

---

 STATUTORY INSTRUMENTS
 

---

1980 No. 721

## PETROLEUM

## CONTINENTAL SHELF

**The Petroleum (Production) (Amendment) Regulations 1980**

<i>Made</i> - - - -	21st May 1980
<i>Laid before Parliament</i>	23rd May 1980
<i>Coming into Operation</i>	14th June 1980

The Secretary of State in exercise of the powers conferred by section 6(1) of the Petroleum (Production) Act 1934(a) as applied by section 1(3) of the Continental Shelf Act 1964(b), and now vested in him (c), hereby makes the following Regulations:—

1. These Regulations may be cited as the Petroleum (Production) (Amendment) Regulations 1980 and shall come into operation on 14th June 1980.

2. The Petroleum (Production) Regulations 1976(d), as amended (e), and hereinafter called “the principal Regulations”, shall, save only in relation to the model clauses to be incorporated in any production licence granted pursuant to an application lodged prior to the date of coming into operation of these Regulations, have effect subject to the following amendments:—

- (a) in paragraph (1) of Regulation 6 the words and figures “paragraphs (6) and (7)” shall be deleted and the word and figure “paragraph (6)” inserted in their place;
- (b) there shall be substituted for paragraph (6) of Regulation 6 the paragraph set out in Schedule 1 hereto;
- (c) paragraph (7) of Regulation 6 shall be deleted;
- (d) in paragraph (1) of Regulation 11, as amended, for the word “£1250” there shall be substituted the word “£1500”;
- (e) in paragraph (2) of Regulation 11, as amended, for the word “£1250” there shall be substituted the word “£1500”; and
- (f) Schedule 5 thereto shall be further amended in the manner described in Schedule 2 hereto.

*Hamish Gray,*  
Minister of State,  
Department of Energy.

21st May 1980.

---

(a) 1934 c.36. (b) 1964 c. 29.  
(c) S.R. & O. 1942/1132, the Ministry of Fuel and Power Act 1945 (c.19), S.I. 1969/1498, 1970/1537.  
(d) S.I. 1976/1129. (e) S.I. 1978/929.

## SCHEDULE 1

(Regulation 2(b))

## AMENDMENT TO REGULATION 6 OF THE PRINCIPAL REGULATIONS

For paragraph (6) of Regulation 6 there shall be substituted the following paragraph:—

“(6) No non-invited application in respect of a seaward area may be made unless—

- (a) every part of the area to which the application relates is, or has been, comprised in a production licence which was granted in pursuance of an invited application;
- (b) every such part is proposed to be, or has been, surrendered by the holder for the time being of the production licence so granted in which it is, or has been, comprised, or has been comprised in a production licence which has been revoked either in whole or in relation to the area to which the application relates; and
- (c) the Secretary of State has served notice in writing on such persons as appear to him to be concerned that he would be prepared to consider the application in such circumstances as may be specified in the notice.”

## SCHEDULE 2

(Regulation 2(f))

## FURTHER MODIFICATIONS TO THE MODEL CLAUSES FOR PRODUCTION LICENCES IN SEAWARD AREAS SET OUT IN SCHEDULE 5 TO THE PRINCIPAL REGULATIONS

(a) In paragraph (1) of clause 1 the definitions of “second term” and “third term” shall be omitted.

(b) For clauses 3 to 5 inclusive there shall be substituted:—

Term of licence.

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

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

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

(2) Such notice shall—

(a) describe the surrendered part which shall be an area which shall together with any area previously surrendered in accordance with clause 6 hereof—

- (i) if the area originally comprised in this licence consisted of sixty or more sections, be not less than half the number of such sections; or
- (ii) if the area originally comprised in this licence consisted of more than thirty but less than sixty sections, be such a number of sections as will leave a continuing part consisting of thirty sections;

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

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

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

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

(c) For clause 7 there shall be substituted:—

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

Areas  
surrendered.

(a) be bounded by minute lines of latitude extending not less than two minutes of longitude and minute lines of longitude extending not less than two minutes of latitude;

(b) subject to clause 4(2)(a) hereof, consist of not less than thirty sections; and

(c) have boundaries which, whether they run north and south or east and west, either coincide with the corresponding boundaries of the block or are not less than two sections distant from those boundaries;

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

(2) Upon the date upon which any determination of this licence or any surrender of part of the licensed area in manner provided by either clause 4 or clause 6 of this licence is to take effect the rights granted by this licence shall cease in respect of the licensed area or of the part so surrendered as the case may be but without prejudice to any obligation or liability imposed upon the Licensee or incurred by him under the terms of this licence prior to that date."

