

## APPLICATIONS FOR PRODUCTION LICENCES GENERAL GUIDANCE

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## GUIDANCE FOR APPLICANTS

Companies who want to participate in the exploitation of the UK's oil & gas resources need (among other things) a Production Licence from the Oil and Gas Authority (OGA). Most licences are applied for, and issued, in Licensing Rounds.

This note is intended to be used as guidance for applicants and sets out how to complete, support and submit an application. The website ([Oil and gas: licensing rounds](#)) carries pointers to other useful information, including general information about the Licensing system and the availability of technical data.

This note offers general guidance about OGA policy and a high-level overview of the process. It begins with a quick introduction, which is followed by a series of sections that go into more detail. There are separate guidance notes about safety, environmental, technical and financial aspects of OGA's decisions. If you have any further queries, or need clarification of anything discussed here, there is a list of [Contacts](#) at the end.

- 1) Anyone who wants to explore for, drill for or extract oil or gas in the UK (except onshore Northern Ireland) must hold a licence issued under the Petroleum Act 1998 by OGA.
- 2) Applications for such licences can only be made in response to a formal invitation from OGA. We post these invitations in the Official Journal of the European Union, and advertise them prominently on the [OGA website](#)<sup>1</sup>. Usually we issue general invitations in Licensing Rounds (onshore and offshore as announced), but exceptionally we may invite out-of-round applications for small areas in response to a request from a company. The invitation will specify the acreage and the types of licence that are being offered.
- 3) Applications are made through a part of the UK's Oil Portal called LARRY (the **L**icence **A**pplications **R**epository). Applicants will first need to get a Portal account, which is a quick and easy process. There is guidance<sup>2</sup> about gaining access to LARRY elsewhere on this website.
- 4) There is an Application fee.
- 5) OGA may assess the applicant's operating competence (technical, safety and environmental) and its financial capacity to carry out the Work Programme. Applicants who fall short of our criteria cannot be considered for the award of a licence. OGA usually interviews applicants about their technical understanding of the acreage and the Work Programme offered (we always do so where there is competition for the same acreage). After interview, we mark each application against a Marks Scheme.
- 6) OGA has discretion in deciding whether or not to issue a licence (see "[How decisions are reached](#)"); and if so, to whom and on what conditions. Where there is competition for the same acreage, the award will be that which OGA believes best serves the policy of maximising economic recovery of UK petroleum, subject to compliance with all relevant laws and with due regard to environmental factors. In particular, all applications will be determined in accordance with the terms of the Hydrocarbons Licensing Directive Regulations 1995 (1995/1434), the Petroleum Licensing

<sup>1</sup> [Oil and gas: licensing rounds](#)

<sup>2</sup> See link: "Guidance about use of LARRY" on "[Oil and gas: licensing rounds](#)".

(Applications) Regulations 2015 (2015/766) and the Offshore Petroleum Licensing (Offshore Safety Directive) Regulations 2015 (2015/385). Further guidance in relation to offshore safety and environmental requirements can be found on the HSE website<sup>1</sup>. The mark awarded after interview is an important factor in determining applications but it may not be the only one (see [How decisions are reached](#)).

**7)** At the time of drafting, the licensing powers conferred by the Petroleum Act 1998 rest with the Secretary of State for the Department Business, Energy and Industrial Strategy (BEIS), and are exercised by the OGA, which is currently an Executive Agency of BEIS. By the time licences are awarded in the next Licensing Round (the 29<sup>th</sup> Seaward) we expect that OGA will have become a Government Company and that those powers will have been transferred via legislation to OGA as a Government Company. In this note, for the sake of simplicity, all references are to OGA.

## TYPE AND TERM OF LICENCE

In spite of their name, Production Licences cover exploration, appraisal and production. There are separate types of Production Licence for the onshore and offshore provinces.

In the 29<sup>th</sup> and 30<sup>th</sup> Seaward Licensing Rounds, the OGA is introducing a new variant of Seaward Production Licence. This will be a single sub-type of Seaward Production Licence known as “Innovate”, which through its flexible structure will cater for different types of Work Programme, Company, and types of acreage from underexplored (“Frontier”) areas to better explored (“Mature”) areas.

The acreage to be offered in individual Rounds will be described in Maps and lists of Blocks associated with the opening of each particular Round.

**8)** Production Licences cover exploration and appraisal as well as production.

**9)** There are two types of Production Licence, described more fully elsewhere on the [gov.uk](#) website<sup>2</sup> and in the Technical Guidance document<sup>3</sup>:

- a) the Seaward “Innovate” Production Licence; and
- b) the Landward Production Licence (formally called the Petroleum Exploration and Development Licence).

**10)** Previously available Seaward Licence sub-types (Traditional, Promote, Frontier-6 and Frontier-9) will no longer be offered, but applicants who wish to will be able to construct an Innovate Licences with the same clauses.

