



# Petroleum Act 1987

## 1987 CHAPTER 12

An Act to make provision in respect of the abandonment of onshore installations and submarine pipe-lines and in respect of safety zones around offshore installations; to amend the Petroleum (Production) Act 1934 and to make provision in respect of licences under that Act; to amend the law relating to pipe-lines; to repeal sections 34 to 39 of the Petroleum and Submarine Pipe-lines Act 1975; and for connected purposes. [9th April 1987]

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

#### ABANDONMENT OF OFFSHORE INSTALLATIONS

##### 1 Preparation of programmes

- (1) The Secretary of State may by written notice require—
  - (a) the person to whom the notice is given, or
  - (b) where notices are given to more than one person, those persons jointly,to submit to the Secretary of State a programme setting out the measures proposed to be taken in connection with the abandonment of an offshore installation or submarine pipe-line (an "abandonment programme").
- (2) A notice under subsection (1) shall either specify the date by which the abandonment programme is to be submitted or provide for it to be submitted on or before such date as the Secretary of State may direct.
- (3) A notice under subsection (1) may require the person to whom it is given to carry out such consultations as may be specified in the notice before submitting an abandonment programme.

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- (4) An abandonment programme—
  - (a) shall contain an estimate of the cost of the measures proposed in it;
  - (b) shall either specify the times at or within which the measures proposed in it are to be taken or make provision as to how those times are to be determined;
  - (c) if it proposes that an installation or pipe-line be left in position or not wholly removed, shall include provision as to any continuing maintenance that may be necessary.
- (5) A person who submits an abandonment programme to the Secretary of State under this section shall at the same time pay to him such fee in respect of his expenditure under this Part of this Act as may be determined in accordance with regulations under section 11.
- (6) The Secretary of State may exercise his powers under this section notwithstanding that an abandonment programme has previously been submitted for the installation or pipe-line in question, but only if he rejected that programme under section 4 or has withdrawn his approval of it under section 7.

## 2 **Persons who may be required to submit programmes**

- (1) A notice under section 1(1) shall not be given to a person in relation to the abandonment of an offshore installation unless at the time when the notice is given he is within any of the following paragraphs—
  - (a) the person who has registered the installation pursuant to section 2 of the Mineral Workings (Offshore Installations) Act 1971 or, if there is no such person, the person having the management of the installation or of its main structure;
  - (b) a person who is a concession owner in relation to the installation for the purposes of that Act, or who was a concession owner for those purposes when an activity within section 12(2) of that Act was last carried on from, by means of or on the installation;
  - (c) a person outside paragraphs (a) and (b) who is a party to a joint operating agreement or similar agreement relating to rights by virtue of which a person is within paragraph (b);
  - (d) a person outside paragraphs (a) to (c) who owns any interest in the installation otherwise than as security for a loan;
  - (e) a company which is outside paragraphs (a) to (d) but is associated with a company within any of those paragraphs.
- (2) A notice under section 1(1) shall not be given to a person in relation to the abandonment of a submarine pipe-line unless at the time when the notice is given he is within any of the following paragraphs—
  - (a) a person designated as the owner of the pipe-line by an order made by the Secretary of State in pursuance of section 33(3) of the Petroleum and Submarine Pipe-lines Act 1975;
  - (b) a person outside paragraph (a) who owns any interest in the whole or substantially the whole of the pipe-line, otherwise than as security for a loan;
  - (c) a company which is outside paragraphs (a) and (b) but is associated with a company within one of those paragraphs.

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- (3) The Secretary of State may by written notice require a person appearing to the Secretary of State to be within any of the paragraphs of subsection (1) or (2) to give him, within such time as may be specified in the notice, the name and address of every other person whom the recipient of the notice believes to be within any of those paragraphs in relation to the installation or pipe-line concerned.
- (4) A person who without reasonable excuse fails to comply with a notice under subsection (3) shall be guilty of an offence.
- (5) For the purposes of this section, one company is associated with another if one of them controls the other or a third company controls both of them; and one company controls another if it possesses or is entitled to acquire—
  - (a) one half or more of the issued share capital of the company,
  - (b) such rights as would entitle it to exercise one half or more of the votes exercisable in general meetings of the company,
  - (c) such part of the issued share capital of the company as would entitle it to one half or more of the amount distributed if the whole of the income of the company were in fact distributed among the shareholders, or
  - (d) such rights as would, in the event of the winding up of the company or in any other circumstances, entitle it to receive one half or more of the assets of the company which would then be available for distribution among the shareholders,or if it has the power, directly or indirectly, to secure that the affairs of the company are conducted in accordance with its wishes.
- (6) In determining whether, by virtue of subsection (5), one company controls another, the first-mentioned company shall be taken to possess—
  - (a) any rights and powers possessed by a person as nominee for it, and
  - (b) any rights and powers possessed by a company which it controls (including rights and powers which such a company would be taken to possess by virtue of this paragraph).

### **3 Section 1 notices: supplementary provisions**

- (1) The Secretary of State shall not before 1st July 1988 give a notice under section 1(1) to a person within paragraph (d) or (e) of section 2(1) or paragraph (b) or (c) of section 2(2).
- (2) Subject to subsection (4), the Secretary of State shall not give a notice under section 1(1) in relation to an offshore installation to a person within paragraph (d) or (e) of section 2(1) if the Secretary of State has been and continues to be satisfied that adequate arrangements (including financial arrangements) have been made by a person or persons within paragraph (a), (b) or (c) to ensure that a satisfactory abandonment programme will be carried out.
- (3) Subject to subsection (4), the Secretary of State shall not give a notice under section 1(1) in relation to a submarine pipe-line to a person within paragraph (b) or (c) of section 2(2) if the Secretary of State has been and continues to be satisfied that adequate arrangements (including financial arrangements) have been made by a person or persons within paragraph (a) to ensure that a satisfactory abandonment programme will be carried out.

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- (4) Subsections (2) and (3) shall not apply if there has been a failure to comply with a notice under section 1(1) or if the Secretary of State has rejected a programme submitted in compliance with such a notice.
- (5) The Secretary of State shall not give a notice to a person under section 1(1) without first giving him an opportunity to make written representations as to whether the notice should be given.
- (6) Where the Secretary of State has given a notice under section 1(1) in relation to an installation or pipe-line, he may at any time before the programme required by it is submitted withdraw the notice or give (subject to the preceding provisions of this section) a further notice under section 1(1) (whether in substitution for or in addition to any notice already given); and if he does so he shall inform the recipients of any other notices which have been given in relation to that installation or pipe-line and not withdrawn.
- (7) Neither the withdrawal of a notice given under section 1(1) nor the giving of a further notice shall relieve the recipient of any other notice of his duty to submit a programme (jointly, in a case where more than one notice is given and not withdrawn, with the recipients of the other notices).

#### **4 Approval of programmes**

- (1) The Secretary of State may either approve or reject a programme submitted to him under section 1.
- (2) If he approves a programme, the Secretary of State may approve it with or without modifications and either subject to conditions or unconditionally.
- (3) Before approving a programme with modifications or subject to conditions, the Secretary of State shall give the persons who submitted the programme an opportunity to make written representations about the proposed modifications or conditions.
- (4) If he rejects a programme, the Secretary of State shall inform the persons who submitted it of his reasons for doing so.
- (5) The Secretary of State shall act without unreasonable delay in reaching a decision as to whether to approve or reject a programme.

#### **5 Failure to submit programmes**

- (1) If a notice under section 1(1) is not complied with, or if the Secretary of State rejects a programme submitted in compliance with such a notice, the Secretary of State may himself prepare an abandonment programme for the installation or pipe-line concerned.
- (2) With a view to exercising his powers under subsection (1) of this section, the Secretary of State may by written notice require any of the persons to whom notice was given under section 1(1) to provide him, within such time as may be specified in the notice, with such records and drawings and such other information as may be so specified.
- (3) A person who without reasonable excuse fails to comply with a notice under subsection (2) shall be guilty of an offence.

- (4) The Secretary of State may recover from any of the persons to whom a notice was given under section 1(1) any expenditure incurred by the Secretary of State in preparing an abandonment programme under this section, and any fee that would have been payable on the submission of a programme by those persons.
- (5) A person liable to pay any sum to the Secretary of State by virtue of subsection (4) shall also pay interest on that sum for the period beginning with the day on which the Secretary of State notified him of the sum payable and ending with the date of payment.
- (6) The rate of interest payable in accordance with subsection (5) shall be a rate determined by the Secretary of State as comparable with commercial rates.
- (7) Where the Secretary of State prepares an abandonment programme under this section, he shall inform the persons to whom notice was given under section 1(1) of its terms; and when he has done so, the following provisions of this Part of this Act shall have effect as if the programme had been submitted by those persons and approved by the Secretary of State.

## **6 Revision of programmes**

- (1) Where the Secretary of State has approved a programme submitted to him under section 1—
  - (a) either he or the persons who submitted it acting together may propose an alteration to the programme or to any condition to which it is subject, and
  - (b) either he or any of those persons may propose that any person who by virtue of section 8 has a duty to secure that the programme is carried out shall cease to have that duty, or that a person who does not already have that duty shall have it (either in addition to or in substitution for another person).
- (2) In the case of a proposal of the kind mentioned in subsection (1)(b), any person who would if the proposed change were made have a duty to secure that the programme is carried out must be a person who—
  - (a) if the programme relates to an offshore installation, is within paragraph (a), (b), (c), (d) or (e) of section 2(1) when the proposal is made, or has been within one of those paragraphs at some time since the giving of the first notice under section 1(1) in relation to the installation, and
  - (b) if the programme relates to a submarine pipe-line, is within paragraph (a), (b) or (c) of section 2(2) when the proposal is made, or has been within one of those paragraphs at some time since the giving of the first notice under section 1(1) in relation to the pipe-line.
- (3) The Secretary of State shall not propose that a person who is or has been within paragraph (d) or (e) (but no other paragraph) of section 2(1) or paragraph (b) or (c) (but not paragraph (a)) of section 2(2) shall have a duty to secure that a programme is carried out unless it appears to the Secretary of State that a person already under that duty has failed or may fail to discharge it.
- (4) A proposal under subsection (1) shall be made by written notice given—
  - (a) if the proposal is the Secretary of State's, to each of the persons by whom the programme was submitted, and
  - (b) in any other case, to the Secretary of State;

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and a person giving notice to the Secretary of State shall at the same time pay to him such fee in respect of his expenditure under this Part of this Act as may be determined in accordance with regulations under section 11.