(d) For clauses 9 to 11 inclusive there shall be substituted:—

"9.—(1) Subject to paragraphs (2) to (4) of this clause the Licensee shall pay to the Minister, in respect of each half year in which this licence is in force (hereafter in this clause and in clause 10 of this licence referred to as a "chargeable period"), a royalty of an amount equal to the percentage specified in Schedule 3 to this licence (hereinafter referred to as "the appropriate percentage") of the value of the petroleum relating to that period.

Royalty  
payments.

(2) The Licensee shall not be required to make a payment in pursuance of paragraph (1) of this clause in respect of a chargeable period if he is required by virtue of clause 11 of this licence to deliver to the Minister all the royalty petroleum for that period.

(3) The Licensee shall not be required to make a payment in pursuance of paragraph (1) of this clause in respect of a chargeable period if he is required by virtue of clause 11 of this licence to deliver to the Minister some but not all of the royalty petroleum for that period; but in respect of that period the Licensee shall, subject to paragraph (4) of this clause, pay to the Minister a royalty of an amount determined in accordance with the formula—

$$\frac{A(B-C)}{100-C}$$

where A is the value of the petroleum relating to that period B is the appropriate percentage and C is the number of per cent. in the percentage which the royalty petroleum required to be delivered to the Minister in that period is of the petroleum won and saved in the licensed area in that period.

(4) Where in a chargeable period in respect of which, apart from this paragraph, royalty is payable in pursuance of paragraph (3) of this clause, the petroleum won and saved in the licensed area includes both petroleum in the form of gas and petroleum in other forms, that paragraph shall have effect—

(a) in relation to the petroleum in the form of gas, as if references to petroleum in the provisions of that paragraph relating to the meaning of A and C excluded petroleum in other forms; and

(b) in relation to the petroleum in other forms, as if those references excluded petroleum in the form of gas;

and in such a case the value of the petroleum relating to that period shall be apportioned between the petroleum in the form of gas and the petroleum in other forms in such manner as the Minister and the Licensee may agree.

(5) For the purposes of this clause and clause 10 of this licence the value of the petroleum relating to a chargeable period is, subject to paragraph (6) of this clause, the total of the amounts which, if the words "one-half of" were omitted from paragraph (b) of subsection (4) and paragraph (d) of subsection (5) of section 2 of the Oil Taxation Act 1975, would in pursuance of paragraph (a) of the said subsection (4) fall to be taken into account in relation to that period in respect of the persons who by reference to this licence are or are treated as participators for the purposes of those subsections, reduced by the total of the market values which would in pursuance of the said paragraph (b) fall to be taken into account as aforesaid.

(6) The value which, in pursuance of paragraph (5) of this clause, is the value of the petroleum relating to a chargeable period shall be increased by an amount equal to the value, as determined for the purposes of income tax or the charge of corporation tax on income, of so much of the petroleum won and saved in the licensed area as falls within section 10(1) of the Oil Taxation Act 1975 and was in that period disposed of or relevantly appropriated (within the meaning of Part I of that Act) by the persons mentioned in the said paragraph (5).

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

Provisions supplementary to clause 9.

10.—(1) The Licensee shall, within two months after the end of each chargeable period, deliver to the Minister, in such form as the Minister may specify, a statement of—

(a) the quantity of petroleum won and saved in the licensed area in that period;

(b) the quantity of that petroleum delivered to the Minister in that period in pursuance of clause 11 of this licence; and

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

(2) The Licensee shall, when he delivers a statement to the Minister in pursuance of paragraph (1) of this clause for a chargeable period in respect of which royalty is payable in pursuance of clause 9(1) of this licence, make to the Minister a payment on account of royalty for that period equal to the appropriate percentage of the sum produced by aggregating the amounts which in pursuance of sub-paragraph (c) of paragraph (1) of this clause are specified in the statement and reducing the aggregate by the amount which, by virtue of paragraph 2(2)(d)(ii) of Schedule 2 to the said Act of 1975, was specified in the statement delivered to the Minister in pursuance of the said paragraph (1) in respect of the preceding chargeable period.

(3) The Licensee shall, when he delivers a statement to the Minister in pursuance of paragraph (1) of this clause for a chargeable period in respect of which royalty is payable in pursuance of clause 9(3) or (4) of this licence, make to the Minister a payment on account of royalty for that period equal to the amount which would be so payable for that period if the royalty so payable for that period fell to be determined by reference to the amounts specified in the statement and the amount which, by virtue of paragraph 2(2)(d)(ii) of Schedule 2 to the Oil Taxation Act 1975, was specified in the statement delivered to the Minister in pursuance of paragraph (1) of this clause in respect of the preceding chargeable period.

