



Oil & Gas
Authority

Update 7 (28 September 2016)

QUESTIONS AND ANSWERS IN CONNECTION WITH THE 29th OFFSHORE OIL AND GAS LICENSING ROUND

Questions raised by potential applicants concerning this Round for answer by the OGA should be *emailed* to the contacts below. The OGA will aim to post any *new* questions and answers within five working days on this page.

Questions will only be answered in this way, to ensure that the same information is available to everyone at the same time, in the interests of a transparent and fair process.

Contacts to be e-mailed with your questions (*please copy both contacts in on your e-mail as this ensures your question will be dealt with quickly in the case of either contact not being in the office*):

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Questions regarding LARRY should be directed initially to the Portal Help Desk.

Questions and Answers will be split into two sections; one section will relate to Policy issues around the Licence Round; the other relates to the LARRY system.

To view a new Q & A, scroll to the *end* of the relevant section.

Policy

P1: Please be aware that Blocks 19/15; 20/11; 20/12 have been removed from the Blocks on offer in the 29th Round. The Blocks list and relevant Maps are being updated accordingly.

P2: Please be aware that Blocks 43/1; 43/2; 43/6; AND 165/5; 166/1; 166/13; 166/2; 166/7; 166/8; 175/29; 175/30; 176/26 have been removed from the Blocks on offer in the 29th Round. The Blocks list and relevant Maps are being updated accordingly.

Q1: Has the Shapefile been updated to reflect the amendments to the list of Blocks detailed on this page?

A1: The relevant shapefiles have now been updated.

Q2: Will extra marks be available in a short duration Phase B for new shoot seismic irrespective of whether a contingent well has been bid or not? The marks sheet seems to imply a contingent wells is required.

A2: Where the Initial Term commences with Phase B it would be expected that a Contingent well would be offered so will attract the Marks. A Drill or Drop could be offered, but as this is not such a strong Work Programme the OGA would have to consider whether the marks for a short duration time frame would apply.

Q3: How will short duration marks be distributed between blocks in a licence application (assuming several blocks have been applied for) where new shoot seismic will cover all the blocks and an associated single contingent well has been bid based on a specifically identified prospect within one of the blocks?

A3: The short duration Marks will apply per block irrespective of any potential location of a Contingent well, enabling competition to be assessed on the time frame alone.

Q4: What is the timeframe in which the detail of the eligibility of companies applying for licences under the Innovate Seaward Licensing Round will be judged?

A4: Applicants must submit their financial information as part of the Application(s) they submit, and that is the financial information that OGA and BEIS will consider.

Q5: If a firm well is bid (Phase C start phase) would a) the available timing marks potentially vary depending on depth, technical difficulty etc (in which case the 30, 40, 50 timing marks are effectively 'max' values?) and b) would the timing mark be available for just the block potentially containing the firm well (or split according to perceived prospect location in relation to block boundaries) or awarded fully to each block within the licence area applied for?

A5: a) The timing mark is relative, where the OGA will decide whether a programme is short, medium or long depending on the competition for a block. If a well to a shallow target is not to be drilled until year 4 (the maximum time for any Phase) compared with an HPHT target in the same time frame then the higher Marks will be allocated to the more complex work programme. The OGA will make decisions based on what is considered to be MER UK (see How decisions are reached) perhaps by marriage or splitting blocks areally if practicable.

b) If a Firm well is bid, the Marks for Phase C would be applied fully to each of the main blocks related to the prospect. This would enable the comparison with another Company who defined a similar prospect but where the proposed well location was in a different block.

Q6: Will the Work Programme for the Initial Term of an Innovate Licence be publicly visible?

A6: Yes, the Work Programme, once agreed and the Licence becomes extant, will be published on the OGA web site.

Q7: By entering into Phase C of the Initial Term, does a Drill or Drop commitment become a Firm well commitment?