**11)** The terms and conditions of the licences on offer (“Model Clauses”) are set out in Regulations, though OGA is free to offer licences on modified terms in particular cases. For Petroleum Exploration and Development Licences, the Model Clauses are set out in the Petroleum Licensing (Exploration and Production) (Landward Areas) Regulations 2014 (2014/1686) and for Seaward Production Licences, they are in the Petroleum Licensing (Production) (Seaward Areas) Regulations 2008 (2008/225), as amended.

**12)** In the 29<sup>th</sup> Round, OGA will offer licences which use the existing Model Clauses. We will refer to them as Innovate Licences but not all the planned Innovate features can

<sup>1</sup> See [www.hse.gov.uk/osdr/assets/docs/osd-licensing-operatorship-safety-environmental-aspects%20.pdf](http://www.hse.gov.uk/osdr/assets/docs/osd-licensing-operatorship-safety-environmental-aspects%20.pdf)

<sup>2</sup> [Types of licence](#)

<sup>3</sup> See link: “Guidance about the Technical aspects of any application” on [“Oil and gas: licensing rounds”](#).

be accommodated within the existing Model Clauses, and the full package will be delivered in the 30<sup>th</sup> Round after OGA, working with BEIS, has introduced a new set of Model Clauses through changes to the current regulations. This is subject to the outcome of any consultation and the Parliamentary process.

**13)** The rentals schedules for each type of licence are attached at Annexe 1.

**14)** Where a licence is held by more than one company, each one bears full joint-and-several liability to OGA.

**15)** Companies who only wish to carry out seismic surveys and not to drill, and who do not require exclusive rights, might consider applying for an Exploration Licence<sup>1</sup>. There are separate Exploration Licence types for the landward and seaward areas. Each one covers the entire seaward/landward area (but needs the licensee's permission to be used in the area covered by a Production Licence), and is cheaper and simpler to get than a Production Licence.

## THE APPLICANT

An application can come from a single company or from a group of companies. The companies may be either British or foreign, but there are minimum residence requirements.

All applicants must demonstrate financial viability.

All applicants for Seaward Innovate Licences will be assessed against the safety and environmental capability requirements of the Offshore Safety Directive, as detailed in Appendix C – Safety and Environmental Issues Guidance. In addition, there are minimum requirements for financial and technical capacity if the applicant proposes a Phase C-only Work Programme (i.e. straight to drilling). (An explanation of the Phases for Work Programmes is set out in the Technical Guidance.)

Applicants for Landward Licences must demonstrate financial viability, capacity and competence at the time of application.

**16)** An application may be made by a single company, or by a group of companies.

**17)** A single application can be made for any amount of acreage, provided that the list of companies, their proposed equity interests, and (where appropriate) the operator are the same throughout. The fact that geographically separate areas would not be covered by a single licence does not mean they cannot be combined on the same application.

**18)** Where the Applicant is proposing a Phase C-only Work Programme (i.e. straight to drilling), they must submit a separate Application because of the necessary validations for Financial capability and Technical Competence. (See paragraph 20 below.)

**19)** All applicants must demonstrate their financial viability<sup>2</sup>.

**20)** This paragraph applies to applicants for:

- a) Landward Licences,
- b) Seaward Innovate Licences that are to go straight to a Second Term, and

<sup>1</sup> See [Types of Licences](#)

<sup>2</sup> See link: "Guidance about the Financial aspects of any application" on "[Oil and gas: licencing rounds](#)".

c) Seaward Innovate Licences with a Work Programme that commences at Phase C.

Such applicants must demonstrate to OGA that, if awarded a Licence, they will have the technical competence<sup>1</sup> to carry out the activities that would be permitted under the licence during the Initial Term and the financial capacity<sup>2</sup> to complete the Work Programme. See Technical Guidance for information about the ‘phases’ of a Work Programme, and Financial Information for information about financial criteria. Where the applicant applies for a Seaward Innovate Licences that is to go straight to a Second Term, technical competence and financial capacity to carry out the Second Term would be considered.

**21)** Financial capacity must be clearly available to the applicant at the time of application, and not be subject to uncertain future events like share issues.

**22)** Where the Work Programme begins with a Phase A (studies and data-reprocessing) or a Phase B (seismic survey) the applicant is not required to demonstrate technical or financial capacity, but should note that they will have to demonstrate these things before the licence can enter its Phase C. Technical capability will be considered prior to award, which will be assessed in part by the quality of analysis related to the block.<sup>3</sup>

**23)** To be awarded a licence, a company must be registered in the UK, either as a company or as a branch of a foreign company<sup>4</sup>. The application must include the Registered Name, Address and Number of each company that is to hold the licence.