(4) The Minister may from time to time, after a statement in respect of any chargeable period has been delivered to him in pursuance of paragraph (1) of this clause, give a notice in writing to the Licensee specifying the amount which the Minister estimates is payable by the Licensee in pursuance of clause 9 of this licence in respect of that period; and where the amount specified in the notice is larger or smaller than the total amount already paid by the Licensee in pursuance of this clause in respect of that period, then—

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

(5) When it appears to the Minister that the value of the petroleum relating to any chargeable period has been finally determined for tax purposes, he may give to the Licensee a notice in writing specifying the amount which the Minister considers is payable by the Licensee in pursuance of clause 9 of this licence in respect of that period; and where the amount specified in the notice is larger or smaller than the total amount already paid by the Licensee in pursuance of this clause in respect of that period, then, subject to paragraph (7) of this clause—

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

(6) If after the date when the Minister gave notice to the Licensee in pursuance of paragraph (5) of this clause or this paragraph in respect of a chargeable period it appears to the Minister, in consequence of a relevant assessment or determination made after that date which relates directly or indirectly to the value of petroleum by reference to which the amount specified in the notice was determined, that another amount ought to have been so

specified, he may give notice in writing to the Licensee specifying the other amount; and where he does so, then, subject to paragraph (7) of this clause—

- (a) if the other amount is larger than the amount specified in the previous notice the difference shall be paid forthwith by the Licensee to the Minister; and
- (b) if it is smaller the difference shall be paid forthwith by the Minister to the Licensee.

(7) A decision made by the Minister for the purposes of paragraph (4), (5) or (6) of this clause shall not be called in question by the Licensee except that any dispute between the Minister and the Licensee as to whether an amount specified in a notice given in pursuance of the said paragraph (5) or (6) is payable by virtue of clause 9 of this licence may be referred to arbitration in the manner provided by clause 41 of this licence; and on a reference to arbitration in pursuance of this paragraph any relevant assessment or determination for the time being in force shall be binding on the Minister and the Licensee so far as the assessment or determination relates directly or indirectly to the value of petroleum relating to the chargeable period in question.

(8) When any payment is made by the Licensee or the Minister in pursuance of or on account of a prospective liability under paragraph (4), (5) or (6) of this clause, an amount in respect of interest on the payment shall also be payable by him to the recipient of the payment and that amount shall be calculated in such manner as the Minister may specify from time to time in a notice in writing given by him to the Licensee; but—

- (a) a notice in pursuance of this paragraph shall provide for amounts by way of interest to be calculated by applying a rate of interest which is for the time being a commercial rate of interest; and
- (b) any such amount in respect of interest shall be disregarded in calculating for the purposes of the said paragraph (4) or (5) any amount already paid by the Licensee in pursuance of this clause.

(9) In this clause “relevant assessment or determination” means an assessment or determination made by the Commissioners of Inland Revenue for the purposes of petroleum revenue tax, income tax or the charge of corporation tax on income or a determination made in proceedings arising out of such an assessment or determination made by the said Commissioners.

Deliveries of petroleum in place of royalties.

11.—(1) If during the term of this licence the Minister serves on the Licensee a notice in writing in accordance with the following provisions of this clause requiring the Licensee to deliver to the Minister part of the petroleum won and saved by the Licensee in the licensed area, the Licensee shall comply with the notice.

(2) Where the Minister proposes to serve a notice on the Licensee in pursuance of paragraph (1) of this clause, he shall before doing so—

- (a) give the Licensee a copy of the proposed notice and an opportunity of making representations to the Minister about it; and
- (b) consider any representations then made to him by the Licensee about the proposed notice;

and the Minister shall, in deciding upon the terms of the actual notice, have regard to the desirability of not disturbing unduly any arrangements made by the Licensee for transporting and delivering petroleum won and saved from the licensed area.

(3) Subject to paragraph (4) of this clause, a notice served in pursuance of paragraph (1) of this clause—

- (a) shall specify the date on which the notice is to come into force and may contain provisions with respect to the time when it shall cease to be in force;

- (b) shall specify the quantity of petroleum won and saved in the licensed area during each half year in which the notice is in force which, up to any maximum quantities specified in the notice in pursuance of paragraph (4)(b) of this clause, is to be delivered to the Minister in consequence of the notice;
- (c) may relate to all petroleum so won and saved or may be limited to and specify different quantities of such petroleum which is of one or more of the following kinds, namely, crude oil of a quality or of each quality determined in the manner specified in the notice, condensate, natural gas and natural gas liquids;
- (d) shall contain provisions with respect to the place or places at which any petroleum or kind of petroleum is to be delivered in pursuance of the notice and may contain provisions with respect to the times at which any quantities of it are to be so delivered.

