

## SCHEDULE 12

### CURRENT MODEL CLAUSES FOR LANDWARD EXPLORATION LICENCES DERIVING FROM SCHEDULE 3 TO THE PETROLEUM (PRODUCTION) (LANDWARD AREAS) REGULATIONS 1991

## PART II

### **Interpretation**

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

“block” means an area delineated on the reference map deposited at the principal office of the Minister’s department;

“half year” means the period from 1st January to 30th June in any year and the period from 1st July to 31st December in any year;

“the licensed area” means the area for the time being in which the Licensee may exercise the rights granted by 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 Trade and Industry;

“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.

### **Term of licence**

3. This licence unless sooner determined under or consequent upon any of the provisions hereof shall be and continue in force for the term of six years from ... .. 19 ... ..

### **Right of Licensee to determine licence or surrender part of licensed area**

4.—(1) Without prejudice to any obligation or liability imposed by or incurred under the terms and conditions hereof, the Licensee may, at any time, determine this licence, or, if the licensed area comprises more than one block, surrender any block, by giving six months' written notice to that effect to the Minister:

Provided that the Minister, if he thinks fit, may accept a shorter period of notice.

(2) A notice given pursuant to paragraph (1) of this clause may be cancelled by a further notice in writing given to the Minister not less than one month before the expiration of the notice.

### **Consequences of determination or surrender by Licensee**

5. Upon the date on which any determination of this licence by the Licensee or any surrender of a part of the licensed area is to take effect, the rights granted by this licence shall cease or cease in respect of the part so surrendered as the case may be, but without prejudice to any obligation

or liability imposed upon the Licensee or incurred by him under the terms and conditions of this licence prior to that date.

#### **Automatic termination of licence**

6. If an appraisal or development licence is granted during the term of this licence in respect of any part of the licensed area, this licence shall automatically cease and determine as regards that part with effect from the date of commencement of the appraisal or development licence. Any such termination or partial termination of this licence shall extinguish any outstanding working obligation under clause 8 (to the extent that it relates to the area comprised in the appraisal or development licence), but shall otherwise be without prejudice to any obligation or liability imposed upon the Licensee or incurred by him under the terms and conditions of this licence prior to that date.

#### **Payment of consideration for licence**

7.—(1) The Licensee shall make to the Minister the payment specified in Schedule 2 to this licence as consideration for the grant of this licence.

(2) The Licensee shall not by reason of the determination or partial termination of this licence, or the surrender of any part of the licensed area, be entitled to be repaid all or any part of the sum payable to the Minister hereunder.

#### **Working obligations**

8.—(1) The Licensee shall during the term of this licence carry out with due diligence the scheme of prospecting including any geological survey by chemical or physical means or programme of test drilling or any of them set out in Schedule 3 to this licence.

(2) The Licensee shall give the Minister at least 21 days' written notice of any proposed seismic survey during the term of this licence of any area which is not wholly on the seaward side of the low water line and such notice shall indicate the nature of the survey and the total number of kilometres to be shot and shall be accompanied by a copy of an Ordnance Survey map for the relevant area drawn on the scale of 1:50,000 or 1:63,360 upon which the proposed lines of survey are indicated and, in a case where any planning permission under the Town and Country Planning Act 1990(1) or the Town and Country Planning (Scotland) Act 1997(2) is required for the survey in question, evidence that such permission has been granted.

(3) The Licensee shall not carry out any seismic survey during the term of this licence of any such area as is mentioned in paragraph (2) of this clause if notice has not been given as aforesaid or if the Minister indicates to the Licensee within 14 days of the receipt of such notice that the survey is not to be carried out.

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

- (a) were the grantee of this licence;
- (b) had the competence and resources needed to carry out an expeditious programme of exploration; and
- (c) were seeking to carry out an expeditious programme of exploration,

could reasonably be expected to carry out during the period specified in the notice.

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(1) 1990 c. 8.

(2) 1997 c. 8.

(5) If a programme is submitted to the Minister in consequence of a notice served by him in pursuance of paragraph (4) of this clause, then—

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

(6) Where notice in respect of a programme is served on the Licensee in pursuance of paragraph (5) of this clause he shall either—

- (a) within 28 days beginning with the date of service of the notice refer to arbitration, in the manner provided by clause 29 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 subparagraph (a) of this paragraph that the programme in question does not satisfy the relevant requirements the Licensee shall submit to the Minister, as soon as possible after the date of the determination, a further programme which satisfies the relevant requirements.