**24)** Applicants should decide exactly which company/ companies they want to hold the licence, and ensure that the application reflects this. Where the applicant decides he wants a licence to be held by some company other than those named in the application, he should accept the licence and then seek consent to assign it afterwards.

**25)** The residence requirements may change later if a licensee seeks to begin production<sup>5</sup>.

## ACREAGE

At any licensing opportunity, whether it be a Licensing Round or an Out-of-Round invitation, OGA will invite applications for a specified list of blocks and part-blocks. We cannot consider applications for other acreage at that time.

**26)** The boundary between the Landward and Seaward regimes is the Low Water Mark, except that areas above Bay Closing Lines (sometimes called “watery areas”) fall under the Landward regime. Blocks within the baseline of the Territorial Sea in relation to Scottish and Welsh bays and estuaries will not be on offer in licensing opportunities in view of the impending transfer of the licensing roles within these areas (along with the onshore landmass) to the Scottish and Welsh Governments.

<sup>1</sup> See link: “Guidance about the Technical aspects of any application” on [“Oil and gas: licensing rounds”](#).

<sup>2</sup> See link: “Guidance about the Financial aspects of any application” on [“Oil and gas: licensing rounds”](#).

<sup>3</sup> See link: “Guidance about the Technical aspects of any application” on [“Oil and gas: licensing rounds”](#).

<sup>4</sup> See [Criteria To Become A Licensee](#)

<sup>5</sup> See [Criteria To Become A Licensee for residence requirements regarding producing fields](#).

27) OGA has divided the UK's acreage into 'blocks'. Onshore blocks are 100km<sup>2</sup> in area; seaward blocks vary in size from c.190km<sup>2</sup> in the far north to c.250km<sup>2</sup> in the far south. A map associated with each invitation shows the acreage available.

28) Licensing Rounds commonly cover specified areas. The OGA will decide which areas to offer after considering a number of factors; for example: recommendations of the Strategic Environmental Assessment, other regulatory requirements / pressures; demand from industry; areas where the OGA has acquired new seismic or other geoscientific data. The invitation makes clear which acreage is available.

29) Applications are made for whole blocks, but awards need not be. Some blocks are already licensed in part, and in those cases we could, of course, only consider issuing a licence for the remaining, unlicensed, parts. An applicant who doesn't want the whole unlicensed part of a block should make clear in the application which parts s/he does want, so that OGA can consider awarding a Licence over just that part of the block. OGA will in any case review the acreage and may only award part of a block to the successful applicant, if that is all the applicant has plans for.

30) There is no upper limit to the amount of acreage that an applicant can apply for, but there are limits to the amount of acreage that OGA will award in a single licence. In seaward areas the limit is ten contiguous blocks per licence, but with no aggregate limit across several licences. There is more guidance at the Technical Guidance document.

31) OGA will not award acreage that the applicant has no plans to explore and exploit.

32) OGA may not be prepared to license a very small or very irregular area.

## WORK PROGRAMMES

For applications for licences that start with an Initial Term, the applicant must propose a Work Programme, which is the minimum amount of exploration work that the applicant must carry out, if it should be awarded a licence, if the licence is not to expire at the end of its Initial Term.

The agreed Work Programme will form an important part of the Licence itself, and the Licence will expire at the end of the Initial Term if the Work Programme has not been completed by then. There may also be provision for the Licence to expire before the end of the Initial Term, depending on the Work Programme – see the Technical Guidance document. Along with the technical work already carried out, the Work Programme is one of the main factors that OGA will use to judge between competing applications.

33) The applicant, when it is applying for a licence with an Initial Term, proposes a Work Programme as part of the application, which is likely to be discussed at interview. A Work Programme consists of one or more elements of exploration work.

34) The basic plan for the Seaward Innovate Licence where there is an Initial Term is for the Work Programme to be divided into three phases<sup>1</sup>:

- a) a Phase A for carrying out geotechnical studies and geophysical data reprocessing,

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<sup>1</sup> See link: "Guidance about the Technical aspects of any application" on "[Oil and gas: licensing rounds](#)" for more detail.

- b) a Phase B for shooting new seismic and acquiring other geophysical data, and
- c) a Phase C for drilling.

**35)** If OGA offers a licence, part of the offer will specify the Work Programme that OGA is willing to accept. The Work Programme will be set out in full in the licence.

**36)** There is more detailed technical guidance [here](#). This also explains the requirements for applicants who wish to go straight to Second Term, where a Work Programme is not required.

## APPLICATION FEE

There is an Application Fee to cover OGA's costs. OGA can accept payment electronically or by cheque.

**37)** The application fee is £2,100 for Seaward Production Licences and £1,400 for Landward Production Licences. The figures are defined in secondary legislation<sup>1</sup>.

