

SCHEDULE 5

Regulation 8(2)(b)

MODEL CLAUSES FOR EXPLORATION LICENCES IN SEAWARD AREAS OR IN LANDWARD AREAS BELOW THE LOW WATER LINE

Interpretation

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

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

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

“the exploration area” means the area for the time being in which the Licensee may exercise the rights granted by this licence;

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

“the Minister” means the Secretary of State for Energy;

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

“well” includes borehole.

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

Right to search for petroleum

2. In consideration of the payments hereinafter provided and the performance and observance by the Licensee of all the terms and conditions hereof, the Minister, in exercise of the powers conferred upon him by the Act of 1934 and the Act of 1964, hereby grants to the Licensee LICENCE AND LIBERTY in common with all other persons to whom the like right may have been granted or may hereafter be granted during the continuance of this licence and subject to the provisions hereof to search for petroleum in the strata in the islands and in the sea bed and subsoil:

(a) comprised in the seaward areas defined by Regulation 3(1) of the Petroleum (Production) (Seaward Areas) Regulations 1988; and

(b) where the lines drawn in accordance with Schedule 1 to the said Regulations dividing landward areas from seaward areas are not the low-water line, in the areas between that line and the said dividing lines:

Provided that no rights conferred by this licence shall be exercisable in any area in respect of which a licence (not being a methane drainage licence) is for the time being in force, entitling the grantee thereof to search and bore for and get petroleum, except with the agreement of the holder of that licence to the exercise in any such area of any such rights.

Prospecting methods

3. The right to search for petroleum conferred by this licence shall include prospecting and carrying out geological surveys by physical or chemical means and drilling for the purpose of obtaining geological information about strata in the exploration area but shall not include any right to get petroleum or any right to drill wells for production of petroleum or any other well of a depth exceeding three hundred and fifty metres below the surface of the sea bed or such greater depth as

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the Minister may from time to time approve either generally or in relation to a particular well or in relation to a class of wells to which that well belongs.

Term of licence

4. This licence unless sooner determined under any of the provisions hereof shall be and continue in force for the term of three years from _____ but may, if the Minister sees fit and the Licensee has at least three months before the expiry of the said term made a written request for its extension, be continued for a further period of three years.

Right of Licensee to determine licence

5. Without prejudice to any obligation or liability imposed by or incurred under the terms and conditions hereof the Licensee may at any time determine this licence by giving to the Minister not less than six months' previous notice in writing to that effect.

Payment of consideration for licence

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

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

Commencement, abandonment and plugging of wells

7.—(1) The Licensee shall not commence or, after abandoning in manner hereinafter provided, shall not recommence the drilling of a well without the consent in writing of the Minister.

(2) The Licensee shall not abandon any well without the consent in writing of the Minister except as provided in paragraphs (5) and (6) of this clause.

(3) The Licensee shall ensure compliance with any conditions subject to which any consent under either of the foregoing paragraphs is given.

(4) If any such condition under paragraph (1) of this clause relates to the position, depth or direction of the well or to any casing of the well or any condition under either paragraph (1) or paragraph (2) of this clause relates to any plugging or sealing of the well, the Minister may from time to time direct that the well and all records relating thereto shall be examined in such manner upon such occasions or at such intervals and by such persons as may be specified by the Minister's direction and the Licensee shall pay to any such person or to the Minister such fees and expenses for such examination as the Minister may specify.

(5) Where the Licensee's rights in any area cease for the time being to be exercisable, by reason of the grant of such a licence as is mentioned in the proviso to clause 2 of this licence or by reason of the ending of any such agreement as referred to in that proviso, the Licensee unless the Minister otherwise determines, shall within one month after the date on which such rights cease to be exercisable plug any of the Licensee's wells in that area.

(6) All the Licensee's wells (other than wells to which the last foregoing paragraph applies) in the exploration area shall, unless the Minister otherwise determines, be plugged by the Licensee not less than one month nor more than three months before the expiry or determination of the Licensee's rights under this licence.

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

Distance of wells from boundaries of exploration area

8. No well shall except with the consent in writing of the Minister be drilled or made so that any part thereof is less than one hundred and twenty-five metres from any of the boundaries of the exploration area.

Avoidance of harmful methods of working

9.—(1) The Licensee shall maintain all apparatus and appliances and all wells which have not been abandoned and plugged as provided by clause 7 of this licence in good repair and condition and shall execute all operations in or in connection with the exploration area in a proper and workmanlike manner in accordance with methods and practice of exploration customarily used in good oilfield practice and without prejudice to the generality of the foregoing provision the Licensee shall take all steps practicable in order—

- (a) to prevent the escape or waste of petroleum discovered in the exploration area;
- (b) to conserve the exploration area for productive operations;
- (c) to prevent damage to petroleum bearing strata;
- (d) to prevent the entrance of water through wells to petroleum bearing strata; and
- (e) to prevent the escape of petroleum into any waters in or in the vicinity of the exploration area.

