

SANCTION NOTICE

To: **NEO Energy Petroleum Limited**
Company Number: 03288689

Address: **30 St. Mary Axe**
London
EC3A 8BF

Date: **22 December 2025**

1. SANCTION NOTICE

- 1.1. This Sanction Notice is given to NEO Energy Petroleum Limited ("**NEO**") pursuant to section 42 of the Energy Act 2016 (the "**2016 Act**").
- 1.2. For the reasons given in this Sanction Notice, the North Sea Transition Authority ("**NSTA**")¹ gives a Sanction Notice to NEO for its failure to comply with a petroleum-related requirement and a Financial Penalty Notice which imposes on NEO a financial penalty of **£100,000 (one hundred thousand pounds)**.

2. SUMMARY OF FACTS

- 2.1. NEO is the Operator and part-licensee of Licence P2350. Well 21/03d-9Y ("**the Well**") falls under Licence P2350. Licence P2350 remains in force and NEO remains the Operator and a Licensee.
- 2.2. Paragraph 19(2) of the model clauses for Licence P2350 states that "*The Licensee shall not abandon any well without the consent in writing of the OGA.*"

¹ The North Sea Transition Authority is the business name for the Oil and Gas Authority, a limited company registered in England and Wales with registered number 09666504 and VAT registered number 249433979. Our registered office is at 50 Broadway, London, SW1H 0DB.

- 2.3. In a document dated **21 May 2024**, NEO stated that it attempted to abandon the Well to AB3 status (though was unable to successfully complete the work to fully abandon it to AB3) between **11 March 2024** and **21 March 2024**, when there was no AB3 consent in place.
- 2.4. Undertaking the work in attempt to abandon the Well to AB3 without consent breaches Paragraph 19(2) of the licence (the “**Breach**”) and therefore amounts to a failure to comply with a petroleum related requirement under Chapter 5 of the 2016 Act.

3. BACKGROUND

- 3.1. On **22 December 2023**, an AB2 suspension consent was granted by the NSTA which was valid until **15 May 2024**.
- 3.2. On **20 May 2024**, NEO told the NSTA that technical issues encountered during the attempted abandonment of the Well could potentially result in a cut of conductor/casing at a shallower depth to that specified in industry guidance for well decommissioning. NEO was requesting guidance from the NSTA about how to progress in those circumstances.
- 3.3. NEO admitted to carrying out “[a] campaign to recover the CAN and wellhead assemblies and abandon the Leverett [21/03d-9y] well to AB3 Status” between **11 March 2024** and **21 March 2024**. The AB2 consent was therefore valid at the time of the unconsented AB3 operation, but this did not cover cutting or recovery of the wellhead, as confirmed by NEO’s statement in the AB2 suspension application of “*Well is being suspended until the can, conductor and 13 3/8” surface casing can be removed at a later date.*”
- 3.4. In a meeting with the NSTA on **30 May 2024** (the “**30 May meeting**”), NEO said that it was of the understanding that its suspension consent did not expire until 2025 and that it was to submit an AB3 application after it had cut and recovered the wellhead.
- 3.5. In its response dated **8 November 2024** to an NSTA Information Notice, NEO explained that:
 - 3.5.1. It attempted to bring the Well to AB3 status “as per the recommendation” from the supplier of the CANductor (a suction pile used to support the Well in a soft soil environment) but was unsuccessful.
 - 3.5.2. It is responsible for submissions to the NSTA Well Operations and Notifications System (“**WONS**”).
 - 3.5.3. During the well planning process, it was confirmed by NEO to the NSTA that the Well would be abandoned to AB3 following completion of operations and that there were no plans to reuse the well in the future.

NSTA Guidance

- 3.6. In 2022, the NSTA issued its “*UKCS Well Application and Consents Guidance*” (“**the Guidance**”). This provides guidance to industry on the process of obtaining the NSTA’s consent for a range of activities relating to work on wells including how to obtain consent for abandonment. Under the heading “*Timing, data and reporting*”, the Guidance states that:

122. Applications for consent should be submitted through WONS at least 28 calendar days before the intended start of the abandonment. Activity must not commence until a consent has been received. For exploration and appraisal wells, licensees should include their abandonment plans as part of the Pre-well Assessment as described in the Drill and Sidetrack sections above.

