

SANCTION NOTICE

To: EnQuest Heather Limited
Company Number: 02748866

Addresses: Charles House, 2nd Floor
5-11 Regent Street London
United Kingdom SW1Y 4LR

Date: 2 April 2026

*Capitalised terms in this Sanction Notice have the meanings given to them either in the body of this document or in the Definitions section set out in **ANNEX B**.*

1. SANCTION NOTICE

- 1.1. This Sanction Notice (“**SN**”) is given to EnQuest Heather Limited (“**EnQuest Heather**”) pursuant to section 42 of the Energy Act 2016 (the “**2016 Act**”).
- 1.2. For the reasons given in this SN, the North Sea Transition Authority (“**NSTA**”) considers that EnQuest Heather has failed in its obligations to plug and abandon (“**P&A**”) each of the identified 33 Well Origins (as defined in **ANNEX B**) drilled under Four Licences, i.e. licences P1765, P1825, P242 and P236, as listed in **ANNEX A** – each such failure to P&A a Well Origin constituting a separate breach of a petroleum-related requirement and together referred to in this SN as the “**Breaches**”. For administrative convenience only, each of the 33 Breaches is addressed together in this single SN, in circumstances where the background and the NSTA’s response to EnQuest Heather’s submissions remains constant across the Breaches. The fact that the NSTA adopts such an approach for administrative convenience does not affect the substantive position that a SN is issued in respect of 33 breaches of a petroleum-related requirement.
- 1.3. This SN is a financial penalty notice which, pursuant to section 44 of the 2016 Act, informs EnQuest Heather that it must comply with the relevant petroleum-related requirements and

therefore P&A all Well Origins and Associated Wellbores under the Four Licences within a period of five (5) years of the date of the SN. In addition, this SN informs EnQuest Heather that it must pay the NSTA financial penalties in respect of each of the 33 Breaches in the amount of **£500,000**. This amounts to a collective total for all Breaches of **£16,500,000** (sixteen million five hundred thousand).

2 FACTUAL BACKGROUND

- 2.1 EnQuest Heather is a UK incorporated private limited company. In **2024**, it reported revenue and other operating income at \$1,058 million, with production for the year of 32,677 BOEPD.
- 2.2 Following a series of extensions requested by EnQuest Heather and granted by the NSTA, the effective date to P&A the Well Origins and Associated Wellbores listed in **ANNEX A** (the “**Relevant Wells**”) was **31 March 2023**, as follows:

Licences P1765 and P1825

- 2.2.1 In **June 2020**, production ceased on the fields covered by licences P1765 and P1825, and EnQuest Heather determined both licences on **8 January 2021**. EnQuest Heather was required to P&A all wells covered by those licences by **8 December 2020**, but it failed to do so.
- 2.2.2 On **16 December 2020**, via Deeds of Variation for licences P1765 and P1825, the NSTA granted an extension for the requirement to P&A to **30 June 2022**. A further set of Deeds of Variation on **30 June 2022** extended the P&A deadline to **31 March 2023** for the Relevant Wells drilled under those licences.

Licences P236 and P242

- 2.2.3 For licence P236, notices were issued on **12 November 2021** and **7 December 2021** requiring EnQuest Heather to P&A each of the Relevant Wells on that licence by **30 September 2022**. For licence P242, a notice was issued on **22 October 2021** requiring EnQuest Heather to P&A certain specified Relevant Wells on that licence by **30 September 2022** or within two years of the date of the notice.
- 2.2.4 On **23 August 2022**, the NSTA wrote to EnQuest Heather to extend the deadlines to P&A certain specified wells on licence P236 and licence P242 to **31 March 2023**.
- 2.3 In **late 2021**, EnQuest Heather engaged a specialist rig-based well P&A contractor to identify methods to P&A the Relevant Wells and outsource required activity on a turnkey basis.
- 2.4 Where an issue may have an impact on the NSTA’s principal objective, or in relation to the OGA Strategy, including regulatory compliance, and has not been resolved by stewardship, active facilitation may be required. This marks the start of the NSTA’s measured escalation process.

The escalation process comprises three stages: Stewardship, Facilitation and Enhanced Facilitation.

2.5 On **29 October 2021**, the NSTA, via letter, moved EnQuest Heather into Facilitation *“in respect of its ongoing failure to develop a Satisfactory Plan for its full portfolio of inactive subsea wells.”*

2.6 That letter further stated that:

“The [NSTA] would expect to extend the relevant well decommissioning dates to a final agreed date, aligned with a Satisfactory Plan, on the basis that agreed milestones have been met. In the event of failure to provide a Satisfactory Plan and meet agreed milestones, the [NSTA] reserves all rights available to it, including the right to take further action in line with the measured escalation process.”

2.7 The NSTA’s objective for the Facilitation engagements was to escalate the importance of the Relevant Well P&A commitments within EnQuest Heather’s organisation, and to monitor progress against those commitments through targeted support, close collaboration, and tracking of key project milestones. The NSTA’s intention was to return EnQuest Heather to Stewardship-level engagement once it had provided a satisfactory plan and the NSTA had confidence in EnQuest Heather’s commitment to delivering that plan (for example, through the placing of a rig contract).

2.8 This approach was consistent with the NSTA’s treatment of two other operators who, at the same time, also had outstanding well P&A commitments. In those cases, both operators engaged constructively with Facilitation and subsequently returned to compliance without the need for further escalation.

2.9 On **18 November 2021**, an internal email between members of EnQuest Heather’s senior management team, shared with the NSTA as part of the NSTA’s investigation, set out:

“The formal Broom [P242] and Dons [P236] letter actually states that P&A should be finished by Sep ‘22 –and the AG [P1765 and P1825] letter states that P&A should be finished by Jun ‘22! [The NSTA] will be more pragmatic in the conversations but if [the NSTA] wanted to get officious about it we could be in a bit of difficulty.”

2.10 On **17 December 2021**, EnQuest Heather sent the NSTA a letter stating:

“We have been consistent in sharing our proposals to plan and execute a campaign programme for the Alma Galia Licences [P1765 and P1825], the Dons Licences [P236] and the Broom Licence [P242]. In order to fully optimise campaign efficiencies, and minimise the overall cost of the campaign, it will be necessary to align a number of different Joint Ventures both technically and commercially, and to engage with other Operators in pursuit of a potentially wider programme in the region. For these reasons, EnQuest continues to plan towards execution in the 2024 to 2026 timeframe.”

- 2.11 Between **May 2022** and **December 2022**, EnQuest Heather issued a market enquiry to three third party contractors. However, EnQuest Heather considered that no bidder was “*providing a true turnkey proposal for the subsea well decommissioning works*”, with EnQuest Heather having to retain contracting responsibility for P&A services and logistics.
- 2.12 In **September 2022**, EnQuest Heather undertook a review of the market for high specification rigs appropriate for development wells. The NSTA understands from EnQuest Heather’s response to the NSTA’s information notices that EnQuest Heather was specifically looking for a rig that would be weather resilient. EnQuest Heather considered rig availability graphs and, based on availability, EnQuest Heather approached two further third-party contractors. EnQuest Heather held a meeting with both companies to confirm availability and interest. One of the contractors did not submit any proposal. The remaining third-party contractor provided a proposal with its available rigs on **27 September 2022**.
- 2.13 In **November 2022**, a letter of intent was signed between EnQuest Heather and that third-party contractor. The main purpose for commissioning the rig was development well drilling but with the option to extend to additional well activity including subsea well decommissioning. A confidential transaction which would underpin the rig commitment was negotiated in early 2023, but those negotiations terminated in **February 2023** and the letter of intent expired on **2 March 2023** without a rig contract being signed.
- 2.14 On **1 March 2023**, EnQuest Heather sent the NSTA a request on behalf of the Four Licences’ licensees to defer the P&A deadline to **November 2027** – which would have extended the deadline to around six years after the last of the Relevant Wells on those licences became inactive.
- 2.15 In a paper dated **30 March 2023**, EnQuest Heather provided the NSTA with the following reasons for not accepting the bids of earlier third-party contractors it was engaging with and terminating its negotiations with the final contractor with whom it had signed a letter of intent:
- a. There was no firm fixed pricing received in proposals.
 - b. There were large contingencies to lump-sum offerings relating to weather risk.
 - c. There was a desire from the Operator to carry out further engineering to minimise the cost by reducing the well P&A scope for a mobile offshore drilling unit.
- 2.16 In the same **30 March 2023** paper, EnQuest Heather recorded that it had notified the NSTA at the end of Q1 2023 of its intent to seek a further extension to P&A the Wells on the basis that:
- a. The Well P&A contract cost growth of c.100% had resulted in an estimated cost that was “*significantly higher than Business Plan provision; £348MM vs £185MM*”.
 - b. EnQuest Heather intended to develop an optimised programme, and / or wait for the market to return to “*normal*” levels.

- c. It was considering a combined well P&A programme and Bressay development drilling programme.
 - d. It was impacted by the UK fiscal regime, following introduction of the UK Energy Profits Levy (“EPL”).
- 2.17 Despite the NSTA’s efforts to steward EnQuest Heather in fulfilling its P&A obligations in respect of the Relevant Wells, the NSTA remained open to granting a further extension subject to EnQuest Heather providing a robust plan. EnQuest Heather did not produce such a plan and did not complete the P&A of the Relevant Wells within that timeframe or take any sufficient steps to remedy the situation.
- 2.18 On **2 June 2023**, via letter, the NSTA placed EnQuest Heather in Enhanced Facilitation in response to EnQuest Heather’s failure to fulfil its P&A obligations for the Relevant Wells and failure to demonstrate a credible, timely plan having been afforded the opportunity to do so. In that letter, the NSTA explained that it: *“agreed to allow further time to fulfil the P&A Obligations, as set out the notice dated 23 August 2022 requiring that the P&A Obligations be fulfilled by **31 March 2023**, on the general understanding that, as a minimum, an agreed execution plan with milestones and evidence of Final Investment Decision (FID) for the project scope would be in place. Such a plan and FID have not been provided”* (emphasis in original).
- 2.19 In its letter, the NSTA outlined the steps it had taken to steward EnQuest Heather toward compliance with its licence obligations, including multiple deadline extensions and repeated requests for a satisfactory plan that EnQuest Heather had agreed to develop with the NSTA but never delivered. The letter requested that:
- “... by 30 June 2023 the Licensees demonstrate to the NSTA’s satisfaction the steps they will take to comply with their regulatory obligations in a timely manner and consistent with the Guidance (and other applicable guidance), including a firm commitment (including financial commitment) with a detailed plan/work programme to execute and complete all P&A Obligations no later than 31 May 2025.*
- This letter is formal notification that this matter has been escalated to the NSTA’s enhanced facilitation stage, as set out in its measured escalation process.”*
- 2.20 By that letter, EnQuest Heather was on notice that the matter had been escalated to Enhanced Facilitation and that the matter may be passed on to the NSTA’s Disputes and Sanctions Team (as it was then, now the Investigation & Enforcement (“I&E”) Team) from which, following an investigation, the NSTA may impose a sanction in respect of any failures to comply with a petroleum-related requirement.
- 2.21 On **29 June 2023**, EnQuest Heather wrote to the NSTA acknowledging the escalation to Enhanced Facilitation and provided a proposed P&A schedule. As part of this letter, EnQuest Heather stated that it considered it to be unrealistic for it to complete the necessary P&A work by **31 May 2025** and proposed instead an ‘outline’ window of 2025-2027 to undertake the work, along with the P&A of other wells. EnQuest Heather considered *“that there is potential scope*

to accelerate the rig contracting process to allow us to reach a firm commitment to a rig by the end of 2023...”.