(2) The Licensee shall comply with any instructions from time to time given by the Minister in writing relating to any of the matters set out in the foregoing paragraph. If the Licensee objects to any such instruction on the ground that it is unreasonable he may, within fourteen days from the date upon which the same was given, refer the matter to arbitration in manner provided by clause 22 of this licence.

(3) The Licensee shall give notice to the Minister of any event causing escape or waste of petroleum, damage to petroleum bearing strata or entrance of water through wells to petroleum bearing strata forthwith after the occurrence of that event and shall, forthwith after the occurrence of any event causing escape of petroleum into the sea, give notice of the event to the Chief Inspector of Her Majesty's Coastguard.

Fishing and navigation

10. The Licensee shall not carry out any operations authorised by this licence in or about the exploration area in such manner as to interfere unjustifiably with navigation or fishing in the waters of the exploration area or with the conservation of the living resources of the sea.

Safety, health and welfare of employees

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

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Licensee to keep records

12.—(1) The Licensee shall keep accurate records in a form from time to time approved by the Minister of the drilling, deepening, plugging or abandonment of all wells and of any alterations in the casing thereof. Such records shall contain particulars of the following matters—

- (a) the site of and number assigned to every well;
- (b) the subsoil and strata through which the well was drilled;
- (c) the casing inserted in any well and any alteration to such casing;
- (d) any petroleum, water, mines or workable seams of coal encountered; and
- (e) such other matters as the Minister may from time to time direct.

(2) The Licensee shall keep in the United Kingdom accurate geological plans and maps relating to the exploration area and such other records in relation thereto as may be necessary to preserve all information which the Licensee has about the geology of the exploration area.

(3) The Licensee shall deliver copies of the said records, plans and maps referred to in the two foregoing paragraphs to the Minister as and when required.

Returns

13.—(1) The Licensee shall furnish to the Minister on or before the fifteenth day of each month in which this licence is in force a return in a form from time to time approved by the Minister of the progress of his operations in the exploration area. Such return shall contain—

- (a) a statement of the areas in which any geological work, including surveys by any physical or chemical means, has been carried out;
- (b) the number assigned to each well, and in the case of any well the drilling of which was begun or the number of which was changed in that month, the site thereof;
- (c) a statement of the depth drilled in each well; and
- (d) a statement of any petroleum, water, mines or workable seams of coal encountered in the course of the said operations.

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

(3) The Licensee shall furnish to the Minister such other information, including information in the form of maps and plans, as to progress of his operations in the exploration areas as the Minister may from time to time require.

Licensee to keep samples

14.—(1) As far as reasonably practicable the Licensee shall correctly label and preserve for reference for a period of five years samples of the sea bed and of the strata encountered in any of the Licensee's wells in the exploration area and samples of any petroleum or water discovered in any such wells.

(2) The Licensee shall not dispose of any sample after the expiry of the said period of five years unless—

- (a) he has at least six months before the date of the disposal given notice in writing to the Minister of his intention to dispose of the sample; and

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- (b) the Minister or any person authorised by him has not within the said period of six months informed the Licensee in writing that he wishes the sample to be delivered to him.
- (3) The Minister or any person authorised by him shall be entitled at any time—
 - (a) to inform the Licensee in writing that he wishes part of any sample preserved by the Licensee to be delivered to him; or
 - (b) to inspect and analyse any sample preserved by the Licensee.
- (4) The Licensee shall forthwith comply with any request for the delivery of the whole or any part of any sample which is made in accordance with the preceding provisions of this clause.

Reports to be treated as confidential

15. All records, returns, plans, maps, samples, accounts and information (in this clause referred to as “the specified data”) which the Licensee is or may be from time to time required to furnish under the provisions of this licence shall be supplied at the expense of the Licensee and shall not (except with the consent in writing of the Licensee which shall not be unreasonably withheld) be disclosed to any person not in the service or employment of the Crown:

Provided that—

- (i) the Minister shall be entitled to any time to make use of any of the specified data for the purpose of preparing and publishing such returns and reports as may be required of the Minister by law;
- (ii) the Minister shall be entitled at any time to furnish any of the specified data to the Natural Environment Research Council and to any other body of a like nature as may from time to time be carrying on activities of a substantially similar kind to the geological activities at present carried on by the said Council;
- (iii) the Minister, the said Council and any such other body shall be entitled at any time to prepare and publish reports and surveys of a general nature using information derived from any of the specified data;
- (iv) the Minister, the said Council and any such other body shall be entitled to publish any of the specified data of a geological, scientific or technical kind after the expiration of the period of five years beginning with the date when the Minister received the data or after the expiration of such longer period as the Minister may determine after considering any representations made to him by the Licensee about the publication of data in pursuance of this sub-paragraph.