**38)** LARRY provides a secure method for payments. There is guidance on payment methods elsewhere on the site<sup>2</sup>.

## HOW DECISIONS ARE REACHED

OGA has full discretion to make decisions on applications for Production Licences, but will always make them in line with law, published policies and objectives. Where there is competition for the same acreage between applicants, all of whom meet the OGA's criteria, the decision will be based largely on the marks awarded to the applications.

**39)** OGA's policy objective in a Licensing Round is to maximise the economic recovery of UK petroleum (MER UK)<sup>3</sup>, and all decisions will be made in pursuit of that policy. The Petroleum Act 1998 gives OGA discretion in deciding whether or not to issue a licence; and if so, to whom and on what conditions. However, the OGA must exercise its discretion in accordance with the principal objective of MER UK and the current strategy<sup>4</sup>. Once commenced, the OGA must also have regard to the factors set out at section 8 of the Energy Act 2016, so far as relevant.

**40)** Only applicants who pass OGA's financial criteria and standards of operatorship, and safety and environmental capability requirements can be considered for award of a Production Licence.

**41)** Where two or more applicants who have applied for the same acreage all meet OGA's financial criteria and standards of operatorship, OGA's geoscientists will make a recommendation of award after evaluating the respective geotechnical submissions. (In practice, OGA will start arranging interviews without waiting to see the results of the financial and operatorship checks, so being invited to interview does not imply that those criteria have been satisfied.) The assessors will base their decisions on the technical understanding demonstrated by the applicant, the generation of valid

<sup>1</sup> Petroleum Licensing (Applications) Regulations 2015 (2015/766)

<sup>2</sup> [Payment methods](#)

<sup>3</sup> See section 9A of the Petroleum Act 1998.

<sup>4</sup> See section 9A and 9B of the Petroleum Act 1998 and the Strategy at <https://www.ogauthority.co.uk/news-publications/publications/2016/maximising-economic-recovery-of-uk-petroleum-the-mer-uk-strategy/>

prospectivity derived from evaluation of available data, the quality of the work that it has already carried out, and the proposed Work Programme. Applications will be marked against these criteria according to a predefined Marks Scheme, and award will normally be made to the applicant with the highest marks.

**42)** In some cases, OGA may consider that additional factors that are not covered by, or amenable to, the Marks Scheme are relevant to the achievement of its policy. Examples could include:

- a) the applicant's track record on the completion of Work Programmes;
- b) the applicant's track record of performance, such as activity on the management of suspended wells or fallow blocks and discoveries;
- c) cases where direct comparison between competing applications is difficult, such as those where the geographical coverage and geological focus is different, or where competing Work Programmes offer a choice between a prospect-specific investigation and a wider area investigation.

**43)** OGA may accommodate such factors by:

- a) Suggesting that competing applicants agree to become one licensee (a "marriage"); or
- b) splitting applications for competing acreage so that each applicant receives the areas that it is focused on.

**44)** OGA may suggest a marriage between competing applicants where their interests and expertise are complementary and their applications cannot be separated geographically. However, it remains up to the companies to make the marriage and agree on terms. Part of the process will be to agree on a Work Programme, which must be acceptable to OGA. If applicants are unable or unwilling to marry, OGA will choose the winner from among them.

**45)** The OGA may discuss applications with the Coal Authority, especially those from applicants who are proposing coal-related projects. OGA will not consider applications where material information has been withheld.

**46)** OGA may decide that no possible award would serve the objective of MER UK and therefore not to award a Licence at all.

**47)** Applications will be marked against criteria related to the Petroleum Act 1998 and the objective of maximising economic recovery. OGA will not award marks for CCS, methane storage or any other proposed non-licensable plans.

**48)** Licences will only be offered if, in accordance with the Habitats Directive and Birds Directive (Council Directive 92/43/EEC on the conservation of natural habitats and of wild fauna and flora and Council Directive 2009/147/EC on the conservation of wild birds):

- (a) the activities to be carried out under the licence are not likely to have a significant effect on the management of a Special Area of Conservation(SAC) or Special Protection Area (SPA), or if
- (b) an Appropriate Assessment has ascertained that the activities will have no adverse effects on the integrity of such SACs or SPAs; or

(c) in a case where the activities are assessed as likely to cause such adverse effects, subject to

- (i) there being imperative reasons of overriding public interest for awarding the licence,
- (ii) the taking of appropriate compensatory measures, and
- (iii) there being no alternative solutions.

## TRANSPARENCY

Applicants may need to include commercially-sensitive information in their applications, such as financial forecasts and proprietary data. OGA will handle any such information in accordance with the Freedom of Information Act 2000, Environmental Information Regulations 2004 (2004/3391) and Data Protection Act 1998 and other relevant law, which take full cognisance of issues of transparency and confidentiality.