2.22 On **28 July 2023**, the NSTA requested that EnQuest Heather submit, by **31 August 2023**, a detailed plan and schedule in support of the proposal outlined in its letter dated **29 June 2023**. This was to enable the NSTA properly to consider the proposal. The request included key milestones, with specific target dates for activities and deliverables:

- *“Approval of contract strategy by CSB*
- *Bid appraisal complete, and Recommendation to Award*
- *Contract Award*
- *Project Execution Plan (PEP) developed*
- *Final Investment Decision (FID) made or confirmed*
- *Equipment Prep & Long-Lead items ready*
- *Abandonment Programme finalised.”*

2.23 In **August 2023** and **September 2023**, EnQuest Heather issued a market enquiry to a number of operational, warm stack and cold stack rig providers as well as to ‘turnkey’ service providers. After discussions with all rig contractors, EnQuest Heather informed NSTA of the recommended provider based on rig capability, rig rate, and reasonableness of commercial terms (including flexibility on waiting on weather).

2.24 On **31 August 2023**, EnQuest Heather sent the NSTA its P&A plan. This plan included a completion of P&A of the Relevant Wells by mid-2027. In developing this plan, EnQuest Heather stated that it was seeking to progress a number of milestones in 2023, including:

- *“Approval of Contract Strategy. EnQuest has already issued a rig RFI and will be collating the feedback to identify available rigs and hence contracting strategy in the coming days. This will be reviewed with the Joint Venture and taken through internal approvals (CSB) during October. EnQuest will be able to provide an update during the NSTA meeting at end September.*
- *Bid Appraisal Complete and Recommendation for Award. This activity should be complete no later than end November, so that, subject to satisfactory bid responses and JV approvals, the contract award can be made before the end of 2023.”*

2.25 On **16 October 2023**, the NSTA was, *“in principle, content that EnQuest progress in accordance with the proposed schedule”*, i.e. the plan provided on **31 August 2023**. The NSTA stated it would review EnQuest Heather’s P&A obligation in respect of the fields in question and contact EnQuest Heather further with any necessary amending notice and/or deed of amendment to incorporate the revised deadline and any appropriate milestones, in the event that the NSTA was content to amend the formal deadline of **31 March 2023**.

2.26 Until any amending notice and/or deed of amendment was issued by the NSTA, the P&A deadline of **31 March 2023** remained effective. The NSTA made clear as part of this letter that

EnQuest Heather remained in Enhanced Facilitation.

2.27 EnQuest Heather entered into a contract with the preferred rig contractor in **November 2023**. The firm activity for this rig was for a two-well infill drilling programme in the Kraken field, but with options to extend the duration to include subsea well P&A activity.

2.28 On **7 December 2023**, EnQuest Heather informed the NSTA on a call that the milestones/activities set out in its **31 August 2023** plan (accepted in principle by the NSTA on **16 October 2023**) would not be met. On **12 December 2023**, this conversation was captured in the following agreed bullet points:

- *“EnQuest have committed to a rig for 2025 but only for 2x Kraken wells. There has been no firm commitment made for any of the wells that form part of the subsea well P&A campaigns, but there are options valid to 8th Feb 2024 to extend that commitment to potentially include P&A work.*
- *As a result of the above, the 31st Dec 2023 date that was agreed in previous NSTA-EnQuest discussion and the proposed project schedule (in the letter from EnQuest COO to NSTA, dated 31st Aug 2023) will not be achieved, and so effectively the first of the agreed milestones will not be met.*
- *EnQuest explained that it is working on the option period and will update the NSTA early next year on progress on this.*
- *Upon further discussion as to whether a decision/commitment made by 8th Feb was feasible (if we were to revise that milestone date) EnQuest highlighted that it is unlikely that any such contract would cover a continuous execution programme from 2025-27 for the subsea wells P&A activities. EnQuest also noted that an extension to the 8th Feb commitment date with the rig contractor may be required.”*

2.29 On **10 December 2023**, two members of EnQuest Heather’s senior leadership team exchanged a series of emails regarding EnQuest Heather’s decommissioning obligations. The following is of note from that correspondence:

2.29.1 There was a perception internally within EnQuest Heather that *“we cannot be forced to complete this activity but have an obligation on this which we will honour with only the timing being an issue however we have been actively deferring this activity for a number of years and the NSTA are keen to hold us to a fixed schedule to complete the subsea well P&A”*.

2.29.2 It was acknowledged in the email correspondence, that *“there is a risk of NSTA sanctions and ultimately we could be fined”* but that *“the level is likely to be relatively low however we are in engagement with the NSTA to manage any reputational risks”*. In the same email chain, it was commented that EnQuest Heather risked the potential

of “a small fine due to delay” but intended to “constructively engage with NSTA to seek alignment on the the [sic.] deferral of timing from 2026 to 2029.”

2.29.3 The EnQuest Heather Board was “fully appraised of our progress on this matter given the reputational risks this may present” and “We are confident in the deferral of the activity but do run the risk of NSTA sanction so are carefully managing the position in this regard”.

2.30 In an email dated **12 December 2023**, EnQuest Heather informed the NSTA that completion of its P&A obligations within the previously proposed 2025-2027 window was unlikely. This was attributed to the prioritisation of MER and integrity activities, as well as its perceived need to negotiate a reduced rate on the current rig or securing a more cost-effective alternative.

2.31 On **22 January 2024**, the NSTA informed EnQuest Heather that these P&A matters had been referred to the NSTA’s Investigations & Enforcement team. Subsequently, on **12 July 2024**, the NSTA wrote to EnQuest notifying it of the decision to open investigations into its alleged failure to P&A the Relevant Wells. As part of this correspondence, the NSTA noted that, as a result of the investigations, “sanctions may be issued in respect of each failure to plug and abandon the individual Wells”.

3 LICENSEES

3.1. There are joint licensees (sometimes referred to as co-venturers) for each of the Four Licences. For all of the Relevant Wells, EnQuest Heather is, or was, the Operator under the licence.

3.2. Under section 42(2) of the 2016 Act, the NSTA has a discretion, where there has been a failure to comply with a petroleum-related requirement imposed jointly on two or more persons, to give a sanction notice in respect of that failure to only one of those persons or jointly to two (or all) of them. EnQuest Heather is responsible for the planning, and execution of the P&A of the Relevant Wells. This is because EnQuest Heather is the Operator and does so on behalf of its co-venturers. Whilst the other co-licensees should be aware of the obligation to P&A through any JV/JOA arrangements and share responsibility for the fulfilment of obligations, EnQuest Heather is the Operator. It is EnQuest Heather that has repeatedly said to have planned and committed to, and then deferred or not met, P&A commitments. Further, EnQuest Heather’s response to Information Notices as part of this investigation has not stated that any of the other licensees knew, were part of the planning, and/or contributed to the deferment of or renegeing on commitments. As a result, in the exercise of its discretion, the NSTA issues the penalty only to EnQuest Heather, in accordance with section 42(2)(a) of the 2016 Act.

3.3. The NSTA opened investigations into EnQuest Heather Limited and EnQuest plc. The NSTA confirms that no action is being taken against EnQuest plc and that case has been closed. This is because EnQuest Heather Limited is the corporate entity responsible for the P&A obligations under the Four Licences.

4 INVESTIGATION

- 4.1 The NSTA opened investigations on **10 July 2024**. In a letter dated **8 August 2024**, the NSTA informed EnQuest Heather that it had opened investigations and requested information regarding EnQuest Heather's compliance with the P&A obligations under the Four Licences. In response, EnQuest Heather submitted over 7,000 documents, including internal communications, operational records, and a narrative to support its position and demonstrate ongoing engagement with the decommissioning process.
- 4.2 The NSTA on **3 October 2025** sent EnQuest Heather a Sanction Warning Notice ("**SWN**"). The NSTA gave EnQuest Heather a period of 28 days from the date of the Notice to respond. EnQuest Heather wrote to the NSTA on **23 October 2025** and asked for an extension of that deadline until **28 November 2025**, which the NSTA granted. There was then a further request from EnQuest Heather for an extension until **10 December 2025**, again which the NSTA granted. The NSTA received EnQuest Heather's submissions in response to the SWN on the extended date, which consisted of 52 pages, including a cover letter, the submission, four schedules and six appendices. These submissions have been carefully considered and taken into account in formulating this SN. The submissions are responded to in more detail in **ANNEX C** below.

5 FAILURE TO COMPLY

- 5.1 Under section 42 of the 2016 Act, the NSTA has the power to give a Sanction Notice where it considers that a person has failed to comply with a petroleum-related requirement. Section 42(3) of the 2016 Act defines a petroleum-related requirement as:

“(a) a duty imposed under section 9C of the Petroleum Act 1998 to act in accordance with the current strategy or strategies produced under section 9A(2) of that Act for enabling the principal objective to be met,

(b) a term or condition of an offshore licence, or

(c) a requirement imposed on a person by or under a provision of this Act which, by virtue of the provision, is sanctionable in accordance with [Chapter 5 of the Energy Act 2016].”

- 5.2 Where there has been a failure to comply with a petroleum-related requirement, the NSTA may issue a sanction under Chapter 5 of Part 2 the 2016 Act. As set out above, a petroleum-related requirement includes a breach of a term or condition of a licence.

The failure to comply with a term or condition of an offshore licence

Licences P1765 and P1825

- 5.3 Licences P1765 and P1825 include a set of model clauses in the licence. EnQuest Heather's obligation to P&A wells originally arose under clause 19 of each of those licences. Clause 19(10)

provides that “any Well drilled by the Licensee pursuant to this licence shall be plugged and abandoned [...] not less than one month before the expiry or determination of the Licensee’s rights in respect of the area or part thereof in which that Well is drilled.”

- 5.4 In **June 2020**, production ceased on the fields covered by licences P1765 and P1825, and EnQuest Heather surrendered both licences on **8 January 2021**. EnQuest Heather was originally required to P&A all Relevant Wells under these licences by **8 December 2020**. It failed to do so.
- 5.5 On **16 December 2020**, the NSTA granted an extension to **30 June 2022** via Deeds of Variation for both licences. A further set of Deeds of Variation dated **30 June 2022** extended the P&A deadline to **31 March 2023**.
- 5.6 While the NSTA extended the deadline to **31 March 2023**, and remained open to further extension subject to EnQuest Heather providing a robust plan, EnQuest Heather did not produce such a plan to justify further extension, did not remedy this situation promptly and did not complete the P&A of the Relevant Wells drilled pursuant to P1765 and P1825 within that timeframe or at all to date.

Licences P242 and P236

- 5.7 Licences P242 and P236 incorporate model clauses set out in Schedule 2 to the Petroleum (Current Model Clauses) Order 1999. Clause 17 of the relevant model clauses provides that: “The [NSTA] may at any time give the Licensee a notice requiring a well drilled pursuant to this licence to be plugged and abandoned ...” and requires the licensee to comply with such a notice.
- 5.8 The NSTA duly issued P&A notices to EnQuest Heather under each of the two relevant licences. For licence P242, a P&A notice was issued on **22 October 2021**. For licence P236, a P&A notice was issued on **12 November 2021**; this notice was then superseded by an updated P&A notice issued on **7 December 2021**. Each notice stated in materially similar terms (emphasis in original):

“In accordance with the clause titled “Commencement and abandonment and plugging of wells” incorporated into the Licence (the “relevant Model Clause”), the Oil and Gas Authority hereby directs the Licensee to plug and abandon any well which lies within the area in respect of which the Licensee’s rights will expire or determine including, but not necessarily limited to, those listed in Appendix A of this Notice (“Well”). In accordance with the relevant Model Clause the plugging and abandoning of each Well shall be carried out in accordance with the provisions of the Licence (including the relevant Model Clause), with methods and convention customarily used in good oilfield practice, in a proper and workmanlike manner, and shall be completed by:

i) the date specified in Appendix A for Wells named therein; or

*ii) for any other Well no later than **two years** after the date of this Notice; except where an alternative date is agreed in writing by the Oil and Gas Authority.”*

- 5.9 On **23 August 2022**, the NSTA wrote to EnQuest Heather to extend the deadlines to P&A the P242 wells and P236 wells to **31 March 2023**.
- 5.10 Despite the NSTA having granted an extension of time, EnQuest Heather has failed to comply with its requirements under the licence to P&A the Relevant Wells drilled pursuant to licences P242 and P236, or to provide a robust plan to demonstrate how it would complete the P&A work such that the NSTA could extend those deadlines.