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

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

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

(8) Where, in consequence of any breach or non-observance by the Licensee of any provision of paragraph (4), (6) or (7) of this clause, the Minister has power by virtue of paragraph (1) of clause 28 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.

### **Short term and extended testing**

**9.**—(1) The Licensee shall not get any petroleum from the licensed area by virtue of this licence, except that the Licensee may get petroleum in the course of searching for petroleum—

- (a) for a period not exceeding four days in relation to each geological interval or stratum; and
- (b) with the consent of the Minister in writing, for a period not exceeding 90 days.

(2) A consent given by the Minister in pursuance of paragraph (1)(b) of this clause may be made subject to conditions which may, in particular, be framed by reference to the period during which petroleum may be got and the quantity that may be got.

### **Commencement and abandonment and plugging of wells**

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

(2) The Licensee shall not abandon any well without the consent in writing of the Minister.

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

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

(6) Any well drilled by the Licensee pursuant to this licence, which at the expiry or determination of the Licensee's rights in respect of the area or part thereof in which that well is drilled has not with the consent of the Minister been abandoned, shall be left in good order and fit for further working together with all casings and any well head fixtures the removal whereof would cause damage to such well, or, if the Minister so directs in the manner provided by paragraph (8) of this clause, be plugged and sealed in accordance with the Minister's direction.

(7) All casings and fixtures left in position pursuant to the last foregoing paragraph shall be the property of the Minister.

(8) In any case to which paragraph (6) of this clause applies, a direction by the Minister may be given, by notice in writing to the Licensee not less than one month before the Licensee's rights in respect of the area or part thereof in which the well is situate expire or determine, specifying the manner in which the well is to be plugged and sealed and the time within which such work is to be done.

(9) An application for the consent of the Minister to the drilling of a well at any place above the low water line shall be accompanied by evidence that the planning authority for the relevant place has been consulted about the drilling and that any planning permission required under the Town and Country Planning Act 1990 or the Town and Country Planning (Scotland) Act 1997 for the drilling of that well has been granted.

#### **Distance of wells from boundaries of licensed area**

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

#### **Further controls on wells**

**12.—(1)** The Licensee shall not suspend work on the drilling of a well, or having suspended it in accordance with this paragraph shall not begin it again, except with the consent in writing of the Minister and in accordance with the conditions, if any, subject to which the consent is given.

(2) When work on the drilling of a well is suspended in accordance with paragraph (1) of this clause, the Licensee shall forthwith furnish the Minister with such information relating to the well as the Minister may specify.

(3) The Licensee—

- (a) shall not do any completion work in respect of a well in the licensed area except in accordance with a programme of completion work approved by the Minister in respect of the well;

- (b) shall furnish to the Minister, in accordance with the provisions of such a programme, particulars of any completion work done by him in respect of a well in the licensed area; and
- (c) shall not remove or alter any casing or equipment installed by way of completion work in respect of a well except with the consent in writing of the Minister and in accordance with the conditions, if any, subject to which the consent is given.

(4) In this clause, “completion work”, in relation to a well, means work, by way of the installation of a casing or equipment or otherwise after the well has been drilled, for the purpose of bringing the well into use.

### **Provision of storage tanks, pipes, pipelines or other receptacles**

13. The Licensee shall use methods and practice customarily used in good oilfield practice for confining the petroleum obtained from the licensed area in tanks, gasholders, pipes, pipelines or other receptacles constructed for that purpose.

### **Avoidance of harmful methods of working**

14.—(1) The Licensee shall maintain all apparatus and appliances and all wells which have not been abandoned and plugged as provided by clause 10 of this licence in good repair and condition and shall execute all operations in or in connection with the licensed area in a proper workmanlike manner in accordance with methods and practice of exploration customarily used in good oilfield practice. Without prejudice to the generality of the foregoing provision the Licensee shall take all steps practicable in order—

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

(2) The Licensee shall comply with any instructions from time to time given by the Minister in writing relating to any of the matters set out in the foregoing paragraph. If the Licensee objects to any such instruction on the ground that it is unreasonable he may, within fourteen days from the date upon which the same was given, refer the matter to arbitration in manner provided by clause 29 of this licence.