**49)** OGA treats applications as confidential until decisions have been announced. After that, we publish the winning applicants' names and marks, and, when a licence has been executed, we publish the licence document itself. We will also notify the unsuccessful applicants of their marks for each Block. We are happy to talk to each applicant to discuss its application in more detail. In the case of applications for Landward Licences, after six years we also make publicly available the technical components of each application.

**50)** OGA's policy is to maximise the availability of useful information about the UKCS and will routinely require the submission of a short report when each licence terminates, summarising the work done, prospectivity identified, and associated reserve estimates for the licensed area. OGA will publish this report.

**51)** OGA will publish a list of the names of all applicants for Production Licences, among other information whose publication is required by the Extractive Industries Transparency Initiative Standard.

**52)** For the purposes of the Data Protection Act 1998, OGA will hold contact details, including individuals' names and email addresses, and use them in communications relating to the application and to any Licence issued as a result of it. In the case of successful applications this information will be made publicly available by OGA. For example, we will publish companies' contact details on our website, and we will supply them to companies or individuals wishing to contact the licensee. Anyone who wishes to object to any of these uses should make clear their objections, and the grounds for them, in their application.

## OUT-OF-ROUND APPLICATIONS

The vast majority of applications are taken in regular Licensing Rounds. Exceptionally, OGA may accept a suggestion from a company that there are grounds for a one-off (“out-of-round”) application for a specific piece of acreage. Once that decision has been made, an Out-of-Round application is handled in the same way as during a Licensing Round. A Seaward Innovate Licence in these cases would be expected to have an initial term of short duration, probably comprising Phase C (drilling) only.

**53)** This Guidance Note also applies to Out-of-Round applications, which are special cases covering a specific portion of acreage. There are two differences between a Licensing Round and an Out-of-Round Invitation; the Out-of-Round process is initiated at a company’s request, instead of being triggered by OGA’s own timetable, and OGA will only invite Out-of-Round applications for a very small area – typically a single block.

**54)** A company wishing to pursue the Out-of-Round route must first convince OGA that an Out-of-Round Invitation is justified; i.e. that there are clear reasons why it should not have to wait for the next opportunity in a Licensing Round. If OGA is convinced, we will usually invite applications in a similar way to that in a Licensing Round. Therefore the first step for any company is to contact Jen Brzozowska, making a case for an Out-of-Round invitation.

## GENERAL ISSUES

All the following points apply to all kinds of application unless indicated otherwise.

**55)** In accordance with the Report submitted by the Progressing Partnerships Working Group to PILOT on 4 January 2002, OGA will not approve Joint Operating Agreements made under Seaward Production Licences issued in the 20th Round or later if they include pre-emption provisions, except in special circumstances where the applicant has made a convincing case for such provisions before award (and in such cases, it may count against the application where there is a choice between competed bids). Where OGA does accept a special need for pre-emption provisions, only pre-emption provisions of the form attached at Annexe 2 will be approved. This does not apply to landward licences.

**56)** Following industry representations at PILOT (previously the Oil & Gas Industry Task Force), OGA will not issue a Seaward Licence covering separate (non-contiguous) areas (a ‘Multiblock Licence’). For these purposes, two areas that join corner-to-corner are considered to be separate.

**57)** A Production Licence does not grant *carte blanche* to carry out all petroleum-related activities from then on. Some activities, such as drilling, are subject to further individual controls by OGA, and a licensee of course remains subject to controls by other regulators such as BEIS and the Health and Safety Executive. Furthermore, the award of a landward licence (PEDL) in no way waives the requirement for the Licensee to get any necessary permission from landowners, planning authorities, etc. It is the licensee’s responsibility to be aware of, and comply with, all regulatory controls and legal requirements. OGA cannot offer advice on regulation outside its remit, nor on legal

issues, but to offer a starting point there is some guidance of the areas that we are aware of on the [OGA](#) website<sup>1</sup>.

**58)** Any production licence issued will carry conditions about data management and preservation, and OGA takes them very seriously. There are Release procedures and Guidelines relating to well data, new geophysical surveys, etc. Guidance can be found on the OGA web site<sup>2</sup>.

**59)** Applicants should note:

- a) the initiative to preserve historically-important records which goes by the name of 'Capturing the Energy' and which OGA fully supports. Details can be found on the 'Capturing the Energy' website at [www.capturing-the-energy.org.uk](http://www.capturing-the-energy.org.uk); and you can contact 'Capturing the Energy' by email to [info@capturing-the-energy.org.uk](mailto:info@capturing-the-energy.org.uk).
- b) The data management provisions in Chapter 3 of the Energy Act 2016 and the requirement for all Relevant Persons to appoint an Information and Samples Coordinator (when commenced).

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<sup>1</sup> See link: "Other regulatory issues" on "[Oil and gas: licensing rounds](#)".