Conclusion

- 5.11 In identifying the relevant petroleum-related requirement, the NSTA notes that the effective date for the plug and abandonment of the Relevant Wells remained **31 March 2023**, reflecting the extensions previously granted. The NSTA also recognises that it would have been prepared to consider a further extension of that deadline had EnQuest Heather submitted, within the extended period, a credible and deliverable plan for completing the required works. The absence of a credible plan by **31 March 2023**, and the lack of tangible progress thereafter, meant that the conditions under which the NSTA might reasonably have considered further flexibility to that deadline were not met. EnQuest Heather did not comply with its obligations to complete P&A by the extended deadline or at all to date.

6 THE SANCTION

- 6.1 The NSTA issues the following sanction:
- (a) A requirement that EnQuest Heather P&A all Well Origins (including all Associated Wellbores) identified in **ANNEX A** to this SN to AB3 Status before the end of five (5) years of the date of this SN; and
 - (b) A financial penalty of **£500,000 (five hundred thousand pounds)** for each breach of a petroleum-related requirement, defined as each Well Origin that EnQuest Heather has failed to P&A, across the Four Licences. The financial penalty must be paid to the NSTA by **5 May 2026**.

Definition of Well Origins

- 6.2 At the time the investigation was opened, the NSTA provided a list of 47 wellbores to EnQuest Heather which aligned with the well registration numbers specified in the relevant P&A notices and Deeds of Variation. While progressing the investigation, the NSTA identified a further 6 wellbores which could be subject to the investigation.
- 6.3 The NSTA's records thus show that there are 53 wellbores across the Four Licences that EnQuest Heather is required to P&A. Of these 53 wellbores, the NSTA's records show 20 are Associated Wellbores (sometimes referred to as sidetracked wellbores). Details of the Well Origin and Associated Wellbores are provided in **ANNEX A**. Of the relevant wellbores previously identified, the NSTA's records show that 33 satisfy the description of a "**Well Origin**".

- 6.4 EnQuest Heather is required to P&A all wells drilled pursuant to the Four Licences. This means isolating all zones of flow potential from any wellbores (including Associated Wellbores), preventing the flow of contaminating fluids by permanent plugging and the removal of the Well Origin and all conductor equipment associated with the Well Origin in accordance with published UKCS Well Applications and Consents Guidance (AB3 Status). For an operator to achieve AB3 Status on a Well Origin, all Associated Wellbores must also be permanently plugged and abandoned. The NSTA accepts that each Associated Wellbore may not require separate plugging as part of this process, depending on factors such as the regional geology and well construction.
- 6.5 In the circumstances, the NSTA considers that the relevant petroleum-related requirement that has been breached and that should be reflected in a penalty is the obligation contained in the relevant licence by a failure to P&A each Well Origin. The NSTA is therefore applying a financial penalty in respect only of each Well Origin that requires P&A work. It is not applying a separate and additional financial penalty in respect of the Associated Wellbores. It has adopted that approach without prejudice to the obligation on EnQuest Heather to ensure that Associated Wellbores are also adequately plugged in accordance with AB3 Status.

Applying a penalty per well

- 6.6 Clause 19 of licences P1765 and P1825 (the root obligation to P&A prior to the licences being varied), and clause 17 of licence P242 and P236, impose duties in respect of “any Well”, consistently drafted in the singular. This stands in contrast to other clauses in the licences that refer to “all Wells” collectively. The NSTA therefore considers that the natural reading of the relevant licence clauses is that the obligations apply separately to *each* well drilled, and that failure to P&A multiple wells results in multiple, discrete failures to comply with the terms of the licence.
- 6.7 This is consistent with the practicalities of plugging and abandoning each well, which is a discrete, self-contained operational act, with an approach targeted to the characteristics of that well. As such, there is no artificiality in treating each well as giving rise to a separate obligation, nor concluding that failures in respect of multiple wells constitute multiple, not single, breaches. This is consistent with the NSTA’s wider approach to the regulation of wells, as reflected in the NSTA’s UKCS Well Applications and Consents Guidance, under which, for example, consents for drilling and suspending wells are issued on a per-well basis.
- 6.8 For these reasons, we consider that the licence obligations relating to the P&A arise in respect of each well, and that EnQuest Heather’s failure to comply with those obligations across multiple wells therefore constitutes multiple failures to comply with petroleum related requirements, each subject to a financial penalty up to the statutory maximum.

Relevant considerations

- 6.9 In arriving at the sanction, the NSTA has had regard to those matters listed in section 8 of the 2016 Act.

6.10 The matters in section 8 relevant here are:

- (a) *Minimising future public expenditure – The need to minimise public expenditure relating to, or arising from, relevant activities*

Without decisive enforcement by the NSTA, the cost to P&A the Relevant Wells risks increasing and detrimentally impacting on the public purse.

For the reasons set out in paragraph 6.17, the cost of undertaking decommissioning work is rising, primarily due to prolonged delays in the P&A of wells. These delays could contribute to an escalating final decommissioning bill, which would ultimately have a consequential impact on the UK taxpayer.

Moreover, inaction here could encourage other licensees to avoid their decommissioning duties, which risks imposing further expenses on taxpayers including in the event that the UK taxpayer ultimately has to bear the costs.

- (b) *System of regulation – The need to maintain a stable and predictable system of regulation which encourages investment in relevant activities*

Enforcing licence obligations to P&A preserves a stable, predictable regulatory regime, that industry, investors and the public can have confidence in, by demonstrating the NSTA's commitment to ensuring compliance with clear regulatory obligations.

Requirement to P&A the Relevant Wells within five years

6.11 The NSTA has assessed EnQuest Heather's preparedness and applied UKCS decommissioning benchmarks (based on actual abandonment data) to determine a realistic timetable for EnQuest Heather to complete the P&A of the Relevant Wells.

6.12 The NSTA considers that a preparatory period of nine to twelve months from the issuance of this SN would be appropriate for EnQuest Heather to complete engineering, tendering, and contract awards. Once offshore work begins, the NSTA considers that a period then of three to four years to complete the P&A of the Relevant Wells to AB3 status is reasonable. The NSTA notes that the UKCS Benchmarking Report 2025 states that the P50 and P75 durations for subsea well decommissioning are 23 days and 38 days respectively.

6.13 EnQuest Heather has informed the NSTA that it has now secured a contract with a third-party contractor in **August 2025** that commences in 2026. EnQuest Heather has contracted the rig for part years which will enable it to operate more efficiently during the summer weather window. Under its projections, EnQuest Heather aims to P&A the Alma and Galia wells between **February and May 2028** which pertain to Licenses P1765 and P1825.

6.14 The NSTA notes that the information provided indicates that EnQuest Heather have stipulated minimum annual firm commitments which range from 100-200 days per year over nine years, which leaves opportunities for EnQuest Heather to seek to increase the firm commitment days to ensure timely delivery. The NSTA does not accept that, in particular in light of the delays already engendered, permitting a further nine years is acceptable; the NSTA is of the view that the Relevant Wells can reasonably be expected to be plugged and abandoned within five years.

Whilst we note EnQuest Heather has decommissioning obligations beyond the Relevant Wells, the onus is on it to manage those duties within the parameters set by this SN.

Imposition of a financial penalty

- 6.15 The NSTA has considered the aims set out in paragraph 24 of the Sanction Procedure Guidance and paragraph 16 of the Financial Penalty Guidance, which are that any penalty should be, among other things:
- 6.15.1 Effective in addressing the underlying cause for the failure to comply;
 - 6.15.2 Dissuasive of future failure to comply, either by the person or, further to publication of the Sanction Notice, other persons in similar circumstances; and
 - 6.15.3 Proportionate to the significance of the failure in the context of the petroleum-related requirement and the impact on the relevant persons.
- 6.16 There are strong public policy imperatives behind enforcing decommissioning obligations: any failure risks shifting P&A costs onto public funds, which in turn would erode public confidence in the industry. Licensees have benefited from the rights granted under their licences and, accordingly, are expected to fulfil the associated obligations, including in relation to P&A responsibilities.
- 6.17 The NSTA's UKCS Decommissioning Cost and Performance Update for 2025 identified that the continued deferral and/or failure of P&A activity is having the effect that supply chain companies are now seeking opportunities overseas. This risks contraction within the UK service sector, which likely pushes P&A prices further upwards, making it more costly for operators to fulfil their licence obligations.
- 6.18 The NSTA takes industry's decommissioning obligations seriously. This SN serves to send a clear signal to all licence holders about the seriousness with which the NSTA views decommissioning obligations and thus is intended to serve as an effective deterrent.
- 6.19 While EnQuest Heather has cooperated with the investigation, each instance of non-compliance by failing to P&A a Relevant Well is serious and ongoing: EnQuest Heather has had multiple opportunities to complete the work, and delay risks transferring significant sums of P&A costs onto the public purse. Therefore, the NSTA considers that the imposition of a financial penalty is an appropriate sanction in the circumstances.
- 6.20 The NSTA considers that, by contrast, revoking licences or issuing an operator-removal notice would not be an appropriate outcome, noting that the Relevant Wells are no longer producing, so production-linked sanctions would have little practical effect beyond reputational impact for EnQuest Heather. We also note that two of the licences ([P1765](#) and [P1825](#)) have been relinquished in any event.
- 6.21 The NSTA has also considered the imposition of an enforcement notice instead of or alongside a financial penalty. Imposing an enforcement notice instead of a financial penalty would effectively impose a further future deadline on the completion of the required P&A work which would give the impression that there are no consequences for the failures to P&A to date (beyond being required eventually to carry that work out); and as such, would likely lead to the same situation with EnQuest Heather having failed to comply with its decommissioning obligations.

6.22 Such an enforcement notice would therefore be unlikely to be effective in addressing the underlying causes of the failure to comply and would be unlikely to be dissuasive of future failures by EnQuest Heather or other operators.

Financial Penalty Guidance - matters that the NSTA may take into account

6.23 Paragraph 17 of the NSTA's Financial Penalty Guidance sets out various matters that the NSTA may take into account when determining the amount of a financial penalty: specific criteria relevant to adjusting the starting figure of any financial penalty, and mitigating and aggravating circumstances.

6.24 Considering each as follows:

Specific criteria relevant to adjust the starting figure of any financial penalty such as:

Whether EnQuest Heather gained as a consequence of the failure to comply

6.25 The UKCS Decommissioning Benchmarking Report 2025 provides an indication of the possible cost per well to decommission of £3m to £11.5m (based on the P25-75 cost range compiled from survey data from actual costs submitted). EnQuest Heather will need to incur that cost in due course (and it is required to do so within the next five years). The direct potential gain to EnQuest Heather therefore represents the present value to it of deferring the expense (less any increased cost of the P&A works when they are carried out in due course, as compared to **31 March 2023**).

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

6.26 Any failure in P&A activity risks shifting costs onto the public purse and undermines confidence in the industry. Moreover, as described in paragraph 6.17 above, ongoing delays are driving UK supply chain firms to pursue work overseas, shrinking the domestic service sector and pushing P&A prices even higher – further increasing the expense for operators to meet their licence obligations.

The severity of failure to comply in the context of the relevant petroleum-related requirement

6.27 In addition to the matters discussed in paragraphs 6.15 to 6.17 above, the NSTA notes that a failure to carry out P&A obligations has the potential to undermine public confidence which, in turn, impacts and/or affects the industry's social licence to operate and the system of regulation.