Power to inspect records

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

Rights of access

17. Any person or persons authorised by the Minister shall be entitled at all reasonable times to enter into and upon any of the Licensee’s installations and equipment used or to be used in connection with searching for petroleum in the exploration area for the purposes hereinafter mentioned—

- (a) to examine the installations, wells, plant, appliances and works made or executed by the Licensee in pursuance of this licence and the state of repair and condition thereof; and
- (b) to execute any works or to provide and install any equipment which the Minister may be entitled to execute or provide and install in accordance with the provisions hereof.

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Power to execute works

18. If the Licensee shall at any time fail to perform the obligations arising under the terms and conditions of any of clauses 7, 9 and 11 of this licence then and in any such case the Minister shall be entitled, after giving to the Licensee reasonable notice in writing of such his intention, to execute any works and to provide and install any equipment which in the opinion of the Minister may be necessary to secure the performance of the said obligations or any of them and to recover the costs and expenses of so doing from the Licensee.

Indemnity against third party claims

19. The Licensee shall at all times keep the Minister effectually indemnified against all actions, proceedings, costs, charges, claims and demands whatsoever which may be made or brought against the Minister by any third party in relation to or in connection with this licence or any matter or thing done or purported to be done in pursuance thereof.

Agreement not to assign

20. The Licensee shall not without the consent of the Minister in writing assign or part with any of the rights granted by this licence in relation to the whole or any part of the exploration area or grant any sub-licence in respect of any such rights.

Power of revocation

21.—(1) If any of the events specified in the following paragraph shall occur then and in any such case the Minister may revoke this licence and thereupon the same and all the rights hereby granted shall cease and determine but subject nevertheless and without prejudice to any obligation or liability incurred by the Licensee or imposed upon him by or under the terms and conditions hereof.

(2) The events referred to in the foregoing paragraph are—

- (a) any consideration specified in Schedule 1 hereto or any part thereof being in arrear or unpaid for two months next after any of the days whereon the same ought to be have been paid;
- (b) any breach or non-observance by the Licensee of any of the terms and conditions of this licence;
- (c) the bankruptcy of the Licensee;
- (d) the making by the Licensee of any arrangement or composition with his creditors;
- (e) if the Licensee is a company, the appointment of a receiver or any liquidation whether compulsory or voluntary;
- (f) the Licensee's ceasing in the case of a company to have its central management and control in the United Kingdom;

and where two or more persons are the Licensee any reference to the Licensee in sub-paragraphs (b) to (f) of this paragraph is a reference to any of those persons.

Arbitration

22.—(1) If at any time any dispute, difference or question shall arise between the Minister and the Licensee as to any matter arising under or by virtue of this licence or as to their respective rights and liabilities in respect thereof then the same shall, except where it is expressly provided by this licence that the matter or thing to which the same relates is to be determined, decided, approved or consented to by the Minister, be referred to arbitration as provided by the following paragraph.

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(2) The arbitration referred to in the foregoing paragraph shall be in accordance with the Arbitration Act 1950 by a single arbitrator who, in default of agreement between the Minister and the Licensee as to his appointment, shall be appointed by the Lord Chief Justice of England for the time being:

Provided that if any such dispute, difference or question arises solely out of any act or omission taking place in the Scottish area, as defined in the Civil Jurisdiction (Offshore Activities) Order 1987, the arbitration referred to in the foregoing paragraph shall be by a single arbiter who, in default of agreement between the Minister and the Licensee as to his appointment shall be appointed by the Lord President of the Court of Session.

And provided further that if any such dispute, difference or question arises solely out of any act or omission taking place in the Northern Irish area, as defined in the Civil Jurisdiction (Offshore Activities) Order 1987, the arbitration referred to in the foregoing paragraph shall be in accordance with the Arbitration Act (Northern Ireland) 1937 by a single arbitrator who, in default of agreement between the Minister and the Licensee as to his appointment shall be appointed by the Lord Chief Justice of Northern Ireland for the time being.

Note: A Schedule to each Licence will provide for the payment by the Licensee of sums which may include annual payments payable in advance.

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