<sup>2</sup> See [Well Data](#) , [PON9](#) – (offshore) and [PON 9b](#) - (landward).

## ANNEXE 1: RENTALS

### Seaward Innovate Production Licence's rental schedule

(1) On the Commencement Date, and on each subsequent anniversary of the Start Date to fall during the Initial Term, the Licensee shall pay the Minister the relevant amount below multiplied by the Area Factor:

- (a) if the Initial Term has a Phase A, then during Phase A: £15;
- (b) if the Initial Term has a Phase B, then during Phase B: £30; and
- (c) if the Initial Term has a Phase C, then during Phase C: £150.

(2) On each anniversary of the Start Date to fall after the Initial Term, the Licensee shall pay the Minister the relevant amount below multiplied by the Area Factor:

- (a) upon the 1st such anniversary, £150 multiplied by the area factor;
- (c) upon the 2nd such anniversary, £150 multiplied by the area factor;
- (c) upon the 3rd such anniversary, £150 multiplied by the area factor;
- (d) upon the 4th such anniversary, £300 multiplied by the area factor;
- (e) upon the 5th such anniversary, £1200 multiplied by the area factor;
- (f) upon the 6th such anniversary, £2100 multiplied by the area factor;
- (g) upon the 7th such anniversary, £3000 multiplied by the area factor;
- (h) upon the 8th such anniversary, £3900 multiplied by the area factor;
- (i) upon the 9th such anniversary, £4800 multiplied by the area factor;
- (j) upon the 10th such anniversary, £5700 multiplied by the area factor;
- (k) upon the 11th such anniversary, £6600 multiplied by the area factor;
- (l) upon the 12th such anniversary and every subsequent anniversary, £7500 multiplied by the area factor.

(3) The Periodic Payments shall be subject to variation in accordance with the following provisions:

- (a) The Periodic Payments shall be increased or subsequently reduced in line with movements in the Index of the Price of Crude Oil acquired by Refineries (published in the Digest of UK Energy Statistics) if the Minister so determines. The Minister shall give notice of any such determination ("biennial determination") during the month preceding the second anniversary of the Start Date to fall after the Initial Term or any subsequent two-yearly anniversary of that date, and shall specify in the notice the increase or reduction in the amount payable. Movements in the Index shall be calculated by reference to a comparison between the arithmetic mean of the Index levels for the two latest calendar years for which figures are available at the time when the determination is made, and the arithmetic mean of the Index levels for the two latest calendar years before the Start Date. In the event that the Index of the Price of Crude Oil acquired by Refineries ceases to be published the Minister may substitute arrangements for redetermination of periodic payments having substantially similar effect to those set out above based on such other comparable Index as he may determine.
- (b) The increase or reduction specified in a biennial determination shall be payable or take effect on the anniversary of the Start Date next following the date of the relevant determination.

(c) No biennial determination shall have effect so as to reduce the Periodic Payments below the levels set out in paragraphs (1) and (2) above.

(d) The Minister shall not make a biennial determination increasing or reducing the amounts payable where that increase or reduction would be 5% or less of the levels set following the previous biennial determination.

(4) In this Schedule:

"Commencement Date" means the date specified in clause 3(1) of the Licence;

"the Initial Term" means the period specified as such in Schedule 5 of the Licence on the date that this Licence was granted;

"Periodic Payments" means the payments set out at paragraphs (1) and (2) above;

"the Area Factor" means the number of square kilometres comprised in the Licensed Area at the date upon which the Periodic Payment in question becomes due; if there is a Phase A in the Work Programme, "Phase A" is the period specified in the Work Programme on the date that this Licence was granted;

if there is a Phase B in the Work Programme, "Phase B" is the period specified in the Work Programme on the date that this Licence was granted; and

if there is a Phase C in the Work Programme, "Phase C" is the period specified in the Work Programme on the date that this Licence was granted.

## Landward Production Licence's rental schedule

(1) On the date on which the Initial Term begins ("the said date") or upon the grant of this Licence, whichever is the later, and on subsequent anniversaries of the said date during the term of the Licence, the Licensee shall pay the Minister sums (in this Schedule referred to as "periodic payments") calculated as follows:

- (a) on the said date, £25 multiplied by the area factor;  
 (b) on the 1st anniversary of the said date, £25 multiplied by the area factor;
- |     |   |      |   |        |   |
|-----|---|------|---|--------|---|
| (c) | " | 2nd  | " | £25    | " |
| (d) | " | 3rd  | " | £25    | " |
| (e) | " | 4th  | " | £25    | " |
| (f) | " | 5th  | " | £25    | " |
| (g) | " | 6th  | " | £50    | " |
| (h) | " | 7th  | " | £100   | " |
| (i) | " | 8th  | " | £150   | " |
| (j) | " | 9th  | " | £200   | " |
| (k) | " | 10th | " | £250   | " |
| (l) | " | 11th | " | £300   | " |
| (m) | " | 12th | " | £400   | " |
| (n) | " | 13th | " | £500   | " |
| (o) | " | 14th | " | £600   | " |
| (p) | " | 15th | " | £700   | " |
| (q) | " | 16th | " | £800   | " |
| (r) | " | 17th | " | £900   | " |
| (s) | " | 18th | " | £1,000 | " |
| (t) | " | 19th | " | £1,100 | " |
- (u) on the 20th and every subsequent anniversary of the said date, £1,200 multiplied by the area factor.