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

6.28 EnQuest Heather pursued a conscious strategy to avoid or defer the costs of meeting its P&A obligations, repeatedly missing deadlines that the NSTA had extended over several years and refusing to engage meaningfully or commit to a credible decommissioning plan. Senior management intervened to drop contractors as costs rose or when they believed the work could be completed more cost-effectively at a later date. Underpinning this approach was the perception that the reputational risks could be "*manage[d]*" and that, in any event, EnQuest Heather would face only a "*small fine.*" (See, for example, references in paragraph 2.29.2 above.)

The extent to which parties have followed industry Codes of Practice where these are relevant to the failure to comply

6.29 There are no relevant industry codes of practice.

The duration of the contravention

6.30 The contravention is ongoing. The effective date for the P&A of the Relevant Wells was **31 March 2023**, reflecting the extensions previously granted. To date, c. three years after that deadline, EnQuest Heather has still not fulfilled its P&A obligations.

Mitigating circumstances

6.31 The following has been taken into account as potential mitigating circumstances:

6.31.1 Co-operation with the NSTA's investigation: EnQuest Heather has co-operated with the NSTA's investigation by responding to the information notices issued, including the provision of approximately 7,000 documents.

Aggravating circumstances

6.32 The following have been taken into account as potential aggravating circumstances:

6.32.1 Persistent inaction to address the failure to comply: Despite significant efforts by the NSTA to steward EnQuest Heather, there has been persistent inaction coupled with a demonstration of disregard towards their obligations.

EnQuest Heather was internally contemplating, as early as **18 November 2021**, the possibility of NSTA enforcement action should it not comply with its P&A obligations: *"The formal Broom [P242] and Dons [P236] letter actually states that P&A should be finished by Sep '22 –and the AG [P1765 and P1825] letter states that P&A should be finished by Jun '22! [The NSTA] will be more pragmatic in the conversations but if [the NSTA] wanted to get officious about it we could be in a bit of difficulty."*

In **January 2023**, EnQuest Heather was aware of NSTA escalation should it not comply with its P&A obligations, when considering options: *"Allow the option of the rig to drop (implications for Bressay and Well P&A NSTA escalation)."*

It appears that each time EnQuest Heather sought to schedule P&A activities, the timetable was subsequently deferred.

This trend is acknowledged by EnQuest Heather itself in an internal email dated **10 December 2023**: *"The deferral is not subject to the approval of the NSTA and we cannot be forced to complete this activity but have an obligation on this which we will honour with only the timing being an issue however we have been actively deferring this activity for a number of years and the NSTA are keen to hold us to a fixed schedule to complete the subsea well P&A."*

As discussed above at paragraph 6.29, the NSTA considers that EnQuest Heather consciously sought to defer the cost of fulfilling its P&A obligations, missing each NSTA deadline despite repeated extensions and refusing to commit to any credible decommissioning plan. Senior management terminated contracts mid-project as costs rose or postponed work in hopes of finding cheaper solutions later.

Despite acknowledging that the NSTA was “*keen to hold us to a fixed schedule to complete the subsea well P&A*”, EnQuest Heather believed that it “*cannot be forced to complete [P&A] activity*”, that the reputational consequences could be “*manage[d]*”, and that any penalty would amount to little more than a “*small fine*.”

6.32.2 Absence of internal mechanisms/ processes to prevent the failure to comply: Although decommissioning plans have been presented to the NSTA, these were not credible and have not been underpinned with meaningful action, nor does there appear to have been a culture of accountability within the broader EnQuest group that ensured non-compliance would not be tolerated.

6.32.3 Previous conduct by the person(s) with respect to this and other PRRs: On **25 November 2022**, prior to EnQuest Heather’s failure to comply in relation to the matters set out in this SN, the NSTA imposed a Sanction Notice on EnQuest Heather for its failure to have an appropriate flare consent in place, as required under licence P193. The Sanction Notice noted that EnQuest Heather had restarted production, and accompanying flaring, without the express consent from the NSTA, despite clear notification that its previous authorisation had expired and new consent was required. The case was dealt with by way of a financial penalty. This matter reflects an earlier instance in which EnQuest Heather did not meet a separate petroleum-related requirement.

6.32.4 Evidence of senior management involvement in support of the failure to comply: The investigation indicates senior management had involvement in the alleged Breaches.

On **12 November 2023**, it appears that EnQuest Heather realised that it was not going to meet its decommissioning obligations and that it needed to “*manage*” the NSTA: “*The basis for the rig has not changed we remain committed to building a continuous programme, ideally Kraken-Bressay/SWIFT and potentially pushing Alma/Galia wells out in time (would prefer those off the programme and later if we can manage NSTA in the right way unless an integrity basis for earlier).*”

The quote above was sent by a member of EnQuest Heather’s senior management to colleagues. Given the relatively senior positions of said persons, this is evidence that senior persons felt their obligations could be continually delayed.

On **10 December 2023**, an internal email between two members of EnQuest Heather’s senior leadership team considered the effect of this deferral, which includes a “*risk of a small fine*”.

The timeline of this case, coupled with the prior breach referenced at paragraph 6.32.3, above, illustrates a disregard for regulatory requirements, underscored by internal records showing EnQuest Heather’s senior management’s direct involvement in decisions to defer compliance with P&A obligations.

Summary – level of financial penalty

6.33 Taking into account all of the foregoing matters, and in the exercise of its regulatory judgement, the NSTA must determine an appropriate financial penalty. The NSTA has considered, first, each breach of a petroleum-related requirement separately, before considering the proportionality

overall.

- 6.34 A principal concern is deterrence. The level of the penalty must be set at a sufficient level to reflect the seriousness of the Breaches, and to deter continued breach of this important regulatory requirement. If the penalty is insufficient in size, there is a risk that it may be perceived as merely a limited business cost, which can be incurred for the convenience of the licensee in preference to regulatory compliance. For example, in the present case, as set out in paragraph 2.29.2 above, EnQuest Heather perceived that it could exchange compliance with its regulatory obligations for a “*relatively low*” penalty.
- 6.35 In light of these factors, it is clear that a penalty must reflect a substantial sum, which the NSTA assesses to be in the hundreds of thousands of pounds per breach of petroleum-related requirement.
- 6.36 The NSTA considers that the direct gain to a licensee in its current failure to carry out P&A works is unlikely to be an appropriate starting point (or any form of measure) for a penalty, because it is dependent on the value of deferring works, which in turn may depend on market conditions and the licensee’s financial health. However, the significance of a penalty for non-compliance may be assessed by a licensee in the context of the cost of the works overall. As set out above, the cost to comply with P&A obligations in respect of a single Well Origin is estimated to be around £3m to £11.5m.
- 6.37 Balancing the considerations as set out above in the round, including taking into account the mitigating/aggravating circumstances, the NSTA concludes that a financial penalty of **£500,000** per Well Origin is an appropriate and proportionate penalty in this case.
- 6.38 In reaching the figure, the NSTA has placed particular weight on:
- 6.38.1 the risk to the public purse arising from EnQuest Heather’s failure to comply with its P&A obligations, especially in circumstances where noncompliance increases the likelihood that the taxpayer could ultimately bear decommissioning costs;
 - 6.38.2 the need for a penalty of sufficient impact to incentivise compliance with P&A obligations; and
 - 6.38.3 the broader deterrence objective, both in relation to EnQuest Heather and to other licensees, requiring a penalty that clearly signals the seriousness of failing to meet licence based decommissioning obligations.
- 6.39 The NSTA assesses the figure of **£500,000** per Well Origin as being a proportionate response to the gravity of breach and to fulfilling the specified purposes of a penalty. Any materially lower penalty would not adequately recognise the seriousness of the breach or the scale of the risk to the public purse. Nor would it provide a meaningful deterrent to future noncompliance, particularly in the context of the substantial costs typically associated with offshore decommissioning. Conversely, the level selected ensures that the penalty is proportionate, targeted, and no higher than necessary to achieve the deterrent and protective purpose set out in the NSTA’s Financial Penalty Guidance.
- 6.40 In the present case, EnQuest Heather has failed to comply with 33 petroleum-related requirements. The NSTA has therefore considered whether it is proportionate to effect some reduction in the financial penalty for each separate breach to reflect the fact that the Breaches all arise in the same circumstances. In addition, the NSTA has considered the probability that

EnQuest Heather would P&A multiple of the Relevant Wells in a given field as a single project. The NSTA has assessed that no reduction is appropriate.

- 6.41 While noting that the combined total for all Breaches is **£16,500,000**, the NSTA does not consider that any impact of the financial penalty on EnQuest Heather's financial capabilities caused by paying such a combined total would justify a reduction in the financial penalty for each Well Origin. Indeed, to give what is in effect a discount for multiple breaches could encourage operators to adopt a strategy of deferment and could encourage non-compliance on a larger scale.
- 6.42 Each failure to comply with P&A obligations for a Well Origin in itself is a serious matter, and non-compliance in respect of even a single Well Origin would justify enforcement action on its own terms. The fact that EnQuest Heather has failed to comply with all of its P&A obligations in respect of the Relevant Wells is not a mitigating feature, and nor does it provide a basis to reduce the overall penalty.

7. PUBLICATION OF THE SANCTION NOTICE

- 7.1. Pursuant to section 53 of the 2016 Act, the NSTA may publish details of any Sanction Notice given in accordance with Chapter 5 of Part 2 of the 2016 Act.
- 7.2. 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.
- 7.3. The NSTA does not consider that the SN contains any commercially sensitive information. Further, the NSTA considers that publication of the SN without redaction is both in the public interest and appropriate. The NSTA considers that the public interest in publishing the SN includes:
- 7.8.1. 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;
 - 7.8.2. encouraging licensees to come forward with information that can assist NSTA investigations;
 - 7.8.3. enhancing licensee and public understanding of when the NSTA does, and does not, consider it appropriate to take enforcement action;
 - 7.8.4. 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.
- 7.4. Therefore, the NSTA considers it appropriate to publish the SN.

On Behalf of the NSTA Board

ANNEX A: List of wells subject to this Sanction Notice

Licence	Well Origin	Associated Wellbores	Subsea/Platform
P242	2/05- 20	2/05- 20	Subsea
P242	2/05- 21	2/05- 21	Subsea
P242	2/05- 22	2/05- 22	Subsea
		2/05- 22Z	Subsea
P242	2/05- 23	2/05- 23	Subsea
P242	2/05- 18	2/05- 18	Subsea
		2/05- 24	Subsea
P242	2/05- 19	2/05- 19	Subsea
		2/05- 25	Subsea
		2/05- 19Z	Subsea
		2/05- 19Y	Subsea
P242	2/05- 26	2/05- 26	Subsea
		2/05- 26Z	Subsea
P236	211/18a- 26	211/18a- 26	Subsea
		211/18a- 26Z	Subsea
		211/18a-S2Z	Subsea
P236	211/18a-S1	211/18a-S1	Subsea
		211/18a-S11	Subsea
P236	211/18a-S10	211/18a-S10	Subsea
		211/18a-S10Y	Subsea
		211/18a-S10Z	Subsea
P236	211/18a-S14	211/18a-S14	Subsea
P236	211/18a-S15	211/18a-S15	Subsea
P236	211/18a-S3	211/18a-S3	Subsea
		211/18a-S3Z	Subsea
		211/18a-S13	Subsea
P236	211/18a-S4	211/18a-S4	Subsea
		211/18a-S4Z	Subsea
P236	211/18a-S5	211/18a-S5	Subsea
		211/18a-S12	Subsea
		211/18a-S12Z	Subsea
P236	211/18a-S6	211/18a-S6	Subsea
P236	211/18a-S7	211/18a-S7	Subsea
P236	211/18a-S8	211/18a-S8	Subsea
		211/18a-S8Z	Subsea
P236	211/18a-S9	211/18a-S9	Subsea
P236	211/18a-W1	211/18a-W1	Subsea
P236	211/18a-W2	211/18a-W2	Subsea
		211/18a-W5	Subsea
P236	211/18a-W3	211/18a-W3	Subsea
		211/18a-W3Z	Subsea
P236	211/18a-W4	211/18a-W4	Subsea

P236	211/18a-W6	211/18a-W6	Subsea
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Licence	Well Origin	Associated Wellbores	Subsea/Platform
P1825	30/24c-G1	30/24c-G1	Subsea
P1765	30/24c-K1	30/24c-K1	Subsea
P1765	30/24c-K2	30/24c-K2	Subsea
P1765	30/24c-K3	30/24c-K3	Subsea
		30/24c-K3Z	Subsea
P1765	30/24c-K4	30/24c-K4	Subsea
P1765	30/24c-K5	30/24c-K5	Subsea
P1765	30/24c-K6	30/24c-K6	Subsea
P1765	30/24c-K7	30/24c-K7	Subsea
P1765	30/24c-W1	30/24c-W1	Subsea

ANNEX B: Definitions

For the purposes of this Sanction Notice, the following terms are defined as follows:

“AB3 Status” means the mechanical status assigned by the NSTA to a wellbore that has been permanently plugged and abandoned by isolating all zones of flow potential from the Well Origin and any Associated Wellbores, preventing the flow of contaminating fluids and the removal of conductor in accordance with published NSTA guidance (note, however, that there may be situations where the conductor below the seabed will remain in situ).

