

LICENCE NO. P.1015

Petroleum Act 1998

THE SECRETARY OF STATE FOR TRADE AND INDUSTRY

and

SHELL U.K. LIMITED

ESSO EXPLORATION AND PRODUCTION UK LIMITED

LICENCE

to

Search and Bore for and Get petroleum

in Block No. 49/20b

THIS LICENCE made the *Thirtieth* day of *October* 2000 between THE SECRETARY OF STATE FOR TRADE AND INDUSTRY (hereinafter referred to as "the Minister") for and on behalf of Her Majesty of the one part and SHELL U.K. LIMITED whose registered office is situate at Shell Centre, London SE1 7NA and ESSO EXPLORATION AND PRODUCTION UK LIMITED whose registered office is situate at Esso House, Ermyn Way, Leatherhead, Surrey KT22 8UY (hereinafter referred to as "the Licensee") of the other part WITNESSETH as follows:-

**Incorporation
of clauses**

A. Clause 1 and clauses 4 to 43 of the model clauses for production licences in seaward areas set out in Schedule 4 to the Petroleum (Production) (Seaward Areas) Regulations 1988 (S.I. 1988/1213) as amended by the Offshore Safety Act 1992 and the Petroleum (Production) (Seaward Areas) (Amendment) Regulations 1995 (S.I. 1995/1435) and the Petroleum (Production) (Seaward Areas) (Amendment) Regulations 1996 (S.I. 1996/2946) ("the 1996 Regulations") except for the amendments made by Regulations 8(a)(ii) and 8(c) to 8(h) of the 1996 Regulations shall be incorporated herein and (subject to paragraphs E to I hereof) shall have effect as if herein set out at length and in the said model clauses any reference to "the Act of 1934" or "the Act of 1964" shall be construed as a reference to the corresponding provisions of the Petroleum Act 1998.

Term of Licence	B. Clause 3 of the said model clauses shall be incorporated herein and shall have effect as if herein set out at length, the date 22 December 1998 being inserted therein as the date next after which the term of this licence shall commence.
Right to search and bore for and get petroleum	C. In consideration of the payments and royalties hereinafter provided and the performance and observance by the Licensee of all the terms and conditions hereof, the Minister, in exercise of the powers conferred upon him by the Petroleum Act 1998, hereby grants to the Licensee EXCLUSIVE LICENCE AND LIBERTY during the continuance of this Licence and subject to the provisions hereof to search and bore for, and get, petroleum in the sea bed and subsoil under the seaward area comprising an area of 123.5 square kilometres more particularly described in Schedule 1 to this Licence being the area comprising block No. 49/20b on the reference map deposited at the office of the Department of Trade and Industry, 1 Victoria Street, London SW1H 0ET; provided that nothing in this Licence shall affect the right of the Minister to grant a methane drainage Licence in respect of the whole or any part of the licensed area or affect the exercise of any rights so granted. ✓
Schedules	D. The Schedules referred to in the said clauses namely clause 9, clause 10 and clause 16 are for the purposes of this Licence Schedules 2, 3 and 4 respectively hereunder written.

E. The first alternative version of clause 38 and paragraphs (1) and (2) and (3) of clause 43 of the said model clauses are incorporated herein to the exclusion of the respective alternative versions of those provisions set out in the said model clauses.

F. The provisions of clause 10 of the model clauses incorporated herein shall only apply to petroleum won and saved from an oil field in respect of any part of which development consent was granted prior to 1st April 1982.

G. The provisions of clause 19 of the model clauses incorporated herein shall have effect subject to the omission in model clause 19(1) of the words "after abandoning in manner hereinafter provided, shall not".

H. Except where the Minister otherwise agrees in writing, the Licensee shall comply with the provisions of Schedule 5 hereunder written.

I. The Minister may in writing, with the agreement of the Licensee, vary or amend the terms of this Licence as regards any matter, provided that any variation or amendment shall, where relevant, be in accordance with the Directive of the European Parliament and of the Council Directive (94/22/EEC) of the 30th May 1994 on the conditions for granting and using authorisation for the prospection, exploration and production of hydrocarbons (O.J. L164/3, 30.6.94).