(2) The periodic payments specified falling due after the sixth anniversary shall be subject to variation in accordance with the following provisions:

- (a) subject to sub-paragraph (d) below, the periodic payments shall be increased or reduced at two-yearly

intervals in line with movements in the Index of the Price of Crude Oil acquired by Refineries (published in the Digest of UK Energy Statistics) if the Minister so determines. The Minister shall give notice of any such determination ("biennial determination") not less than one month preceding the date on which such payment falls due, and shall specify in the notice the increase or reduction in the amount payable. Movements in the Index shall be calculated by reference to a comparison between the arithmetic mean of the Index levels for the two latest calendar years for which figures are available at the time when the determination is made, and the arithmetic mean of the Index levels for 2003 and 2004. In the event that the Index of the Price of Crude Oil acquired by Refineries ceases to be published, the Minister may substitute arrangements for redetermination of periodic payments having substantially similar effect to those set out above based on such other comparable Index as he may determine;

(b) The increase or reduction specified in a biennial determination shall be payable or take effect on the anniversary of the date of commencement of this Licence next following the date of the relevant determination.

(c) No biennial determination shall have effect so as to reduce the periodic payments below the levels set out in sub-paragraph (1) above.

(d) The Minister shall not make a biennial determination increasing or reducing the amounts payable where that increase or reduction would be 5% or less of the levels set following the previous biennial determination.

(3) In this Schedule "the area factor" means the number of square kilometres comprised in the Licensed Area at the date upon which the periodic payment in question becomes due.

## ANNEXE 2: APPROVED PRE-EMPTION PROVISIONS

### Pre-Emption Arrangements

- (1) In the event that a Disposing Pre-emption Participant enters into bona fide negotiations to, or otherwise makes a bona fide decision to, transfer the whole or any part of its rights and obligations under an Existing Operating Agreement then it may serve notice of such intention on all Other Pre-emption Participants together with such further information as may be required under the Existing Pre-emption Arrangements (together the “Further Information”) to enable such Other Pre-emption Participants to assess the nature and extent of such proposed disposal and the potential exercise of their respective rights under the Existing Pre-emption Arrangements.
- (2) Within seven (7) Business Days after receipt of the Further Information each of the Other Pre-emption Participants shall elect either:
  - (a) to reserve its rights of pre-emption as set out in the Existing Pre-emption Arrangements (and upon and subject to these New Pre-emption Arrangements) in relation to such proposed disposal; or
  - (b) to waive its rights of pre-emption as set out in the Existing Pre-emption Arrangements (and upon and subject to these New Pre-emption Arrangements) in relation to such proposed disposal (in which event, for the avoidance of doubt, the Disposing Pre-emption Participant shall not be obliged to serve notice on such Other Pre-emption Participant pursuant to Clause 1(5));
  - (c) and shall serve notice accordingly upon the Disposing Pre-emption Participant and in default of receipt by the Disposing Pre-emption Participant of any such notice within such period of seven (7) Business Days the Other Pre-emption Participant shall be deemed to have served a notice electing to reserve its rights of pre-emption as set out in the Existing Pre-emption Arrangements (and upon and subject to these New Pre-emption Arrangements) in relation to such proposed disposal.
- (3) For the avoidance of doubt, in the event that none of the Other Pre-emption Participants reserves (or is deemed to have reserved) its rights under Clause 1(2)(a) then the Existing Pre-emption Arrangements shall thereupon cease to apply in relation to such proposed disposal.
- (4) In the event that all or any of the Other Pre-emption Participants reserves (or is deemed to have reserved) its rights under Clause 1(2)(a) then in circumstances where the Disposing Pre-emption Participant is no longer intending so to transfer the whole or any part of its rights and obligations under the Existing Operating Agreement the Disposing Pre-emption Participant shall as soon as reasonably practicable after the occurrence of such circumstances serve on all such Other Pre-emption Participants a notice to that effect.
- (5) In circumstances where agreement has been reached (and whether or not such agreement is recorded in a fully termed sale and purchase agreement) in relation to a transfer of the whole or any part of its rights and obligations under the Existing Operating Agreement to a third party (the “Proposed Disposal”) (subject only to the rights of the Other Pre-emption Participants under the Existing Pre-emption Arrangements and such conditions as may be applicable) then the Disposing Pre-emption Participant shall as soon as reasonably practicable after the occurrence of such circumstances (and whether or not the Disposing Pre-emption Participant has previously given notice of such proposed disposal under Clause 1(1)) serve on each of those Other Pre-emption Participants which has reserved its rights under Clause 1(2)(a) or (as the case may be) all the Other Pre-emption Participants, a notice to that effect and shall with such notice provide such information and details as may be required under the Existing Pre-emption Arrangements and, in any event, at least the main terms of such agreement (the “Agreed Terms”) and including:
  - (a) the identity of such third party; and