“Associated Wellbore” means a secondary wellbore drilled from either a Well Origin or another Associated Wellbore that is itself linked to a Well Origin. All known Associated Wellbores are designated as such in **ANNEX A** and form part of the wellbore network originating from the Well Origin.

“Enhanced Facilitation” means a structured, timebound intervention initiated by the NSTA where a regulatory or stewardship issue has not been resolved through standard engagement or facilitation. Enhanced Facilitation is designed to ensure focused attention and resolution with a defined timeframe and may precede formal enforcement action.

“Four Licences” is the collective term used to refer to licences P1765, P1825, P242 and P236.

“Well Origin” means the wellbore located at the surface position where the drill bit first penetrates the subsurface to establish or re-enter a well (i.e. the location on the land or seabed where the well penetrates the earth) drilled pursuant to one of the Four Licences. This location is designated as the ‘Well Origin’ in **ANNEX A** and serves as the reference point for all Associated Wellbore data, including trajectory mapping and regulatory reporting.

ANNEX C: Consideration of EnQuest Heather's representations

Introduction

1. EnQuest Heather submitted 52 pages of representations to the SWN, including four schedules and supporting appendices. The NSTA has considered these representations in full and has summarised and responded to them below, organised by reference to the matters raised in each schedule.
2. Many of the same themes and arguments appear across EnQuest Heather's representations. Where possible, the NSTA has sought to avoid duplication in its response. Accordingly, in places this document signposts to where a particular issue is addressed elsewhere, rather than repeating the same analysis.
3. In several places, EnQuest Heather's representations raise matters that, whilst understandably important to EnQuest Heather, have no relevance to the question of whether it failed to P&A the Relevant Wells in accordance with its licence obligations. We have summarised those points for completeness and have indicated where in our view, they have no bearing on the NSTA's assessment or on the decision to issue a Sanction Notice in this case.
4. EnQuest Heather states that certain information in its representations is commercially sensitive, including: (a) the identity of third-party companies it approached; (b) individuals referenced in the SWN; and (c) what it considers to be inaccuracies in the SWN. The NSTA has taken these confidentiality concerns into account and, where appropriate, has taken steps to ensure that such information is treated accordingly.
5. The schedules as set out in EnQuest Heather's representations have not been dealt with in numerical order.

MATTERS RAISED IN SCHEDULE 2

A. Introduction

6. In Schedule 2 to its representations, EnQuest Heather addressed "*legal limitations and restrictions*". In summary, EnQuest Heather argues that, overall, the SWN issued by the NSTA is unsupported by the statutory scheme set out in Chapter 5 of Part 2 of the 2016 Act. In EnQuest Heather's view, the SWN is fundamentally flawed because: (a) the NSTA has not correctly identified a petroleum-related requirement; (b) it wrongly asserts that there has been more than one separate failure to comply; and (c) it proposes to impose a financial penalty exceeding £1 million, which is not permitted under the statutory framework.
7. Addressing each in turn:

B. Identification of a petroleum-related requirement

8. EnQuest Heather's representations:

- 8.1. EnQuest Heather states that the NSTA has failed to identify any valid petroleum-related requirement for the purposes of the 2016 Act. EnQuest Heather submits that the 2016 Act only permits sanctions where the NSTA has first correctly identified a specific petroleum-related requirement imposed under a licence and then established a failure to comply with that requirement. EnQuest Heather argues that the SWN misstates the terms of the relevant licences and, in places, identifies requirements that do not exist.
- 8.2. For licences P1765 and P1825, EnQuest Heather submits that the NSTA wrongly relies on clause 19(10), despite this clause having been expressly removed by the December 2020 Deeds; those Deeds are said to have introduced a new obligation to “*plug and seal*”, but that obligation is said to not be a term or condition of the licences themselves and therefore cannot constitute a petroleum-related requirement under the 2016 Act. EnQuest Heather further argues that, since the licences had already determined by January 2021, the June 2022 Deeds could not vary them in any event.
- 8.3. For licences P242 and P236, EnQuest Heather argues that the NSTA has failed to identify a requirement under the licences because the obligation to P&A the wells derives solely from ministerial Notices issued under clause 17(5A) rather than from the licences themselves. Even those Notices are said to impose only a single requirement to P&A “*any well*” within the area, rather than separate requirements for each well origin. EnQuest Heather therefore maintains that the purported identification of multiple petroleum-related requirements is factually and legally incorrect.
- 8.4. EnQuest Heather also argues that the NSTA's attempt to identify a petroleum-related requirement “*for the purposes of financial penalty*” has no basis in the 2016 Act. The statutory framework does not allow the NSTA to redefine or selectively identify a petroleum-related requirement solely to justify a financial penalty. In EnQuest Heather's view, the NSTA must identify the requirement correctly, and only then may it consider whether a penalty is appropriate. Because, in EnQuest Heather's submission, no petroleum-related requirement has been validly identified, the statutory gateway to any sanction is not met.

9. NSTA's response

- 9.1. The petroleum licences granted to EnQuest Heather and its co-venturers conferred exclusive rights to search for, bore for and extract petroleum from the seabed and subsoil within the licensed area. EnQuest Heather exercised and benefitted from these rights. In return, EnQuest Heather is required to comply with the terms and conditions of each licence, including the obligation imposed by those terms and conditions to P&A any wells drilled pursuant to those licences.

- 9.2. Between **May 2020** and **March 2021**, EnQuest Heather made the operational decisions to cease production on each of the relevant licences and, following this, the operational decision to surrender its rights under licence P1765 and P1825. At that stage, and further to the P&A notices issued by the NSTA under the terms of the respective licences, EnQuest Heather was obliged to P&A all wells drilled pursuant to its licences.

Licences P1765 and P1825

- 9.3. EnQuest Heather's obligation to P&A the relevant wells under P1765 and P1825 first arose under clauses 19(10) of each of those licences, which require the licensee to P&A *"any Well drilled by the Licensee ... not less than one month before the expiry or determination of the Licensee's rights in respect of the area or part thereof in which that Well is drilled."*
- 9.4. EnQuest Heather surrendered both licences on **8 January 2021** and as such, the latest date for the completion of its obligation under clauses 19(10) was **8 December 2020**. EnQuest Heather did not comply with this obligation and was therefore at that time in breach of its licences.
- 9.5. Under clauses 10 of P1765 and P1825 respectively, the determination of a Licence is *"[w]ithout prejudice to any obligation or liability imposed by or incurred under the terms hereof"*. Accordingly, the obligations to P&A wells survive and remain enforceable notwithstanding any determination of the licences or other changes in status.
- 9.6. The NSTA and EnQuest Heather executed two Deeds of Variation dated **16 December 2020** ("**2020 Deeds**"), which varied Licences P1765 and P1825 respectively. As a result, EnQuest Heather was obliged, under Licences P1765 and P1825, as varied, respectively to P&A the wells specified by **30 June 2022**.
- 9.7. EnQuest Heather *did not* P&A or plug and seal the relevant wells by **30 June 2022** and therefore did not comply with its obligation to P&A the Relevant Wells under Licences P1765 and P1825, as varied by the 2020 Deeds.
- 9.8. The NSTA and EnQuest Heather executed two further Deeds of Variation dated **30 June 2022** ("**2022 Deeds**"). By these further variations, EnQuest Heather was obliged under Licences P1765 and P1825, as further varied, to P&A the wells specified by **31 March 2023**.
- 9.9. As such, the NSTA has correctly identified the petroleum-related requirement as the obligation originally in clauses 19(10) of Licences P1765 and P1825, as varied by the 2020 Deeds and then by the 2022 Deeds to set the operative completion dates (first **30 June 2022**, then **31 March 2023**).

Licences P242 and P236

9.10. Licences P242 and P236 incorporate clauses 1 and 4 to 34 of the model clauses for production Licences in seaward areas set out in Schedule 4 to the Petroleum (Production) Regulations 1966 as amended by the Petroleum (Production) (Amendment) Regulations 1971. By virtue of s.5(4) and (5) of the Petroleum Act 1998, these model clauses were replaced with the model clauses contained in Part 2 of Schedule 2 to the Petroleum (Current Model Clauses) Order 1999. Clauses 17(5A) and (5B) of these model clauses provided:

“(5A) The [NSTA] may at any time give the Licensee a notice requiring a well drilled pursuant to this licence to be plugged and abandoned in accordance with paragraph (5) within the period specified in the notice (but this paragraph is subject to paragraphs (5C) and (5D)).

(5B) The Licensee shall comply with any notice under paragraph (5A).”

9.11. The NSTA duly issued notices to EnQuest Heather under each of the two relevant licences. For licence P242, the notice was issued on **22 October 2021**. For licence P236, the notice was issued on **7 December 2021**. Each notice stated in materially similar terms (our emphasis):

“...the Oil and Gas Authority hereby directs the Licensee to plug and abandon any well which lies within the area in respect of which the Licensee’s rights will expire or determine including, but not necessarily limited to, those listed in Appendix A of this Notice (“Well”). In accordance with the relevant Model Clause the plugging and abandoning of each Well shall be carried out in accordance with the provisions of the Licence (including the relevant Model Clause), with methods and convention customarily used in good oilfield practice, in a proper and workmanlike manner, and shall be completed by:

i) the date specified in Appendix A for Wells named therein; or

ii) for an other Well no later than two years after the date of this Notice;

except where an alternative date is agreed in writing by the Oil and Gas Authority.”

9.12. On **23 August 2022**, the NSTA wrote to EnQuest Heather to extend the deadlines to plug and abandon the P242 and P236 wells to **31 March 2023**. EnQuest Heather did not meet this obligation.

9.13. EnQuest Heather, in its representations, acknowledges clause 17(5A), which empowers the NSTA to issue a notice requiring the plugging and abandonment of any wells. However, EnQuest Heather appears to suggest that such a notice does not constitute an enforceable petroleum-related requirement. In making this assertion, EnQuest Heather seems to have overlooked clause 17(5B) of its licences, which expressly provides that *“The Licensee shall comply with any notice under paragraph (5A).”*

9.14. The notices were issued pursuant to the express terms of the relevant licences. The licensee is required by the terms of the licences to comply with such notice. EnQuest

Heather's failure to comply with the notices issued by the NSTA under clause 17(5A) therefore constituted a breach of the terms of the licences, in particular, clause 17(5B). The NSTA is entitled to enforce that breach as a petroleum-related requirement under section 42 of the 2016 Act.