(3) Notwithstanding anything in the preceding provisions of this clause, the Licensee shall not—

- (a) flare any gas from the licensed area; or
- (b) use gas for the purpose of creating or increasing the pressure by means of which petroleum is obtained from that area,

except with the consent in writing of the Minister and in accordance with the conditions, if any, of the consent.

(4) An application for consent in pursuance of paragraph (3) of this clause must be made in writing to the Minister and must specify the date on which the Licensee proposes to begin the flaring or use in question.

(5) Before deciding to withhold consent or to grant it subject to conditions in pursuance of paragraph (3) of this clause, the Minister shall give the Licensee an opportunity of making representations in writing to the Minister about the technical and financial factors which the Licensee

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considers are relevant in connection with the case and shall consider any such representations then made to him by the Licensee.

(6) Consent in pursuance of paragraph (3) of this clause shall not be required for any flaring which, in consequence of an event which the Licensee did not foresee in time to deal with it otherwise than by flaring, is necessary in order—

- (a) to remove or reduce the risk of injury to persons in the vicinity of the well in question; or
- (b) to maintain a flow of petroleum from that or any other well;

but when the Licensee does any flaring which is necessary as aforesaid he shall forthwith inform the Minister that he has done it and shall, in the case of flaring to maintain a flow of petroleum, stop the flaring upon being directed by the Minister to stop it.

(7) 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.

(8) The Licensee shall comply with any reasonable instructions from time to time given by the Minister with a view to ensuring that funds are available to discharge any liability for damage attributable to the release or escape of petroleum in the course of activities connected with the exercise of rights granted by this licence; but where the Minister proposes to give such instructions he shall before giving them—

- (a) give the Licensee particulars of the proposal and an opportunity of making representations to the Minister about the proposal; and
- (b) consider any representations then made to him by the Licensee about the proposal.

### **Fishing and navigation**

15. The Licensee shall not carry out any operations authorised by this licence in or about the licensed area in such manner as to interfere unjustifiably—

- (a) with navigation in any navigable water; or
- (b) with fishing in or the conservation of the living resources of any waters in or in the vicinity of the licensed area.

### **Appointment of operators**

16.—(1) The Licensee shall ensure that another person (including, in the case where the Licensee is two or more persons, any of those persons) does not exercise any function of organising or supervising all or any of the operations of searching or boring for or getting petroleum in pursuance of this licence unless that other person is a person approved in writing by the Minister and the function in question is one to which that approval relates.

(2) The Minister shall not refuse to give his approval of a person in pursuance of paragraph (1) of this clause if that person is competent to exercise the function in question; but where an approved person is no longer competent to exercise that function the Minister may, by notice in writing given to the Licensee, revoke his approval.

### **Training**

17.—(1) The Minister may from time to time give to the Licensee instructions in writing as to the training of persons employed or to be employed, whether by the Licensee or by any other person, in any activity which is related to the exercise of the rights granted by this licence, and the Licensee shall ensure that any instructions so given are complied with.

(2) The Licensee shall furnish the Minister with such information relating to the training of persons referred to in paragraph (1) of this clause as the Minister may from time to time request.

### **Licensee to keep records**

**18.**—(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 wells and of any alterations in the casing thereof. Such records shall contain particulars of the following matters—

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

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

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

### **Returns**

**19.**—(1) The Licensee shall furnish to the Minister not later than 6 weeks after the end of each half year which falls wholly or partly within the period during which this licence is in force a return in a form from time to time approved by the Minister of the progress of his operations in the licensed area. Such return shall contain—

- (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 and name (if any) assigned to each well, and in the case of any well the drilling of which was begun or the number of which was changed during the period to which the return relates, 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) 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 licensed area as the Minister may from time to time require.

### **Licensee to keep samples**

**20.**—(1) As far as reasonably practicable the Licensee shall correctly label and preserve for reference for a period of five years (notwithstanding the expiration or earlier determination of his licence) samples of the strata encountered in any well (including, where the site of such well is on land covered by water, the surface of such land) and samples of any petroleum or water discovered in any well in the licensed area.

(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**

**21.** 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 at any time to any person not in the service or employment of the Crown:

Provided that—

- (i) the Minister shall be entitled at any time to make use of any of the specified data for the purpose of preparing and publishing such returns and reports as may be required of the Minister by law;
- (ii) the Minister shall be entitled at any time to furnish any of the specified data to the 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 other such 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 other such body shall be entitled to publish any of the specified data of a geological, scientific or technical kind after the expiration of the period of five years beginning with the date when the Minister received the data or after the expiration of such longer period as the Minister may determine after considering any representations made to him by the Licensee about the publication of data in pursuance of this sub-paragraph.