4. LICENSEES

4.1. Licence P2350 has the following licensees:

4.1.1 Chrysaor Production (U.K.) Limited – 44%

4.1.2 Ithaca Gas Limited – 12%

4.1.3 NEO – 44%

4.2. In its response dated **8 November 2024** to the NSTA's Information Notice, NEO set out that:

“The well was a collaborative effort, NEO liaised with its JV partners at all stages through the well planning and execution phases, including the selection of the CANductor technology. Prior to commencing operations on the well, partners were invited to, and attended a Drill The Well on Paper (DWOP) workshop on the 24th of April 2023 where a detailed review of the proposed well operations was conducted to identify areas of improvement and optimisation prior to finalising the operational programmes. The initial well abandonment activities were covered as part of the scope for this DWOP workshop.

Following the unsuccessful attempt to remove the CANductor and wellhead in March 2024, partners were consulted on the proposed methodology for the second abandonment attempt and an Abandon the Well On Paper (AWOP) workshop was held on the 1st August 2024 to review the detailed operational plans, again with partners in attendance.

For the execution phases of the operations (both rig and vessel-based operations), copies of the detailed operational programmes were shared with partners and copies of the daily operational reports from the rig/vessel were provided each morning.”

4.3. However, NEO has also said that it is responsible for submissions to the NSTA WONS, which would have included submitting an AB3 application prior to attempting to bring a well to AB3 status. The issue in question is the attempt by NEO to bring the Well to AB3 status without having the requisite consent in place (notwithstanding the fact that the Well was not actually successfully abandoned to AB3). Therefore, as the consent was the responsibility of NEO, enforcement action has only been taken against NEO.

5. FAILURE TO COMPLY

5.1. Section 42(3) of the Energy Act 2016 makes failure to comply with a term or condition of an offshore licence a failure to comply with a petroleum-related requirement for the purposes of Chapter 5 and is therefore sanctionable under section 42 of the 2016 Act.

- 5.2. Licence P2350 was issued under the Petroleum Act 1998. Licence P2350 sets out: *“For the purposes of section 4(1)(e) of the Petroleum Act 1998, the model clauses applicable to this licence are the model clauses set out in The Petroleum Licensing (Production) (Seaward Areas) Regulations 2008 as amended by The Petroleum and Offshore Gas Storage and Unloading Licensing (Amendment) Regulations 2017.”* Paragraph 19(2) of the model clauses for Licence P2350 states that *“The Licensee shall not abandon any well without the consent in writing of the [OGA].”*
- 5.3. NEO admitted to carrying out “[a] campaign to recover the CAN and wellhead assemblies and abandon the Leverett [21/03d-9y] well to AB3 Status” between **11 March 2024** and **21 March 2024**. However, there was no AB3 Consent in place at that time and NEO attempted to abandon the Well without consent. In doing so, NEO has failed to comply with a term or condition of an offshore licence, namely paragraph 19(2) of the model clauses for Licence P2350.
- 5.4. In the 30 May meeting, NEO said that it was of the understanding that its suspension consent did not expire until end of 2025 and that it was to submit an AB3 application **after** it had cut and recovered the wellhead. It is the NSTA’s view that NEO has demonstrated a lack of understanding or awareness of its licence obligations despite the obligations being clearly outlined in the licence itself and in the Guidance, which is available on the NSTA website. The requirement to have a consent from the NSTA prior to abandoning a well is not a new requirement (predating the 2008 model clauses) and the Guidance was published in **2022**. The Guidance sets out that *“Licensees require a consent before ... a well is abandoned.”*
- 5.5. The NSTA has determined that the Breach constitutes a failure to comply with a petroleum-related requirement. The NSTA considers that the appropriate action is to give a Sanction Notice to NEO for this failure to comply.

6. THE SANCTION

- 6.1. The NSTA gives this Sanction Notice with a financial penalty of **£100,000** (“**the Financial Penalty**”) in respect of the Breach. In arriving at the level of the Financial Penalty, the NSTA has had regard to those matters listed in section 8 of the 2016 Act, relevant is the need to maintain a stable and predictable system of regulation – by the NSTA demonstrating that regulatory obligations are complied with – which encourages investment in relevant activities.
- 6.2. The NSTA has significant responsibilities regarding consenting to the plugging and abandoning of wells. Failure by licensees to adhere to their responsibilities regarding obtaining the NSTA’s consent prior to the plugging and abandonment of wells impacts upon the ability of the NSTA to secure fields for alternative use such as carbon capture and to ensure that the well abandonment design will be effective.
- 6.3. In this respect, the NSTA regulates the well decommissioning obligations placed on licensees and has powers to take enforcement action through giving a Sanction Notice where licensees fail to comply with those obligations. Taking such action maintains a stable and predictable system of regulation as it provides a clear indication to those that the NSTA regulates that they should comply with their regulatory obligations including in relation to obtaining consent from the NSTA prior to abandoning a well.