C. Multiple failures to comply

10. EnQuest Heather's representations

- 10.1. EnQuest Heather argues that, even if a petroleum-related requirement had been properly identified, it is a single failure that cannot be broken down into arbitrary multiple parts. As such, EnQuest Heather argues that the SWN wrongly asserts that there have been multiple separate failures.
- 10.2. EnQuest Heather states that each relevant licence or notice imposes at most one unified requirement, either to plug and seal "*the Wells*" under the 2020 Deeds (for P1765 and P1825) or to P&A "*any well*" within the surrendered area under the Notices (for P242 and P236). Because the obligations operate collectively, any failure to comply must constitute a single failure, not a series of separate failures for each well origin. EnQuest Heather states that the SWN acknowledges that it is a single failure under consideration given that all the breaches arise "*from the same overarching failure to act*". In view of this, EnQuest Heather argues that it is both inappropriate and inconsistent for the NSTA to then assert that there is a separate breach in respect of each Well Origin.
- 10.3. Further, EnQuest Heather argues that the NSTA has improperly aggregated circumstances across four licences, treating failures under one licence as if they were relevant to another; however, a requirement to P&A a well drilled under one licence cannot constitute a petroleum-related requirement under a different licence. EnQuest Heather emphasises that the statutory scheme requires the NSTA to assess each licence separately, rather than collapsing all alleged failures into an undifferentiated whole.

11. NSTA's response

- 11.1. The obligations contained in the relevant licences operate in respect of each individual well, and failures to meet those obligations accordingly give rise to separate breaches.
- 11.2. The language of the applicable clauses of the licences is clear. The obligation originally in clause 19 of licences P1765 and P1825, and the obligation arising from clause 17 of licences P242 and P236, imposes duties in respect of "*any Well*", consistently drafted in the singular. This stands in contrast to other licence provisions that refer to "*all Wells*" collectively. The natural reading of the relevant clauses is therefore that the obligations apply separately to each well drilled, and that failure to P&A multiple wells results in multiple, discrete failures to comply with the terms of the licence.

- 11.3. This is consistent with the practicalities of plugging and abandoning each well, which is a discrete, self-contained operational act, with an approach targeted to the characteristics of that well. As such, there is no artificiality in treating each well as giving rise to a separate obligation, nor concluding that failures in respect of multiple wells constitute multiple, not single, breaches.
- 11.4. In relation to Licences P1765 and P1825, the 2020 Deeds and 2022 Deeds simply vary the date by which those existing obligations must be met. No variation was made to the substance of the underlying obligation to P&A each individual well.
- 11.5. The notices issued under clause 17(5A) required the plugging and abandoning of “*any well*” and, accordingly, imposed an obligation in respect of each well. A failure to comply in relation to any one of those wells constitutes a breach of the notice and of the corresponding licence term. The fact that multiple wells may be listed within a single notice does not convert those well-specific duties into a single obligation.
- 11.6. Section 42 of the 2016 Act permits the NSTA to impose a Sanction Notice for a failure to comply with a petroleum-related requirement, and section 45 caps the financial penalty *per breach* at £1 million. It would be inconsistent with both the language and purpose of the statutory scheme (including the licence) for breaches relating to numerous wells, each requiring substantial operational work to remediate, to attract no greater than a breach relating to a single well.
- 11.7. For these reasons, the NSTA considers that EnQuest Heather was obliged under the relevant licences to P&A each of the Relevant Wells and that each failure to P&A constitutes a separate failure to comply with a petroleum-related requirement.

D. Proposal to impose a financial penalty exceeding £1 million

12. EnQuest Heather’s representations

- 12.1. EnQuest Heather argues that the SWN wrongly proposed a penalty of more than £1 million, which exceeds the maximum permitted by the statutory scheme. It states that it is not open to the NSTA to justify a higher penalty by asserting multiple failures or by artificially creating a petroleum-related requirement “*for the purposes of financial penalty*”. EnQuest Heather maintains that, even if a single relevant requirement and a single failure could be established, the NSTA is statutorily barred from exceeding the £1 million cap.
- 12.2. EnQuest Heather also argues that, in light of the operational circumstances, it would in any event be inappropriate to impose any penalty. It points out that early, unanticipated cessation of production across multiple fields compressed timelines, bringing forward cessation dates by between 4.5 and 7.5 years. This led to a convergence of decommissioning obligations within a twelve-month period, which was further complicated by restrictions arising from the COVID-19 pandemic. In EnQuest Heather’s

view, it was unrealistic for the NSTA to expect all P&A work to proceed in parallel, and the deadlines set were neither reasonable nor achievable given the prevailing conditions. EnQuest Heather therefore argues that, even if a failure could be established, it would be unreasonable to impose a sanction.

13. ***NSTA's response***

- 13.1. The requirements to P&A the Relevant Wells are long-standing and important obligations arising directly from the terms of EnQuest Heather's licences.
- 13.2. While we understand the operational circumstances described by EnQuest Heather, the decision to cease production was an operational decision taken by EnQuest Heather. While this may have accelerated the point at which decommissioning activity became necessary, it did not alter the underlying legal obligations imposed by the licences.
- 13.3. In any case, the NSTA extended the deadlines for compliance on several occasions, affording EnQuest Heather significant additional time in which to comply with its obligations. These extensions demonstrate that the NSTA sought to provide flexibility where possible, while still ensuring that the long-standing requirements of the licence were met.
- 13.4. For the reasons set out in paragraphs 11.1 to 11.7 of this Annex C, the NSTA considers that the licence obligations relating to plugging and abandonment arise in respect of each individual well. EnQuest Heather's failure to comply with those obligations across multiple wells therefore constitutes multiple failures to comply with petroleum-related requirements. Each such failure is subject to the statutory cap on the financial penalty that may be imposed. As indicated in the body of the SN, it is only for administrative convenience that all Breaches have been considered together; this SN constitutes 33 separate Sanction Notices, one for each of the relevant Breaches.
- 13.5. EnQuest Heather submitted that section 42(2) of the 2016 Act provides that the NSTA "*may not give more than one sanction in a single sanction notice*". However, that is not what section 42(2) provides. Rather, section 42(2) concerns the ability to pursue licensees jointly in respect of any one failure; it makes clear that, insofar as the *same failure to comply with a petroleum-related requirement* is being addressed by a Sanction Notice, it must be addressed in the same sanction notice.
- 13.6. Accordingly, the NSTA considers it is entitled to impose a financial penalty of up to £1 million in respect of each well that was not plugged and abandoned in compliance with the licence, and thus can impose an aggregate penalty across all Breaches in excess of £1 million.

MATTERS RAISED IN SCHEDULE 3

A. Introduction

14. Schedule 3 to EnQuest Heather's representations focuses on the NSTA's considerations in determining the proposed financial penalty.
15. In summary, EnQuest Heather argues that the NSTA's proposed £16.5 million penalty is unlawful, disproportionate and inconsistent with past regulatory practice. It maintains that the 2016 Act allows only a single penalty of up to £1 million per notice, that the NSTA has not properly applied its own Financial Penalty Guidance, and that EnQuest Heather neither gained financially nor caused harm as a result of the delay to its P&A work to the Relevant Wells. EnQuest Heather highlights that it has already spent significant sums on decommissioning, continues to bear rising costs, and has acted in line with safety, regulatory requirements and operational constraints.
16. EnQuest Heather further notes that delays were driven by practical factors including weather windows, regulatory consents and joint-venture approvals, and that substantial preparatory work is complete with a long-term rig contract now secured. EnQuest Heather considers the proposed five-year P&A timetable unrealistic and warns that the suggested penalty would damage its financial position and investor confidence while sending negative signals across the North Sea sector.

B. Legality of the proposed penalty

17. *EnQuest Heather's representations*

- 17.1. EnQuest Heather states that the NSTA's proposed £16.5 million penalty is not permitted by the 2016 Act, which limits any financial penalty notice to £1 million. It says the NSTA cannot lawfully treat each well origin as a separate breach or combine multiple penalties into a single notice. EnQuest Heather also notes that only one petroleum-related requirement appears to have been identified, meaning only a single alleged failure could legitimately be considered.

18. *NSTA's response*

- 18.1. For the reasons set out in paragraphs 11.1 to 11.7 and 13.1 to 13.6 of this Annex C above, the NSTA considers that the level of the financial penalty is lawful.

C. Application of Financial Penalty Guidance and double counting of aggravating factors

19. *EnQuest Heather's representations*

- 19.1. EnQuest Heather argues that the NSTA has not applied its Financial Penalty Guidance correctly. It notes that the SWN does not identify a clear starting figure and appears to misunderstand how P&A costs are shared among joint-venture partners. EnQuest Heather also argues that the NSTA does not explain whether it has concluded that EnQuest Heather in fact gained from any delay or is relying on hypothetical assumptions.
- 19.2. EnQuest Heather argues that the NSTA repeated the same reasoning in multiple parts of the SWN. It says that similar points on severity and harm appear more than once, leading to the same factors being counted twice.

20. *NSTA's response*

- 20.1. The NSTA considers that it has applied the Financial Penalty Guidance correctly. The Guidance does not require the SWN to set out a single numerical starting figure; rather, it requires the NSTA to explain the factors it has taken into account in determining the penalty. The SWN did this (and the SN now does this) in accordance with the published framework.
- 20.2. While the NSTA's assessment of the factors set out in the Financial Penalty Guidance necessarily engages with some of the same underlying facts, any overlap is inherent in the framework. However, the NSTA reached its view on the appropriate penalty in the round, having considered all relevant factors collectively rather than duplicating any individual point.
- 20.3. EnQuest Heather's arguments regarding the sharing of P&A costs with its joint venture partners does not alter the assessment. Under the licence, licensees are jointly and severally liable for the fulfilment of licence obligations, and EnQuest Heather, as operator, has held itself out as leading on this matter on behalf of the joint ventures. The NSTA therefore continues to consider that enforcement action should be directed only at EnQuest Heather as the operator responsible for day-to-day execution of licence obligations.

D. Lack of financial gain and increased costs, no harm and positive industry impact, and no intention to benefit from delay

21. *EnQuest Heather's representations*

- 21.1. EnQuest Heather maintains that it has not benefitted financially from delaying P&A work to the Relevant Wells. It explains that rig and service rates rise annually, making deferral more expensive. It notes that it continues to incur inspection costs and pays more than

£2 million each year in decommissioning security. It states that total decommissioning costs have increased and that it has spent over £1 billion on decommissioning during the relevant period.

21.2. EnQuest Heather states that no harm resulted from the delays to the P&A of the Relevant Wells. It highlights that its broader decommissioning activity has contributed significantly to the UK supply chain. It points to its long-term rig contract, which helps retain capability within the UKCS, and to its efforts to collaborate with other operators on rig-sharing opportunities.

21.3. EnQuest Heather states that it did not seek any commercial advantage from delaying work. It reiterates that costs have risen and that it has proactively spent significant sums on decommissioning. It says that any delays were caused by practical, regulatory and Health and Safety Executive (HSE)-driven considerations rather than strategic decisions.

22. ***NSTA's response***

22.1. Contemporaneous material, including email correspondence with the NSTA and EnQuest Heather's own internal emails, indicate that EnQuest Heather consciously deferred rig contracts at a time when rates were elevated, with a view to returning once rates had reduced. This is inconsistent with EnQuest Heather's current position that rising costs render delay commercially disadvantageous. Those communications indicate that, at the relevant time, EnQuest Heather viewed high rig prices as a reason to delay work, with the intention of returning to the market later. This also contradicts its current claim that the delay was driven by safety, regulatory or operational factors.