### **Inspection of records etc.**

**22.** The Licensee shall—

- (a) permit any person in the service or employment of the Crown who is appointed by the Minister for the purpose to inspect, and to take copies of and make notes from, all books, papers, maps and other records of any kind kept by the Licensee in pursuance of this licence or in connection with activities about which the Minister is entitled to obtain information in pursuance of clauses 17(2) and 19(2) of this licence; and
- (b) furnish that person at reasonable times with such information and provide him at reasonable times with such reasonable assistance as he may request in connection with or arising out of an inspection in pursuance of this clause.



### **Rights of access**

23. Any person or persons authorised by the Minister shall be entitled at all reasonable times to enter into and upon any land for the time being possessed or occupied by the Licensee in the licensed area or to enter into and upon any of the Licensee's installations or equipment used or to be used in connection with searching, boring for or getting petroleum in the licensed area for the purposes hereinafter mentioned—

- (a) to examine the installations, wells, plant, appliances and works made or executed by the Licensee in pursuance of 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.

### **Power to execute works**

24. If the Licensee shall at any time fail to perform the obligations arising under the terms and conditions of clause 10 or clause 14 of this licence the Minister shall be entitled, after giving to the Licensee reasonable notice in writing of his intention to do so, 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**

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

### **Advertisements, prospectuses etc.**

26. No statement shall be made either in any notice, advertisement, prospectus or other document issued by or to the knowledge of the Licensee or in any other manner claiming or suggesting whether expressly or by implication that Her Majesty or any Government Department or any person or body acting on behalf of Her Majesty has or have formed or expressed any opinion that the licensed area is from its geological formation or otherwise one in which petroleum is likely to be obtainable.

### **Agreement not to assign**

27. 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 licensed area or grant any sub-licence in respect of any of such rights.

### **Power of revocation**

28.—(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 breach or non-observance by the Licensee of any of the terms and conditions of this licence;
  - (b) the bankruptcy of the Licensee;

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- (c) the making by the Licensee of any arrangement or composition with his creditors;
- (d) if the Licensee is a company, the appointment of a receiver or any liquidation whether compulsory or voluntary;
- (e) 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 (e) of this paragraph is a reference to any of those persons.

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

- (a) the Licensee is a company; and
- (b) there is a change in the control of the Licensee; and
- (c) the Minister serves notice in writing on the Licensee stating that the Minister proposes to revoke this licence in pursuance of this paragraph unless such a further change in the control of the Licensee as is specified in the notice takes place within the period of three months beginning with the date of service of the notice; and
- (d) that further change does not take place within that period.

(4) There is a change in the control of the Licensee for the purposes of paragraph (3)(b) of this clause whenever a person has control of the Licensee who did not have control of the Licensee when this licence was granted; and subsections (2) and (4) to (6) of section 416 of the Income and Corporation Taxes Act 1988<sup>(3)</sup> shall apply for the purpose of determining whether for the purposes of this paragraph a person has or had control of the Licensee, with the following modifications, namely—

- (a) for the words “the greater part” wherever they occur in the said subsection (2) there shall be substituted the words “one-third or more”; and
- (b) in the said subsection (6), for the word “may” there shall be substituted the word “shall”, the words from “and such attributions” onwards shall be omitted and in the other provisions of that subsection any reference to an associate of a person shall be construed as including only a relative of his (as defined by section 417(4) of that Act), a partner of his and a trustee of a settlement (as defined by section 681(4) of that Act) of which he is a beneficiary.

(5) Where two or more persons are the Licensee and any of them is a company, paragraphs (3) and (4) of this clause shall have effect as if—

- (a) sub-paragraph (a) of paragraph (3) were omitted;
- (b) in sub-paragraph (b) of that paragraph, after the word “of” there were inserted the words “any company included among the persons who together constitute”; and
- (c) for the word “Licensee” in any other provision of those paragraphs there were substituted the word “company”.

## Arbitration

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

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(3) 1988 c. 1.

(2) The arbitration referred to in the foregoing paragraph shall be by a single arbitrator who, in default of agreement between the Minister and the Licensee as to his appointment, shall be appointed by the Lord Chief Justice of England.