- (5) Where the Secretary of State has made a proposal under subsection (1)(a), he shall give an opportunity to make written representations about it to each of the persons who submitted the programme.
- (6) Where a proposal has been made under subsection (1)(b), the Secretary of State shall give an opportunity to make written representations about it to every person (other than one who made the proposal) who will if the proposed change is made—
  - (a) have a duty to secure that the programme is carried out, or
  - (b) cease to have that duty.
- (7) The Secretary of State shall determine whether a change proposed under subsection (1) is to be made and shall then give notice of his determination, and of his reasons for it, to—
  - (a) every person who, before the determination was made, had a duty to secure the carrying out of the programme, and
  - (b) any person who has that duty as a result of the determination.
- (8) Where the Secretary of State determines that a change proposed in accordance with this section shall be made, this Part of this Act shall thereafter have effect as if the programme had been approved by the Secretary of State after being submitted under section 1 with the alterations, or as the case may be by the persons, specified in the determination.

## **7 Withdrawal of approval**

- (1) The Secretary of State may at the request of one or more of the persons who submitted an abandonment programme withdraw his approval of the programme.
- (2) If a request under subsection (1) is made by some but not all of the persons who submitted the programme, the Secretary of State shall give the others an opportunity to make written representations as to whether his approval should be withdrawn.
- (3) The Secretary of State shall after determining whether to withdraw his approval of an abandonment programme give notice of his determination to each of the persons who submitted the programme.

## **8 Duty to carry out programmes**

Where an abandonment programme is approved by the Secretary of State, it shall be the duty of each of the persons who submitted it to secure that it is carried out and that any conditions to which the approval is subject are complied with.

## **9 Default in carrying out programmes**

- (1) If an abandonment programme approved by the Secretary of State is not carried out or a condition to which the approval is subject is not complied with, the Secretary of State may by written notice require any of the persons who submitted the programme to take such remedial action as may be specified in the notice within such time as may be so specified.

- (2) A person who fails to comply with a notice given to him under subsection (1) shall be guilty of an offence unless he proves that he exercised due diligence to avoid the failure.
- (3) If a notice under subsection (1) is not complied with, the Secretary of State may carry out the remedial action required by the notice, and may recover any expenditure incurred by him in doing so from the person to whom the notice was given.
- (4) A person liable to pay any sum to the Secretary of State by virtue of subsection (3) shall also pay interest on that sum for the period beginning with the day on which the Secretary of State notified him of the sum payable and ending with the date of payment.
- (5) The rate of interest payable in accordance with subsection (4) shall be a rate determined by the Secretary of State as comparable with commercial rates.

## **10 Financial resources**

- (1) At any time after the Secretary of State has given a notice under section 1(1) to any person and before he has approved an abandonment programme for the installation or pipe-line concerned, he may by written notice require that person within such time as may be specified in the notice—
  - (a) to provide such information relating to the financial affairs of that person, and
  - (b) to supply copies of such documents relating to those affairs,as may be so specified.
- (2) In order to satisfy himself that a person who has a duty to secure that an abandonment programme is carried out will be capable of discharging that duty, the Secretary of State may at any time by written notice require that person, within such time as may be specified in the notice—
  - (a) to provide such information, and
  - (b) to supply copies of such documents,as may be so specified.
- (3) A person who—
  - (a) without reasonable excuse fails to comply with a notice under subsection (1) or subsection (2), or
  - (b) in purported compliance with such a notice provides information which he knows to be false in a material particular or recklessly provides information which is false in a material particular,shall be guilty of an offence.
- (4) If the Secretary of State is not satisfied that a person will be capable of discharging the duty imposed on him by section 8, he may by written notice, after consulting the Treasury, require that person to take such action as may be specified in the notice within such time as may be so specified.
- (5) The Secretary of State shall not give notice to a person under subsection (4) without first giving him an opportunity to make written representations as to whether the notice should be given.
- (6) A person who fails to comply with a notice under subsection (4) shall be guilty of an offence unless he proves that he exercised due diligence to avoid the failure.

## 11 Regulations

- (1) The Secretary of State may make regulations relating to the abandonment of offshore installations and submarine pipe-lines.
- (2) Without prejudice to the generality of subsection (1), regulations under this section may—
  - (a) prescribe standards and safety requirements in respect of the dismantling, removal and disposal of installations and pipelines;
  - (b) prescribe standards and safety requirements in respect of anything left in the water in cases where an installation or pipeline is not wholly removed;
  - (c) make provision for the prevention of pollution;
  - (d) make provision for inspection, including provision as to the payment of the costs of inspection;
  - (e) make provision as to the determination of the amount of any fees that are payable to the Secretary of State under this Part of this Act.
- (3) Regulations under this section may include provision making it an offence, in such cases as may be prescribed in the regulations, to contravene the regulations.
- (4) Where regulations under this section create an offence, they shall make provision as to the mode of trial and punishment of offenders; but—
  - (a) any provision as to punishment on summary conviction shall not authorise a fine exceeding the statutory maximum or imprisonment, and
  - (b) any provision as to punishment on conviction on indictment shall not authorise imprisonment for a term exceeding two years.
- (5) Before making regulations under this section the Secretary of State shall consult organisations in the United Kingdom appearing to him to be representative of those persons who will be affected by the regulations; and he shall not make regulations relating to the amount of any fees without the consent of the Treasury.
- (6) Regulations under this section shall be made by statutory instrument, which shall be subject to annulment in pursuance of a resolution of either House of Parliament.

## 12 Offences: penalties

A person guilty of an offence under section 2, 5, 9 or 10 shall be liable—

- (a) on summary conviction, to a fine not exceeding the statutory maximum;
- (b) on conviction on indictment, to imprisonment for a term not exceeding two years, or to a fine, or to both.

## 13 Offences: general

- (1) Proceedings for an offence under section 2, 5, 9 or 10 or under regulations made under section 11 shall not be instituted in England and Wales except—
  - (a) by the Secretary of State or by a person authorised in that behalf by the Secretary of State, or
  - (b) by or with the consent of the Director of Public Prosecutions.
- (2) Proceedings for an offence under section 2, 5, 9 or 10 or under regulations made under section 11 shall not be instituted in Northern Ireland except—



- (a) by the Secretary of State or by a person authorised in that behalf by the Secretary of State, or
  - (b) by or with the consent of the Director of Public Prosecutions for Northern Ireland.
- (3) Where an offence committed by a body corporate under section 2, 5, 9 or 10 or under regulations made under section 11 is proved to have been committed with the consent or connivance of, or to be attributable to any neglect on the part of, any 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.
- (4) Where the affairs of a body corporate are managed by its members, subsection (3) shall apply in relation to acts and defaults of a member in connection with his functions of management as if he were a director of the body corporate.
- (5) If an offence under section 9 or under regulations made under section 11 is committed outside the United Kingdom, proceedings for the offence may be taken, and the offence may for all incidental purposes be treated as having been committed, in any place in the United Kingdom.
- (6) Section 3 of the Territorial Waters Jurisdiction Act 1878 (restriction on prosecutions) shall not apply to proceedings for an offence to which subsection (1) of this section applies.
- (7) In section 27 of the Oil and Gas (Enterprise) Act 1982 (which restricts prosecutions for certain offences), at the end of subsection (2) (which excludes offences under certain enactments from the operation of that section) there shall be added—
- “(g) Part I of the Petroleum Act 1987”.

#### **14 Validity of Secretary of State's acts**

- (1) If any person is aggrieved by any of the acts of the Secretary of State mentioned in subsection (2) and desires to question its validity on the ground that it was not within the powers of the Secretary of State or that the relevant procedural requirements had not been complied with, he may within 42 days of the day on which the act was done make an application to the court under this section.
- (2) The acts referred to in subsection (1) are—
- (a) the giving of a notice under section 1(1);
  - (b) the approval of a programme under section 4;
  - (c) the rejection of a programme under section 4;
  - (d) a determination under section 6;
  - (e) a determination under section 7;
  - (f) the giving of a notice under section 10(4).
- (3) If on an application under this section the court is satisfied that the act in question was not within the powers of the Secretary of State or that the applicant has been substantially prejudiced by a failure to comply with the relevant procedural requirements, the court may quash the act.
- (4) Except as provided by this section, the validity of any of the acts of the Secretary of State referred to in subsection (1) shall not be questioned in any legal proceedings whatever.

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- (5) In this section "the relevant procedural requirements"—
- (a) in relation to the giving of a notice under section 1(1), means the requirements of section 3(5);
  - (b) in relation to the approval of a programme under section 4, means the requirements of section 4(3);
  - (c) in relation to the rejection of a programme under section 4, means the requirements of section 4(4);
  - (d) in relation to a determination under section 6, means the requirements of section 6(5), (6) and (7);
  - (e) in relation to a determination under section 7, means the requirements of section 7(2);
  - (f) in relation to the giving of a notice under section 10(4), means the requirements of section 10(5).
- (6) In this section, "the court" means—
- (a) in relation to England and Wales, the High Court;
  - (b) in relation to Scotland, the Court of Session;
  - (c) in relation to Northern Ireland, the High Court.

## 15 Notices

Any notice or other communication authorised or required to be given by this Part of this Act may be sent by post (but this is without prejudice to any other method of transmission).