IN WITNESS whereof the Corporate Seal of the Minister and the Corporate or
Common Seals of the Licensee have been affixed to this Licence (consisting of this
and the preceding three pages and the five Schedules annexed) the day and year first
above written.

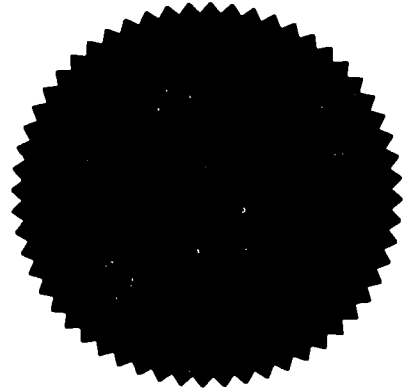
THE CORPORATE SEAL OF THE SECRETARY)

OF STATE FOR TRADE AND INDUSTRY)

hereunto affixed is authenticated by:-)

..... [REDACTED]

Authorised by the Secretary of State



GIVEN UNDER

The Common Seal of SHELL U.K. LIMITED)

~~was hereunto affixed in the~~)

~~presence of~~)

..... [REDACTED]

.... Director

..... [REDACTED]

.... Secretary

for Slades Trust Limited (Secretary)
Authorised Signatory

The Common Seal of ESSO EXPLORATION AND)

PRODUCTION UK LIMITED)

was hereunto affixed in the)

presence of:-)

CSB

..... Director

..... Assistant

..... Secretary

THIS IS SCHEDULE 1 REFERRED TO IN THE FOREGOING LICENCE
NUMBER P.1015 BETWEEN THE SECRETARY OF STATE FOR TRADE AND
INDUSTRY, SHELL U.K. LIMITED AND ESSO EXPLORATION AND
PRODUCTION UK LIMITED

Description of Licensed Area

Block 49/20b

The sea area bounded to the north and south by the
parallels of latitude, and to the east and west by
the meridians of longitude, joining the following
co-ordinates on European Datum 1950 (ED50):

Block 49/20b

(1)	53° 26' 00" N	:	02° 48' 00" E	✓
(2)	53° 26' 00" N	:	02° 56' 00" E	✓
(3)	53° 23' 00" N	:	02° 56' 00" E	✓
(4)	53° 23' 00" N	:	03° 00' 00" E	✓
(5)	53° 20' 00" N	:	03° 00' 00" E	✓
(6)	53° 20' 00" N	:	02° 48' 00" E	✓
(7)	53° 26' 00" N	:	02° 48' 00" E	✓

**THIS IS SCHEDULE 2 REFERRED TO IN THE FOREGOING LICENCE NUMBER P.1015 BETWEEN THE
SECRETARY OF STATE FOR TRADE AND INDUSTRY, SHELL U.K. LIMITED AND ESSO EXPLORATION AND
PRODUCTION UK LIMITED**

Consideration for Licence

Initial payment 1. The Licensee shall pay to the Minister upon the grant of this Licence the sum of £50,635.00 ✓

Periodic minimum Payments 2. (1) Upon the Licensee exercising the option conferred by clause 4 to continue the Licence then upon the date specified in the notice referred to in clause 4, and on the anniversaries thereof during the term of the Licence as continuing pursuant to that clause or, as the case may be, to clause 5 the Licensee shall pay the Minister sums (in this schedule referred to as "periodic payments") calculated as follows:-

- (a) upon the said date £470 multiplied by the area factor
- (b) upon the 1st anniversary of the said date £940 multiplied by the area factor

(c)	"	2nd	"	"	£1410	"
(d)	"	3rd	"	"	£1880	"
(e)	"	4th	"	"	£2350	"
(f)	"	5th	"	"	£2820	"
(g)	"	6th	"	"	£3290	"
(h)	"	7th	"	"	£3760	"
(i)	"	8th	"	"	£4230	"
(j)	"	9th	"	"	£4700	"
(k)	"	10th	"	"	£5170	"
(l)	"	11th	"	"	£5640	"
(m)	"	12th	"	"	£6110	"
(n)	"	13th	"	"	£6580	"

(o) upon the 14th and every subsequent anniversary of the said date £7050 multiplied by the area factor.

