State serves notice of his opinion on any person in pursuance of the preceding paragraph it shall be his duty—

- (a) where the notice is served on the applicant, to give him an opportunity of being heard with respect to the opinion; and
- (b) where the notice is served on any other person, to state in the notice that representations in writing with respect to the opinion may be made to the Secretary of State within a period specified in the notice;

and where a person is heard in pursuance of sub-paragraph (a) of this paragraph the Secretary of State may give such other persons, if any, as he thinks fit an opportunity to be heard at the hearing.

6. The purposes referred to in paragraph 4 of this Schedule are—

- (a) the purpose of avoiding or reducing danger to navigation, to persons engaged in and vessels and equipment used for fishing, to some structure or apparatus (which may be the pipe-line) or to marine flora or fauna;
- (b) the purpose of facilitating the use of the pipe-line by persons other than the applicant where it appears to the Secretary of State that such persons desire to use the pipe-line;
- (c) the purpose of avoiding or reducing interference with fishing or the exploitation of mineral resources;
- (d) any other purpose which the Secretary of State considers proper;

and it shall be the duty of the Secretary of State to state the reasons for his opinion in any notice of his opinion served in pursuance of paragraph 4 of this Schedule except any reason which he considers that it would be against the national interest to state.

7. Where the Secretary of State—

- (a) is satisfied that an applicant for a works authorisation has performed the duty imposed on him by paragraph 3 of this Schedule; and
- (b) has considered any representations relating to the application which were made to the Secretary of State—
 - (i) within the period specified in that behalf in the notice published in respect of the application in pursuance of sub-paragraph (a) of the said paragraph 3;
 - (ii) at a hearing held in pursuance of sub-paragraph (a) of paragraph 5 of this Schedule; and
 - (iii) in accordance with a notice served by the Secretary of State in respect of the application in pursuance of sub-paragraph (b) of the said paragraph 5,

it shall be the duty of the Secretary of State to decide whether to issue an authorisation in consequence of the application and to publish his decision in accordance with the following paragraph.

SCH. 4

8. In the case of a decision not to issue a works authorisation in consequence of an application it shall be the duty of the Secretary of State to serve on the applicant, and on each person on whom a copy of notice of the application was required to be served in pursuance of paragraph 3(c) of this Schedule, a notice stating the decision and, in the case of the notice served on the applicant, stating also the reasons for the decision except any reason which the Secretary of State considers that it would be against the national interest to state; and in the case of a decision to issue a works authorisation in consequence of an application it shall be the duty of the Secretary of State—

- (a) to serve notice of the decision on the applicant and each such person and on any other person who made representations as mentioned in sub-paragraph (b)(ii) or (iii) of the preceding paragraph; and
- (b) to publish a copy of the notice in the London and Edinburgh and Belfast Gazettes, or in such of them as he considers appropriate, and in any other publication which he considers appropriate.

9. Where the Secretary of State issues a works authorisation it shall be his duty—

- (a) to serve on the persons on whom notice in respect of the authorisation was required to be served by the preceding paragraph, excluding the applicant, a notice stating that the authorisation has been issued and containing the name and address of the person to whom it was issued and such particulars as the Secretary of State considers appropriate of the route of the pipe-line, the authorised capacity of it, the things authorised to be conveyed by it and the persons authorised to use it and containing such other information (if any) about the pipe-line as the Secretary of State considers appropriate; and
- (b) to publish a copy of the notice in the London and Edinburgh and Belfast Gazettes, or in such of them as he considers appropriate, and in any other publication which he considers appropriate.

PART II

OTHER AUTHORISATIONS

10. Where the Secretary of State issues an authorisation other than a works authorisation, it shall be his duty to publish in the London and Edinburgh and Belfast Gazettes or in such of them as he considers appropriate, and in any other publication which he considers appropriate, a notice stating that the authorisation has been issued and containing the name and address of the person to whom it was issued and such particulars as the Secretary of State considers appropriate of the route and capacity of the relevant pipe-line, the things authorised to be conveyed by it and the persons authorised to use it and containing such other information (if any) about the pipe-line as the Secretary of State considers appropriate.

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