## 16 Interpretation of Part I

- (1) In this Part of this Act—
- "abandonment programme" has the meaning given by section 1;
  - "offshore installation" has the same meaning as in the Mineral Workings (Offshore Installations) Act 1971;
  - "submarine pipe-line" means a pipe-line within the meaning of section 33 of the Petroleum and Submarine Pipe-lines Act 1975 which is in, under or over waters in—
    - (a) the territorial sea adjacent to the United Kingdom, or
    - (b) an area designated under section 1(7) of the Continental Shelf Act 1964.
- (2) This Part of this Act—
- (a) so far as it applies to individuals, applies to them whether or not they are British citizens, and
  - (b) so far as it applies to bodies corporate, applies to them whether or not they are incorporated under the law of any part of the United Kingdom.

## PART II

### LICENSING

#### 17 Existing licences

- (1) Where a licence granted under section 2 of the Petroleum (Production) Act 1934 before the coming into force of this section incorporates any of the model clauses mentioned in Schedule 1 to this Act, the model clauses as incorporated in the licence shall have effect with the amendments provided for by that Schedule.
- (2) Any provision of a licence which is amended by subsection (1) may be altered or deleted by an instrument under seal executed by the Secretary of State and the licensee.
- (3) A reference in any document to a provision of a licence which is amended by subsection (1) shall, except so far as the nature of the document or the context otherwise requires, be construed as a reference to the provision as so amended.
- (4) It is hereby declared that where a licence granted under section 2 of the Petroleum (Production) Act 1934 before the coming into force of this section refers to any provision of Part I of the Oil Taxation Act 1975, the reference (unless the contrary intention appears) is to that provision as it has effect for the time being for the purposes of petroleum revenue tax.

#### 18 Future licences

- (1) The model clauses mentioned in Schedule 2 to this Act (clauses prescribed for incorporation in certain licences granted under section 2 of the Petroleum (Production) Act 1934) shall have effect with the amendments provided for by that Schedule.
- (2) The model clauses amended by this section may be varied, revoked, modified or excluded as if the amendments had been made by regulations under section 6 of the Petroleum (Production) Act 1934.

#### 19 Northern Ireland territorial waters

- (1) In section 1(2) of the Petroleum (Production) Act 1934 (which defines the area within which Her Majesty has exclusive rights to petroleum so as to include United Kingdom territorial waters adjacent to Great Britain) the words "adjacent to Great Britain" shall be omitted.
- (2) In section 3(1) of that Act, after the words "shall apply" there shall be inserted the words "(in England and Wales and Scotland)".

#### 20 Annual reports

The Secretary of State shall not be required to prepare a report under section 1(5) of the Continental Shelf Act 1964 (annual reports relating to licences under the Petroleum (Production) Act 1934) for the financial year ending on 31st March 1987 or for any subsequent financial year.

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## PART III

### MISCELLANEOUS

#### *Safety zones*

#### **21 Automatic establishment of safety zones**

- (1) Subject to subsections (3) and (4), there shall be a safety zone around every installation which, or part of which, is in waters to which subsection (7) applies if—
- (a) it is stationed there so that any of the activities mentioned in subsection (2) may be carried out on, from or by means of it, or
  - (b) it is being assembled at a station where it is to be used for such a purpose, or
  - (c) it remains or is being dismantled at a station where it has been used for such a purpose.
- (2) The activities referred to in subsection (1) are—
- (a) the exploitation or exploration of mineral resources in or under the shore or bed of waters to which subsection (7) applies;
  - (b) the storage of gas in or under the shore or bed of such waters or the recovery of gas so stored;
  - (c) the conveyance of things by means of a pipe, or system of pipes, constructed or placed on, in or under the shore or bed of such waters;
  - (d) the provision of accommodation for persons who work on or from an installation satisfying the condition in paragraph (a), (b) or (c) of subsection (1).
- (3) Subsection (1) shall not apply to an installation in respect of which an order under section 22 has effect, or to one which—
- (a) is connected with dry land by a permanent structure providing access at all times and for all purposes, or
  - (b) does not project above the sea at any state of the tide.
- (4) The Secretary of State may by order exclude any installation or any description of installation from the operation of subsection (1), and may do so generally or by reference to specified activities or locations or in any other way.
- (5) A safety zone established by subsection (1) shall extend to every point within 500 metres of any part of the installation (ignoring any moorings) and to every point in the water which is vertically above or below such a point.
- (6) A safety zone established by subsection (1) may extend to waters outside waters to which subsection (7) applies.
- (7) The waters to which this subsection applies are—
- (a) tidal waters and parts of the sea in or adjacent to the United Kingdom up to the seaward limits of the territorial sea, and
  - (b) waters in an area designated under section 1(7) of the Continental Shelf Act 1964.

## **22 Establishment of safety zones by order**

- (1) The Secretary of State may by order establish a safety zone around any installation which, or part of which, is stationed in waters to which subsection (7) of section 21 applies, or is being assembled or dismantled in such waters.
- (2) The area of a safety zone established by an order under this section shall be defined in the order and may extend outside waters to which subsection (7) of section 21 applies, but shall not extend to any point which would be outside a zone defined in accordance with subsection (5) of that section.
- (3) An order under this section may be made in anticipation of an installation's arriving at its station, so as to come into force when it does so.

## **23 Safety zones: offences**

- (1) Where by virtue of this Act there is a safety zone around an installation, no vessel shall enter or remain in the zone except—
  - (a) in the case of a safety zone established by an order under section 22, in accordance with that order, or
  - (b) in that or any other case, in accordance with regulations made or a consent given by the Secretary of State.
- (2) If a vessel enters or remains in a safety zone in contravention of subsection (1) then, subject to subsection (3), its owner and its master shall each be guilty of an offence and liable—
  - (a) on summary conviction, to a fine not exceeding the statutory maximum;
  - (b) on conviction on indictment, to imprisonment for a term not exceeding two years or to a fine or to both.
- (3) It shall be a defence for a person charged with an offence under this section to prove that the presence of the installation or the existence of the safety zone was not, and would not on reasonable enquiry have become, known to the master.
- (4) Where the commission by any person of an offence under this section is due to the act or default of some other person, that other person shall also be guilty of that offence and shall be liable to be proceeded against and punished accordingly.
- (5) Where an offence committed by a body corporate under this section is proved to have been committed with the consent or connivance of, or to be attributable to any neglect on the part of, any 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.
- (6) Where the affairs of a body corporate are managed by its members, subsection (5) shall apply in relation to acts and defaults of a member in connection with his functions of management as if he were a director of the body corporate.
- (7) Proceedings for an offence under this section may be taken, and the offence may for all incidental purposes be treated as having been committed, in any place in the United Kingdom.

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- (8) In this section "vessel" includes a hovercraft, submersible apparatus (within the meaning of section 16(2) of the Merchant Shipping Act 1974) and an installation in transit; and "master"—
- (a) in relation to a hovercraft, means the captain,
  - (b) in relation to submersible apparatus, means the person in charge of the apparatus, and
  - (c) in relation to an installation in transit, means the person in charge of the transit operation.

## **24 Safety zones: supplementary**

- (1) For the purposes of sections 21 to 23—
  - (a) any floating structure or device maintained on a station by whatever means, and
  - (b) any apparatus or works treated as associated with a pipe or system of pipes by section 33 of the Petroleum and Submarine Pipe-lines Act 1975 (but not anything else within the definition of pipe-line in that section),
 shall be taken to be an installation.
- (2) Any power to make orders or regulations under sections 21 to 23 shall be exercisable by statutory instrument, and a statutory instrument containing an order under section 21 or regulations under section 23 shall be subject to annulment in pursuance of a resolution of either House of Parliament.
- (3) Sections 21 to 23—
  - (a) so far as they apply to individuals, apply to them whether or not they are British citizens, and
  - (b) so far as they apply to bodies corporate, apply to them whether or not they are incorporated in any part of the United Kingdom.
- (4) Section 21 of the Oil and Gas (Enterprise) Act 1982, and any orders made under it, shall cease to have effect when this section comes into force (but without prejudice to the anticipatory exercise, by virtue of section 13 of the Interpretation Act 1978, of any power conferred by this Act).
- (5) In section 22 of the Oil and Gas (Enterprise) Act 1982 (application offshore of the criminal law etc.), for subsection (3) there shall be substituted—
  - “(3) Where a body corporate is guilty of an offence by virtue of an Order in Council under this section and that offence is proved to have been committed with the consent or connivance of, or to be attributable to any neglect on the part of, any 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.
  - (3A) Where the affairs of a body corporate are managed by its members, subsection (3) shall apply in relation to acts and defaults of a member in connection with his functions of management as if he were a director of the body corporate.
  - (3B) Proceedings for anything that is an offence by virtue of an Order in Council under this section may be taken, and the offence may for all incidental

purposes be treated as having been committed, in any place in the United Kingdom.”

- (6) In section 27 of the Oil and Gas (Enterprise) Act 1982 (which restricts prosecutions for certain offences)—
- (a) in subsection (1), paragraph (d) shall be omitted, and
  - (b) in subsections (3) and (4), for the words "section 21 above" there shall be substituted the words "section 23 of the Petroleum Act 1987".