- 6.4. The other available sanctions under the Energy Act 2016 (e.g. enforcement notice, licence revocation notice or an operator removal notice) are not proportionate or necessary in these circumstances given that NEO is working to abandon the well to the necessary standard.

Consideration of the NSTA's Sanction Guidance and Financial Penalty Guidance

- 6.5. The NSTA has considered carefully the aims set out in paragraph 24 of the Sanction Procedure² Guidance and paragraph 16 of the Financial Penalty Guidance³, which are that any financial penalty determined should be among other things:

6.5.1. Effective in addressing the underlying cause for the failure to comply;

6.5.2. Dissuasive of future failure to comply, either by the person or, further to publication of the Sanction Notice, other persons in similar circumstances; and

6.5.3. Proportionate to the significance of the failure in the context of the petroleum-related requirement and the impact on the relevant persons.

- 6.6. Paragraph 17 of the NSTA's Financial Penalty Guidance sets out various matters that the NSTA may also take into account when determining the amount of a financial penalty, as follows:

The extent to which NEO may have sought to benefit from the failure to comply

- 6.7. There is no evidence before the NSTA to suggest that NEO sought to benefit from the failure to comply.

Whether NEO gained as a consequence of the failure to comply

- 6.8. There is no evidence before the NSTA to suggest that NEO gained (financially or otherwise) from the failure to comply.

The severity of the failure to comply

- 6.9. NEO's limited knowledge of the requirements relating to the need for, and timing of obtaining, the consents required to complete decommissioning activities is a concern to the NSTA. The requirement to obtain consent is clearly set out in the model clauses and in the Guidance. NEO's failure in this area raises questions about its systems and process regarding tracking and complying with consents.

The degree of harm caused, or increased costs incurred by the failure to comply

- 6.10. NEO failed to adhere to its requirements in relation to the plugging and abandoning of a well. This Breach arose from NEO's failure to understand that it was obliged to obtain prior NSTA consent before abandoning the Well.

Whether there are any relevant industry Codes of Practice

- 6.11. There are no relevant industry codes of practice for well plugging and abandonment.

The duration of the contravention

² [Sanction Procedure](#)

³ [Financial Penalty Guidance](#)

- 6.12. NEO attempted to bring the Well to AB3 status between **11 March 2024** and **21 March 2024**. It only informed the NSTA of this approach on **20 May 2024**. It was therefore two months before NEO informed the NSTA of the contravention.

Mitigating and aggravating circumstances

- 6.13. The NSTA's Financial Penalty Guidance states that the NSTA may take into account the mitigating (paragraph 17.2) and aggravating (paragraph 17.3) factors. In proposing the fine level, the NSTA has taken into account the following:

Mitigating circumstances

- 6.14. The NSTA considers the following to be mitigating circumstances:

- 6.14.1. NEO has fully co-operated with the NSTA's investigation; and
- 6.14.2. NEO has implemented improvements to its consents management to prevent such a reoccurrence in the future.

Aggravating circumstances

- 6.15. The NSTA considers the following to be aggravating circumstances related to the absence of internal mechanisms to prevent the failure to comply:

- 6.15.1. the delay in notification – it was two months before NEO informed the NSTA of the attempt to abandon the Well to AB3 status; and
- 6.15.2. NEO did not have the necessary management procedures in place to ensure it followed the obligation and Guidance (as stated above, the requirement to have a consent from the NSTA prior to abandoning a well is not a new requirement (predating the 2008 model clauses) and the Guidance was published in 2022).