(4) Such a notice—

- (a) shall not specify as the date on which it is to come into force a date before the expiration of the period of six months beginning with the date on which the notice is served on the Licensee but shall, if the Minister serves on the Licensee a further notice in writing stating that it is to cease to be in force at a time specified in the further notice which is not earlier than six months after the date of service of the further notice, cease to be in force at that time;
- (b) shall not specify, as the quantity of petroleum won and saved in any half year which is to be delivered in pursuance of the notice or as the quantity of any kind of such petroleum, a quantity greater than the appropriate percentage of all the petroleum, or as the case may be of all the petroleum of that kind, which is won and saved by the Licensee in the licensed area in that half year, but may provide that the quantities of the petroleum or of a kind of petroleum so won and saved which are to be so delivered shall not in the aggregate exceed a quantity specified in the notice;
- (c) shall not specify, or enable to be specified, as a place at which delivery is to be made in pursuance of the notice a place which is neither a point at sea at which the licensee normally loads, nor a point on land at which the Licensee normally lands, petroleum of any kind from that area.”

(e) For clause 14 there shall be substituted:—

“14.—(1) The Licensee shall before the expiry of the initial term of this licence carry out such scheme of prospecting including any geological survey by any physical or chemical means and such programme of test drilling (hereinafter collectively referred to as a “work programme”) as may be set out in Schedule 4 to this licence. Working obligations

(2) If at any time the Minister serves a notice in writing on the Licensee requiring him to submit to the Minister, before a date specified in the notice, an appropriate programme for exploring for petroleum in the licensed area during a period so specified, the Licensee shall comply with the notice; and for the purposes of this paragraph an appropriate programme is one which any person who, if he—

- (a) were entitled to exploit the rights granted by this licence; and
- (b) had the competence and resources needed to exploit those rights to the best commercial advantage; and
- (c) were seeking to exploit those rights to the best commercial advantage, could reasonably be expected to carry out during the period specified in the notice, and that period must be within the term of this licence.

(3) If a programme is submitted to the Minister in consequence of a notice served by him in pursuance of paragraph (2) of this clause, then—

- (a) he shall not be entitled to revoke this licence on the ground that the programme does not satisfy the requirements of that paragraph (hereafter in this clause referred to as “the relevant requirements”); but
- (b) if he is of opinion that the programme does not satisfy the relevant requirements he may serve a notice in writing on the Licensee stating his opinion and the reasons for it.

(4) Where notice in respect of a programme is served on the Licensee in pursuance of paragraph (3) of this clause he shall either—

- (a) within 28 days beginning with the date of service of the notice refer to arbitration, in the manner provided by clause 41 of this licence, the question of whether the programme satisfies the relevant requirements; or
- (b) within a reasonable period beginning with that date submit to the Minister a further programme which satisfies the relevant requirements;

and where it is determined in consequence of any reference to arbitration in pursuance of sub-paragraph (a) of this paragraph that the programme in question does not satisfy the relevant requirements the Licensee shall submit to the Minister, as soon as possible after the date of the determination, a further programme which satisfies the relevant requirements.

(5) The Licensee shall carry out any programme submitted by him in pursuance of this clause as to which either—

- (a) the Minister serves notice in writing on the Licensee stating that the Minister approves the programme; or
- (b) it is determined in consequence of any reference to arbitration in pursuance of this licence that the programme satisfies the relevant requirements;

and any programme approved by the Minister in pursuance of this paragraph shall be deemed for the purposes of this licence to satisfy the relevant requirements.

(6) Where, in consequence of any breach or non-observance by the Licensee of any provision of paragraph (2), (4) or (5) of this clause, the Minister has power by virtue of paragraph (1) of clause 40 of this licence to revoke this licence, he may if he thinks fit exercise that power in relation to such part only of the licensed area as he may specify; and where he does so the rights granted by this licence shall cease in respect of the specified part of that area without prejudice to any obligation or liability imposed upon the Licensee or incurred by him under the terms of this licence.

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



---

**EXPLANATORY NOTE**

*(This Note is not part of the Regulations.)*

These Regulations further amend the Petroleum (Production) Regulations 1976 (S.I. 1976/1129) which relate to the making of applications for, and the model clauses to be incorporated in, petroleum licences.

The Regulations describe the circumstances in which applications for licences for seaward areas may be made otherwise than by virtue of the invited application procedure prescribed by Regulation 7 of the 1976 Regulations. Such applications may be made only in respect of areas which are or have been comprised in production licences. The Regulations also provide for an increase in the fee payable by applicants for production licences for seaward areas, and amend the model clauses to be included in such licences. The main amendment requires the licensee to surrender at least half the licensed area at the end of the first 6 years; he will then be entitled to continue the licence for the remainder of the area for a further 30 years. Changes are also made to the model clauses relating to royalty payments and deliveries.