### *Pipe-lines*

## **25 Construction authorisations**

- (1) Schedule 1 to the Pipe-lines Act 1962 (applications for construction authorisations) shall have effect with the following amendments in relation to applications made after the coming into force of this section.
- (2) In paragraph 6(1) (which provides for the modification of the proposed route of a pipe-line), for the words from "or along a modified route" onwards there shall be substituted the words "or, subject to paragraph 6A below, along a modified route."
- (3) After paragraph 6 there shall be inserted—
- “6A (1) A pipe-line construction authorisation shall not authorise the execution of works for the placing of the proposed pipe-line along a modified route unless the applicant has given a notice relating to the modified route to—
- (a) every local planning authority within whose area any modification of the route occurs, and
  - (b) any person specified by the Minister.
- (2) A notice under sub-paragraph (1) shall state the time within which objections to the modification can be sent to the Minister and shall contain such other particulars as the Minister may direct.
- (3) The time stated in accordance with sub-paragraph (2) shall not be less than 28 days from the date on which the notice is served or such shorter time (being not less than 14 days) as the Minister may direct.
- (4) Where a local planning authority makes an objection in accordance with a notice under sub-paragraph (1) and does not withdraw it, the Minister shall cause a public inquiry to be held with respect to the objection and shall before granting the application consider the report of the person who held the inquiry.
- (5) Where a person other than a local planning authority makes an objection in accordance with a notice under sub-paragraph (1) and does not withdraw it, the Minister shall either—
- (a) cause a public inquiry to be held with respect to the objection, or
  - (b) afford to the person making the objection an opportunity of appearing before and being heard by a person appointed by the Minister for the purpose;
- and shall in either case consider the resulting report.
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6B The Minister may if he thinks fit cause a public inquiry to be held with respect to an application for the grant of a pipe-line construction authorisation whether or not any objection to the application, or to any modification of the route proposed in it, is made or maintained.”

(4) Paragraph 4(2) (which is superseded by paragraph 6B) shall be omitted.

## 26 Availability of funds

(1) After section 26 of the Pipe-lines Act 1962 there shall be inserted—

### “26A Availability of funds.

- (1) The Secretary of State may at any time by notice served on the owner of a pipe-line prohibit the use or testing of the pipe-line, or of any length of the pipe-line, unless there are satisfied such requirements as may be specified in the notice for the purpose mentioned in subsection (2).
  - (2) The purpose referred to in subsection (1) is that of ensuring that funds are available to discharge any liability that may arise in respect of damage attributable to the release or escape of anything from the pipe-line or length.
  - (3) If, before the expiration of twelve weeks from the date on which a notice is served on any person under subsection (1), he serves a counter-notice on the Secretary of State objecting to the notice, the Secretary of State shall afford him an opportunity of appearing before and being heard by a person appointed by the Secretary of State for the purpose.
  - (4) Before the expiration of twelve weeks from the date on which any hearing under subsection (3) is concluded, the Secretary of State shall consider the objection and the report of the person appointed to hear the objector and, by notice served on the objector,—
    - (a) quash the notice objected to, or
    - (b) confirm it without modification, or
    - (c) confirm it with such modification as appears to the Secretary of State to meet the objection.
  - (5) The quashing of a notice served under subsection (1) shall not affect the previous operation of the notice or be taken to prevent the service of a fresh notice.
  - (6) If a pipe-line is used or tested in contravention of a prohibition imposed by a notice under this section then, unless he shows that he used due diligence to avoid contravention, the owner shall be guilty of an offence.
  - (7) A person guilty of an offence under this section shall be liable—
    - (a) on summary conviction, to a fine not exceeding the statutory maximum;
    - (b) on conviction on indictment, to a fine.”
- (2) In sections 58(4) and 59(5) of the Pipe-lines Act 1962, at the appropriate places in the lists of provisions of that Act, there shall be inserted the words "section 26A".



## **27 Compulsory acquisition of rights**

In section 2 of the Mines (Working Facilities and Support) Act 1966 (which enables a court to grant certain rights ancillary to mining)—

- (a) in subsection (1)(b) (under which the rights that may be granted for the purpose of the conveyance of minerals are limited to the extent provided by subsection (1A)), for the words from "minerals" to "purpose of the" there shall be substituted the words "or conveyance of minerals or the"; and
- (b) subsection (1A) shall cease to have effect.

### *Refineries*

## **28 Construction of refineries**

Sections 34 to 39 of the Petroleum and Submarine Pipe-lines Act 1975 (control of construction and extension of refineries) shall cease to have effect.

## **PART IV**

### **SUPPLEMENTARY**

## **29 Expenses**

There shall be paid out of money provided by Parliament any expenditure incurred by the Secretary of State under this Act and any increase attributable to this Act in the sums so payable under any other Act.

## **30 Repeals**

The enactments mentioned in Schedule 3 to this Act are hereby repealed to the extent specified in the third column of that Schedule.

## **31 Commencement**

- (1) Subject to subsection (2), this Act shall come into force at the end of the period of two months beginning with the day on which it is passed.
- (2) The following provisions of this Act—
  - (a) sections 17 and 18, and Schedules 1 and 2, and
  - (b) sections 21 to 24, and the repeals of section 21 and in section 27 of the Oil and Gas (Enterprise) Act 1982,shall come into force on such day as the Secretary of State may appoint by order made by statutory instrument, and different days may be appointed for different purposes.
- (3) An order under subsection (2) may make such transitional provision and savings as appear to the Secretary of State to be necessary or expedient.

## **32 Short title and extent**

- (1) This Act may be cited as the Petroleum Act 1987.

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- (2) Sections 25, 26 and 27 of this Act do not extend to Northern Ireland, but otherwise this Act extends there.

## SCHEDULES

### SCHEDULE 1

Section 17.

#### AMENDMENT OF EXISTING LICENCES

##### *Part II of Schedule 2 to the 1975 Act*

- 1 (1) The model clauses set out in Part II of Schedule 2 to the Petroleum and Submarine Pipe-lines Act 1975 as amended by the Oil and Gas (Enterprise) Act 1982 (clauses incorporated in production licences for seaward areas) shall have effect with the following amendments (which relate to royalty payments, royalty in kind, carrying back of costs, arbitration and measurement etc. of petroleum).
- (2) In clause 9(1)—
- (a) for "paragraphs (2) to (4)" there shall be substituted "paragraph (1A)"; and
  - (b) after "clauses" there shall be inserted "9A,".
- (3) In clause 9, for paragraphs (2) to (4) there shall be substituted—
- “(1A) Paragraph (1) of this clause shall not apply to a chargeable period in which the Licensee delivers petroleum to the Minister in pursuance of clause 11 of this licence; but if the petroleum delivered has a value of less than 12 ½ per cent. of the aggregate of—
- (a) the value of the petroleum delivered (ignoring any such excess as is mentioned in paragraph (11) of this clause), and
  - (b) the value of the petroleum relating to that period,
- he shall pay to the Minister a royalty of an amount equal to the difference.”
- (4) In clause 9(5), for "clause 10" there shall be substituted "clauses 9A and 10".
- (5) In clause 9, after paragraph (7) there shall be inserted—
- “(7A) A notice under paragraph (7) of this clause may, if the Minister thinks fit, provide for the costs in respect of which a sum is ascertained for the purposes of paragraph (5)(b) to include, to such extent as may be specified in the notice,—
- (a) costs incurred in relation to assets which have ceased to be used in connection with the conveying or treating of petroleum;
  - (b) costs incurred after the end of the chargeable period to which the sum relates.
- (7B) If a notice under paragraph (7) of this clause contains a provision relating to costs incurred after the end of a chargeable period, sub-paragraph (6) of paragraph (7) shall have effect in relation to a dispute concerning such costs as if the chargeable period there referred to were that in which the costs were incurred.”
- (6) In clause 9, for paragraph (8) there shall be substituted—

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- “(8) Subject to paragraphs (9) and (10) of this clause, the value of petroleum delivered to the Minister in pursuance of clause 11 of this licence shall be ascertained for the purposes of this clause and clause 9A on such basis (or, where petroleum of more than one kind is delivered, such bases) as the Minister and the Licensee agree.
- (9) If the Minister and the Licensee fail to agree on the value of any petroleum delivered to the Minister in pursuance of clause 11 of this licence, it shall be ascertained on such basis as the Minister may specify as fair in a notice in writing given by him to the Licensee.
- (10) The Licensee may, during the period of 28 days beginning with the day on which he receives a notice from the Minister under paragraph (9) of this clause, refer to arbitration in the manner provided by clause 40 of this licence any question as to whether the basis of valuation specified in the notice is fair.
- (11) In this clause and clauses 9A, 10 and 11 A, references to petroleum delivered to the Minister in pursuance of clause 11 include references to any excess over the quantity required to be delivered by a notice served in pursuance of paragraph (1) of that clause.”
- (7) After clause 9, there shall be inserted—
- “9A If in any chargeable period the Licensee delivers to the Minister in pursuance of clause 11 of this licence petroleum having a value greater than 12 ½ per cent. of the aggregate of—
- (a) the value of the petroleum delivered (ignoring any such excess as is mentioned in clause 9(11) of this licence), and
  - (b) the value of the petroleum relating to that period,
- the Minister shall pay to the Licensee a sum equal to the difference.”
- (8) In clause 10(1), for sub-paragraph (e) there shall be substituted—
- “(e) the amount which the Licensee estimates will be the sum ascertained as respects that period for the purposes of clause 9(5)(b) of this licence (ignoring, in a case where they might otherwise be taken into account in the estimate, any costs incurred after the end of the period)”.
- (9) In clause 10(3), for "9(3) or (4)" there shall be substituted "9(1A)".
- (10) In clause 10(4)—
- (a) for "paragraphs (2) to (4)" there shall be substituted "paragraph (1A)"; and
  - (b) for "paragraph (2)" there shall be substituted "paragraph (1A)".
- (11) In clause 10(6)—
- (a) the words from "and a sum" to "petroleum" shall be omitted; and
  - (b) for "that clause" there shall be substituted "clause 9 of this licence".
- (12) In clause 10, after paragraph (7) there shall be inserted—
- “(7A) If, after the date when the Minister gave notice to the Licensee in pursuance of paragraph (b) of this clause or this paragraph in respect of a chargeable period, it appears to the Minister that as a result of costs incurred after the end of the period there is an increase in the sum to

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be taken into account by virtue of clause 9(5)(b) of this licence, and accordingly a reduction in the amount payable by the Licensee in respect of that period, he may give notice in writing to the Licensee specifying the reduced amount; and where he does so he shall forthwith pay to the Licensee an amount equal to the difference between the reduced amount and the total amount already paid by the Licensee in pursuance of this clause in respect of the period.”