- (b) the effective date of the Proposed Disposal; and
  - (c) the applicable price; and
  - (d) all and any material conditions to which such agreement is subject.
- (6) Within thirty (30) days after receipt of a notice under Clause 1(5) in relation to a Proposed Disposal each of the Other Pre-emption Participants shall elect either:
- (a) to exercise its rights of pre-emption as set out in the Existing Pre-emption Arrangements (and upon and subject to these New Pre-emption Arrangements) in relation to the Proposed Disposal; or
  - (b) to waive its rights of pre-emption as set out in the Existing Pre-emption Arrangements (and upon and subject to these New Pre-emption Arrangements) in relation to the Proposed Disposal;
  - (c) and shall serve notice accordingly upon the Disposing Pre-emption Participant and in default of receipt by the Disposing Pre-emption Participant of any such notice within such period of thirty (30) days such Other Pre-emption Participant shall be deemed conclusively to have served a notice electing to waive its rights of pre-emption as set out in the Existing Pre-emption Arrangements (and upon and subject to these New Pre-emption Arrangements) in relation to the Proposed Disposal.
- (7) In the event that more than one of such Other Pre-emption Participants exercises its rights under Clause 1(6)(a) in relation to the Proposed Disposal then the Disposing Pre-emption Participant shall transfer the relevant interest upon the Agreed Terms to each of such Other Pre-emption Participants in the proportions in which their respective percentage interests bear to the aggregate of their respective percentage interests or in such other proportions as such Other Pre-emption Participants shall agree between them.
- (8) In the event that one of such Other Pre-emption Participants exercises its rights under Clause 1(6)(a) in relation to the Proposed Disposal then the Disposing Pre-emption Participant shall transfer the whole of the relevant interest upon the Agreed Terms to such Other Pre-emption Participant.
- (9) In the event that none of such Other Pre-emption Participants exercises its rights under Clause 1(6)(a) then the Existing Pre-emption Arrangements shall thereupon cease to apply in relation to the Proposed Disposal.

### **Liabilities**

Without prejudice to the applicable provisions of the Existing Operating Agreement it is agreed that the Disposing Pre-emption Participant shall be and shall remain liable to the Other Pre-emption Participants for all and any liabilities, costs and expenses of the Other Pre-emption Participants in relation to any transfer or purported transfer of the whole or any part of its rights or obligations under the Existing Operating Agreement which does not comply with the provisions of these New Pre-emption Arrangements.

## ANNEXE 3: CONTACTS

OGA's London address is:

Oil and Gas Authority  
4<sup>th</sup> Floor  
21 Bloomsbury Street  
London  
WC1B 3HF

OGA's Aberdeen address is:

Oil and Gas Authority  
AB1 Building  
48 Huntly Street  
Aberdeen  
AB10 1SH

To discuss OGA's **financial appraisal**, contact Nic Rogers:

tel: 0300 067 1627;  
email: [nicholas.rogers@ogauthority.co.uk](mailto:nicholas.rogers@ogauthority.co.uk)

To discuss **landward geological and other technical issues** (Appendix B) and the **landward marks scheme**, contact Toni Harvey:

tel: 0300 067 1611;  
email: [toni.harvey@ogauthority.co.uk](mailto:toni.harvey@ogauthority.co.uk)

To discuss *seaward* **geological and other technical issues** (Appendix B) and the **marks scheme**, contact Jen Brzozowska:

tel: 0300 067 1603;  
email: [jen.brzozowska@ogauthority.co.uk](mailto:jen.brzozowska@ogauthority.co.uk)

To discuss safety and **environmental issues** (including the Appendix C, which covers safety and environmental issues for seaward production licences), contact BEIS Environmental Management Team:

tel: 01224 254145;  
e-mail: [emt@beis.gsi.gov.uk](mailto:emt@beis.gsi.gov.uk)

For general enquiries about the **administration** of a Licensing Round, contact Ricki Kiff:

tel: 0300 067 1637;  
e-mail: [ricki.kiff@ogaauthority.co.uk](mailto:ricki.kiff@ogaauthority.co.uk)

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