- 6.16. The NSTA considers that it would be appropriate to impose a sanction in respect of the Breach and that a financial penalty is set at **£100,000**. In reference to the matters set out at paragraphs 6.6 to 6.12 above, the starting figure of the fine was set at the lower end of the NSTA's available fine scale and was increased to reflect the aggravating circumstances. The NSTA considers that the giving of the **£100,000** fine sends a strong message to NEO and other persons in similar circumstances that the NSTA takes seriously compliance with adherence to terms and conditions of an offshore licence. In that regard, the NSTA considers that the level of the Financial Penalty would be effective in addressing the underlying cause of the Breach, dissuasive of future failures to comply with regulatory obligations, and proportionate to the significance of the Breach.

7. REPRESENTATIONS

Summary of NEO's representations

- 7.1. NEO stated that it had neither knowingly nor intentionally failed to comply with a petroleum related requirement. NEO said its standard process was to submit all three consent applications (AB1, AB2 and AB3) at the same time but they were unable to in this instance as they did not have the necessary details for the vessel to submit for the AB3 consent. They have since implemented process improvements to prevent a reoccurrence.
- 7.2. NEO said it had not gained, nor sought to gain, from the Breach

- 7.3. NEO also stated that it had been in regular contact with the NSTA regarding the issues involved in bringing the well to AB3 status and had cooperated fully with the investigation.

The NSTA's response to NEO's representations

- 7.4. For the reasons set out in this Sanction Notice, the NSTA considers that it is appropriate to impose a financial penalty in respect of the Breach. This decision takes into consideration the representations raised by NEO.
- 7.5. The Sanction Notice makes clear the NSTA's view that NEO did not gain, or seek to gain, from the Breach, that it has cooperated with the investigation, and that it has implemented process improvements.
- 7.6. As set out at paragraph 6.2. above, the NSTA has significant responsibilities in respect of consenting to the plugging and abandoning of wells. This entails the NSTA scrutinising applications and, where appropriate, working with licensees to rectify applications that are unsuitable. NEO's failure to obtain the NSTA's consent prior to attempting to plug and abandon the Well meant that the NSTA was not able to provide the appropriate level of regulatory scrutiny at the right stage. The NSTA notes that NEO would subsequently have to correctly apply for consent from the NSTA before any further attempts to undertake the work to AB3 the Well, and that this will provide an opportunity for proper regulatory scrutiny to be applied at that later stage. That does not, however, negate the fact that, even though unsuccessful, the AB3 should not have been attempted without first applying for consent.
- 7.7. The central objective of the financial penalty in this Sanction Notice is deterrence, with the penalty being set at a level to reflect this and the seriousness of the Breach. Taking action in respect of the Breach demonstrates to other licensees and the public the importance that the NSTA places on the fulfilment of the plug and abandonment obligations in the licence, which in turn will encourage future compliance of those obligations. More broadly, the action taken by the NSTA here will develop public and investor confidence in the UKCS by demonstrating how the NSTA is acting to ensure that regulatory obligations are complied with.
- 7.8. We consider that the Financial Penalty imposed here reaches an appropriate balance between the need for the NSTA to take action while recognising that the Breach was unintentional and that NEO has implemented improvements to mitigate a reoccurrence.

8. PUBLICATION OF THE SANCTION NOTICE

- 8.1. Pursuant to section 53 of the 2016 Act, the NSTA may publish details of any Sanction Notice given in accordance with Chapter 5 of the 2016 Act.
- 8.2. The NSTA may not publish anything that, in the NSTA's opinion is (a) commercially sensitive; (b) not in the public interest to publish; or (c) otherwise not appropriate for publication.
- 8.3. The NSTA does not consider that the Sanction Notice contains any commercially sensitive information. Further, the NSTA considers that publication of the Sanction Notice without redaction is both in the public interest and appropriate. The NSTA considers that the public interest in publishing the Sanction Notice includes:

- 8.3.1. developing public and investor confidence in the UK Continental Shelf by demonstrating how the NSTA is acting to ensure that regulatory obligations are complied with;
 - 8.3.2. encouraging licensees to come forward with information that can assist NSTA investigations;
 - 8.3.3. enhancing licensee and public understanding of when the NSTA does, and does not, consider it appropriate to take enforcement action;
 - 8.3.4. providing a means of achieving due process and ensuring that parties directly involved in the case are treated fairly; and dissuading others from failure to comply.
- 8.4. Therefore, the NSTA considers it appropriate to publish the Sanction Notice.

Jane de Lozey

Director of Regulation

North Sea Transition Authority