(13) In clause 10(8)—

- (a) for "or (7)" (in both places) there shall be substituted ", (7) or (7A)"; and
- (b) after "may" there shall be inserted ", during the period of 28 days beginning with the day on which the Licensee receives the notice,".

(14) In clause 10, for paragraph (9) there shall be substituted—

“(9) An amount in respect of interest shall be payable when a notice is given under paragraph (5), (6), (7) or (7A) of this clause, and that amount shall be calculated in such manner as the Minister may specify from time to time in a notice in writing given by him to the Licensee; but—

- (a) a notice in pursuance of this paragraph shall provide for amounts by way of interest to be calculated by applying a rate of interest which is for the time being a commercial rate of interest;
- (b) any such amount in respect of interest shall be disregarded in calculating for the purposes of paragraph (5), (6), (7) or (7A) of this clause any amount already paid by the Licensee in pursuance of this clause;
- (c) where costs of the kind mentioned in clause 9(7A)(b) of this licence are taken into account, they shall not affect the amount of interest payable in respect of any period ending earlier than two months after the chargeable period in which they were incurred.”

(15) In clause 10, after paragraph (9) there shall be inserted—

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

(9B) Interest under paragraph (9A) of this clause shall be calculated in such manner as the Minister may specify from time to time in a notice in writing given by him to the Licensee (but sub-paragraph (a) of paragraph (9) of this clause shall apply to such a notice as it applies to a notice under paragraph (9)).”

(16) In clause 10(11), for "or (7)" there shall be substituted ", (7) or (7A)".

(17) In clause 11A(1)—

- (a) for "a notice served by virtue of clause 11(1)" there shall be substituted "clause 11";
- (b) for "the delivery and treatment of the" there shall be substituted "conveying and treating";
- (c) for "clause 9(7)" there shall be substituted "clause 9(7) to (7B)"; and

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- (d) for "for the reference to paragraph (5)(b) of that clause there were substituted a reference" there shall be substituted "references to clause 9(5)(b) were references".

(18) In clause 11A, after paragraph (4) there shall be inserted—

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

(19) In clause 11A(5)—

- (a) for "or (4)" there shall be substituted ", (4) or (4A)";
- (b) after "paragraph (4)" there shall be inserted "or (4A)"; and
- (c) after "may" there shall be inserted ", during the period of 28 days beginning with the day on which the Licensee receives the notice,".

(20) In clause 11A, for paragraph (b) there shall be substituted—

“(6) An amount in respect of interest shall be payable when a notice is given under paragraph (3), (4) or (4A) of this clause, and that amount shall be calculated in such manner as the Minister may specify from time to time in a notice in writing given by him to the Licensee; but—

- (a) a notice in pursuance of this paragraph shall provide for amounts by way of interest to be calculated by applying a rate of interest which is for the time being a commercial rate of interest;
- (b) any such amount in respect of interest shall be disregarded in calculating for the purposes of paragraph (3), (4) or (4A) of this clause any amount already paid by the Minister in pursuance of this clause;
- (c) where costs of the kind mentioned in clause 9(7A)(b) of this licence are taken into account, they shall not affect the amount of interest payable in respect of any period ending earlier than two months after the chargeable period in which they were incurred.”

(21) In clause 11A(7), for "or (4)" there shall be substituted ", (4) or (4A)".

(22) In clause 12, after paragraph (1) there shall be inserted—

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

- (a) from each part of the licensed area which is an oil field for the purposes of the Oil Taxation Act 1975,
- (b) from each part of the licensed area which forms part of such an oil field extending beyond the licensed area, and
- (c) from each well producing petroleum from a part of the licensed area which is not within such an oil field.

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

*Part II of Schedule 3 to the 1975 Act*

- 2 (1) The model clauses set out in Part II of Schedule 3 to the Petroleum and Submarine Pipe-lines Act 1975 as amended by the Oil and Gas (Enterprise) Act 1982 (clauses incorporated in production licences for landward areas) shall have effect with the following amendments (which relate to royalty payments, royalty in kind, carrying back of costs, arbitration and measurement etc. of petroleum).
- (2) In clause 9(1), for "paragraphs (2) to (4)" there shall be substituted "paragraph (1A)".
- (3) In clause 9, for paragraphs (2) to (4) there shall be substituted—
- “(1A) Paragraph (1) of this clause shall not apply to a chargeable period in which the Licensee delivers petroleum to the Minister in pursuance of clause 11 of this licence; but if the petroleum delivered has a value of less than the relevant percentage of the aggregate of—
- (a) the value of the petroleum delivered (ignoring any such excess as is mentioned in paragraph (7F) of this clause), and
  - (b) the value of the petroleum relating to that period,
- he shall pay to the Minister a royalty of an amount equal to the difference.”
- (4) In clause 9(5), for "clause 10" there shall be substituted "clauses 9A and 10".
- (5) In clause 9, after paragraph (7) there shall be inserted—
- “(7A) A notice under paragraph (7) of this clause may, if the Minister thinks fit, provide for the costs in respect of which a sum is ascertained for the purposes of paragraph (5)(b) to include, to such extent as may be specified in the notice,—
- (a) costs incurred in relation to assets which have ceased to be used in connection with the conveying or treating of petroleum;
  - (b) costs incurred after the end of the chargeable period to which the sum relates.
- (7B) If a notice under paragraph (7) of this clause contains a provision relating to costs incurred after the end of a chargeable period, sub-paragraph (b) of paragraph (7) shall have effect in relation to a dispute concerning such costs as if the chargeable period there referred to were that in which the costs were incurred.”
- (6) In clause 9, before paragraph (8) there shall be inserted—
- “(7C) Subject to paragraphs (7D) and (7E) of this clause, the value of petroleum delivered to the Minister in pursuance of clause 11 of this licence shall be ascertained for the purposes of this clause and clause 9A on such basis (or, where petroleum of more than one kind is delivered, such bases) as the Minister and the Licensee agree.

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- (7D) If the Minister and the Licensee fail to agree on the value of any petroleum delivered to the Minister in pursuance of clause 11 of this licence, it shall be ascertained on such basis as the Minister may specify as fair in a notice in writing given by him to the Licensee.
- (7E) The Licensee may, during the period of 28 days beginning with the day on which he receives a notice from the Minister under paragraph (7D) of this clause, refer to arbitration in the manner provided by clause 38 of this licence any question as to whether the basis of valuation specified in the notice is fair.
- (7F) In this clause and clauses 9A, 10 and 11 A, references to petroleum delivered to the Minister in pursuance of clause 11 include references to any excess over the quantity required to be delivered by a notice served in pursuance of paragraph (1) of that clause.”
- (7) In clause 9(8), for the definition of "royalty petroleum" there shall be substituted—  
 “‘relevant percentage’, in relation to a chargeable period, means the effective rate at which, apart from any notice under clause 11 of this licence, royalty would be payable for that period in pursuance of paragraph (1) of this clause;”.
- (8) After clause 9, there shall be inserted the following—  
 “9A (1) If in any chargeable period the Licensee delivers to the Minister in pursuance of clause 11 of this licence petroleum having a value greater than the relevant percentage of the aggregate of—  
 (a) the value of the petroleum delivered (ignoring any such excess as is mentioned in clause 9(7F) of this licence), and  
 (b) the value of the petroleum relating to that period,  
 the Minister shall pay to the Licensee a sum equal to the difference.  
 (2) In this clause, 'chargeable period' and 'relevant percentage' have the same meanings as in clause 9 of this licence.”
- (9) In clause 10(1), for sub-paragraph (e) there shall be substituted—  
 “(e) the amount which the Licensee estimates will be the sum ascertained as respects that period for the purposes of clause 9(5)(b) of this licence (ignoring, in a case where they might otherwise be taken into account in the estimate, any costs incurred after the end of the period)”. ”.
- (10) In clause 10(2), for "fraction" there shall be substituted "percentage".
- (11) In clause 10(3), for "9(3) or (4)" there shall be substituted "9(1A)".
- (12) In clause 10(4)—  
 (a) for "paragraphs (2) to (4)" there shall be substituted "paragraph (1A)"; and  
 (b) for "paragraph (2)" there shall be substituted "paragraph (1A)".
- (13) In clause 10(6)—  
 (a) the words from "and a sum" to "petroleum" shall be omitted; and  
 (b) for "this clause" there shall be substituted "clause 9 of this licence".
- (14) In clause 10, after paragraph (7) there shall be inserted—



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

(15) In clause 10(8)—

- (a) for "or (7)" (in both places) there shall be substituted ", (7) or (7A)"; and
- (b) after "may" there shall be inserted ", during the period of 28 days beginning with the day on which the Licensee receives the notice,".

(16) In clause 10, for paragraph (9) there shall be substituted—

“(9) An amount in respect of interest shall be payable when a notice is given under paragraph (5), (6), (7) or (7A) of this clause, and that amount shall be calculated in such manner as the Minister may specify from time to time in a notice in writing given by him to the Licensee; but—

- (a) a notice in pursuance of this paragraph shall provide for amounts by way of interest to be calculated by applying a rate of interest which is for the time being a commercial rate of interest;
- (b) any such amount in respect of interest shall be disregarded in calculating for the purposes of paragraph (5), (6), (7) or (7A) of this clause any amount already paid by the Licensee in pursuance of this clause;
- (c) where costs of the kind mentioned in clause 9(7A)(b) of this licence are taken into account, they shall not affect the amount of interest payable in respect of any period ending earlier than two months after the chargeable period in which they were incurred.”

(17) In clause 10, after paragraph (9) there shall be inserted—

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

(9B) Interest under paragraph (9A) of this clause shall be calculated in such manner as the Minister may specify from time to time in a notice in writing given by him to the Licensee (but sub-paragraph (a) of paragraph (9) of this clause shall apply to such a notice as it applies to a notice under paragraph (9)).”