22.2. EnQuest Heather's assertion that no harm resulted from the delay also overlooks the wider impact of its behaviour. Deferral of significant P&A activity contributes to volatility and inefficiency in the decommissioning supply chain, and the increase in industry-wide costs that EnQuest Heather now cites is, in part, a foreseeable consequence of operators failing to progress work in a timely manner. The fact that EnQuest Heather has undertaken other decommissioning activity does not negate the harm caused by failing to carry out required P&A for the Relevant Wells within appropriate timeframes.

E. Operational and regulatory constraints, practicality of the proposed five-year P&A requirement, and progress already made

23. ***EnQuest Heather's representations***

23.1. EnQuest Heather argues that the timing of its P&A work is driven by safety, operational and regulatory factors. It emphasises the need to work in summer due to Northern North Sea weather conditions. It notes that some delays were outside of its control, including the need for Offshore Petroleum Regulator for Environment and

Decommissioning (OPRED) consent in the Broom field and the need for joint venture approvals. It also states that substantial preparatory work has already taken place.

- 23.2. EnQuest Heather states that significant planning and engineering work has already been delivered and that a rig has now been contracted. However, EnQuest Heather states that some wells cannot proceed until external consents are in place.
- 23.3. EnQuest Heather considers the five-year requirement operationally unrealistic. It explains that its rig contract is structured around summer campaigns and that the full programme, including Magnus wells, extends over roughly five and a half years. It notes that winter operations would be unsafe and inefficient and that some elements of scheduling depend on third-party approvals.

24. *NSTA's response*

- 24.1. The NSTA acknowledges that seasonal conditions, regulatory consents and joint venture approvals form part of normal P&A planning, but these factors do not justify the length of EnQuest Heather's delays. Such considerations are well known and should have been managed through timely scheduling, engagement with regulators and appropriate contracting strategies.
- 24.2. While EnQuest Heather refers to preparatory work and to securing a rig, it has still not provided a credible plan demonstrating that all the Relevant Wells will be decommissioned within a reasonable timeframe.
- 24.3. Based on the NSTA's Well Decommissioning Benchmarking data, the median duration for P&A operations is around 25 days per well, with the 75th percentile at 38 days. Scaling this to the 33 well origins indicates that, even on a conservative assessment, the operational activity required would normally be completed within approximately 2 to 3.5 years. Allowing five years therefore provides a substantial buffer for mobilisation, sequencing, seasonal constraints and well specific complexities, and is materially longer than the period suggested by actual industry performance. The NSTA therefore considers that a five-year period is both realistic and more than adequate.
- 24.4. For the reasons set out in paragraphs 42.1 to 42.4 of this Annex C below, the NSTA considers that the existence of the OPRED consultation does not justify EnQuest Heather's failure to undertake timely plug and abandonment operations on the Relevant Wells.

F. Consistency with previous NSTA decisions

25. EnQuest Heather's representations

25.1. EnQuest Heather states that the NSTA's approach conflicts with earlier sanction cases involving Shell and Spirit Energy, where multiple incidents were treated as a single failure and a single penalty was imposed. It argues that consistency requires the same approach to be taken here.

26. NSTA's response

26.1. In each case, the NSTA considers the aims set out in paragraph 24 of the Sanction Procedure Guidance and paragraph 16 of the Financial Penalty Guidance. These require that any penalty should be effective in addressing the underlying cause of the noncompliance, dissuasive of future noncompliance by the party concerned or by others in similar circumstances, and proportionate to the significance of the failure and its impact in the context of the relevant petroleum-related requirement.

26.2. Where the NSTA determines that a financial penalty is appropriate, it sets the level of that penalty by reference to the factors listed in paragraph 17 of the Financial Penalty Guidance.

26.3. The cases cited by EnQuest Heather concerned failures to comply with production consents under the relevant licences. In each instance, the NSTA imposed a penalty that, in its judgement, reflected the considerations in its published guidance. It is not accepted that there is any inconsistency in the legal approach taken between the different cases.

26.4. As with the earlier cases cited by EnQuest Heather, the NSTA has considered the matters it is required to take into account under its published guidance and has explained its reasons for the type and level of penalty. For the reasons set out in the SWN and in this SN, it considers it appropriate in this case to take action in respect of each of the 33 failures.

G. Disproportionate financial impact

27. EnQuest Heather's representations

27.1. EnQuest Heather argues that a £16.5 million penalty would be disproportionate and would negatively affect its financial position. It notes that the proposed penalty sits at odds with its decommissioning track record and would send unhelpful signals to providers of capital, with adverse consequences for both EnQuest Heather and the broader investment environment. In this regard, EnQuest Heather argues that such a penalty would create uncertainty for investors, disrupt financing and security

arrangements, and weaken confidence in the wider UK North Sea sector. EnQuest Heather maintains that these impacts should be considered before any penalty is imposed.

28. NSTA's response

- 28.1. The NSTA does not accept that the proposed penalty is disproportionate or that its potential financial impact on EnQuest Heather should outweigh the need for an effective regulatory response. The purpose of a financial penalty is to address the underlying noncompliance, deter future failures and reinforce confidence in the regulatory regime. These objectives require that the penalty be meaningful, and the fact that it may have financial consequences for the operator does not render it inappropriate.
- 28.2. EnQuest Heather's reference to its broader decommissioning track record does not diminish the seriousness of the failures in respect of the Relevant Wells. Nor does it follow that a penalty, properly imposed in accordance with published guidance, would undermine investor confidence in the wider North Sea. A predictable and consistently applied regulatory framework supports, rather than weakens, investment by ensuring that operators meet their obligations in a timely and responsible manner. In this context, the NSTA considers that the level of penalty proposed is justified and proportionate to the nature and extent of the noncompliance.

MATTERS RAISED IN SCHEDULE 4: AGGRAVATING AND MITIGATING CIRCUMSTANCES

A. NSTA's approach to the investigation

29. EnQuest Heather's representations

- 29.1. EnQuest Heather states that, while it provided over 7,000 documents, the NSTA sought no substantive clarification. EnQuest Heather argues that the NSTA therefore reviewed extensive material without engaging with EnQuest Heather to ensure it properly understood the documents or their context. EnQuest Heather also argues that the SWN reflected a selective reading of the evidence, omitting contextual detail that, in EnQuest Heather's view, should have informed the NSTA's conclusions.
- 29.2. In this context, EnQuest Heather sought a meeting with the NSTA to discuss and provide further clarity on the document-set provided, together with its representations and EnQuest Heather's forward decommissioning plans.
- 29.3. EnQuest Heather further argues that the terms of the SWN indicated that the NSTA has been selective in the information it relied upon when reaching its preliminary conclusions. EnQuest Heather has argued that this selective approach risks overlooking important facts and circumstances relevant to the delay in P&A activities and the broader context of its decommissioning programme.

30. NSTA's response

- 30.1. The NSTA does not accept EnQuest Heather's suggestion that the absence of further enquiries or clarification requests indicates a failure to understand the material provided. The NSTA reviewed the full document set submitted, including more than 7,000 documents, and considered this alongside all relevant contextual information. The fact that further clarification was not required does not mean that the evidence was selectively or inadequately assessed, nor that the SWN reflected an incomplete understanding of the material.
- 30.2. The NSTA notes EnQuest Heather's request for a meeting and its view that certain contextual factors should have been given greater weight. However, the NSTA is satisfied that the information relied upon in the Sanction Warning Notice was appropriate, relevant and sufficient for the purposes of reaching preliminary conclusions. The NSTA has considered EnQuest Heather's representations in full, including its concerns about selectivity, and remains of the view that the material relied upon accurately reflects the circumstances relevant to the failure to P&A each of the Relevant Wells for the purposes of the final conclusions in the SN.

B. Mitigating circumstances

31. EnQuest Heather's representations

- 31.1. EnQuest Heather asserts that the NSTA appears to have taken into account only a single mitigating circumstance (EnQuest Heather's co-operation), while failing to account for several others it considers significant. These include its extensive decommissioning activity since 2020, which it says demonstrates a strong compliance record and substantial support to the supply chain; macroeconomic pressures such as the COVID-19 pandemic, the associated drop in oil prices and the Energy Profits Levy; and accelerated Cessation of Production (CoP) across multiple hubs, which it argues significantly impacted its plans to decommission the Relevant Wells. EnQuest Heather also highlights its prioritisation based on safety and integrity assessments. It states that the Relevant Wells did not present integrity concerns and have been monitored responsibly.
- 31.2. EnQuest Heather also points to its ongoing decommissioning efforts outside the Relevant Wells and claims that it has taken substantial preparatory steps to address the Relevant Wells, including securing a rig contract and undertaking engineering work. It argues that these factors should weigh strongly against imposing a sanction or determining its level.

32. NSTA's response

- 32.1. The NSTA has considered EnQuest Heather's submissions on mitigating circumstances but does not consider that these factors fall to be taken into account as mitigating factors. While EnQuest Heather highlights wider decommissioning activity since 2020

and various macroeconomic challenges, the obligation to P&A the Relevant Wells remained clear, and the issues cited by EnQuest Heather do not explain the lack of progress on these specific wells within the extended timeframe. Likewise, although EnQuest Heather states that the Relevant Wells presented no integrity concerns and were being monitored, this does not reduce the requirement to complete P&A work in accordance with the varied licence obligations, nor does it mitigate repeated delays in producing a credible delivery plan.

32.2. The NSTA has also taken account of EnQuest Heather's reference to ongoing decommissioning efforts elsewhere and the preparatory steps it says have been taken in relation to the Relevant Wells. However, the steps identified, such as securing a rig contract and undertaking engineering work, were not advanced within the period during which the NSTA was seeking tangible evidence of progress, nor did they amount to a plan capable of achieving compliance by the deadline. In these circumstances, the NSTA does not consider that the factors identified by EnQuest Heather diminish the seriousness of the noncompliance or warrant a reduction in the proposed sanction.

C. Aggravating circumstances

33. *EnQuest Heather's representations*

33.1. EnQuest Heather disputes the aggravating circumstances identified in the SWN, stating that the conclusions are incorrect when viewed in light of the full circumstances.

33.2. Alleged persistent inaction: EnQuest Heather disputes the characterisation of 'persistent inaction', stating that P&A work forms part of a wider decommissioning process that necessarily involves detailed planning, engineering and alignment with co-venturers and the supply chain. EnQuest Heather highlights that the Relevant Wells presented no integrity concerns and were being responsibly monitored, and points to specific preparatory work and expenditure across the Broom, Dons and Alma-Galia fields as evidence of sustained activity. EnQuest Heather characterises the earlier Sanction Notice imposed upon it in **October 2022** as an isolated administrative error that was promptly self-reported and argues that these circumstances should not properly be treated as aggravating.

33.3. Senior management involvement: EnQuest Heather rejects the suggestion that senior management supported or contributed to any failure to comply, stating that the internal communications cited by the NSTA have been taken out of context. According to EnQuest Heather, these communications reflect efforts to manage operational challenges, seek alignment with joint ventures and engage constructively with the NSTA, including a reasonable expectation that the NSTA would act pragmatically given the circumstances. EnQuest Heather emphasises that senior management sought to 'honour' obligations and progress decommissioning responsibly, and notes that some of the individuals referenced are no longer employed by the company.

33.4. EnQuest Heather further states that the internal emails reflect common operational discussions about rig scheduling, supply chain availability and co-venturer alignment, rather than any attempt to avoid compliance. EnQuest Heather highlights that references to adjusting timelines were linked to real operational constraints and risk-based prioritisation, coupled with an intention to engage constructively with the NSTA. It maintains that, when read in context, the emails do not support the aggravating conclusions drawn in the SWN.

