

SCHEDULE 3

CURRENT MODEL CLAUSES FOR LANDWARD PRODUCTION LICENCES DERIVING FROM SCHEDULE 3 TO THE PETROLEUM (PRODUCTION) REGULATIONS 1966

PART II

Royalty payments

9.—(1) Subject to paragraph (1A) of this clause the Licensee shall pay to the Minister, in respect of each chargeable period, a royalty equal to the sum of the following amounts, namely—

- (a) 5 per cent of the value of all relevant units up to the first 100,000 units won and saved in the year which includes that period;
- (b) 7½ per cent of the value of all further relevant units up to the next 50,000 units so won and saved;
- (c) 10 per cent of the value of all further relevant units up to the next 50,000 units so won and saved; and
- (d) 12½ per cent of the value of all further relevant units so won and saved;

and for the purposes of this paragraph “relevant unit” means a unit won and saved in the chargeable period in question and the value of a relevant unit is the amount produced by dividing the value of the petroleum relating to that period by the number of the relevant units.

(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.

(5) For the purposes of this clause and clauses 9A and 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(1), would in pursuance of paragraph (a) of the said subsection (4) fall to be taken into account in relation to that period in respect of the persons who by reference to this licence are or are treated as participators for the purposes of those subsections, reduced by—

- (a) the total of the market values which would in pursuance of the said paragraph (b) fall to be taken into account as aforesaid; and
- (b) a sum ascertained in pursuance of paragraph (7) of this clause in respect of the cost of conveying and treating petroleum.

(6) The value which, in pursuance of paragraph (5) of this clause, is the value of the petroleum relating to a chargeable period shall be increased by—

- (a) the amount of the price received or receivable for any petroleum consisting of gas won and saved in the licensed area in that period which is sold to British Gas Trading Ltd in that period under a contract made before the end of June 1975; and

(1) Section 2(4) and (5) was amended by section 133 of, and Schedule 19 to, the Finance Act 1982 (c. 39), sections 61 and 62 of the Finance Act 1987 (c. 16) and section 236 of, and Schedule 23 to, the Finance Act 1994 (c. 9).

Status: This is the original version (as it was originally made).

- (b) an amount equal to the value, as determined for the purposes of income tax or the charge of corporation tax on income, of so much of the petroleum won and saved in the licensed area as falls within section 10(1)(b) of the Oil Taxation Act 1975 and was in that period disposed of or relevantly appropriated (within the meaning of Part I of that Act) by the persons mentioned in the said paragraph (5).

(7) The Minister may from time to time, by notice in writing given to the Licensee, determine the mode of ascertaining any sum for the purposes of sub-paragraph (b) of paragraph (5) of this clause; but—

- (a) the Minister shall not give a notice in pursuance of this paragraph unless he has consulted persons appearing to him to be representative of the holders of petroleum production licences about the terms of the notice; and
- (b) any dispute between the Minister and the Licensee as to the amount of such a sum shall, in default of agreement before the expiration of fourteen months beginning with the last day of the chargeable period to which the sum relates and subject to sub-paragraph (c) of this paragraph, be determined by the Minister; and
- (c) the Licensee may, during the period of 28 days beginning with the day on which he receives from the Minister particulars of a determination in pursuance of sub-paragraph (b) of this paragraph, refer to arbitration in the manner provided by clause 38 of this licence any question as to whether the determination is in accordance with the relevant notice given to the Licensee in pursuance of this paragraph.

(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.

(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.

(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 11A, 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.

(8) In this clause—

“chargeable period” means a half year in which this licence is in force;

“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;

“unit” means one metric ton of petroleum won and saved in the licensed area except that in the case of petroleum so won and saved in the form of gas it means a quantity of it equal to 1400 cubic metres of the gas at a temperature of 0 degrees centigrade and a pressure of one kilogramme force per square centimetre; and

“year” means a year consisting of a chargeable period in which such a periodic payment as is mentioned in Schedule 2 to this licence is payable and the following chargeable period.