(18) In clause 10(10)—

- (a) for "royalty petroleum" there shall be substituted "relevant percentage"; and

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- (b) the definition of "the relevant fraction" and the word "and" preceding it shall be omitted.
- (19) In clause 10(11), for "or (7)" there shall be substituted ", (7) or (7A)".
- (20) In clause 11A(1)—
- (a) for "a notice served by virtue of clause 11(1)" there shall be substituted "clause 11";
  - (b) for "the delivery and treatment of the" there shall be substituted "conveying and treating";
  - (c) for "clause 9(7)" there shall be substituted "clause 9(7) to (7B)"; and
  - (d) for "for the reference to paragraph (5)(b) of that clause there were substituted a reference" there shall be substituted "references to clause 9(5)(b) were references".
- (21) In clause 11A, after paragraph (4) there shall be inserted—
- “(4A) If, after the date when the Minister gave notice to the Licensee in pursuance of paragraph (4) of this clause or this paragraph in respect of a chargeable period, it appears to the Minister that as a result of costs incurred after the end of the period there is an increase in the amount payable by him in pursuance of this clause in respect of the period, he may give notice in writing to the Licensee specifying the increased amount; and where he does so he shall forthwith pay to the Licensee an amount equal to the difference between the increased amount and the total amount already paid by the Minister in pursuance of this clause in respect of the period.”
- (22) In clause 11A(5)—
- (a) for "or (4)" there shall be substituted ", (4) or (4A)";
  - (b) after "paragraph (4)" there shall be inserted "or (4A)"; and
  - (c) after "may" there shall be inserted ", during the period of 28 days beginning with the day on which the Licensee receives the notice,".
- (23) In clause 11A, for paragraph (b) there shall be substituted—
- “(6) An amount in respect of interest shall be payable when a notice is given under paragraph (3), (4) or (4A) of this clause, and that amount shall be calculated in such manner as the Minister may specify from time to time in a notice in writing given by him to the Licensee; but—
- (a) a notice in pursuance of this paragraph shall provide for amounts by way of interest to be calculated by applying a rate of interest which is for the time being a commercial rate of interest;
  - (b) any such amount in respect of interest shall be disregarded in calculating for the purposes of paragraph (3), (4) or (4A) of this clause any amount already paid by the Minister in pursuance of this clause;
  - (c) where costs of the kind mentioned in clause 9(7A)(b) of this licence are taken into account, they shall not affect the amount of interest payable in respect of any period ending earlier than two months after the chargeable period in which they were incurred.”
- (24) In clause 11A(7), for "or (4)" there shall be substituted ", (4) or (4A)".
- (25) In clause 12, after paragraph (1) there shall be inserted—

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

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

- (a) from each part of the licensed area which is an oil field for the purposes of the Oil Taxation Act 1975,
- (b) from each part of the licensed area which forms part of such an oil field extending beyond the licensed area, and
- (c) from each well producing petroleum from a part of the licensed area which is not within such an oil field.

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

*Schedule 4 to the 1976 Regulations*

3 (1) The model clauses set out in Schedule 4 to the Petroleum (Production) Regulations 1976 as amended by the Oil and Gas (Enterprise) Act 1982 (clauses incorporated in production licences for landward areas) shall have effect with the following amendments (which relate to royalty payments, royalty in kind, arbitration and measurement etc. of petroleum).

(2) In clause 9(1), for "paragraphs (2) to (4)" there shall be substituted "paragraph (1A)".

(3) In clause 9, for paragraphs (2) to (4) there shall be substituted—

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

- (a) the value of the petroleum delivered (ignoring any such excess as is mentioned in paragraph (6D) of this clause), and
- (b) the value of petroleum relating to that period,

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

(4) In clause 9(5), for "clause 10" there shall be substituted "clauses 9A and 10".

(5) In clause 9, after paragraph (b) there shall be inserted—

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

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

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- (6C) The Licensee may, during the period of 28 days beginning with the day on which he receives a notice from the Minister under paragraph (6B) of this clause, refer to arbitration in the manner provided by clause 39 of this licence any question as to whether the basis of valuation specified in the notice is fair.
- (6D) In this clause and clauses 9A and 10, references to petroleum delivered to the Minister in pursuance of clause 11 include references to any excess over the quantity required to be delivered by a notice served in pursuance of paragraph (1) of that clause.”
- (6) In clause 9(7), for the definition of "royalty petroleum" there shall be substituted—  
 “relevant percentage', in relation to a chargeable period, means the effective rate at which, apart from any notice under clause 11 of this licence, royalty would be payable for that period in pursuance of paragraph (1) of this clause;”.
- (7) After clause 9, there shall be inserted—  
 “9A (1) If in any chargeable period the Licensee delivers to the Minister in pursuance of clause 11 of this licence petroleum having a value greater than the relevant percentage of the aggregate of—  
 (a) the value of the petroleum delivered (ignoring any such excess as is mentioned in clause 9(6D) of this licence), and  
 (b) the value of the petroleum relating to that period,  
 the Minister shall pay to the Licensee a sum equal to the difference.  
 (2) In this clause, 'chargeable period' and 'relevant percentage' have the same meanings as in clause 9 of this licence.”
- (8) In clause 10(2), for "fraction" there shall be substituted "percentage".
- (9) In clause 10(3), for "9(3) or (4)" there shall be substituted "9(1A)".
- (10) In clause 10(7), after "may" there shall be inserted ", during the period of 28 days beginning with the day on which the Licensee receives the notice."
- (11) In clause 10(8)(b), for "or (5)" there shall be substituted ", (5) or (6)".
- (12) In clause 10, after paragraph (8) there shall be inserted—  
 “(8A) If a payment is made by the Minister in pursuance of clause 9A of this licence more than two months after the end of the chargeable period to which the payment relates, an amount in respect of interest on the payment from the end of those two months shall also be payable by him to the Licensee.  
 (8B) Interest under paragraph (8A) of this clause shall be calculated in such manner as the Minister may specify from time to time in a notice in writing given by him to the Licensee (but sub-paragraph (a) of paragraph (8) of this clause shall apply to such a notice as it applies to a notice under paragraph (8)).”
- (13) In clause 10(9)—  
 (a) for " 'royalty petroleum'" there shall be substituted " 'relevant percentage' ";  
 and

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

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- (b) the definition of "the relevant fraction" and the word "and" preceding it shall be omitted.
- (14) In clause 12, after paragraph (1) there shall be inserted—
- “(1A) If and to the extent that the Minister so directs, the duty imposed by paragraph (1) of this clause shall be discharged separately in relation to petroleum won and saved—
- (a) from each part of the licensed area which is an oil field for the purposes of the Oil Taxation Act 1975,
  - (b) from each part of the licensed area which forms part of such an oil field extending beyond the licensed area, and
  - (c) from each well producing petroleum from a part of the licensed area which is not within such an oil field.
- (1B) If and to the extent that the Minister so directs, the preceding provisions of this clause shall apply as if the duty to measure or weigh petroleum included a duty to ascertain its quality or composition or both; and where a direction under this paragraph is in force, the following provisions of this clause shall have effect as if references to measuring or weighing included references to ascertaining quality or composition.”

*Schedule 5 to the 1976 Regulations*

- 4 (1) The model clauses set out—
- (a) in Schedule 5 to the Petroleum (Production) Regulations 1976 as amended by the Oil and Gas (Enterprise) Act 1982;
  - (b) in that Schedule as amended by the Petroleum (Production) (Amendment) Regulations 1978 and the 1982 Act; and
  - (c) in that Schedule as amended by the 1978 Regulations, the Petroleum (Production) (Amendment) Regulations 1980 and the 1982 Act,
- (clauses incorporated in production licences for seaward areas) shall have effect with the following amendments (which relate to royalty payments, royalty in kind, arbitration and measurement etc. of petroleum).
- (2) In clause 9(1)—
- (a) for "paragraphs (2) to (4)" there shall be substituted "paragraph (1A)"; and
  - (b) for "clause 10" there shall be substituted "clauses 9A and 10".
- (3) In clause 9, for paragraphs (2) to (4) there shall be substituted—
- “(1A) Paragraph (1) of this clause shall not apply to a chargeable period in which the Licensee delivers petroleum to the Minister in pursuance of clause 11 of this licence; but if the petroleum delivered has a value of less than the appropriate percentage of the aggregate of—
- (a) the value of the petroleum delivered (ignoring any such excess as is mentioned in paragraph (10) of this clause), and
  - (b) the value of the petroleum relating to that period,
- he shall pay to the Minister a royalty of an amount equal to the difference.”
- (4) In clause 9(5), for "clause 10" there shall be substituted "clauses 9A and 10".
- (5) In clause 9, for paragraph (7) there shall be substituted—

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- “(7) Subject to paragraphs (8) and (9) of this clause, the value of petroleum delivered to the Minister in pursuance of clause 11 of this licence shall be ascertained for the purposes of this clause and clause 9A on such basis (or, where petroleum of more than one kind is delivered, such bases) as the Minister and the Licensee agree.
- (8) If the Minister and the Licensee fail to agree on the value of any petroleum delivered to the Minister in pursuance of clause 11 of this licence, it shall be ascertained on such basis as the Minister may specify as fair in a notice in writing given by him to the Licensee.
- (9) The Licensee may, during the period of 28 days beginning with the day on which he receives a notice from the Minister under paragraph (8) of this clause, refer to arbitration in the manner provided by clause 41 of this licence any question as to whether the basis of valuation specified in the notice is fair.
- (10) In this clause and clauses 9A and 10, references to petroleum delivered to the Minister in pursuance of clause 11 include references to any excess over the quantity required to be delivered by a notice served in pursuance of paragraph (1) of that clause.”
- (6) After clause 9, there shall be inserted—
- “9A If in any chargeable period the Licensee delivers to the Minister in pursuance of clause 11 of this licence petroleum having a value greater than the appropriate percentage of the aggregate of—
- (a) the value of the petroleum delivered (ignoring any such excess as is mentioned in clause 9(10) of this licence), and
  - (b) the value of the petroleum relating to that period,
- the Minister shall pay to the Licensee a sum equal to the difference.”
- (7) In clause 10(3), for "9(3) or (4)" there shall be substituted "9(1A)".
- (8) In clause 10(7), after "may" there shall be inserted ", during the period of 28 days beginning with the day on which the Licensee receives the notice,".
- (9) In clause 10(8)(b), for "or (5)" there shall be substituted ", (5) or (6)".
- (10) In clause 10, after paragraph (8) there shall be inserted—
- “(8A) If a payment is made by the Minister in pursuance of clause 9A of this licence more than two months after the end of the chargeable period to which the payment relates, an amount in respect of interest on the payment from the end of those two months shall also be payable by him to the Licensee.
- (8B) Interest under paragraph (8A) of this clause shall be calculated in such manner as the Minister may specify from time to time in a notice in writing given by him to the Licensee (but sub-paragraph (a) of paragraph (8) of this clause shall apply to such a notice as it applies to a notice under paragraph (8)).”
- (11) In clause 12, after paragraph (1) there shall be inserted—

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

- (a) from each part of the licensed area which is an oil field for the purposes of the Oil Taxation Act 1975,
- (b) from each part of the licensed area which forms part of such an oil field extending beyond the licensed area, and
- (c) from each well producing petroleum from a part of the licensed area which is not within such an oil field.