34. NSTA's response

34.1. While EnQuest Heather highlights planning activity, monitoring of well integrity and expenditure on preparatory work, the NSTA considers that these actions did not amount to meaningful progress toward plugging and abandoning the Relevant Wells within the required timeframe. Despite multiple extensions and opportunities to present a credible plan, EnQuest Heather did not advance the P&A work of the Relevant Wells to a stage that would demonstrate the necessary commitment or enable timely delivery. Accordingly, the NSTA does not accept that the circumstances negate or diminish the aggravating factor identified.

34.2. EnQuest Heather argues that senior management acted responsibly, but the internal materials show that senior leadership were fully aware of prolonged delays and approached the risk of sanction as an issue to be managed rather than addressed through accelerated delivery. These communications reflect an organisational acceptance that the activity would not occur within the required timeframe. As such, the NSTA considers senior-level oversight and involvement relevant to the aggravating circumstances.

34.3. The NSTA does not accept EnQuest Heather's characterisation of the breach leading to the NSTA issuing a Sanction Notice in **November 2022** as an administrative oversight. That incident involved EnQuest Heather restarting production and associated flaring without the required consent, despite clear notification that the previous authorisation had been exceeded and that a new consent was required. This was a substantive failure to comply with a regulatory requirement, not an inadvertent oversight. Under the NSTA's Financial Penalty Guidance, previous conduct in relation to this and other petroleum-related requirements is a relevant aggravating factor, and the November 2022 breach is therefore properly taken into account.

MATTERS RAISED IN SCHEDULE 1

A. EnQuest Heather's approach to decommissioning and concerns over accuracy

35. EnQuest Heather's representations

35.1. EnQuest Heather argues that the NSTA's SWN was based on an incomplete understanding of the contextual circumstances in which key documents were produced.

The company asserts that the SWN omits relevant facts and contains inaccuracies because the NSTA interpreted material without fully appreciating the operational, technical and strategic context. EnQuest Heather's position is that Schedule 1 provides the fuller background necessary to understand its decisions and sequencing.

35.2. At the same time, EnQuest Heather stresses that it takes decommissioning obligations seriously and operates a risk-based decommissioning philosophy guided by its Corporate Major Accident Prevention Policy. It highlights its extensive track record (largescale P&A campaigns, major offshore removals, and over £1 billion invested since 2020) as evidence that it is a leading UKCS decommissioning operator. EnQuest Heather contends that the NSTA's characterisation of it as avoiding decommissioning responsibilities is inconsistent with this record.

36. *NSTA's response*

36.1. The SWN was prepared on the basis of the information provided directly by EnQuest Heather through its stewardship returns, correspondence and the substantial volume of documentation submitted during the investigation. These materials formed the factual record from which the NSTA drew its conclusions. The NSTA therefore considers that the SWN reflected (and the SN now reflects) the information available to it at the time and does not accept that it presented an inaccurate or misleading account of the position.

36.2. The central finding of the investigation is that the Relevant Wells were not plugged and abandoned within the timeframes required under the licence, notwithstanding the extensions already granted. None of the points raised in EnQuest Heather's representations change this underlying position, which is a matter of objective compliance rather than interpretation.

36.3. Where licence obligations are not met, the NSTA considers the regulatory implications. This includes assessing the potential consequences of continued noncompliance and determining what action, if any, is necessary to ensure that obligations are ultimately delivered. In this context, the NSTA is entitled to recognise that certain risks or adverse outcomes may arise when required decommissioning activities are not completed within the specified timescales.

B. Risk-based prioritisation versus deadline-driven regulatory expectations

37. *EnQuest Heather's representations*

37.1. A central issue in EnQuest Heather's representations is its claim that the NSTA's expectations are "deadline driven" rather than aligned with safety led risk prioritisation. EnQuest Heather explains that wells with higher integrity or safety risks - such as the Magnus SWIFT subsea wells - were scheduled ahead of the lower risk "Relevant Wells," consistent with regulatory requirements to reduce risks to as low as reasonably

practicable. It argues that forcing reprioritisation would increase operational risk and contradict safety regulations governing offshore installations and wells.

37.2. More broadly, EnQuest Heather describes how the NSTA's regulatory stance has shifted during the relevant period, from case-by-case date extensions to a more rigid two-year post CoP expectation, and later an open letter discouraging extensions. EnQuest Heather states that because these shifts occurred after key planning decisions or after the relevant dates had passed, it was not feasible to adjust its decommissioning plans retrospectively.

37.3. EnQuest Heather further notes that supply chain constraints, especially rig availability, make parallel P&A programmes impractical. The company warns that penalising operators for following a risk-based approach over fixed deadlines may set an undesirable precedent, encouraging behaviour that prioritises regulatory dates over prudent risk management.

38. *NSTA's response*

38.1. The NSTA does not accept the suggestion that its approach has been "deadline driven" or "mechanistic". The NSTA granted EnQuest Heather several extensions to the original deadlines and consistently indicated a willingness to consider further flexibility. That flexibility, however, depended on EnQuest Heather providing a credible, deliverable and timely plan for plugging and abandoning the Relevant Wells. Despite repeated opportunities, no such plan was presented. The NSTA must balance flexibility with ensuring that licensees take their obligations seriously. Where an operator does not demonstrate the expected level of progress, planning or engagement, continued extensions become neither reasonable nor appropriate.

38.2. As the regulator responsible for overseeing well decommissioning activity, the NSTA is required to act where licence obligations are not met. In this case, even after multiple extensions, the effective date passed without EnQuest Heather having delivered substantive progress or a clear pathway to compliance. In these circumstances, and given the absence of a credible plan, the NSTA considers that regulatory action is both necessary and proportionate.

C. Work already undertaken

39. *EnQuest Heather's representations*

39.1. EnQuest Heather outlines the work already undertaken to progress the Relevant Wells' P&A, including engineering studies, contracting a third-party rig and attempting to align joint-venture partners. It highlights that substantial planning has been completed and that the wells form a firm part of the forward schedule. However, it emphasises that co-venturer approvals remain essential and have caused delays beyond EnQuest Heather's control.

39.2. In addition, the company describes extensive supply chain engagement dating back to 2021 with multiple contractors, noting that no turnkey solution was viable and that the market, post COVID-19, did not offer cost certain lumpsum models. These operational realities, alongside the complexities of multi-partner approvals, are presented as material factors limiting the pace at which EnQuest Heather could commit to and execute P&A work.

40. *NSTA's response*

40.1. The material provided by EnQuest Heather does not alter the NSTA's central assessment that the Relevant Wells were not plugged and abandoned within the deadlines set under the relevant licences and that EnQuest Heather had not provided a plan to justify further extensions. Reliance on co-venturer approvals is an inherent feature of joint-venture operations, but operators remain responsible for ensuring that obligations are met, and the NSTA's review of EnQuest Heather's documentation did not indicate joint venture misalignment was the fundamental cause of delay.

40.2. The NSTA also notes the supply chain engagement described, including interaction with several contractors and the challenges associated with establishing a turnkey or lumpsum solution in the post COVID-19 market. While these factors are acknowledged, the NSTA does not consider them to have prevented earlier or more substantive progress toward compliance. Evidence within EnQuest Heather's own submissions indicates that other wells or projects were prioritised during the relevant period, and that opportunities to progress the Relevant Wells were not fully utilised. As a result, the NSTA maintains that these operational challenges do not change the conclusion that licence obligations were not met.

D. Regulatory dependencies

41. *EnQuest Heather's representations*

41.1. EnQuest Heather argues that some activities cannot legally proceed due to external regulatory constraints, for example, OPRED's ongoing review of bundle decommissioning, which has paused approvals needed before wellhead protection structures can be removed on the Broom wells. It considers it unreasonable for the NSTA to sanction failures to act where action is not currently possible.

42. *NSTA's response*

42.1. This issue relates to seven wells on the Broom field. The NSTA's position is that OPRED's consultation did not prevent EnQuest Heather from undertaking plug and abandonment activities on those wells. The OPRED review related specifically to the treatment of pipeline bundles and associated subsea apparatus within wider field Decommissioning

Programmes. It did not place a moratorium on well decommissioning or on P&A operations more generally.

- 42.2. The practical effect of OPRED's review is that operators were temporarily unable to obtain approval for the removal of certain bundled subsea structures. However, EnQuest Heather remained fully able (and expected) to progress P&A of the wells, which is a prerequisite activity and does not depend on bundle removal approvals. In other words, OPRED's consultation may have delayed a later stage of the decommissioning sequence but did not impede the commencement or continuation of well P&A work itself.
- 42.3. This distinction was expressly confirmed by OPRED in its published clarification statement of **4 January 2024** by the Head of Decommissioning at OPRED, which clarified that: *"To avoid delays and to enable operators to commence their decommissioning activities, we will allow operators to separate pipeline bundles and associated apparatus from the wider field Decommissioning Programme."*
- 42.4. Accordingly, the NSTA considers that the existence of the OPRED consultation does not justify EnQuest Heather's failure to undertake the timely plug and abandonment of affected wells.

E. Early cessation of production

43. EnQuest Heather's representations

- 43.1. EnQuest Heather states that multiple assets experienced unplanned or accelerated Cessation of Production due to fires, integrity issues, COVID-19 disruptions, export route failures and reservoir performance issues. These events compressed EnQuest Heather's decommissioning workload and forced early mobilisation of major P&A and removal campaigns across Thistle, Heather, Dons and Alma and Galia.
- 43.2. EnQuest Heather argues that its focus on removing major accident hazard risks from these platforms and floating assets was appropriate and recognised positively by NSTA representatives at the time. It states that it would have been unsafe and operationally unsustainable to run major platform P&A campaigns in parallel with large subsea P&A programmes, and that sequencing decisions reflected responsible risk reduction rather than avoidance of obligations.

44. NSTA's response

- 44.1. The NSTA acknowledges the operational impacts arising from the accelerated cessations of production across several EnQuest Heather operated assets and recognises that such events can place additional pressure on decommissioning resources. These circumstances were considered during Facilitation and Enhanced Facilitation. However, they do not remove the requirement to meet the P&A deadlines set under the relevant

licences, nor alter the fact that EnQuest Heather's cessation decisions were operational choices made by the licensee in full knowledge of its ongoing obligations.

44.2. The NSTA also recognises the work undertaken to address major accident hazard risks on platforms and floating assets. Nonetheless, this activity does not negate EnQuest Heather's obligation to progress the P&A of the Relevant Wells within the required timeframes. The investigation concluded that opportunities to advance the Relevant Wells were not fully utilised and that missed deadlines cannot be attributed to CoP related disruption. While the NSTA supports operators prioritising safety, such prioritisation must be delivered alongside compliance with regulatory requirements.

F. Financial investment

45. *EnQuest Heather's representations*

45.1. The company underscores its substantial investment in decommissioning activities (over £1 billion gross) across six assets since 2020, with expenditure benefiting a broad range of supply chain contractors. It argues that this demonstrates a continuous and significant contribution to UKCS decommissioning, contrary to any implication of avoidance or delay.

45.2. EnQuest Heather further stresses its consistent engagement with the supply chain, including: technical studies, market enquiries, and rig negotiations, showing proactive attempts to create a viable, efficient P&A programme. It suggests the NSTA's assertion that EnQuest Heather had multiple missed opportunities does not reflect the practical constraints and realities encountered.

46. *NSTA's response*

46.1. The NSTA notes EnQuest Heather's reference to more than £1 billion of expenditure across six assets since 2020 and recognises that such activity may have supported a range of supply chain contractors through wider decommissioning activities. However, this spend does not relate to the plug and abandonment of the Relevant Wells to which this SN applies.

46.2. The NSTA's assessment focuses on whether EnQuest Heather has complied with its decommissioning obligations. Broader investment across EnQuest Heather's portfolio, while acknowledged, is not material to determining whether the required P&A work has been appropriately planned or delivered.

46.3. Further, the NSTA's position remains that unnecessary deferral of the P&A of the Relevant Wells is likely to contribute to increased pressure and constraint within the decommissioning supply chain.