A7: Yes. Phase C is for drilling Exploration and/or Appraisal wells, and entry into Phase C entails making a Firm well commitment. Dialogue prior to the end of Phase B would ascertain whether the Licence would continue into Phase C on the basis of a well. See paragraph 10 of the Technical Guidance where it states: “If the Licensee no longer proposes to drill a well due to the findings made before Phase C, then the Licence will determine at the end of Phase B.”

Applicants should plan to have completed all technical work required to commit to a well during Phases A and/or B, so that prior to entering Phase C, no further subsurface work is required to ‘de-risk’ the prospect(s). Therefore, upon electing to enter Phase C, the well commitment becomes Firm.

Licences can also be started in Phase C (i.e. Phases A and B effectively have zero duration), and this is the equivalent of a Firm well commitment made at licence application stage. Other subsurface technical work (e.g. studies, reprocessing, geophysical acquisition) can take place in Phase C, but on entry into the licence, the prospect should be mature enough for the applicant to commit to the Firm well. If additional technical work is required prior to committing to a well, this should be done during a (short) Phase A or Phase B.

Q8: At what time are depth criteria for drilling exploration wells established?

A8: An indicative horizon and/or depth related to the potential prospectivity (eg are you seeking Tertiary, Jurassic, or older in the Frontier areas) must be submitted with the Application on the Application Form Work Programme section. If subsequent work indicates the Work Programme does not reflect the horizon/depth committed, an amendment *may* be considered.

Q9: In paragraph 8 of the Technical Guidance and Paragraph 30 of the General Guidance, it states that there are limits to the amount of acreage that OGA will award in a single Licence (10 contiguous blocks). Does this mean whole Blocks?

A9: Provided the area is contiguous (not corner to corner) and in accordance with standard retention guidelines (minimum 2 x 2 Block Sections where each Block Section is a Minute of Longitude by a Minute of Latitude) then the 10 Blocks may comprise parts of a number of whole Blocks.

Note that the OGA may not accept an irregular shape. Where the Guidance says block it also includes part blocks. See also paragraph 29 of the General Guidance.

Q10: Will the OGA allow 2D seismic acquisition in Phase A for the purpose of defining a 3D seismic survey for Phase B?

A10: Yes, there would be nothing to prevent a Company or Group committing to a 2D seismic survey to be acquired in Phase A, with a commitment to a Firm or Contingent 3D seismic survey in Phase B where the timing suggested that was the only option given that Phase B is restricted to 4 years. The OGA would be looking for a realistic timed Work Programme rather than a commitment that was unlikely to be fulfilled within a restricted timescale. Where there are competing applications, a more measured approach with 2D seismic acquisition taking place in Phase A and Firm or Contingent seismic commitment in Phase B would be preferred to an unrealistic, accelerated work programme that has been 'shoe-horned' into Phase B.

Where a Company or Group were to commit to a 2D seismic survey followed by a Firm 3D survey within a maximum 4 year Phase B, provided the OGA thought the programme realistic that would be preferred, but permitting, tendering, acquisition, processing, interpretation and decision making timelines would have to be clearly laid out.

Where a 2D seismic survey was committed within Phase B with a Contingent 3D seismic survey within the same Phase, that would also be acceptable, although fewer Marks would be available than for the example with a Firm 3D.

Q11: For the 29th Round, will Appropriate Assessments be carried out following Applications?

A11: As the 29th Round is restricted to targeted frontier areas, pre-emptive work is underway on Appropriate Assessments and is expected to be finalised whilst the applications are being considered (this is subject to no constraints being identified). As the Round covers frontier areas it has been possible to commence the Appropriate Assessment process whilst the Round is open, but it should be noted the same process cannot be undertaken in any future larger licensing Rounds. Appropriate Assessments, if necessary, must be carried out before any offer of Award is made. The Press Notice and the Guidance package released makes these requirements clear.

Q12: Will the Appropriate Assessment process delay the award decision?

A12: As the Appropriate Assessment work is being carried out in parallel with the opening of the Round, it is hoped that there may not be much delay to the offer stage. If this is not the case we will seek advice as to whether we are able to offer Blocks where Appropriate Assessment is not required, as we have done in previous Rounds.

LARRY