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

*Schedule 4 to the 1982 Regulations*

5 (1) The model clauses set out in Schedule 4 to the Petroleum (Production) Regulations 1982 (clauses incorporated in production licences for landward areas) shall have effect with the following amendments (which relate to royalty payments, royalty in kind, arbitration and measurement etc. of petroleum).

(2) In clause 9(1), for "paragraphs (2) to (4)" there shall be substituted "paragraph (1A)".

(3) In clause 9, for paragraphs (2) to (4) there shall be substituted—

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

- (a) the value of the petroleum delivered (ignoring any such excess as is mentioned in paragraph (6D) of this clause), and
- (b) the value of the petroleum relating to that period,

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

(4) In clause 9(5), for "clause 10" there shall be substituted "clauses 9A and 10".

(5) In clause 9, after paragraph (b) there shall be inserted—

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

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

(6C) The Licensee may, during the period of 28 days beginning with the day on which he receives a notice from the Minister under paragraph (6B) of

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this clause, refer to arbitration in the manner provided by clause 39 of this licence any question as to whether the basis of valuation specified in the notice is fair.

- (6D) In this clause and clauses 9A and 10, references to petroleum delivered to the Minister in pursuance of clause 11 include references to any excess over the quantity required to be delivered by a notice served in pursuance of paragraph (1) of that clause.”
- (6) In clause 9(7), for the definition of "royalty petroleum" there shall be substituted—  
 “relevant percentage', in relation to a chargeable period, means the effective rate at which, apart from any notice under clause 11 of this licence, royalty would be payable for that period in pursuance of paragraph (1) of this clause;”.
- (7) After clause 9, there shall be inserted—  
 “9A (1) If in any chargeable period the Licensee delivers to the Minister in pursuance of clause 11 of this licence petroleum having a value greater than the relevant percentage of the aggregate of—  
 (a) the value of the petroleum delivered (ignoring any such excess as is mentioned in clause 9(6D) of this licence), and  
 (b) the value of the petroleum relating to that period,  
 the Minister shall pay to the Licensee a sum equal to the difference.  
 (2) In this clause, 'chargeable period' and 'relevant percentage' have the same meanings as in clause 9 of this licence.”
- (8) In clause 10(2), for "fraction" there shall be substituted "percentage".
- (9) In clause 10(3), for "9(3) or (4)" there shall be substituted "9(1A)".
- (10) In clause 10(7), after "may" there shall be inserted ", during the period of 28 days beginning with the day on which the Licensee receives the notice,".
- (11) In clause 10(8)(b), for "or (5)" there shall be substituted ", (5) or (6)".
- (12) In clause 10, after paragraph (8) there shall be inserted—  
 “(8A) If a payment is made by the Minister in pursuance of clause 9A of this licence more than two months after the end of the chargeable period to which the payment relates, an amount in respect of interest on the payment from the end of those two months shall also be payable by him to the Licensee.  
 (8B) Interest under paragraph (8A) of this clause shall be calculated in such manner as the Minister may specify from time to time in a notice in writing given by him to the Licensee (but sub-paragraph (a) of paragraph (8) of this clause shall apply to such a notice as it applies to a notice under paragraph (8)).”
- (13) In clause 10(9)—  
 (a) for "'royalty petroleum'" there shall be substituted "'relevant percentage'";  
 and  
 (b) the definition of "the relevant fraction" and the word "and" preceding it shall be omitted.



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

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(14) In clause 12, after paragraph (1) there shall be inserted—

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

- (a) from each part of the licensed area which is an oil field for the purposes of the Oil Taxation Act 1975;
- (b) from each part of the licensed area which forms part of such an oil field extending beyond the licensed area, and
- (c) from each well producing petroleum from a part of the licensed area which is not within such an oil field.

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

*Schedule 5 to the 1982 Regulations*

6 (1) The model clauses set out in Schedule 5 to the Petroleum (Production) Regulations 1982 (clauses incorporated in production licences for seaward areas) shall have effect with the following amendments (which relate to royalty payments, royalty in kind, arbitration and measurement etc. of petroleum).

(2) In clause 8(1)—

- (a) for "paragraphs (2) to (4)" there shall be substituted "paragraph (1A)"; and
- (b) for "clause 9" there shall be substituted "clauses 8A and 9".

(3) In clause 8, for paragraphs (2) to (4) there shall be substituted—

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

- (a) the value of the petroleum delivered (ignoring any such excess as is mentioned in paragraph (10) of this clause), and
- (b) the value of the petroleum relating to that period,

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

(4) In clause 8(5), for "clause 9" there shall be substituted "clauses 8A and 9".

(5) In clause 8, for paragraph (7) there shall be substituted—

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

(8) If the Minister and the Licensee fail to agree on the value of any petroleum delivered to the Minister in pursuance of clause 10 of this licence, it shall

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be ascertained on such basis as the Minister may specify as fair in a notice in writing given by him to the Licensee.

- (9) The Licensee may, during the period of 28 days beginning with the day on which he receives a notice from the Minister under paragraph (8) of this clause, refer to arbitration in the manner provided by clause 40 of this licence any question as to whether the basis of valuation specified in the notice is fair.
- (10) In this clause and clauses 8A and 9, references to petroleum delivered to the Minister in pursuance of clause 10 include references to any excess over the quantity required to be delivered by a notice served in pursuance of paragraph (1) of that clause.”
- (6) After clause 8, there shall be inserted—
- “8A If in any chargeable period the Licensee delivers to the Minister in pursuance of clause 10 of this licence petroleum having a value greater than the appropriate percentage of the aggregate of—
- (a) the value of the petroleum delivered (ignoring any such excess as is mentioned in clause 8(10) of this licence), and
- (b) the value of the petroleum relating to that period,
- the Minister shall pay to the Licensee a sum equal to the difference.”
- (7) In clause 9(3), for "8(3) or (4)" there shall be substituted "8(1A)".
- (8) In clause 9(7), after "may" there shall be inserted ", during the period of 28 days beginning with the day on which the Licensee receives the notice,".
- (9) In clause 9(8)(b), for "or (5)" there shall be substituted ", (5) or (6)".
- (10) In clause 9, after paragraph (8) there shall be inserted—
- “(8A) If a payment is made by the Minister in pursuance of clause 8A of this licence more than two months after the end of the chargeable period to which the payment relates, an amount in respect of interest on the payment from the end of those two months shall also be payable by him to the Licensee.
- (8B) Interest under paragraph (8A) of this clause shall be calculated in such manner as the Minister may specify from time to time in a notice in writing given by him to the Licensee (but sub-paragraph (a) of paragraph (8) of this clause shall apply to such a notice as it applies to a notice under paragraph (8)).”
- (11) In clause 11, after paragraph (1) there shall be inserted—
- “(1A) If and to the extent that the Minister so directs, the duty imposed by paragraph (1) of this clause shall be discharged separately in relation to petroleum won and saved—
- (a) from each part of the licensed area which is an oil field for the purposes of the Oil Taxation Act 1975,
- (b) from each part of the licensed area which forms part of such an oil field extending beyond the licensed area, and
- (c) from each well producing petroleum from a part of the licensed area which is not within such an oil field.

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

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

*Schedule 4 to the 1984 Regulations*

7 (1) The model clauses set out in Schedule 4 to the Petroleum (Production) (Landward Areas) Regulations 1984 (clauses incorporated in appraisal licences for landward areas) shall have effect with the following amendments (which relate to arbitration, royalty payments and measurement etc. of petroleum).

(2) In clause 9(6), after "may" there shall be inserted ", during the period of 28 days beginning with the day on which the Licensee receives the notice,".

(3) In clause 9(7)(b), for "or (4)" there shall be substituted ", (4) or (5)".

(4) In clause 10, after paragraph (1) there shall be inserted—

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

- (a) from each part of the licensed area which is an oil field for the purposes of the Oil Taxation Act 1975,
- (b) from each part of the licensed area which forms part of such an oil field extending beyond the licensed area, and
- (c) from each well producing petroleum from a part of the licensed area which is not within such an oil field.

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

SCHEDULE 2

Section 18.

AMENDMENT OF MODEL CLAUSES

*Schedule 5 to the 1982 Regulations*

1 (1) The model clauses set out in Schedule 5 to the Petroleum (Production) Regulations 1982 (clauses for incorporation in production licences for seaward areas) shall have effect with the following amendments (which relate to calculation and payments of royalty, royalty in kind, arbitration and measurement etc. of petroleum).

(2) In clause 1, after paragraph (2) there shall be inserted—

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

(3) In clause 8(1)—

- (a) for "paragraphs (2) to (4)" there shall be substituted "paragraph (1A)"; and
- (b) for "clause 9" there shall be substituted "clauses 8A and 9".