(2) The payments specified in sub-paragraph (1) above shall be subject to variation in accordance with the following provisions:

(a) The annual payments shall be increased or subsequently reduced in line with movements in the Index of the Price of Crude Oil acquired by Refineries (published in the Digest of UK Energy Statistics) if the Minister so determines. The Minister shall give notice of any such determination ("biennial determination") during the month preceding the eighth anniversary of the date of commencement of this Licence or any subsequent two-yearly anniversary of that date, and shall specify in the notice the increase or reduction in the amount payable. Movements in the Index shall be calculated by reference to a comparison between the arithmetic mean of the Index levels for the two latest calendar years for which figures are available at the time when the determination is made, and the arithmetic mean of the Index levels for 1995 and 1996. In the event that the Index of the Price of Crude Oil acquired by Refineries ceases to be published the Minister may substitute arrangements for redetermination of annual payments having substantially similar effect to those set out above based on such other comparable Index as he may determine.

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

(c) No biennial determination shall have effect so as to reduce the annual payments below the levels set out in subparagraph (1) above.

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

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

THIS IS SCHEDULE 3 REFERRED TO IN THE FOREGOING LICENCE NUMBER P.1015 BETWEEN
THE SECRETARY OF STATE FOR TRADE AND INDUSTRY, SHELL U.K. LIMITED AND ESSO
EXPLORATION AND PRODUCTION UK LIMITED

The appropriate percentage

For the purposes of this Licence the appropriate percentage (as defined in
clause 10(1)) means $12\frac{1}{2}$ per centum.

P1015

THIS IS SCHEDULE 4 REFERRED TO IN THE FOREGOING LICENCE NUMBER
P.1015 BETWEEN THE SECRETARY OF STATE FOR TRADE AND INDUSTRY,
SHELL U.K. LIMITED AND ESSO EXPLORATION AND PRODUCTION UK LIMITED

INITIAL TERM WORKING OBLIGATIONS

The Licensee shall in respect of the licensed area:-

(i) reprocess 3D seismic using Pre-Stack Depth Migration before the expiry of three years from the date of commencement of the Licence, or such longer period as the Minister may agree; and ✓

(ii) drill one well to 2400 metres contingent upon the results of the reprocessing. ✓

While the initial term of the Licence will be six years, it will terminate automatically on a date, three years from the date of commencement of the Licence, unless an application for consent to drill a well is received by the Minister together with any supporting documentation necessary for the Minister to be able to consider the application. Where consent is granted, the Licensee must drill the well within the initial term. The Minister may agree to an extension of the period for the making of the application or a waiver or variation of the above obligations. ✓

THIS IS SCHEDULE 5 REFERRED TO IN THE FOREGOING LICENCE NUMBER
P.1015 BETWEEN THE SECRETARY OF STATE FOR TRADE AND INDUSTRY,
SHELL U.K. LIMITED AND ESSO EXPLORATION AND PRODUCTION UK LIMITED

RESTRICTIONS AND CONDITIONS

Block 49/20b

B - Environmental/Seismic and Drilling

Some of the B conditions are imposed due to the presence at certain times of the year of concentrations of seabirds, seabird colonies, marine habitats and communities, cetaceans/sea mammals.

- B1i** At least 30 days prior to the commencement of any seismic survey or making a request for a well consent in accordance with the model clauses, the licensee shall consult with regard to the operations proposed-
- (i) the relevant Departments (see note 1 below);
 - (ii) the Crown Estate;
 - (iii) the Joint Nature Conservation Committee;
 - (iv) any organisation which the fisheries liaison officer consults in accordance with condition F1;
 - (v) where the licensee proposes to drill a well, the local authorities which the licensee consulted prior to agreeing an oil spill contingency plan [WHERE APPROPRIATE - in accordance with condition C3]; and
 - (vi) where the licensee proposes to conduct a seismic survey, the local authorities for the coastline adjacent to the block [WHERE APPROPRIATE].

and shall notify the Secretary of State in writing of the result of those consultations. The licensee shall comply with any directions given by the Secretary of State in relation to any planned seismic activity (see note 2 below).