(4) In clause 8, for paragraphs (2) to (4) there shall be substituted—

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

- (a) the value of the petroleum delivered (ignoring any such excess as is mentioned in paragraph (10) of this clause), and
- (b) the value of the petroleum relating to that period,

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

(5) In clause 8(5), for "clause 9" there shall be substituted "clauses 8A and 9".

(6) In clause 8, for paragraph (7) there shall be substituted—

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

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

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

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

(7) After clause 8, there shall be inserted—

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

- (a) the value of the petroleum delivered (ignoring any such excess as is mentioned in clause 8(10) of this licence), and
- (b) the value of the petroleum relating to that period,

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

- (8) In clause 9(3), for "8(3) or (4)" there shall be substituted "8(1A)".
- (9) In clause 9(7), after "may" there shall be inserted ", during the period of 28 days beginning with the day on which the Licensee receives the notice,".
- (10) In clause 9(8)(b), for "or (5)" there shall be substituted ", (5) or (6)".
- (11) In clause 9, after paragraph (8) there shall be inserted—
- “(8A) If a payment is made by the Minister in pursuance of clause 8A of this licence more than two months after the end of the chargeable period to which the payment relates, an amount in respect of interest on the payment from the end of those two months shall also be payable by him to the Licensee.
- (8B) Interest under paragraph (8A) of this clause shall be calculated in such manner as the Minister may specify from time to time in a notice in writing given by him to the Licensee (but sub-paragraph (a) of paragraph (8) of this clause shall apply to such a notice as it applies to a notice under paragraph (8)).”
- (12) In clause 11, after paragraph (1) there shall be inserted—
- “(1A) If and to the extent that the Minister so directs, the duty imposed by paragraph (1) of this clause shall be discharged separately in relation to petroleum won and saved—
- (a) from each part of the licensed area which is an oil field for the purposes of the Oil Taxation Act 1975,
- (b) from each part of the licensed area which forms part of such an oil field extending beyond the licensed area, and
- (c) from each well producing petroleum from a part of the licensed area which is not within such an oil field.
- (1B) If and to the extent that the Minister so directs, the preceding provisions of this clause shall apply as if the duty to measure or weigh petroleum included a duty to ascertain its quality or composition or both; and where a direction under this paragraph is in force, the following provisions of this clause shall have effect as if references to measuring or weighing included references to ascertaining quality or composition.”

#### *Schedule 4 to the 1984 Regulations*

- 2 (1) The model clauses set out in Schedule 4 to the Petroleum (Production) (Landward Areas) Regulations 1984 (clauses for incorporation in appraisal licences for landward areas) shall have effect with the following amendments (which relate to calculation and payments of royalty, arbitration and measurement etc. of petroleum).
- (2) In clause 1, after paragraph (2) there shall be inserted—
- “(3) Any clause of this licence which refers to any provision of Part I of the Oil Taxation Act 1975 shall, unless the contrary intention appears, be construed as referring to that provision as it has effect for the time being for the purposes of petroleum revenue tax.”

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

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- (3) In clause 9(6), after "may" there shall be inserted ", during the period of 28 days beginning with the day on which the Licensee receives the notice,".
- (4) In clause 9(7)(b), for "or (4)" there shall be substituted ", (4) or (5)".
- (5) In clause 10, after paragraph (1) there shall be inserted—
- “(1A) If and to the extent that the Minister so directs, the duty imposed by paragraph (1) of this clause shall be discharged separately in relation to petroleum won and saved—
- (a) from each part of the licensed area which is an oil field for the purposes of the Oil Taxation Act 1975,
- (b) from each part of the licensed area which forms part of such an oil field extending beyond the licensed area, and
- (c) from each well producing petroleum from a part of the licensed area which is not within such an oil field.
- (1B) If and to the extent that the Minister so directs, the preceding provisions of this clause shall apply as if the duty to measure or weigh petroleum included a duty to ascertain its quality or composition or both; and where a direction under this paragraph is in force, the following provisions of this clause shall have effect as if references to measuring or weighing included references to ascertaining quality or composition.”

*Schedule 5 to the 1984 Regulations*

- 3 (1) The model clauses set out in Schedule 5 to the Petroleum (Production) (Landward Areas) Regulations 1984 (clauses for incorporation in development licences for landward areas) shall have effect with the following amendments (which relate to calculation and payments of royalty, royalty in kind, arbitration and measurement etc. of petroleum).
- (2) In clause 1, after paragraph (2) there shall be inserted—
- “(3) Any clause of this licence which refers to any provision of Part I of the Oil Taxation Act 1975 shall, unless the contrary intention appears, be construed as referring to that provision as it has effect for the time being for the purposes of petroleum revenue tax.”
- (3) In clause 8(1), for "paragraphs (2) to (4)" there shall be substituted "paragraph (1A)".
- (4) In clause 8, for paragraphs (2) to (4) there shall be substituted—
- “(1A) Paragraph (1) of this clause shall not apply to a chargeable period in which the Licensee delivers petroleum to the Minister in pursuance of clause 10 of this licence; but if the petroleum delivered has a value of less than the relevant percentage of the aggregate of—
- (a) the value of the petroleum delivered (ignoring any such excess as is mentioned in paragraph (6D) of this clause), and
- (b) the value of the petroleum relating to that period,
- he shall pay to the Minister a royalty of an amount equal to the difference.”
- (5) In clause 8(5), for "clause 9" there shall be substituted "clauses 8A and 9".
- (6) In clause 8, after paragraph (b) there shall be inserted—

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- “(6A) Subject to paragraphs (6B) and (6C) of this clause, the value of petroleum delivered to the Minister in pursuance of clause 10 of this licence shall be ascertained for the purposes of this clause and clause 8A on such basis (or, where petroleum of more than one kind is delivered, such bases) as the Minister and the Licensee agree.
- (6B) If the Minister and the Licensee fail to agree on the value of any petroleum delivered to the Minister in pursuance of clause 10 of this licence, it shall be ascertained on such basis as the Minister may specify as fair in a notice in writing given by him to the Licensee.
- (6C) The Licensee may, during the period of 28 days beginning with the day on which he receives a notice from the Minister under paragraph (6B) of this clause, refer to arbitration in the manner provided by clause 37 of this licence any question as to whether the basis of valuation specified in the notice is fair.
- (6D) In this clause and clauses 8A and 9, references to petroleum delivered to the Minister in pursuance of clause 10 include references to any excess over the quantity required to be delivered by a notice served in pursuance of paragraph (1) of that clause.”
- (7) In clause 8(7), for the definition of "royalty petroleum" there shall be substituted—  
“relevant percentage', in relation to a chargeable period, means the effective rate at which, apart from any notice under clause 11 of this licence, royalty would be payable for that period in pursuance of paragraph (1) of this clause;”.
- (8) After clause 8, there shall be inserted—  
“8A (1) If in any chargeable period the Licensee delivers to the Minister in pursuance of clause 10 of this licence petroleum having a value greater than the relevant percentage of the aggregate of—  
(a) the value of the petroleum delivered (ignoring any such excess as is mentioned in clause 8(6D) of this licence), and  
(b) the value of the petroleum relating to that period,  
the Minister shall pay to the Licensee a sum equal to the difference.  
(2) In this clause, 'chargeable period' and 'relevant percentage' have the same meanings as in clause 8 of this licence.”
- (9) In clause 9(2), for "fraction" there shall be substituted "percentage".
- (10) In clause 9(3), for "8(3) or (4)" there shall be substituted "8(1A)".
- (11) In clause 9(7), after "may" there shall be inserted ", during the period of 28 days beginning with the day on which the Licensee receives the notice,".
- (12) In clause 9(8)(b), for "or (5)" there shall be substituted ", (5) or (6)".
- (13) In clause 9, after paragraph (8) there shall be inserted—  
“(8A) If a payment is made by the Minister in pursuance of clause 8A of this licence more than two months after the end of the chargeable period to which the payment relates, an amount in respect of interest on the payment

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from the end of those two months shall also be payable by him to the Licensee.

(8B) Interest under paragraph (8A) of this clause shall be calculated in such manner as the Minister may specify from time to time in a notice in writing given by him to the Licensee (but sub-paragraph (a) of paragraph (8) of this clause shall apply to such a notice as it applies to a notice under paragraph (8)).”

(14) In clause 9(9)—

- (a) for " 'royalty petroleum'" there shall be substituted " 'relevant percentage' "; and
- (b) the definition of "the relevant fraction" and the word "and" preceding it shall be omitted.

(15) In clause 11, after paragraph (1) there shall be inserted—

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

- (a) from each part of the licensed area which is an oil field for the purposes of the Oil Taxation Act 1975,
- (b) from each part of the licensed area which forms part of such an oil field extending beyond the licensed area, and
- (c) from each well producing petroleum from a part of the licensed area which is not within such an oil field.

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

### SCHEDULE 3

#### REPEALS

<i>Chapter</i>	<i>Short Title</i>	<i>Extent of Repeal</i>
<a href="#">1934 c. 36.</a>	The Petroleum (Production) Act 1934.	In section 1(2), the words "adjacent to Great Britain". Section 11(3).
<a href="#">1962 c. 58.</a>	The Pipe-lines Act 1962.	In section 47 (3), the words "an objection to", in each place where they occur. In Schedule 1, paragraph 4(2).
<a href="#">1964 c. 29.</a>	The Continental Shelf Act 1964.	Section 1(5).



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<i>Chapter</i>	<i>Short Title</i>	<i>Extent of Repeal</i>
1966 c. 4.	The Mines (Working Facilities and Support) Act 1966.	Section 2(1A).
1975 c. 74.	The Petroleum and Submarine Pipe-lines Act 1975.	Sections 34 to 39.
1981 c. 36.	The Town and Country Planning (Minerals) Act 1981.	Section 33.
1982 c. 23.	The Oil and Gas (Enterprise) Act 1982.	Section 21. In section 27(1), paragraph (d) and the word "and" preceding it. In Schedule 3, paragraph 29.