- B1ii** No seismic survey shall be undertaken during the 1 January - 31 May (MAFF) in any year.

- B5** Seismic exploration shall be conducted in accordance with the Guidelines for the Minimisation of Acoustic Disturbance to Small Cetaceans published by the Department of the Environment, Transport and the Regions (DETR).

Notes:

1. Relevant Departments: Department of the Environment, Transport and the Regions (DETR); Ministry of Agriculture Fisheries and Food (MAFF); Scottish Office Agriculture, Environment and Fisheries Department (SOAEFD).
2. The Secretary of State will take into account any notification made by the licensee in accordance with this condition in determining whether to grant any well consent requested and whether to make that consent conditional.

C - Oil spills

Applicants are advised to consult PON 1 (Oil Pollution).

Some of the C conditions are imposed due to the presence at certain times of the year of concentrations of seabirds, seabird colonies, marine habitats and communities, cetaceans/sea mammals.

- C1** Before commencing any activity (other than seismic surveying) authorised by the licence, the licensee shall have in place an oil spill contingency plan which has been approved in writing by the Secretary of State.

F - Fisheries and other interests

- F1** The licensee shall appoint a fisheries liaison officer and agree suitable arrangements with seismic survey and supply vessel owners it employs, their masters and the organisations which represent the local fishing industry, in order to promote good working relationships between the various parties. The setting up of the arrangements shall be the responsibility of the licensee. In particular the licensee shall
- (i) consult the Ministry of Agriculture Fisheries and Food, Scottish Office Agriculture, Environment and Fisheries Department, and the organisations which represent the local fishing industry the sea routes to be used by supply vessels;
 - (ii) after informing the Secretary of State of the result of those consultations, agree with him which routes shall be used to minimise interference with fishing activities without unreasonably increasing transit times;

(iii) ensure that the agreed routes are used unless safety of navigation or security of cargo considerations dictate otherwise; and

(iv) take all reasonable steps to ensure that a responsible person who is fluent in English is a member of the crew of the supply vessel.

- F2** The licensee shall make every effort to locate and remove, without unreasonable delay, any debris resulting from the licensed activities. The licensee shall consult the relevant fishing organisations on the method of clearance and inform the Secretary of State of the result of those consultations. If as a result of that consultation the Secretary of State shall determine that the method of clearance shall be modified, these modifications shall be observed.
- F3** Claims for damage or loss of gear or loss of fishing time arising from reported debris shall be dealt with promptly by the licensee.
- F4i** The licensee shall carry out a seabed survey to determine the likely herring spawning sites within a radius of 3 nautical miles of any proposed drilling location. Details of the proposed survey shall be submitted to the Secretary of State for approval at least 90 days prior to making a request for a well consent in accordance with the model clauses. A report on the results of the survey shall be submitted to the Secretary of State at least 30 days prior to making a request for that well consent. (See note 1 below).
- F5** The licensee shall consult the Department of the Environment, Transport and the Regions at least six months prior to making a request for a well consent in accordance with the model clauses. At least 30 days prior to making a request for a well consent, the licensee shall submit to the Secretary of State an assessment of shipping in the vicinity of the intended well location and detail the result of the consultations it has undertaken in accordance with this condition. (See note 2 below).

Notes:

1. The Secretary of State will take into account the results of the survey conducted by the licensee in accordance with this condition in determining whether to grant any well consent requested and whether to make that consent conditional. The Secretary of State may determine that drilling shall not be allowed within the area surveyed and require the proposed drilling location to be moved.
2. Condition F5 has been applied because the block includes a deep water shipping route. The Secretary of State will take into account the report made by the licensee in accordance with this condition in determining whether to grant any well consent requested and whether to make that consent conditional. Oil and gas activity at specific locations in the block may be restricted to safeguard navigation.